U.S. Involvement in Korean Reunification:
Unilateral vs. Multilateral Engagement

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Executive Summary

For over sixty years the nation of Korea has been divided into two halves, North and South. Development in the North has been stalled for approximately three decades and the continuing economic deprivation, combined with the growing likelihood of an imminent and tenuous transfer of power to Kim Jong Il’s youngest son, increases the potential for economic collapse in the North and absorption unification by the South. Given the severity of the economic disparity between the two nations, unification in this manner is likely to be far more expensive than South Korea can reasonably afford on its own. The United States has been deeply involved in the East Asian region for decades and has extensive relationships with South Korea and its neighbors. Because of these deep regional interests and ties it is unthinkable that the United States would not assist the reunification process in some manner. What the United States must decide is if it intends to engage in Korean reunification in a unilateral or a multilateral manner.

The United States gains a great deal by planning for a regional partnership approach to Korean reunification. This approach will allow the United States to maintain its regional influence while improving its relationships with the four other nations involved: Korea, Russia, China, and Japan. A regional partnership will help South Korea finance reunification through both multilateral aid and by promoting projects that will improve the infrastructure and connectivity of the North to encourage further foreign direct investment. The faster North Korea is brought up to an economic level similar to South Korea the more stable the nation as a whole will be. This will allow United Korea to be better able to economically and politically engage with the region and the world as a whole. The United
States, and the entire East Asian region, benefits from helping Korea accomplish reunification as smoothly and as rapidly as possible.

Introduction Information

Since the end of World War II, the United States has been South Korea’s most dependable military and economic ally. Currently, the United States has 28,000 troops stationed in South Korea and those bases are the only military presence the U.S. has on mainland East Asia. The economic ties between the two countries are even greater. For several decades the United States was South Korea’s largest trading partner, although that position has recently been taken over by China and the United States has dropped to fourth behind Japan and the European Union. Currently, South Korea is the United States’ seventh largest trading partner with a total annual trade between the two nations of approximately $80 billion.

Given these strong ties it seems logical to assume that the United States will take a dominant role in assisting and financing a Korean reunification plan that is led by Seoul. There are other factors to consider, however. The United States has been working to strengthen its other relationships in the region, particularly with China. The United States must reflect on how its actions in Korean reunification will affect those deepening relationships. The economic, political, and strategic costs and benefits to the United States

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3 (Niksch)
will be different depending upon if the United States chooses to take a self-contained unilateral approach or a multilateral approach based around a regional partnership.

Issues:

Issue #1: Is Reunification Likely and What Form Will It Take?

Since the initial division of the Korea peninsula at the end of World War II both halves of Korea have repeatedly stated their desire for reunification and made efforts towards achieving it. In 1972, the North-South Joint Communiqué declared that unification would not only be undertaken in a peaceful manner but would also be achieved by independent Korean efforts⁴. However, after the document was issued, talks between the North and South broke down. This process was repeated in 1991. In 2000, the June 15th South-North Joint Declaration stated that the two nations had agreed to work towards reunification in the form of a federation⁵. This agreement was reaffirmed in October 2007, but no significant progress has been made towards achieving its goals. The two nations remain as divided as they have ever been.

Historically, for divided nations there are four courses reunification can take⁶. There is unification by absorption, which occurs when the government of one half of the divided nation collapses and the land and people are then incorporated into the framework of the remaining portion. This is the type of unification that occurred in Germany in 1990.

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⁴ North-South Joint Communique, Pyongyang, 4 July 1972.

⁵ South-North Joint Declaration, Pyongyang, 15 June 2000.

Unification can also be achieved by one half conquering the other half by force, as occurred in Vietnam. Unification in this manner is still possible for Korea, but an examination of that scenario is beyond the scope of this paper. Unification by consensus is what has been attempted previously in Korea through the various joint declarations. As previously mentioned, this approach has been unsuccessful. Additionally, it is difficult to gauge if there is an adequate level of public support in North Korea for this option to be feasible.

The final option for unification is unification by trusteeship. Trusteeship is what South and North Korea experienced under the United States and the Soviet Union after World War II. Neither nation is likely to agree to such a scenario again.

The past decade of inter-Korean relations was marked by South Korean President Kim Dae Jung’s “Sunshine Policy”, which was aimed at building relationships and economic ties with the North to foster the goal of consensus reunification in the future. The Sunshine Policy resulted in a building of economic partnerships between the two countries, including the Kumgangsan Tourist Region. South Korea also supplied North Korea with considerable amounts of humanitarian assistance. The policy was expanded under President Roh Moo-hyun and the Kaesong Industrial Park was built as a joint effort at economic development. After North Korea’s nuclear missile tests in 2006, South Korea suspended its humanitarian aid shipments but left the economic partnerships in place. In 2008 the current South Korean president, Lee Myung-bak refused to expand economic activities at Kaesong unless the North Korea resolved the international standoff over its nuclear weapons\(^7\). Relations continued to chill after North Korea’s 2009 nuclear test and in November 2010 South Korea

officially declared the Sunshine Policy a failure and ended the effort\textsuperscript{8}. Recent news releases from South Korea have suggested that the nation is now looking towards an absorption style of unification\textsuperscript{9}.

South Korea’s economy rebounded rapidly from the global economic downturn. The nation experienced a record high trade surplus of $40 billion in 2009 and unemployment is at the lowest rate of all OECD countries at 3.6 percent\textsuperscript{10}. But while South Korea has one of the world’s most successful and dynamic economies, North Korea has one of the smallest and most stagnant\textsuperscript{11}. Given the economic disparity between the two nations, the current prevailing analysis is that absorption unification of North Korea by South Korea is the most likely unification scenario. In a poll of 40 Korean affairs specialists from South Korea and the United States, 31 stated that they believed that Korea would follow the German model of absorption unification\textsuperscript{12}. Numerous comparisons have been made between the reunification of Germany and the potential reunification of Korea. While the format may be the same, the situational specifics are quite different. To begin with, North Korea’s population is approximately half of South Korea’s, while East Germany’s was only a quarter of West Germany’s. Also, the economic differences between East and West

\textsuperscript{8} The Chosunilbo. \textit{White Paper Declares Sunshine Policy Dead and Buried}. Seoul, 18 November 2010.

