The history of the Far East for the last fifty years proves that no lasting peace is possible in that part of the world as long as Korea is used as a pawn by rival powers in international politics. His statement remains as true today as it was 62 years ago. The division of the country still prevents the establishment of real peace in Northeast Asia.

Korea was liberated on August 15, 1945, when Japan surrendered to the Allied Powers in World War II, but the price of ending Japan’s occupation was the partition of the country at the 38th parallel by the United States with the tacit agreement of the Soviet Union. Drawn ostensibly as a “temporary military demarcation line” in 1945, the 38th parallel was replaced by the “Demilitarized Zone” (DMZ) at the end of the Korean War in 1953. This new boundary dividing North Korea from South Korea has persisted as a semi-permanent military, political and ideological line, a defining symbol of the Cold War and a remnant of the three-year conflict between the two Koreas. It is also, tragically, a dividing line drawn with no input from Koreans.

As Gregory Henderson has written, no division is “so unrelated to conditions or sentiment within the nation itself” as that of Korea, and there is no division for which “the US government bears so heavy a share of the responsibility as it bears for the division of Korea.” Syngman Rhee, the first President of the Republic of Korea, was even more direct: “The Korean people were divided against their will to which no Korean was a party.”

On April 28, 1945, shortly before the formal division of the country, Cho So-ang, Foreign Minister of the Provisional Government of the Republic of Korea, a government-in-exile in Chongqing, China, released a statement seeking international recognition and membership in the United Nations for his nation.
In this essay, I will address three issues: 1) the desirable responses of the US to the rise of China and the relative decline of American and Japanese power in the region; 2) the fiasco of the way US President George W. Bush’s first national security team handled the North Korean nuclear question, and its subsequent shift to a better policy alternative in the unfolding six party talks; and 3) a set of policy ideas for a better future for both the US and East Asia.

CHINA’S RISE TO AN “UNCLIMBED PEAK”

In Travis Hanes and Frank Sanello’s *The Opium Wars*, there is an eye-catching passage that is relevant to today’s policy challenges:

During Qianlong’s reign...in 1736, China had become the richest and most populous country in the world. During his reign, the empire doubled in size and area as its armies conquered huge swaths of Central Asia, Outer Mongolia, and parts of Russia....

Between 1710 and 1759, the imbalance in trade was staggering, draining Britain of silver, the only form of payment China accepted for its coveted tea. During this period, Britain paid out 26 million pounds in silver to China, but sold it only 9 million in goods...

In 1773, opium earned the [British East India] Company 39,000 pounds. Twenty years later, the annual revenue from opium sold in China alone had ballooned to 250,000 pounds. The popular drug was incrementally beginning to reverse the imbalance of trade between Britain and China. Between 1806 and 1809, China paid out eleven million Spanish dollars for opium....

Nearly 140 years after the Opium Wars (1839-42, 1856-60) between Imperial China and Britain, China is again on the rise and its economy is climbing toward a still unmarked peak. In the modern age, China has become the world’s largest manufacturer of a staggering range of products, and the US has replaced Britain as China’s top trading partner. So what is the American equivalent of British opium? Is it blue jeans, Big Macs or Coca Cola? They are all “made in China” and found everywhere in the country. Whatever the new opium is, it should not result in either a new arms race or a new Cold War.

Duckhyun Kim’s research illustrates the dramatic economic rise of China. His study of the relative distribution ratio (RDR) of gross domestic product (GDP) and trade volume among six states in the region since 1990 — China, Russia, Japan, North Korea, South Korea and the US — shows an interesting set of trends. The data measure the proportion of each country’s GDP and trade volume relative to the others.

First, the United States’ RDR of its GDP among the six states reached its peak in 1999 with 59.3% and its trade volume RDR peaked in 1998 with 60.1%. Japanese GDP’s RDR peaked in 1991 with 34.2% and that of Russia in 1990 with 3.1%. Japan’s trade volume RDR also peaked in 1991 with 27.1%.

