

**REPUBLIC OF KOREA-UNITED STATES OF AMERICA
RELATIONS SINCE 1988: POLITICAL, SECURITY
AND ECONOMIC DIMENSIONS**

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This is to certify that the dissertation entitled **"REPUBLIC OF KOREA - UNITED STATES OF AMERICA RELATIONS SINCE 1988: POLITICAL, SECURITY AND ECONOMIC DIMENSIONS"** submitted by **CHINNAPAKA CHITHARANJAN DAS** in partial fulfilment of the requirements of the degree of **MASTER OF PHILOSOPHY (M.Phil)** of the University, is his own work and has not been submitted for the award of any other degree of this University or any other University to the best of our knowledge.

We recommend that this dissertation be placed before the examiners for evaluation.

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DEDICATED TO MY PARENTS...

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(CH. CHITHARANJAN DAS.)

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CHAPTER - I

KOREA-UNITED STATES RELATIONS, 1882-1987: AN OVERVIEW

The later half of the 19th century witnessed momentous developments in the society, polity, economy and external relations of Korea. One such significant development which contributed to changing the course and content of Korea's external relations and which had direct impact on the society, economy and polity was the "Treaty of Peace, Amity, Commerce and Navigation between the Kingdom of Corea and the United States,"¹ signed at Chemulp'o (Inch'on) by the Korean ministers Sin Hon and Kim Hong-jip, and commodore Robert W. Shufeldt.

The Shufeldt Treaty hailed as Korea's first modern treaty with a western power, was concluded against the back drop of a long, unpleasant and stormy relations between Korea and the United States and about six years after the "Kanghwa Treaty" concluded between Japan and Korea in February 1876.²

¹ For the text of the Treaty, see *The Statutes at Large of the United States of America*, Washington, DC, 1885, pp. 720-725. There are several excellent studies on the background, context, provisions, and consequences of the Treaty, see John Chay, "The First-Three Decades of American-Korean Relations, 1820-1910: Reassessments and Reflections", in Kwak Tae-Hwan, et al (eds.), *US-Korean Relations, 1882-1892*, (Seoul, 1982), p. 23. Also see Yongnok Koo and Dae-Sook Suh (eds.) *Korea and the United States: A Century of Cooperation* (University of Hawaii Press, 1984), p. 373.

² The stormy relations between Korea and the U.S. has been dealt extensively with in several books and articles – see Chay, n. 1, pp. 17-18. Also see Young Ick Lews, "The Shufeldt Treaty and Early Korean – American Interaction, 1882-1905", in Sun Joo Han (eds) *After One hundred Years: Continuity and Change in Korean American Relations*, (Seoul, 1982), P. 8-10.

Also see, R.R.Krishnan, "Early history of U.S. Imperialism in Korea", *Social Scientist*, no. 138, November 1984.

The Shufeldt Treaty encouraged a number of European countries to conclude similar, if not identical treaties with Korea, thus widening the ambit of Korea's external relations and drawing it into the vortex of international politics especially in North East Asia. Korea concluded treaties with Great Britain in 1883, Germany in 1883, Italy in 1884, Russia in 1884, France in 1886 and Austro-Hungary in 1889.³ As a result the "Hermit Kingdom" became a contending area of imperialist powers and it was "set a drift on an ocean of intrigue which it was quite helpless to control".⁴

Four important consequences of the Shufeldt Treaty on Korea-US relations may be highlighted. The U.S. sought and obtained major economic concessions from Korea including the franchises on gold mining, railroad building, electric lighting plants, city water systems and telephone systems. American military advisers were invited to train and supervise Korean army. Finally Korea extended special favors to the American protestant missionaries.

Despite many areas of interaction the official relations between Korea and the U.S. were neither cordial nor stable. One of the most important reasons for the unstable relations was the high

³ For details see Andrew C. Nahm, *Korea: Tradition and Transformation, A History of the Korean People* (Seoul, Korea 1988), pp. 154-55.

⁴ Tyler Dennett, *Americans in East Asia: A Critical Study of the Policy of the United States Reference to China, Japan and Korea in Nineteenth Century*, (New York, Macmillan, 1922), pp. 461-2.

priority and extraordinary importance that the U.S. attached to its relations with Japan following the Anglo-Japanese alliance of 1902.

President Theodore Roosevelt was committed to cultivating relations and cooperating with Japan a rising power in North East Asia. It was beneficial and expedient for the U.S. to give importance to Japan instead of a weak Korea led by faction ridden Yi dynasty.