\textsuperscript{9} Baokang, Xu. "'First Year' set to brace for unification poses grave erroneous signal." \textit{People's Daily Online} 30 December 2010.

\textsuperscript{10} Moon, Chung-In. "South Korea in 2009: From Setbacks to Reversal." \textit{Asian Survey} (2010): 56-64.

\textsuperscript{11} Funke, Michael and Holger Strulik. \textit{Growth And Convergence In A Two-Region Model: The Hypothetical Case of Korean Unification}. Hong Kong: Hong Kong Institute for Monetary Research, 2003.

Germany were much narrower than the differences between South and North Korea\textsuperscript{13}. Ultimately this means that South Korea will be left to absorb a much larger, poorer partner than West Germany faced. The initial challenges of blending two such different nations will be great and are beyond the scope of this paper. The important question is if this type of reunification would be ultimately likely and feasible.

In order for absorption unification to occur, the government of North Korea would have to collapse, resulting in a power vacuum in the North. Analysts have been predicting such a collapse for years but the Kim family government continues to muddle on. However, recent developments suggest that the possibility of collapse is more likely now than ever. To begin with, North Korea appears to be attempting to create the world’s first communist dynastic dictatorship\textsuperscript{14}. The nation’s first ruler, Kim Il Sung, was a beloved leader who was credited with liberating the nation from the Japanese, defending it during the Korean War, and successfully rebuilding the economy. In contrast, rule by his son, Kim Jong Il, has been marked by periods of famine and economic erosion. The people of North Korea appear to have supported Kim Jong Il’s rule largely because he is Kim Il Sung’s chosen successor and his first son, which aligns with Confucian tradition\textsuperscript{15}. Recently, Kim Jong Il designated his third son, Kim Jong Un, as his chosen successor. Little is known about the younger Kim and he is slowly being introduced to the people and the governing elite. It is possible that his establishment as a successor may not be a problem if he is given as much time to establish his position and learn how to rule as his father had under Kim Il Sung. However, Kim Jong Il is suspected to have suffered a stroke in 2008 and his health is largely considered to be

\textsuperscript{13} (Funke and Strulik)


\textsuperscript{15} (Oh and Hassig)
failing. If the elder Kim dies in the next few years it is questionable if Kim Jong Un will be able to hold on to his position. Also debatable is if the love and devotion the people of North Korea had for Kim Il Sung will carry through to a third generation of ruling descendents, especially if Kim Jong Un’s rule is marked by as much hardship and deprivation as that of his father.

North Korea has been experiencing a severe economic decline for several decades. This decline was accelerated by the collapse of its patron, the USSR, in 1991. Severe floods led to a period of deep famine and in September of 1995 North Korea was forced to turn to the outside world for humanitarian assistance, a violation of its own juche ideology. As of 2005 North Korea was the U.N. World Food Program’s (WFP) largest single-country program. The WFP estimates that nearly half of North Korea’s 23.7 million people do not have enough to eat and over a third of the population suffers from chronic malnutrition. This situation has recently been compounded as both South Korea and the United States decided to curtail food assistance as a consequence of North Korea’s nuclear program. In early 2011 North Korea had to renew its pleas for food assistance from the outside world, with limited results.

The people of North Korea have lived with significant economic deprivation for over sixteen years and the government has eluded collapse. However, events in the past year suggest that the stability of the government is becoming more tenuous. In 2009 North Korea initiated economic reforms that shut down the burgeoning market system, revalued

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16 Juche is a political philosophy based around the ideal of national self-reliance.
the currency, and effectively wiped out the life savings of a portion of the population. This monetary conversion led to severe inflation and an unprecedented amount of social unrest\textsuperscript{19}. Surprisingly, the public outcry led the government to back down and allow the markets to reopen. The public officials who had planned the currency reform were publicly humiliated and the finance minister was executed\textsuperscript{20}. The official economy of North Korea has been in dire straits for several years, thus the attempted reform suggests that the situation might be worsening to a point where the government felt compelled to try to reverse the trend. That the political unrest was enough to encourage the government to back away from its established position suggests that the power of public discontent is gaining traction in a traditionally docile populace. Increasing levels of public discontent is also evidenced by the fact that the number of defectors who escaped to South Korea via China increased tenfold in the four year period between 1998 and 2002\textsuperscript{21}. In addition, it is estimated that approximately 30,000 – 50,000 refugees live just across the border in China\textsuperscript{22}.

The increasing levels of public unrest combined with eroding economic conditions means that governmental collapse in North Korea is more likely now than ever. Considering that the legitimacy of the North Korean government is supported by the cult of personality surrounding its Dear Leader, the likelihood of disintegration is compounded by the potential transfer of power to an unknown, unproven leader. Even if this transfer takes


\textsuperscript{21} Boynton, Robert S. "North Korea's Digital Underground." \textit{The Atlantic} April 2011.

\textsuperscript{22} (Niksch)
place it is unlikely that fundamental problems could be quickly addressed to deal with the population’s basic needs. Without dealing with these systemic issues the government’s hold on power will continue to grow more tenuous.

**Issue #2: Can South Korea Finance Reunification On Its Own?**

The reunification of Korea is an expensive prospect. Estimates of the overall economic cost of reunification have ranged from an assessment of $2.2 trillion made by Marcus Noland et al. in 1996 to $3 trillion estimated by *Der Spiegel*, a German newsweekly, in 2000. These estimated costs will only continue to climb as time passes and the economic gap between North and South widens. Anticipated expenses used to construct these estimates include rebuilding the infrastructure in North Korea, increased social safety net costs for the newly unified country, and monetary and food transfers to mitigate the humanitarian situation and boost the per capita income in the North.