Second, only the Chinese GDP’s RDR among the six states has been expanding, although at 9.3% in 2004, it is still roughly only a third of Japan’s share (26.8%) and a sixth of the US’s share (58.6%). China’s trade volume RDR demonstrated a similar trend. In 2004, its trade volume RDR reached 19.8%, which surpassed Japan’s 17.4%. The US portion of its trade volume RDR in the same year was 49.8%, which was about 2.5 times larger than that of China.

The crux of the matter is that only China’s GDP and trade volume RDR are expanding, while the rest of the countries in the study group have been shrinking at a steady pace. China’s unique economic status reflects the fact that it has been the world’s most rapidly growing economy for the past 25 years.

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5 Although the US is not a part of Northeast Asia geographically, it is included in this survey for two reasons. It is a preeminent power in the region, as evidenced by its bilateral military alliances with Japan and South Korea, its critical role politically, economically and culturally, and the fact that it is the principal trading partner of China, Japan and South Korea.
The US is stuck in a series of inherent contradictions between the ideals of America’s founding fathers and the garrison-state direction the nation is embarked upon, given the widening gap between its global military objectives and commitments and the means to realize them.

Third, among the six states, North Korea’s data are virtually absent, unreliable and negligible during the study period. The South Korean GDP’s RDR has been steady at 3.3% from 2002 through 2004. Its trade volume RDR peaked in 1996 at 8.5%, with a slight downturn in 2004 to 8.2%.6 China now has the world’s largest foreign exchange reserves, with US$1.33 trillion as of July 2007; its global trade surplus jumped nearly 75% from the previous year to a record $177.5 billion in 2006. The US trade deficit with China in 2006 alone was over $200 billion.

By contrast, the US trade deficit widened to a record $763.6 billion in 2006, registering its fifth consecutive record-breaking year. The US trade deficit for the latest 12 months as of May 2007 was $827.1 billion or 6.0% of GDP while China’s trade surplus for the same period was $229.1 billion, or 10.7% of its GDP. In July 2007, the US National Debt Clock recorded the US outstanding public debt at $8.9 trillion, which placed the US as the world’s biggest debtor nation.

According to an estimate in the CIA World Factbook, the current account balance in 2006 for China, Japan, Russia and South Korea stood at $179.1 billion, $174.4 billion, $105 billion and $2 billion, respectively, while only the US showed a deficit of $862.3 billion. World Bank data as of July 1, 2007, show that in 2006 the GDP for the US was $13.2 trillion, making it the world’s largest economy in absolute GDP terms, followed by Japan, Germany and China. The figures for Japan, China, Russia and South Korea were $4.3 trillion, $2.6 trillion, $987 billion and $888 billion, respectively. In other words, on a PPP basis, China’s GDP is roughly twice that of Japan, while the gap between China and the US is substantially narrower.

If GDP is calculated on a purchasing power parity (PPP) basis, a measure that adjusts currencies for purchasing power in different countries, the story looks quite different. In 2006, GDP on a PPP basis for the US was $13.1 trillion. For China, Japan, Russia, South Korea and North Korea, the figure was $10.1 trillion, $4.2 trillion, $1.74 trillion, $1.19 trillion and $40 billion, respectively. Behind the rosy picture of China being the world’s fastest growing economy, however, is the fact that it is still a one-party communist state, despite the economic reforms that have produced breakneck growth. It has yet to cope with the inherent contradictions of one-party politics and a free market economy, let alone the rising income gap between the wealthy coastal...
regions and the hinterland, between rural and urban areas and between agricultural and industrial sectors.

Notwithstanding the drastic decline in the poverty rate from 64% at the beginning of economic reform in the late 1970s to 10% in 2004, the income disparity between highly educated urban professionals and the urban working class and between the countryside and the city have worsened significantly, along with discontent over rampant corruption, mismanagement and a breakdown in political accountability. Growing social disorder and citizen protests, shortages of natural resources, especially water and oil, environmental deterioration and even the prospect of an aging population could put a damper on China’s sustained rapid growth in the long run.