Theodore Roosevelt's involvement in ending the Russo-Japanese war and concluding a treaty in the U.S. (Portsmouth) was on balance extremely beneficial to Japan. The secret "Taft-Katsura Agreement", almost demarcated the areas of influence of the U.S. and Japan in North East Asia and the Pacific. It was a clear manifestation of the U.S. bias towards Japan and neglect of Korea.⁵

Following the perceptible shift in American policy towards Korea, about two months after the conclusion of the Treaty of Portsmouth Theodore Roosevelt instructed the American minister in Korea to "pack and come home because the annexation of Korea by Japan will be good for Korea as well as Japan."⁶ By November 1906, the U.S. legation in Seoul was closed and the Korean legation to Washington was closed in December, ending all diplomatic activities between the two countries. Japan annexed Korea in 1910. The next 35 years was a traumatic experience for

⁵ For the text of the Taft-Katsura Agreement, see Andrew C. Nahm, "US Policy and the Japanese Annexation of Korea", in Kwak et al. n. 1, pp. 51-53.

⁶ Ibid., p. 47.

the Koreans as they came under the harsh colonial rule of Japan. The United States “did not bother about either colonial rule or the anti colonial nationalist stirrings. It did not express any sympathy or support for the Korean’s struggle for national independence.”⁷ The United States was in no position to encourage the leaders of Korea independence movement because of its official and friendly relations with the rising Japanese Empire. The United States ties with Japan were such that the commercial business with Korea were conducted through the Japanese Embassy in Washington and Tokyo. It did not recognise the Korean provisional government at Shanghai and later at Chungking. The stand of the United States was clearly outlined in an instruction to the American Ambassador in Japan, dated April 14, 1919, “The consulate (at Seoul) should be extremely careful not to encourage any belief that the United states will assist the Korean nationalists in carrying out their plans and it should not do anything which may cause Japanese authorities to suspect American government sympathies with Korean nationalist movement.”⁸ In fact, much to the disappointment of the Koreans, the United States rebuffed Korean leaders who attempted to raise their case at the Paris Peace Conference on Limitations of Armaments in 1921-22. The U.S. indifference continued even after its entry into he World War II. In early 1942, Syngman Rhee, Chairman of Korean Commission in

⁷ Krishnan, n. 2, p. 7.

⁸ Department of State, “United States Policy Regarding Korea, 1834-1950”, Institute of Asian Studies, (Korea Hallym University, 1987) p. 36.

Washington, D.C. and other Korean exiles were appealing to the United States for recognition of their provisional government as well as for military and financial assistance. The U.S. ignored all these requests.

The signs of change in the U.S. policy towards Korea began to be noticed in the first quarter of 1943, although it was in the “general context of American thinking regarding the post-war disposition of former colonial areas.”⁹ Franklin Roosevelt was fascinated with the idea of an international trusteeship for Korea. In a meeting with the then British Foreign Secretary, Anthony Eden, on March 27, 1943, he “mentioned Korea and Indo-China as areas ripe for post war Trusteeships.”¹⁰ The leaders of the U.S., Great Britain and China met at Cairo on November 20, 1943 to discuss common strategy and postwar policy. Their first and foremost aim was to cut down to size the ambitions of Japan. Regarding Korea “having no immediate interests in (its) future”, they agreed to follow a steady policy towards Korea. However, for the consolation of the Koreans and also to make them feel that they were really concerned about Korea’s future, a formulation was worked out. President Roosevelt wanted to delink Korea from Japan but not grant full and complete independence for the Koreans. Then Churchill came out with an ambiguous phrase “in

⁹ Bruce Cummings, “American Policy towards Korean Liberation”, in Frank Baldwin, (ed.), *Without Parallel: The American-Korean Relationship since 1945*, (New York, 1973), pp. 48-53.

¹⁰ *Ibid.*, p. 40-41.

due course” which was incorporated in the text of the declaration. The paragraph on Korea read: “ The three great powers, mindful of the enslavement of the people of Korea and determined that in due course Korea shall become free and independent.”¹¹ The phrase in “due course” was cause for considerable concern among the Koreans. The Koreans were expecting that the U.S. would say something positive and concrete about their immediate independence. This further made the Koreans suspicious of U.S. policy. Though Syngman Rhee issued a series of statements condemning the phrase, and sent letters to Roosevelt and the State Department asking for a clarification of American’s intention there was no response by either of them.¹² The United States objectives were further exemplified as Roosevelt went to Tehran and Yalta conferences¹³ with a view to placing Korea under a Trusteeship and ensuring a definite place and role for the U.S. in the past colonial, post world war emerging situation in Korea. Roosevelt just vaguely

¹¹ Department of state, *In Quest for Peace and Security: Selected Documents on American Foreign Policy* (Washington, 1951), in Soong Sung Cho’s *Korea in World Politics, 1940-50* (Beekely, 1967), p. 20.