The economic disparity between North and South Korea is striking. The GDP of South Korea is ranked 13th worldwide while North Korea ranks 98th. Per capita income in North Korea is estimated at $1,800, a small fraction of South Korea’s $30,200. Steps will have to be taken to address the economic disparities in order to prevent a mass exodus of workers from the impoverished North to the economic opportunities of the South.

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23 (Bee)


25 (Funke and Strulik)
West Germany undertook such steps to address worker migration when it absorbed East Germany. The economists Funke and Strulik used a two-region endogenous growth model to determine if South Korea would be able to finance the same level of transfer payments that West Germany spent on East Germany, assuming a complete absence of foreign aid\(^{26}\). A previous study by Funke and Strulik established that West Germany’s initially transferred 14 percent of its tax revenue to East Germany in an effort to mitigate the level of worker migration. Their results for Korea show South Korea would have to send over 50 percent of tax revenues to the North in order to achieve complete income parity. No nation can give up 50 percent of its tax revenue to boost its partner, even for a short time period. If, rather than even parity, the Koreans aimed for 75 percent parity, the revenue transfer would be 40 percent at first, would drop to 20 percent after ten years, and could be terminated after two decades. If 50 percent parity were the goal, the transfers would be 30 percent of tax revenues, but could be ended after ten years, at the cost of receiving approximately eight million migrant workers from the North\(^{27}\). These cost estimates only address the income parity problem leaving the infrastructure payments and increased social safety net costs still to be resolved.

Beyond monetary transfers, the current level of food aid being given to North Korea would have to be continued and likely expanded, at least in the short term. North Korea cannot feed itself. Its agricultural system suffers from outdated methods, poor soil quality, and a lack of an adequate transportation structure for the dispersion of goods\(^{28}\). In 2009,

\(^{26}\) Funke and Strulik
\(^{27}\) Parallel Economies." The Economist 29 December 2010.
South Korea provided $37 million in food aid to North Korea. This is a level greatly reduced from the $227 million given in 2006. The United States has previously provided over $1 billion in overall economic aid to North Korea, 60 percent in the form of food aid and 40 percent in energy assistance. China has also provided a considerable amount of food and energy aid to North Korea. These levels of aid from all three nations would have to be resumed, continued, and increased in order to prevent a massive influx of hungry citizens into China and South Korea.

In order for reunification to be successful, steps must also be taken to move beyond these monetary, energy, and food transfers and towards economic development projects for the North. North Korea’s transportation and energy infrastructures are failing and will have to be updated. Power outages are common, even in the showcase capitol city of Pyongyang. This lack of reliable energy has an echo effect throughout the rest of the economy. Factories fail to achieve their full capacity because of the lack of reliable energy. Hospitals cannot adequately serve patients because they lack the necessary energy resources. In order for North Korea to join with South Korea to create an efficient and productive unified nation a great deal of capital will have to be put into refurbishing the energy grid into something that can sustain even a basic level of economic development.

The transportation infrastructure has numerous problems similar to the energy sector. Most of it was built during the 1930s and a lack of improvements and maintenance...

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29 (Manyin)
31 (Oh and Hassig)
means that it has begun to fall into disrepair. These problems must be addressed in order for the North to draw the levels of capital and foreign investment necessary to fuel economic development beyond what South Korea can finance. Roadways, ports, and rail lines must also be improved so goods and services can begin to flow freely through the country and out to investing nations.

North Korea is increasingly unable to provide adequate medical and aging care to its citizens. Reunification would shift those citizens on to South Korea’s already burdened social safety net structure. According to the International Monetary Fund, the South Korean pension system has one of the lowest replacement and contribution rates in the OECD. This is further complicated by South Korea’s aging population and falling fertility rate. The addition of North Korean citizens to the pension structure would ultimately overstretch and bankrupt it. It has been suggested that the influx of North Korean workers and wages will help relieve some of the stress on the pension system. Unfortunately, a 1998 study found that 62 percent of North Korean children under the age of seven suffered from malnutrition and stunted growth. Those children are now in their late teens and early twenties, ready to enter the workforce, but limited in their potential productivity.

Considering the considerable costs and investments necessary to effectively achieve a sustainable reunification of Korea, it is not inconceivable that the costs could rise to the $3 trillion estimated by Der Spiegel. In anticipation of these costs, South Korean President

32 (The Stanley Foundation)
34 (Oh and Hassig)
Lee Myung-Bak has proposed a tax to finance reunification\(^{35}\). However, it will take a considerable amount of time for this fund to be built up to a level that could begin to help support the reunification process. Even with these additional funds, South Korea is faced with the daunting prospect of transferring a significant percentage of its tax revenues to the North for an extended period of time. South Korea could, conceivably, finance the reunification process on its own, but not without significantly burdening its own people and budget.

**Issue #3: Does South Korea Desire Outside Assistance?**

South Korea has been experiencing a period of rising nationalism. The nation’s increasing economic strength and regional importance has been a growing source of pride for the people. This rising sense of national pride strengthens the internal desire for Korean reunification to be a singularly Korean effort. The government may understand the necessity of outside intervention from a fiscal standpoint, but for the people the prospect of foreign involvement is unwelcome.

The generation of South Koreans that personally recall the sacrifices American soldiers made for their country is passing away. As the Korean War drifts into memory, South Korean attitudes towards the United States have become more critical, especially for those citizens who are under the age of 50\(^{36}\). A study of South Korean students showed that their trust level towards the United States was an average of 41.25 on a scale of 0 to 100. The war in Iraq and the United States’ other military endeavors, as well as the


\(^{36}\) (Niksch)
behavior of American troops stationed in South Korea, influence South Korean opinion and contribute to anti-American sentiments\textsuperscript{37}.

Despite the growing public opinion against the United States, the South Korean government recognizes that its alliance with the United States has been crucial to regional stability and prosperity. However, as South Korea continues to prosper and ascend as a regional power its sense of dependence on the United States decreases. South Korea has begun to view its relationship with the United States as one of equal partners, rather than a system of patronage\textsuperscript{38}. Accepting U.S. assistance with the reunification process could reset the relationship to one of benefactor and dependent, which would be a significant blow to Korean nationalistic pride.