THE NEW AMERICAN DILEMMA

In the context of China’s dramatic rise, there has been a strategic shift in US-China relations. Bush’s policy toward China is a case in point. The US’s Quadrennial Defense Review Report, 2001, without fingerling China directly, says that “a military competitor with a formidable resource base will emerge in the region,” although the US will not face “a peer competitor in the near future.” By 2006, the Quadrennial Report becomes more specific: “Of the major and emerging powers, China has the greatest potential to compete militarily with the United States and field disruptive military technologies that could over time offset traditional US military advantages absent US counter strategies.”

The National Security Strategy of the USA, March 2006, is equally blunt. As China becomes “a global player, it must act as a responsible stakeholder that fulfills its obligations and works with the United States and others.” Specifically, the document says that China must remove “old ways of thinking and acting that exacerbate concerns throughout the region and world such as its non-transparent military expansion, supporting resource-rich countries without regard to the misrule at home or misbehavior abroad of those regimes, a peaceful resolution of the Taiwan question without coercion and without unilateral action by either China or Taiwan.”

In this context, the “strategic partnership” of the Clinton administration is gone. The shift to Bush’s strategic competition with China has accelerated an arms race between the two countries, as seen in their respective increases in military expenditures.

Data from the CIA World Factbook on military expenditures is noteworthy. The world’s total military expenditure in 2007 was estimated at over one trillion dollars, of which US spending alone was $532.8 billion, or 53% of the world total. Among the countries in East Asia, the military expenditures of Japan, China, Russia, South Korea and North Korea were estimated at $46 billion, $45.5 billion, $32.4 billion, $21 billion and $5 billion, respectively.

With the Bush administration’s ballooning military budget due primarily to the war in Iraq and the global war against terrorism, can the US economy sustain itself indefinitely with its huge national debt, trade and national account deficits and gargantuan military expenditures? How long can and will the US embrace the dubious reputation of being the world’s biggest arms supplier?

This is the “new American dilemma,” exacerbated by the Bush administration’s misconceived and misdirected policies in Asia and around the world. The US is stuck in a series of inherent contradictions between the ideals of America’s founding fathers and the garrison-state direction the nation is embarked upon, given the widening gap between its global military objectives and
commitments and the means to realize them. On January 17, 1961, in his farewell address to the nation, US President Dwight D. Eisenhower warned that the American people must “guard against the acquisition of unwarranted influence, whether sought or unsought, by the military-industrial complex.” He added “only an alert and knowledgeable citizenry can compel the proper meshing of the huge industrial and military machinery of defense with our peaceful methods and goals, so that security and liberty may prosper together.”

Forty-six years after Eisenhower’s warning, the inordinate influence — economic, political and even spiritual — of the military industrial complex is more pervasive than ever before. Terrorism has become the new global challenge, as the recent tragic crisis of the Korean hostages in Afghanistan graphically demonstrates. The Israeli-Palestinian question is still unresolved. The questions of a divided Korea and Taiwan’s separation from the mainland and territorial disputes over several islands in the region continue.

But the world has undergone profound changes over the past decades. The Cold War is now history, as is the Soviet Bloc. Germany is reunited. The information revolution is accelerating at a breakneck pace. As the world’s largest economy, the EU, with its 27 member states, has emerged as a supra-political and economic union. China, India and East Asia are on the rise. Clinton’s globalization campaign was successful in slowly yet steadily re-directing and converting America into a peacetime economy in the face of seismic changes in the global political, economic and security landscapes. Prompted by the attacks of September 11, 2001, however, the Bush administration plunged the US into war by leading the coalition forces into Afghanistan and Iraq. To use Seymour Melman’s phrase, America is back to a “permanent war economy.”