¹² Details on the efforts of the Korean provisional government to gain its recognition from the United States can be found in Hong-Kyu Park, “From Pearl Harbor to Cairo: America’s Korean Diplomacy 1941-43,” *Diplomatic History* 13 (Summer 1989) 343-58. Also see U.S. Department of State, “Korea”, *Foreign Relations of United States, 1942*, vol. 1 (Washington, D.C. 1960) pp. 838-81.

¹³ *From conferences of Malta and Yalta, 1945*, p. 770 From the minutes of the meeting taken by the Charles Bowen where Ambassador Harriman was also present and gouged by Stalin as asking why a trusteeship was necessary if the Koreans could produce their own government, Which Harriman thought meant Soviet style government; in Frank Baldwin in Woonsang Choi, *The Fall of Hermit Kingdom* (New York, 1967), pp. 90-91.

proposed trusteeship for forty years without having a proper plan for such a long period, "it indicates that Roosevelt's approach to the problem of Korean independence was lacking insight."¹⁴ Thus Roosevelt not only failed to understand the aspirations of the Koreans for immediate independence but also failed to reach any formal agreement with Stalin on the future of Korea. After the dramatic shift in balance of military forces in the Far East in favour of Allied Forces with U.S. dropping atom bombs in Hiroshima and Nagasaki, and after, when Soviet forces came into Manchuria, the U.S. realised the urgency of arriving at an understanding about the arrangement to be made for accepting the surrender of Japanese forces. Under these circumstances U.S. proposal to the Soviet Union to receive the Japanese surrender to north of 38th parallel and the United States receive to south of the line, was included in general order no. 1 and transmitted to the Allies on 15, August, 1945.¹⁵

The defeat and unconditional surrender of Japan on 14 August 1945 and the decisions taken by the U.S. and the Soviet forces in the clearly demarcated zones in the Korean Peninsula opened up a new phase in Korea - US relations. The Koreans living in the area south of 38th parallel came under the direct governance of the USA Military Government in Korea (USAMGIK).

¹⁴ For a discussion of the meetings and related issues see, Soong Sung Cho's *Korea in World Politics, 1940-50* (Beekeley, 1967).

¹⁵ For a discussion on the division of Korea, see Bruce Cummings in Frank Baldwin (ed.) n:9, p. 46 Also see Gregory Henderson, *Korea: The Politics of the Vortex*, (Cambridge, 1968), pp. 121-22.

This was because Korea technically came under the occupation zone of the allied powers since Japan itself had come under the occupation of the Supreme Commander of the Allied Powers (SCAP). The policies and programmes pursued by the USAMGIK especially those concerning the political and administrative matters were contentious.¹⁶ The Moscow Declaration of December 1945, the establishment of the US-USSR joint committee, the issues regarding the transfer of political and administrative power to the Koreans through a duly elected government to replace alien occupation became extremely contentious issues. As a result sharp differences arose between the US and Korean perceptions regarding the form of government that should replace the USAMGIK. The US took the important decision to refer the so called Korean question to the UN to resolve, the imbroglio. The creation of United Nations Temporary Commission of Korea (UNTCOK) and its decision to hold elections in the area South of the 38th parallel on 10 May 1948 led to the establishment of the state and government of the Republic of Korea on 15 August 1948.¹⁷

The proclamation of a Republican form of government with a constitutional commitment to liberal democracy through an

¹⁶ For detail discussion on American Military rule in Korea see Suk Joonkim : *The State, Public Policy and NIC Development*, pp. 210-228.

¹⁷ For the discussion on the background of establishment of Republic of Korea see Gregory Henderson, n. 15, pp. 148-195. Also see Department of state, "United States Policy Regarding Korea 1834-1950", (Korea Hallym University 1987) pp. 136-150.

elected legislative body called the National Assembly, was a historic development in the centuries old monarchical form of governance through Royal edicts. It is clear that in the area South of the 38th parallel where two thirds of the Korean population lived, would be placed under the USAMGIK and the decision to establish a Republican and Democratic form of government with a written constitution certainly influenced by the history of American political institutions and American national interest.