Despite this, the government in Seoul likely understands that outside assistance with the reunification process, at least in some form, will be crucial. In 2009, the South Korean government had a budget of $260 billion\textsuperscript{39}. Funding the bulk of the reunification process will place a large strain on the economy and the general wages and living standards of the people. Funke and Strulik estimate that reunification would cause South Korea to see a drop in its annual growth rate from five to 1.5 percent. They state, “Since temporary losses of growth in investment translate to temporary losses in growth of wages, a definite loser of unification can be identified: the average South Korean worker.”\textsuperscript{40} Foreign aid of any amount would help to ease the burden on South Korea’s public budget and perhaps mitigate the loss of economic growth.


\textsuperscript{38} (Kim, Parker and Choi)
\textsuperscript{39} (Bae)
\textsuperscript{40} (Funke and Strulik 13)
The United States is not South Korea’s only option for outside intervention. South Korea is beginning to consider the value of trading a strong relationship with the United States for an equally strong one with neighboring China\textsuperscript{41}. Korea and China have centuries of shared history to draw upon and this, combined with China’s clear vested interest in the stability of the region, could make accepting aid from China slightly more palatable to the Korean populace. On the other hand, China has long been a supporter of North Korea and a government led by Seoul may have a hard time trusting Chinese motives for assistance. Ultimately, despite these concerns, when the time for reunification comes, South Korea will likely accept foreign assistance from whatever sources are available.

\textit{Issue #4: What Other Nations Will Be Involved in Korean Reunification?}

The United States is not the only nation with a strong interest in the future of Korea. China, Japan, and Russia all have economic interests in the region that they want to expand and maintain. Additionally, those nations each have political and security concerns and important historic ties to Korea both as a divided and united nation. For these reasons, China, Japan, and Russia are all likely to be involved in the Korean unification process in some capacity.

\textbf{China:}

Like the United States, China has a strong interest in and opinion on the eventual reunification of Korea. Historically, Korea has been subject to a high degree of Chinese influence and China regards both North and South Korea as important regional allies. Since the fall of the USSR, China has been North Korea’s most dependable ally and supporter.

China, in turn, has depended upon North Korea as a buffer state between its border and the potential adversaries of Japan and the U.S. armed forces stationed in South Korea. Thus, China will be understandably concerned if South Korea completes the anticipated absorption unification. However, as China’s governing focus has shifted away from ideology and towards economic growth, its primary concern has been stability on the Korean peninsula, rather than the success of North Korea’s communist government. This has been brought about, in part, by South Korea’s growing economic ties with China.

Additionally, recently exposed information has suggested that China would be willing to accept a united Korea that is controlled by Seoul, as long as it is not actively hostile towards China.

Once unification is achieved, other concerns arise for China. The exact boundary between China and North Korea is still in dispute and China is concerned that a strong and united Korea will be more vocal about making territorial challenges. There is also a large Korean refugee community in Northeastern China near the border and there are concerns that ethnic Koreans in China would advocate for Korean annexation of the region.

Refugees are another reason why China is interested in seeing Korea become a stable and productive nation as soon as possible after reunification. China does not want a wave of

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starving refugees streaming out of Korea and into China and will take steps to ensure that this does not occur\textsuperscript{46}.

Economically, China would benefit a great deal from having a leadership role in the center of the world's fastest growing economic region. And despite the initial costs of reunification, Chinese analysts anticipate that a unified Korea would rapidly become a regional economic powerhouse\textsuperscript{47}. China is currently the largest trading partner of both North and South Korea and it is eager to maintain that position of influence. China is also interested in seeing U.S. influence in the region begin to wane. However, the Chinese government also recognizes that its growing ties with the U.S. are important and hence they are reluctant to undertake an overtly anti-American stance that would complicate those relations. In this same thread, China also views an economically strong and stable united Korea as a potential foil to Japanese regional influence\textsuperscript{48}.

Japan:

For its part, Japan is interested in seeing Korea rise as an economic and regional power to challenge and balance China. Like China, Japan has traditionally viewed Korea as a buffer state between itself and other regional powers\textsuperscript{49}. However, unlike China, Japan does not enjoy a friendly relationship with either South or North Korea. Due to Japan's history as an occupying force on the Korean Peninsula formal relations between Tokyo and

\begin{footnotesize}
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\item \textsuperscript{47} (Wang)
\item \textsuperscript{49} (Bedeski)
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Seoul are icy, but slowly improving\textsuperscript{50}. For the most part, relations between the two nations are limited to their significant levels of trade. Japan’s engagement with the unification process was expected to follow this pattern and be more focused on economic contributions rather than direct action upon the peninsula. This would have solidified Japan’s position as a major Korean trading partner and would have helped to increase its own regional economic influence. To that end, it was anticipated that Japanese businesses would devote a respectable amount of investment capital into the infrastructure and economic development projects of Korean unification\textsuperscript{51}. However, the earthquake and subsequent tsunami of March 11, 2011, means that most of Japan’s capital resources for the foreseeable future will be devoted to rebuilding and recovery.

**Russia:**

Russia is interested in Korea as a potential counter to the rising influence of both China and Japan. A strong and unified Korea that is free from the influence of those two nations would help maintain the regional stability that is important to Russia\textsuperscript{52}. Historically, Russia has viewed its relationship with Korea less in bilateral terms and more in a larger context of regional balance and competition with China, Japan, and the United States. The Soviet Union supported North Korea largely in order to prevent these other major powers from gaining influence on the peninsula that could threaten the USSR. Like


China and Japan, Russia has viewed the Korean peninsula as a buffer zone to its own borders\textsuperscript{53}.

More recently, Russia has been promoting two major economic projects in Korea. It would like to develop a transnational pipeline that would run through North Korea to supply oil and gas to the industries of Japan and South Korea. It’s also interested in building a rail line to connect Korea to the Trans-Siberian rail system, which would allow Korea access to European markets\textsuperscript{54}. These are projects that South Korea is greatly interested in as well. Beyond pursuing these capital intensive investment projects, Russian involvement in Korean reunification will be a technical necessity. During its period of patronage, Russia (then the USSR) built most of the infrastructure that is still in use in North Korea. South Korea will have to tap in to Russian knowledge and expertise in order to undertake the necessary infrastructure development and refurbishment, especially for the energy grid, that an economically sound unified Korea needs\textsuperscript{55}.