Key companies in the defense and petroleum industries are booming. Among the world’s top defense contractors, 91% of Lockheed Martin’s 2006 revenues came from defense, as did 96.1% of Raytheon’s, 50% of Boeing’s and 78% of General Dynamics’ — all of them US companies. Meanwhile, half of the top ten Fortune Global 500 companies are oil companies. At the top of the list is Exxon Mobil with $39 billion in revenue, followed by Royal Dutch Shell, BP, Chevron and ConocoPhillips.

Some $20 billion in arms sales to Saudi Arabia and five other oil-rich Persian Gulf states, and new 10-year military aid packages to Israel and Egypt, typify the most recent deals under the Bush administration.

Three points are noteworthy in this regard. First, unlike the European Union, which has by and large succeeded in building a multi-state economic union of peace and prosperity, the US economy’s excessive dependence on military-related corporations and industries cannot continue indefinitely. Paul Kennedy’s “imperial overstretch,” Noam Chomsky’s “dilemma of dominance” and Chalmers Johnson’s “sorrows of empire” are no longer mere polemics but real, vital concerns.

Second, like Jean Monnet and Robert Schuman, the visionary founders of today’s EU, the United States needs new visionaries to break the vicious circle of the new American dilemma, which continues to militarize its economy, politics, society and culture. Combating terrorism cannot continue to be the justification for undermining American democratic values. In the long run, the conversion to a peace economy is
a rational and viable option, and it provides a constructive way for Washington to preserve its democratic ideals.

Though difficult to undertake and bitter to swallow, this option is good not only for America but for the rest of the world. As Zbigniew Brzezinski has written, “Continuing doggedly to seek ‘a victory’... dooms America to rising costs in blood and money, not to mention the intensifying Muslim hostility and massive erosion of America’s international legitimacy, credibility and moral reputation.” William Pfaff’s recent commentary on Bush is even more scathing: “it is the United States that has been weakened by its own folly in Iraq, demonstrating foreign policy incompetence and military irrelevance. American ‘soft power,’ formerly great, has been dealt a crushing blow. The United States is more badly damaged by Iraq than it was by Vietnam.”

Third, the American role in this region should be that of a security arbiter, not an antagonist against a non-existing “peer competitor in the future” or “the greatest potential military competitor.” This approach to China is neither a sound strategy nor a prudent way to enhance goodwill among nations in the region; it is a self-fulfilling prophecy, providing a rationale for higher military budgets. I do not deny the necessity to maintain a strong defense capability against an uncertain future, but the Bush administration’s hard-line posturing is full of excesses and red herrings.

Nearly 2,400 years ago, Plato wrote of the Athenian citizen in Laws: “He’ll become a genuine lawgiver only if he designs his legislation about war as a tool for peace, rather than his legislation for peace as an instrument of war.”

It is telling that no American president has been able to neatly wrap up the overseas wars that began during his term of office. It is doubt-

**Behind the rosy picture of China being the world’s fastest growing economy, however, it is still a one-party communist state, despite the economic reforms that have produced breakneck growth.**
ful Bush will be an exception. Ironically, South Koreans are now largely free from the ideological black-and-white politics of the Cold War era despite the division of the country. By contrast, Bush has advocated a polarizing and unpopular “with-us-or-against-us” posture since 9/11.

As the sole military hyper-state and the world’s largest economy, the US must look beyond Bush’s myopic moral perspective. To regain its global moral leadership, the US must identify real enemies of humanity — the intergenerational transmission of poverty, illiteracy, communicable diseases, ecological disasters and global warming — and begin to combat them in earnest. This may sound starry-eyed, but it may be what is needed to end “the new American dilemma.”

Jeffrey D. Sachs said it better: “The only way to sustainable peace is through sustainable development. If we are to reduce the risk of war, we must help impoverished people everywhere, not only in Darfur, to meet their basic needs, protect their natural environments, and get onto the ladder of economic development.”