Less than four months after the emergence of the Republic of Korea government the United States initiated an important move to seek the approval of the UN General Assembly at its third session in 1948 to get its draft resolutions declaring the ROK government as the only “lawfully constituted” government in the Korean Peninsula approved. The American draft was passed. The implication of this was clear. It meant that the other government, i.e., the Democratic People’s Republic of Korea (DPRK) which was proclaimed on 8 September 1948 was not a duly constituted one based on the free will of the electorate. It also meant that the United States which had played a decisive role in the processes and events leading to the establishment of the Republic of Korea would endeavor for its international recognition both in the UN and outside.¹⁸

Given the active role played by the United States during the year’s 1945-48 in the creation of Republic of Korea, it is not

¹⁸ ‘Republic of Korea’ here after referred to as Korea.

surprising that the U.S. was the first country to accord recognition to it. It was also not surprising that the recognition of Republic of China and Republic of the Philippines followed. The next two years Korea – US relations were mainly concerned with three issues.

- a) International political and diplomatic support to the new government in Seoul.
- b) Strengthening the anti-Communist, ideological and political orientation and programmes of the new government.
- c) Ensuring substantive-economic aid from the U.S.¹⁹

The intensification of the civil war in China and the concomitant reverses for the U.S. in China and the reports that the communist regime in North Korea was consolidating especially by raising its huge People's Army not only made the U.S. to reverse its policies in Japan but also strengthen its military ties with Korea.

Although, two regimes came into being in quick succession in the Korean Peninsula and both managed to get recognition from their respective ideological allies in the international arena, neither of them accepted the concept of one nation and two states. The Seoul government steadfastly maintained that it alone was the only lawful government in the Peninsula and cited the 12 December 1948 Resolution in the UN General Assembly. It further maintained that the regime in Pyongyang had been foisted by the Soviet Union and it had no *locus-standi* or political right to exist,

¹⁹ In December 1948, the "Republic of Korea-United States Agreement on Aid" was signed, under this Korea received \$ 73.1 million.

therefore had to be ousted. It exhorted its people to “March North” and eliminate the “Puppet regime”. The U.S. endorsed the political ideological stand taken by the Seoul government vis-à-vis the Pyongyang regime. The regime in the North on its part advanced juridical, political and administrative claim over the whole Peninsula and accused the Syngman Rhee government of having been foisted by “US imperialism.” It further maintained that the UN had no locus-standi to discuss let alone decide, the developments in the Peninsula and thus the US had “manipulated” the UN recognition of the Seoul government. It sought to build a huge people’s army and pursued socio-economic policies which led to migration of large number of people to the South. More importantly the unwillingness on the part of the regimes to accept the territorial division of the Peninsula and the concept of one nation and two states led to mounting tension and frequent clashes all along the 38th parallel. According to an analyst the Peninsula was caught in a situation of “incipient civil war” especially since 1948 and in the first half of 1950 and the Peninsula was drifting towards a dangerous situation of being on the threshold of a war.²⁰ When North Korean forces launched a coordinated attack all along the 38th parallel a large scale war broke out. Whatever might have been the US assessment of the Korean situation in June 1950 and North Korea’s policies towards the South, the U.S. quickly responded to the North Korean attacks at two levels. It sought to activate the Security Council and wanted it to militarily intervene

²⁰ On the context and causes of Korean war see Bruce Cummings seminal work. *The origins of the Korean war: Liberation and the Emergence of Separate Regime, 1945-1947* (Princeton, NJ, 1981).

in the southern part of Korea as North Korean soldiers took control of Seoul in a lightning speed and pushed the Syngman Rhee government to operate from Pusan. American forces under General Douglas Mc Arthur landed at Inchon and tried to push the North Koreans to the north of the 38th parallel. For almost three years the US fought the North Korean and the Chinese troops and in the process incurred heavy casualties. The US not only played the most crucial and decisive role in the war on the side of South Korea but also virtually financed the entire war on behalf of the United Nations. Again the United States responded to the initiative of the Soviet Union to a cease-fire and actively worked for the successful completion of the “Armistice Agreement” on 23 July 1953 on behalf of the UN Command. The Armistice Agreement was technically not an inter-Korean Agreement but a military agreement concluded between the UN Command led by the US on the one hand and representatives of North Korean Peoples Army and the Chinese Peoples Volunteers on the other.