**Options**

**Evaluative Criteria.** Each of the following options will be evaluated against the three following criteria:

- **Criterion 1:** Does the approach advance U.S. economic interests?
- **Criterion 2:** Does the approach advance U.S. political interests?
- **Criterion 3:** Does the approach advance U.S. military interests?


\textsuperscript{54} (Coghlan)

\textsuperscript{55} (The Stanley Foundation)
Option 1: Unilateral Involvement. The United States approaches its engagement in the Korean reunification process from a unilateral perspective centered solely on its relationship with Seoul and its own regional interests.

Option 1: Analysis.

- **Criterion 1: Does the approach advance U.S. economic interests?**

By approaching the reunification process from a unilateral perspective the United States can make a strong effort to reestablish itself as South Korea’s primary ally. This effort will be aided by the United States offering a significant level of foreign aid to Seoul for reunification. What is significant in terms of foreign aid? Currently the two nations receiving the most economic aid from the United States are Iraq and Afghanistan. In 2008 those two nations receive a combined amount of approximately $6 billion, which is almost 18 percent of the total amount the United States spent on economic assistance to foreign nations. In order to fully express its commitment to assisting Seoul with the reunification process the United States should pledge to donate at least as much, annually, to Korea.

Six billion dollars annually is not enough to offset the burden of the $3 trillion reunification price tag. From the perspective of the South Korean government, however, it is slightly more meaningful. As previously discussed, one of the largest costs to the government, especially initially, will be monetary transfers to the North to boost the

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standard of living in order to prevent a worker migration to the opportunities of the South. In 2010 South Korea took in a total of $160 billion in tax revenue\textsuperscript{57}. Following the previously outlined economic analysis by Funke and Strulik, if South Korea wanted to bring the North Koreans up to 75 percent income parity it would have to send $64 billion per year for the next ten years and $32 billion per year for the following ten years. If the goal was only 50 percent parity the cost would be $48 billion per year for the next decade, along with receiving eight million migrants. An annual $6 billion from the United States would cover approximately ten percent of these costs and would demonstrate the United States’ willingness to support Seoul through the reunification process and its desire to remain invested in the East Asian region.

Foreign aid has a sour reputation in the United States and many citizens feel that the United States spends too much on assisting other nations. To gain support for adding another $6 billion to the annual foreign aid budget to assist Korea with unification the United States government must answer one definitive question: What does the United States gain from investing in the Korean reunification process? To answer that question it is important to remember that South Korea is currently the United States’ seventh largest trading partner and is likely to become even an even more significant trading ally over the next few years. On December 3, 2010, the United States and South Korea signed the U.S.-Korea Trade Agreement (KORUS) that is expected to increase the export of American goods to South Korea by approximately $11 billion annually\textsuperscript{58}. This free trade agreement will be the second largest the United States is involved in after NAFTA. As previously mentioned it

\textsuperscript{57} Yonhap News Agency. S. Korea's tax revenues jump amid economic recovery. Seoul, 10 February 2011.

\textsuperscript{58} (The Office of the President)
is estimated that South Korea’s economic growth will drop significantly as a result of undertaking the reunification process. Foreign aid from the United States, even if it is only enough to offset some of the direct costs to the South Korean government, could help to mitigate the economic repercussions and allow the reunification process to conclude at a slightly faster pace than South Korea would be able to achieve alone. Not only does this help the both the South Korean and U.S. economies, it also helps the United States reaffirm its commitment to a dearly valued trading partner.

In the near term, however, finding the funding for Korean reunification could be a problem. The United States is currently in the process of attempting to trim the federal budget, not expand it. For fiscal year 2012, the Department of State requested $432.9 million for its Bureau of East Asian and Pacific Affairs. Maintaining a budget status quo while increasing economic aid to Korea by $6 billion a year will require spending reductions in other areas of the federal budget. Considering the military ties the United States has established in Korea funding could be justified through the Pentagon, which has a larger and more flexible budget than the Department of State. The two departments have recently expressed their commitment to working together to achieve the United States’ worldwide security and stability goals. The Korean reunification process would be an excellent opportunity to put those words into action.

The short term financial discomfort caused by investing several billion dollars into Korean reunification would have long term benefits. After the turmoil of reunification has


passed a united Korea is expected to have a strong economy that will be a valuable trading partner\textsuperscript{61}. By devoting significant assistance to reunification and reestablishing its support and commitment to the region the United States is setting itself up to regain some of the South Korean market share that it has lost in recent years. Thus, an outlay of several billion dollars in the short term would likely translate into a long-term economic boost from being Korea’s friend and benefactor during the difficult transition period.

- **Criterion 2**: *Does the approach advance U.S. political interests?*

  The United States’ relationship with South Korea has been an important factor in maintaining the level of influence that the United States has in the East Asian region. By reaffirming its commitment to Korea as an ally through assisting with the process of reunification the United States will be able to signal its continuing support for the nation of Korea and its desire to be an influential power in the region\textsuperscript{62}. Unilateral involvement also helps the United States to reaffirm its continuing position as a world superpower and source of significant aid and economic support to allies in need. A high level of involvement in the Korean reunification process will also help to justify the United States’ continuing engagement in the politics of the region. China, Japan, Korea, and Russia all have shifting regional interests, alliances, and ties each other and to the United States. A stronger relationship with Korea gives the United States more leverage when negotiating with other regional powers.