**BUSH AND THE NORTH KOREAN NUCLEAR PUZZLE**

Let me now turn to the Korean Peninsula, and America’s role there. The mishandling of the North Korean nuclear question by Bush’s first-term national security and foreign policy team not only disrupted the inter-Korean integration process but also worsened the enmity among nations in the region.

Bush’s approach to North Korea was a policy debacle *par excellence* because it failed to prevent North Korea from reactivating the Yongbyon nuclear reprocessing plants, halted the construction of the two light-water reactors in Kumho, North Korea, and brought about the demise of the Korean Peninsula Energy Development Organization for which Seoul alone had spent a virtually unrecoverable $1.4 billion. Above all, it failed to preempt, diplomatically or otherwise, North Korea from testing an underground nuclear device on October 9, 2006. For this failed policy, North Korea’s highly enriched uranium incident of October 2002 played the role of *deus ex machina* for the Bush policy team.

The uranium incident erupted when the Bush administration claimed that North Korea “admitted” to having such a program, while North Korea denied the claim by asserting that it only meant it was “entitled” to have one. For several reasons the incident deserves thorough investigation to determine which side is telling the truth. Its consequences have been too extensive and costly to be swept under the rug.

If truth and trust are to govern interstate relations, any lingering doubts and suspicion surrounding the uranium incident need to be dispelled, and those officials who are responsible should be held accountable. Fortunately, the incident has not led to war in the peninsula. Unlike the 1964 Gulf of Tonkin Incident that was used to justify the escalation of US involvement in the Vietnam War, and the alleged weapons of mass destruction that precipitated the present Iraq War, the six-party talks have succeeded in creating a comprehensive negotiating forum, despite the uranium incident. While diplomacy failed in both Vietnam and Iraq, the progress of the six-party talks is a ray of hope on the Korean Peninsula.

For this to happen, Bush’s position on North Korea’s highly-enriched uranium program had to take a 180-degree turn. For instance, Christopher Hill, the Assistant Secretary of State for East Asian and Pacific Affairs, denied that North Korea had ever confirmed having such a program. Secretary of State Condoleezza Rice also denied that North Korea’s uranium program “ever got beyond R&D.”

The change in course itself raises intriguing questions. Was the shift in the US position the result of new intelligence findings, a new policy or a change in strategy? Senator Carl Levin (D-Michigan), chairman of the US Senate Armed Services Committee, raised the question in letters to Rice and US Defense Secretary Robert Gates. Had an intelligence assessment on North Korea’s nuclear program changed since 2002:
“If so, when did it change, why did it change and how did it change?” he wanted to know.

But was the information revealed by the United States in 2002 sufficient justification for dismantling the 1994 Geneva Agreed Framework and damaging US-North Korean relations to the point of driving Pyongyang to conduct its first underground nuclear test? Who will be responsible for the opportunity cost and time wasted for the inter-Korean integration process? What about the critical loss of trust between North Korea and the US? In light of these issues, a full probe into the uranium caper is warranted sooner rather than later.

THE APPROACH TO NORTH KOREA
Bush’s double-track approach to North Korea became apparent during his second term. The first track, the six-party talks, is an “above-the-surface” open forum. The US Treasury Department-initiated “below-the-surface” probe of North Korea’s illicit financial activities overseas, exemplified by the Banco Delta Asia (BDA) probe, is the second track.

These two tracks have sometimes seemed perplexing and at odds with one another, but they have proceeded according to their own logic. Although the first round of the six-party talks began in August 2003, the talks soon stalled, making progress only during Bush’s second term. The September 19, 2005 Joint Statement was the first significant agreement. But on September 15, four days before the announcement of the Joint Statement, the US Treasury Department designated BDA in Macao as a “primary money laundering concern” under section 311 of the USA Patriot Act because of its dealings with North Korea. The bank was put under the stewardship of monetary authorities in Macao and North Korea’s accounts were frozen. The Treasury decision stalled the six-party talks until their resumption on February 8 of this year, leading to the February 13 Beijing Agreement.