The US prompt, massive and unconditional military intervention on the side of South Korea and the horrendous war completely changed the paradigm of Korea – US relations. The U.S. lost more than 35,000 of its combatants and 20,000 non combatants in a war fought outside Europe. The US concluded a truce agreement instead of registering an outright victory.²¹ It is

²¹ According to the UN report of October 1953, South Korean casualties totaled 1,313,836, including a million civilians. The US suffered more than 142,000 casualties, including 33,629 dead. It spent 18 billion dollars in the Korean war.

probably for these two reasons that the United States involvement did not cease with the cease-fire agreement. This involvement gave a new orientation and emphasis to Korea – US relations and came to be described as “special and unique.”

The new phase of involvement manifested itself in six important ways.

1. The United States made firm and unwavering commitment to the security of South Korea including stationing of its troops in the crucial stretch of the Military Demarcation Line (MDL).
2. The United States guaranteed the security of South Korea by concluding a bilateral Security Treaty on October 27, 1953 and retained its unique position that it had created for itself under the provisions of the Military Armistice Agreement in the Military Armistice Commission.
3. The United States incorporated its commitment to South Korea’s Security as an important and integral part of its strategic doctrine in North East Asia by linking it with Japan’s security.
4. The United State lent an unequivocal support to the political and ideological structure that emerged in South Korea after the war.
5. The United States campaigned consistently and vigorously

South Korea's position vis-à-vis the North in the UN and other fora.

6. The United States provided different forms of substantive economic assistance to South Korea and thereby helped it to not only recover from the ravages of the war but also to emerge as the fastest developing economy in the world.

After the Korean War one of the most significant aspects in Korea-US relations was the economic dimension. United States during the reconstruction period (1953-61) provided massive aid through various agencies which sustained the war ravaged Korean economy. "During this period, the US donated 95 percent of the total foreign aid which amounted to some 8 percent of Korea's GNP, 80 percent of capital formation and about 70 percent of total imports. American aid agencies like Civil Relief in Korea programme (CRIK) provided 21,8020 dollars, United Nations Korea Reconstruction Agency (UNKRA) which was created in 1950 by the General Assembly to deal with Korea's rehabilitation mission of reconstruction provided a total of \$ 1,19,999 during the period of 1953-61.²² The United States extended support through the military assistance programme aimed at construction of roads, bridges and other infrastructures during reconstruction period amounting to 1.4 billion dollars to Korea.²³

²² Cited in Cae-Wne Kim, *The one Hundred Year History of Economic Relations Between Korea and America (1876-1976) American Study I* (Seoul, 1977), p. 75.

²³ Sunjoo Han "The Republic of Korea and the United States: The Changing Alliance". *Korea and World Affairs* vol., no. 2, 1977, pp. 117-139.

The Park Chung Hee regime brought dramatic changes in the Korean economy. The US played a crucial role in enabling Korea to implement the export oriented industrialization strategies in Korea. The US adopted a new policy of encouraging loans both public and private. In 1957 the US government instituted the Development Loan Fund based on the Foreign Assistance Act in order to substitute loans from grants-in-aid.

The United States assisted Korea in technological projects and research. It supported the creation of the Korea Institute of Science and Technology (KIST) in 1966, and Korea Development Institute (KDI) in 1971. The KIST was created to help Korean Industry with the adoption and adaptation of modern technology and the KDI was to assist the Korean government in research and analysis of critical economic policy and planning problems.

Further, the United States pursued liberal trade policy which ensured an assured market for manufactured goods from developing countries like Korea. It therefore encouraged American businessmen to invest in Korea and enter into technology transfer agreements and joint ventures with Korean private corporate sector and state enterprises. During 1962-1980 the U.S. provided around 11, 921 billion dollars in the form of public and private loans. The U.S. investment concentrated largely in manufacturing sector, like electric and electronics, chemicals, etc.

The U.S. played an important role during the initial stages of Korea's modernization and was a major source of technology for

Korea. The U.S. provided highly sophisticated technologies and in particular to large scale firms.

The U.S. became the largest market for Korean exports. Two way trade grew from 150 million dollars in 1961 to more than 15 billion dollars in 1982. Korea's exports to the U.S. accounted for about 10% of its G.N.P.²⁴ The exports increased from \$ 10,479 million in 1984 to \$ 18,311 million by the end of 1987.²⁵ This remarkable increase in exports led to Korea's trade surplus with the United States in 1986. Korean exports have included automobiles, computers, consumer electronics, steel, textiles etc.