\textsuperscript{61} (Wang)
\textsuperscript{62} (Coghlan)
In the case of China, the United States will need that negotiating leverage. As China continues to ascend as an economic star to rival the United States the two nations have been cast as potential rivals. The United States does not want to lose its unique status as the world’s sole superpower, but should that happen it is equally important that the rise of China does not herald the beginning of another Cold War over competing ideologies. Increasing economic ties between the two nations have recently encouraged growing levels of cooperation. Despite these ties, China will likely be exceedingly uncomfortable with a unified Korea that is directly allied with the United States and thus potentially hostile to China. This discomfort is likely to be increased by the continued presence of the U.S. troops that are currently part of the U.S./South Korea alliance. With the North Korean threat removed any United States troops on the Korean peninsula will be viewed as a base for a potential power play against China. China will also likely be offended if the United States takes a unilateral approach to assisting with Korean reunification and ignores China’s obvious interests in the region. The U.S. must consider that taking a unilateral approach to Korean reunification could damage the United States’ emerging relationship with China.

Japan, in contrast, should be encouraged by the United States’ continuing involvement in the region. Like South Korea, Japan has benefited from being a regional ally of the United States and has nothing to fear from the U.S continuing to have influence on the Korean peninsula. For years China and Japan have been consistent rivals for political and economic influence in East Asia. The presence of the United States forces has helped to maintain stability in the region and has allowed Japan to focus on its economic growth

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64 (Wan)
rather than its own security. For years Japan used its status as an economic powerhouse to strengthen its position as a regional power. China’s recent emergence as an economic force diminishes Japan’s stature in that capacity. For that reason, Japan should appreciate that an economically strong Korea openly aligned with the United States could be a potential curb to the increasing regional influence of China.

As much as Japan does not want to see China continue increase its influence in the region, it also does not want United Korea to become a challenger for economic and political influence over the East Asian region. Japan and Korea historically have had a contentious relationship and a strong, nationalistic Korea could pose a potential threat to Japanese security. A continued alliance between the United States and Korea helps to ensure that United Korea will not be openly hostile to Japan. This is a situation where the friend of my friend is my tolerable neighbor. Thus, the United States will strengthen its relationship with Japan by guaranteeing that Korean reunification happens with a high-degree of U.S. influence.

Like China, Russia would prefer a unified Korea that is free of outside influence from the United States. On the other hand, Russia would also like United Korea to be free of Chinese influence as well. Ultimately, because of Korea’s geo-strategic importance Russia

66 (Eberstadt)
68 (Mitchell)
69 (Goma)
would like the peninsula to be free from all outside influence that isn’t Russian. However, as previously mentioned, Russia traditionally views relations with Korea in a much broader strategic framework of regional power balancing and border protection. It is likely that Russia will be displeased by the United States undertaking unilateral involvement in the Korean reunification process, both because it solidifies U.S. influence in the region and because it ignores Russian interests in the reunification process. However, it is unlikely that Russia would protest overtly because it values its relationship with the United States more.

The United States could see a certain amount of political gain from undertaking unilateral involvement in the Korean reunification process. Carrying out this option will allow the United States to strengthen its relationships with Korean and Japan, both longtime allies in the region. However, at the same time it is likely that being involved in this manner will damage the growing relationships the United States has with Russia and China. The United States must carefully consider if the trade-off in political relations is beneficial to its future goals.

- **Criterion 3: Does the approach advance U.S. military interests?**

  U.S. forces in South Korea have helped to both stabilize the region and maintain American influence in East Asia. By maintaining U.S. troop levels in the region the United States will continue to provide regional security. This will boost Korea’s ability to focus on

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70 (Joo, Russia and the Korean Peace Process)  
71 (Eberstadt)
reunifying its country, rather than its own security needs. This proposition serves the United States' interests as well. Currently South Korea provides the United States with its only military bases in mainland Eastern Asia. These bases are valuable military assets that help maintain U.S. influence in the region.

Japan, like South Korea, has also been a long-term military ally of the United States and is home to numerous U.S. military bases and personnel. However, in recent years those troop levels have been decreasing. If the United States does not have political influence over newly unified Korea, Japan may feel compelled to increase its own military protection in preparation of the day when U.S. protection is removed. South Korea may choose to give up the nuclear weapons currently held by North Korea, but it may not. Considering the historic animosities between Korea and Japan, Japan will undoubtedly feel threatened by a strong, potentially nuclear power across the Tsushima Strait (Korean Strait). If the United States has a high level of engagement and influence with Korea, Japan may feel more comfortable and could be persuaded to leave its military build-up at current levels. On a wider regional perspective, Japan also hopes that if a conflict arose between Japan and China, the increased military influence of the United States would keep Korea from choosing to side with China.

The entire region will not continue be welcoming to U.S. military forces. China especially will not be pleased about the reality of having United States troops stationed in Korea without the buffer of North Korea between them and the Chinese border. As previously discussed, without the threat of North Korea against South Korea, there is less

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72 (Mitchell)
73 (Shaplen and Laney)
74 (Wang)
justification for continued U.S. military presence in the region, except to exert U.S. influence. It is possible that China will protest vociferously against the United States having a role in Korean reunification that is backed by military might and will use its own troops stationed in the region to try to assert a similar level of control. This is a potentially contentious situation that must be handled with a considerable amount of care.

Russia will likely have a reaction similar to China and will also be opposed to continuing U.S. troop levels in Korea. Russia fears that a United Korea militarily aligned with the United States would mean an Asian version of the eastward expansion being undertaken by NATO. Additionally, Russia feels that a strong U.S. military presence directly on its border would be a considerable threat to Russian security. Should the situation disintegrate to the level of military engagement, it is unlikely that Russia would be the initial aggressor but it may be willing to align with China against the United States in order to protect its own interests.

South Korea itself may not be amenable to the idea of continuing to host U.S. troops on the peninsula. Some in South Korea feel that the United States is simply using the nation as a pawn in a contingency plan against China. Rising Korean nationalism after reunification may also resent the continuation of the American military presence and anti-American feelings could continue to rise.

Maintaining U.S. troop levels in East Asia as a facet of unilateral engagement in Korean reunification will have a double-edged effect. The United States will be able to increase its influence in the region and strengthen its only mainland East Asian bases. It
will also help to reaffirm the United States’ commitment to South Korea and potentially ease Japan’s apprehensions about Korean reunification. However, continuing troop levels will cause strained relationships with China and possibly Russia. Additionally, if South Korea reacts poorly to such a high level of continuing U.S. military engagement, the option could have a detrimental effect to regional stability.