Likewise, on March 14, the US Treasury handed BDA its final ruling. This once again delayed the implementation of the Beijing Agreement until the BDA issue was finally resolved nearly four months later on July 3, when a complex deal was worked out to return $25 million in frozen North Korean assets to Pyongyang via the US Federal Reserve and a Russian bank. In response, North Korea shut down the Yongbyon facilities and Mohamed ElBaradei, the head of the UN International Atomic Energy Agency, confirmed on July 18 that all five nuclear facilities had been shut down and that appropriate measures have been put in place.

The six-party talks resumed in Beijing on July 18-20 and chief delegates agreed, among other things, to convene five working groups and hold a session of chief delegates in September. Christopher Hill, the chief US delegate, in his briefing on July 23 said that he expects to see the full declaration of all nuclear programs and the disabling of nuclear facilities by the end of this year. While that timetable seems somewhat ambitious given the delicate operational matters the working groups must iron out, the mood has been optimistic and delivery of the fuel aid promised to the North in return for shutting down the Yongbyon facilities has begun.

In sum, the six-party talks are back on track. At a minimum, North Korea must have learned in dealing with the BDA issue just how perva-
sive American financial, trade and monetary clout can be.

LOOKING AHEAD

From the Korean perspective, three concrete matters will have enormous impact on future Korea-US and US-East Asian relations. First, the ROK-US alliance is currently undergoing realignment, restructuring and relocation to meet the challenges of the new century. Both sides have agreed that the ROK-US Combined Forces Command will be dismantled and that a transition to a new command relationship between the two forces will be completed by April 17, 2012, with South Korea taking operational command of its own forces in the event of war.

Second, the signing of the Korea-US free trade agreement in June, which is subject to ratification by both the Korean National Assembly and US Congress, is another landmark deal. The transformed military alliance and the free trade deal represent two interlocking bilateral military and economic pillars that should rein-vigorate relations between the two nations in the new century.

The top policy priority should be the successful implementation of the five key agenda items of the six-party talks: 1) denuclearization of the Korean Peninsula; 2) normalization of North Korea-US relations; 3) normalization of North Korea-Japan relations; 4) economic and energy cooperation; and 5) a Northeast Asian peace and security mechanism.

Of these issues, Korea-US military restructuring and the free trade deal are like two birds already in hand, while the five agenda items from the six-party talks are like five birds still in the bush. The time for rhetoric is over; the six parties must produce concrete results.

Finally, let me make some policy suggestions for building a Northeast Asian peace and security mechanism.

First, leaders and policy-makers in this region must heed Cho So-ang’s remarks with which I opened this essay. Any leader or policymaker who continues to see a divided Korea as “two pawns” and clings to the notion that major powers can do anything they wish in the region, is both wrong and anachronistic. This means that Korean leaders must overcome their small power complex, while major powers must discard their big power syndrome. Korea, though tragically still divided, is and should be an independent actor in building a regional peace and security mechanism.

Second, the free trade agreement and military restructuring are positive developments in forging closer economic integration and a more robust military alliance between South Korea and the United States, provided that they impede neither the pace of the inter-Korean process nor that of closer cooperation between South Korea, Japan, China and Russia. The same applies to the building of new regional peace and security mechanism with an added prerequisite. Namely, this mechanism must promote the goal of realizing a united Korea.

Third, China, Russia and North Korea must facilitate further reform, opening and democratization, but the US must assume a leadership role in reducing tensions in the region. Playing the balance-of-power game of a bygone era may seem beneficial to America’s special interest groups or partisan segments of its population, but it is not in Washington’s medium- and long-term national interest. Nor is it consistent with the creed of the American founding fathers. The US must play the role of an impartial arbitrator of security disputes, a subtle facilitator of liberal democracy and, above all, a champion peacemaker.

Finally, the Republic of Korea, the US, Japan, China, Russia and other friendly nations must work together to peacefully remove the Cold War glacier from the Korean Peninsula to pave the way for reunification.

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