From the above description one can say that U.S. played a very significant role in Korea's industrial development since the early 1960's. The role has been varied in terms of lending substantial loans, investment in crucial capital goods and manufacturing sector and transferring wide ranging sophisticated technologies etc. Thus helping Korea to become a newly industrialised country.

However, Korea-U.S. relations during 1961-1987 passed through several stresses and strains. There have been areas of differences of opinion and disputes have revolved mainly around imbalances in bilateral trade, U.S. Korea Joint ventures, intellectual

²⁴ Kim-Hoo Kim, "The development of Contemporary US-ROK Economic Relations", in Tae-Hwan Kwak, et al, *U.S.-Korean Relation: 1882-1982* (Seoul, 1982), p. 343.

²⁵ *Korea Annual* 1990, p. 316.

property right and opening of Korean markets.

During the later half of 1980's when Korea was running trade surpluses the U.S. accused Korea of manipulating the exchange rate to promote its exports. Other trade issues which began to dominate Korea-U.S. economic relations were U.S. investments, especially in services. It became a constant source of contention. Insurance was the subject of prolonged negotiation between 1976 and 1983 and a settlement was finally reached. The negotiations produced much ill feeling on the American side, which came to feel that Korea repeatedly failed to implement its agreements.

Intellectual property protection was another issue since in early 1980s. Korea responded to complaints by toughening its laws and improving enforcement, but the U.S. has tended to view them as a slow process. Pirated textbooks, trade mark infringement, and chemical patents violation were added to the list to the growing list of problem areas in economic relations.

The United States guaranteed the security of Korea by concluding a Security Treaty on October 27, 1953. The United States is also a partner in the operation of the Combined Forces Command (CFC) as integrated head quarters that was established by the governments of Korea and the U.S. in 1978. For Korea, the U.S. is the ally which maintain its troops in Korea and supplier of military equipments for its armed forces and military technology for

its defence industry. The Korean armed forces are under the overall control of a U.S. general. Korean and the U.S. armies cooperate closely in supply, intelligence and other areas. Korea, which had a traumatic experience of the war, perceived the United States as the only ally available to counter the military pressure of well armed North Korea, Soviet Union and Communist China. It's primary objective of national security policy has been to obtain a firm security commitment by the United States, including the presence of U.S. troops in Korea, which was seen essential for deterrence and stability in Korean peninsula.

The conflict in Vietnam brought a new dimension in the security and ideological concerns of Korea with the U.S. When American forces were facing increasing resistance in South Vietnam the U.S. chose to involve military forces of its allies in Asia under the "More Flags" campaign. Korea which had been mostly dependent on the U.S. for its international recognition and diplomatic activities seem to have perceived the occasion as important to widen its international involvement. Thus it lent unequivocal support to the U.S. position in Vietnam and agreed to dispatch tens of thousand of its troops to Vietnam. From 1964 to 1973, approximately 312,000 Korean troops were deployed in Vietnam, under terms of the "Brown Memorandum" of 4 March 1966.²⁶ On return the U.S. agreed to meet all the expenses of Korean forces in addition to providing billions of dollars worth of

²⁶ Frank Baldwin, n. 9, p. 27.

new military equipment, assistance to Korean businessmen in Vietnam, and employment of Korean civilian workers in Vietnam.²⁷ Though the objective to ensure the victory was not realized, it further, strengthened the military and ideological ties with the U.S.

However, the earnings during this period accelerated the pace of the Korean economy. The economy grew by some 70 percent during the five year period between 1965 and 1970.²⁸ Thus, Vietnam War exemplified the close political, Security and ideological relations between Korea and the United States.

The United States incorporated its commitment to South Korea's security as an important and integral part of its strategic doctrine in the North East Asia, by linking it with Japan's security. Since 1960s' the U.S. was searching ways to normalize relations between Korea and Japan in order to strengthen its allies in the changing East Asia. The economic burden sharing of Korea with the U.S. also required it to normalize relations. The U.S. wanted the help of a major economic power like Japan to join with in its economic aid and security of Korea. The change in the U.S. policy objectives in Asia-Pacific region had a beneficial effect on Korea's economic growth. The normalization of relations between Korea and Japan had a significant effect on the course a structure of Korea-U S. economic relations.

²⁷ Ibid., p. 30.