**Option 2: Modern Statesmanship.** The United States works to develop a five-party regional partnership with South Korea, China, Japan, and Russia, to help finance and support Korean reunification.

**Option 2: Analysis.**

- **Criterion 1: Does the approach advance U.S. economic interests?**

  Spreading the burden of funding Korean reunification across several nations eases the burden for all involved, including the United States. By engaging moderately in a multilateral effort the United States would only have to pledge a modest amount in terms of funding. In 2008 the United States gave a combined total of $194 million in economic aid to both North and South Korea. Obviously the United States position as an ally would require this level to be increased to a certain degree for an event as significant as reunification. In 2008, the United States invested $1 billion in Ethiopia, another nation that is experiencing a certain amount of internal strife. The case could be made to devote a similar level of annual economic aid to Korea for the first ten years of the reunification process. By

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78 (U.S. Census Bureau)
investing approximately a billion dollars annually the United States is increasing aid to its ally, but at a level that is more easily absorbable by the federal budget and less likely to incite public backlashes against foreign aid.

As previously stated, once reunification is complete, United Korea is likely to be a regional economic power\textsuperscript{79}. By devoting even a limited amount to the reunification process the United States maintains its position as an interested trading partner and ally of Korea. In the long-term, the United States should continue to see trade benefits on a similar level to what it currently enjoys with South Korea. This level might even be increased as a unified Korea would add the growing purchasing power of North Korea’s citizens to the world economy. Learned animosities towards the United States would prevent them from buying American products for awhile, but eventually the United States would see a trading gain from their addition to the world marketplace.

China’s extensive interest in the stability of the region, its growing relationship with South Korea, and its desire to be a regional powerbroker means that it would also be willing to devote resources to Korea for the reunification process. As a member of a regional partnership, China should be expected to devote at least as much aid as it currently gives to support the current North Korean regime. Over a decade ago estimates were at $200 million in annual food aid and this number has likely only risen over time\textsuperscript{80}. Additionally, China’s desire to limit the number of refugees who flee from Korea into China will likely inspire it to invest more money into newly unified Korea, especially the North, to ease the deprivation brought on by the collapse of the North Korean government. Beyond

\textsuperscript{79} (Wang)
\textsuperscript{80} (Oh and Hassig)
this immediate necessity, China is eager to be seen as a helping hand and strong partner to Korea, for various political and strategic reasons. Being financial engaged in the Korean reunification process will also allow China to establish a long desired economic base in the Tumen River region in the North. Due to their extensive shared history and regional proximity, Korea is predisposed to favor China as an economic partner. By engaging China in Korean reunification as part of a multilateral effort the United States must accept that China is likely to remain Korea's number one trading partner and the United States will continue to lag behind.

Japan and Russia will also be members of the five-party regional partnership, but their economic assistance will likely be more limited than that from either the United States or China. Japan will be redirecting its economic resources towards its own recovery for the foreseeable future and while Russia may be able to devote some funding to Korea for reunification, it is itself still a recipient of foreign aid. However, as previously mentioned, Russia has a strong interest in starting several infrastructure projects to connect Korea with Russian rail lines and European markets. Rather than engaging in direct aid like China and the United States, Russia will likely contribute by bringing these projects to fruition.

In terms of economic benefits, the United States will see less of an economic boost through this option because it will be one of several smaller donors, rather than a primary contributor. Other likely sources of foreign aid include the World Bank, the IMF, and the Asian Development Bank, to name a few. However, by drawing Russia and China into a

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82 (U.S. Census Bureau)
regional partnership the United States develops a foundation for growing engagement with those two nations that could translate into increased levels of trade and cooperation.

- **Criterion 2: Does the approach advance U.S. political interests?**

Regional stability in East Asia is in the United States’ best interest. Historically, the Korean peninsula has been a site of power tensions between Korea, China, and Japan. Korean reunification could cause some of those historical tensions to rise to the surface once again. If the United States can foster a cooperative partnership between those nations, geared towards the common goal of prosperity and stability for Korea, the United States will also succeed in building its involvement and alliances in the region. The six-party talks surrounding North Korea’s nuclear weapons program have established a good framework and have opened the door for this level of partnership to evolve.

By facilitating a regional partnership focused on assisting Korea with the reunification process the United States will reaffirm its commitment to the Korean peninsula and strengthen its ties there. These ties will allow the United States to improve its relationships with China and Russia while continuing its close ties to Japan and Seoul. Drawing China into a regional partnership where the United States is only one of five members will hopefully limit the potential for the two nations to be seen as competitors for regional influence. This process will also allow the United States to continue to work on building a friendly and beneficial relationship with China. A similar effect should be achieved by including Russia in the reunification process and acknowledging their involvement and interests in the East Asian region. Additionally, Japan will be more
amenable to Korean reunification if it is drawn into assisting with the process in some way. This will allow Japan to work on building a mutually beneficial relationship with the reemerging nation. Given the history between the two nations, the level of direct Japanese involvement in the reunification process will have to be carefully considered and discussed by all nations before being actively implemented. Having the United States involved in that process will help to mitigate the inevitable tension.

Outside of East Asia, the United States will hopefully see a certain amount of political benefit from adopting a cooperative stance towards the region. During the second President Bush administration the United States was criticized for its perceived arrogance and overly hegemonic foreign policy. Treating Korean reunification as a multilateral endeavor that the United States is an equal member in may gain the U.S. international goodwill and strengthen its political ties both in the region and worldwide. This could allow the United States to move beyond the Bush legacy and continue to reassert and expand its position as a world leader that eases conflict and addresses challenging international events through diplomacy, rather than military might and intimidation.

- **Criterion 3**: Does the approach advance U.S. strategic interests?