²⁸ Sung-Joo Han in Youngnok Koo (eds.), *the Foreign policy of the Republic of Korea* (Columbia University press, New York 1985), p. 149.

Korea-Japan normalization Treaty was signed in 1965 despite massive protests all over Korea. The people thought it would increase the dangers of Japanese influence in Korea's decision making. However, the treaty recognized the government in Korea as "sole legal" government of Korea. At the same time, Japan agreed 200 million dollars in government administered soft loans and 300 million dollars in private credits. In return Korea agreed to establish a 12 mile limit to its territorial waters and to cooperate with Japan in fisheries outside territorial waters.²⁹ The Treaty in fact, brought radical changes in the Korean economy. The total number of foreign investments cases between 1962 and 1985 reached 186 amounting to 2.65 billion dollars. Japan accounted for 51.6% followed by the United States with 29.6%.³⁰ Japan also became active in the areas of technology transfer, technical training and trade. Japan became the largest supplier of Korean outlet for its exports replacing the U.S. for the first time. These developments stimulated the course of economic development in Korea and contributed to increasing exports to the U.S. It also increased Korea's bargaining power vis-à-vis the U.S. especially with regard to sophisticated technology

The U.S. major policy shift which had considerable effect on Korea-U.S. relations came when President Nixon announced his policy towards China. President Nixon felt that an understanding and cooperation with Chinese government were necessary to end

²⁹ Peter Lamhoff, "Korean-American Diplomacy and the Korea-Japan Normalization Treaty", *Koreana*, vol. 13, no. 4, 1971.

³⁰ *Korea and the World, Key Statistics*: (Seoul, Korea Foreign Trade Associations, 1980).

the Vietnam War. This led to U.S. rapprochement with China in 1971-72. The change in the U.S policy during the 1970's caused strain and uncertainty within its bilateral relation with Korea. Both North and South Korea were equally apprehensive about the U.S.-China communique which were seen as detrimental to the vital interest of their governments.

However, the positive consequence of Shanghai Communique was the opening of North-South dialogue in Korea. As a result of direct North-South negotiation, on July 4, 1972, both sides issued a joint communique, in which they agreed to seek the peaceful, independent unification of Korea without foreign interference and to realize national unity by transcending differences in ideologies and systems. They also pledged to end armed provocations, to promote various exchange programmes, and to establish a "hotline" between Seoul and Pyongyang.³¹

Nevertheless, this was short lived as the perceptions of both North and South on the approach to unification issues had two different paths.³² The negotiations abruptly stalled in August 1973.

³¹ For a discussion on North-South joint communique, See Chae-Jin Lee, "South Korea: The politics of Domestic - Foreign Linkage", *Asian Survey* January 1973, pp. 94-101, Also see, B.C. Koh, "North Korea: A Break through in the Quest for Unity", *Asian Survey* January 1973, pp. 83-93.

³² North Korea advocated a comprehensive, drastic political solutions of all unification problems, whereas South Korea adopted an incremental approach, stressing Cooperation in humanitarian, cultural and economic areas.

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Another policy which had changed the structure of military relations between Korea and the U.S. was President Jimmy Carter's decision on Troops with drawal in the Second half of 1970's. The Carter's Korea policy was characterized in Seoul as contrary to the U.S. security interests and to the interest of peace in Asia.

However, Carter modified his decision and initiated compensatory military assistance measures for troop withdrawal in Korea. The U.S. advocated military modernization programmes. The specific implementation of compensatory measures for Korea was the subject of serious negotiations between Korea and the U.S. At the Eleventh Security Consultative meeting at Sandiego in July 1978, Korea agreed to the military hardware package from the United States. In late 1970's and 80's Korea considerably strengthened its defence capability by increasing its military expenditure. Between 1976 to 1981 the expenditure was increased from 2 billion dollars to 28 billion dollars.³³

The Carter's administration reiterated its pledge to maintain a nuclear umbrella over South Korea, and also conduct joint military exercises (Team Spirit) with South Korea. In November 1978, the U.S. Combined Forces Command (CFC) came into being. The CFC assumed operational control over South Korean forces.³⁴

³³ IN 1974-75, the U.S. sold \$ 219 millions work of military hardware to South Korea, in 1975-76, \$ 509.5 million worth of military equipment, missiles and aircraft's. The U.S. increased Foreign Military Sales loans from \$ 129 million in 1981to \$ million in 1981, and to \$16.7 million in 1982.