Taking on a collaborative, multiparty approach to Korean reunification that includes China will almost certainly require the United States to reduce or remove the military personnel it has based in South Korea. As previously mentioned, with the imminent threat

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of North Korea removed there is little justification for the United States to have 28,000 troops on the peninsula. By drawing down these troop levels, or removing them completely, the United States can demonstrate its confidence in the ability of the regional partnership to maintain stability in the region. As it is highly anticipated that one of China’s requirements for Korean reunification will be that U.S. troops remain far away from the Chinese border, this move will be particularly beneficial towards securing China’s engagement in the regional partnership endeavor.\textsuperscript{84}

On a worldwide level, this troop reallocation is in the United States’ overall best interest. Completely removing troops from the Korean peninsula would mean that the United States would lose its only military bases on mainland East Asia. This has a strategic cost, but an economic benefit. It costs the United States approximately $1.23 billion a year to maintain its military obligations in Korea.\textsuperscript{85} Removing those troops would free that funding to either help assist the reunification process or to fund projects elsewhere. Additionally, the United States has a vested interest in the Middle East and is likely to have to maintain a large number of troops there for quite some time. This commitment requires U.S. military forces not directly involved in that region to be flexible and available for deployment anywhere in the world.\textsuperscript{86} Pulling troops out of permanent quarters in South Korea and devoting resources to more flexible deployments will ultimately improve the ability of the U.S. military to respond to crises in both East Asia and other parts of the world.


\textsuperscript{85} (Niksch)

\textsuperscript{86} (America’s Alliances in East Asia: Purposes and Prospects)
South Korea’s own military is large enough that as long as it still has the United States’ alliance and assistance it should not be concerned about the removal of the 28,000 permanent troops. Removing U.S. troops from their permanent bases also frees up approximately $770 million for the South Korean government to devote to other endeavors\textsuperscript{87}.

Drawing the regional powers into a multiparty cooperative over the reunification of Korea should also help Japan to feel less strategically threatened. As previously discussed, the historic rivalries between the two nations can be offset by the type of economic interconnection that would be necessary to support Korean reunification. As long as Japan is involved in the regional partnership with China and Korea they should all be encouraged to cooperate and refrain from hostile engagement. The necessity of U.S. security shield for the region could be reduced the nations become more economically and politically intertwined.

**Recommendations**

It is my recommendation that the United States begin taking the necessary steps to plan for the implementation of the multilateral policy option for Korean reunification. Both options have features to recommend them. Approaching Korean reunification from a unilateral standpoint would solidify the United States’ relationship with Seoul but at the cost of alienating China and Russia. By maintaining a military presence on the peninsula after the dissolution of the North Korean threat, the United States would risk confrontation

\textsuperscript{87} (Niksch)
with those two powers. There is also the potential for a backlash of Korean nationalism against U.S. influence. Additionally, if the United States engages in a solely bilateral relationship with South Korea other nations may be encouraged to do the same. This will give South Korea several allies that it can choose to play off each other in an effort to work out the best possible arrangement for itself. This would not be beneficial for the United States or conducive to regional stability.

Developing and expanding a regional partnership to facilitate Korean reunification not only enhances the United States’ relationships with Korea, China, Japan, and Russia, but also heightens those nations’ relationships with each other, leading to greater security and stability for the region as a whole. Militarily, the United States would be released from its commitments to the peninsula and free to adopt a more elastic military arrangement for the region. Economic benefits may not come directly from Seoul but rather from positively engaging with the region as a whole. China’s economy is booming on a larger scale than even South Korea’s and trade between the United States and China has been growing considerably in recent years. If the regional relationship over Korean reunification helps to ease and solidify a smoother political relationship between the United States and China economic benefits in terms of trade could follow.

Engaging in a regional partnership to facilitate Korean reunification also allows greater flexibility to all five powers in terms of how they choose to invest in and be involved with the process. Japan, for example, will likely desire to be involved in a fiscal aspect, as much as it is able, but would not want to engage in any activities that would put Japanese nationals into Korea until relations between the two nations have improved
further. Getting Japan and Korea to strengthen their relationship is an outcome of the regional partnership that the United States should also strive to promote in the interests of improving stability in the region. One way to facilitate this is to encourage Japan to acknowledge and apologize for the brutality of its occupation of Korea during the early portion of the twentieth century. Japan has previously expressed an interest in paying $10 billion in reparations to Korea for the occupation88. A transfer of money on this scale with the express purpose of aiding reunification would go a long way towards easing old animosities.

Reunification will require the infrastructure and industries of North Korea to be rehabilitated and improved. China and Russia are not only well situated to help with these projects; they have already expressed an interest. As part of its membership in the regional coalition for Korean reunification Russia should be allowed and encouraged to build the previously mentioned railway connections on the peninsula. Similarly, China has shown a desire to build roads in North Korea to connect China to the Sea of Japan and to the markets in South Korea89. This is an area of involvement that the U.S. can allow China to spearhead with little loss of influence or economic engagement value to the United States. More importantly, the improvements in infrastructure will help bring investment into the region by providing a dependable way to move products out of Korea and into world markets. Energy solutions as well could come from a regional energy network with Russia, China, and Japan90. This regional partnership may not only facilitate their cooperation on energy


89 (Kaplan)
90 (Korean Studies Institute)
infrastructures for Korea, but may also spark the growth of a larger regional energy cooperative. Additionally, it is likely that the infrastructure and renovation projects necessary in the North will have economic advantages for the nation as a whole. Companies will be drawn to invest in the newly opened area where land and labor are cheap and markets are readily accessible\textsuperscript{91}. This will spur investment and economic development that will boost the entire region.

The overall truth is, the era of U.S. influence and overarching ability to control large worldwide events and developments, such as the reunification of a long-divided Korea, may be coming to an end. It is in the United States’ best interests to adopt a foreign policy stance that is centered on cooperation, partnership, and a willingness to build relationships with regional powers and interested parties to achieve an outcome that is beneficial to all involved. This will allow the United States to maintain its influence as a superpower far longer than it could with unilateral force and economic dominance.

\textsuperscript{91}(Eberstadt)
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