³⁴ Han Sung Joo, "South Korea and the United States: The Alliance Survives", *Asian Survey*, vol. 20, no. 11, 1980.

These are examples of changing nature of Korea-U.S. relations.

Although the most important aspect of Korea-U.S. relations especially since 1953, was U.S. unwavering commitment to Koreans security in a comprehensive manner, it couldn't be delinked from U.S. support to the political system and economic development. The Korean political system witnessed a new development when almost a year after the overthrow of the dictatorial and corrupt Syngman Rhee regime by Student revolution on 19 April 1960, military seized political power. The U.S. which had supported the Syngman Rhee regime and after the student revolution the Changmyon government. The military Junta was unequivocally opposed to communism and was for strengthening the existing security ties with the United States. The United States seem to have taken the plea that the mechanism, modalities and the dominant groups that run the political system which was ideologically oriented against communism in Korea was a domestic, internal matter of the Koreans and therefore should be delinked from the bilateral security relations. Given this basic U.S. approach to political and security aspects of its relations with Korea, during the 1979 it was not surprising that the U.S. supported the Chun Doo Hawn government and the political system presided over by him in the aftermath of President Park Chung Hee's assassination on 26 October 1979. During the regime of Chun Doo Hawn the U.S. continued its policy of working for the strengthening of Korea's security as it did with his three predecessors.

We have seen how Korea-U.S. relations were developed and diversified for about four decades since 1948. And yet it was not free from problems and irritants. There were difference some times serious and prolonged in political, security and economic areas which not only caused strains and stresses at the official level but more importantly at the unofficial people's level. At the political level it revolved around the rationale, extent and forms of U.S. support to what were seen by large number of Korean citizens as unqualified support to undemocratic, authoritarian regimes, led by civil political forces like Syngman Rhee or military dominant political forces led by Presidents like Park Chung Hee (1961-79) Chun Doo Hwan (1979-87). The sharpest criticism of the U.S. policy of unqualified support to the ruling regime in Seoul came with regard to. Chun Doo Hwan's handling of the democratic civil uprising of May 1980 at Kwangju. It began as a student demonstration in the South Western City of Kwangju, the uprising escalated into an armed struggle waged by the citizens against the martial law an after draconian measures announced by Chun Doo Hwan regime. It was suppressed brutally. The U.S. military command was alleged to have released South Korean troops for redeployment in Kwangju, and these troops then proceeded to massacre hundreds of anti-government protests is the city.

Although the U.S. government denied such involvement, an invitation to President Chun Doo Hwan to pay a state visit to President Reagan's white House in early 1981 further confirmed

Korean's worst suspicions.³⁵ This event caused Anti-American feelings among all sections of Korean people. Further, Koreans came to believe that the U.S. was using their country for its own strategic purpose and that all talks about democracy and Human Rights was just rhetoric. Kwangju incident was a crucial issue in the bilateral relations. The Korean people began to feel something awkward about the presence of American troops in a sovereign state.

From about the middle of 1980's. There were indications that before long the issue of replacing the Armistice Agreement with a Peace Agreement would figure prominently in Korea-U.S. Security ties. However as Korea was once again caught in one of its worst political crisis on the issue of replacing the Yushin and its reformulated political system and in successfully concluding the Seoul Olympics, the further development of Security, political and economic aspects or Korea-U.S. relations had to wait till the historic election of December 1987. Which paved the way for the end of one of the worst authoritarian forms of governments in Korea.

³⁵ Gi-Wook Shin, "South Korean Anti-Americanism: A Comparative Perspective", *Asian Survey*, vol. 34, no. 8, pp. 787 - 803.

CHAPTER - II

POLITICAL AND SECURITY RELATIONS SINCE 1988: CHANGING PARADIGM

In the previous chapter, we have seen the evolution of Korea-US relations for about a century from 1882 to 1987. We noted how Korea was plunged into an extraordinary political crisis when president Park Chung Hee introduced the Yusin System in October 1972. The crisis did not end with the death of Park on 26 October 1979. It could be said that his assassination brought to the surface the dormant factional fights by various disgruntled Generals in the highest echelons of power. The defacto seizure of power by General Chun Doo Hwan on 12 December 1979 marked the beginning of the second phase of post October 1979 political crisis and ended with the proclamation of Fifth Republic on 25 February 1981 under a reformulated form of Yusin System.¹

The coup's and the counter coup's and the circumstances in which Chun Doo Hwan seized power and the manner in which he successfully manipulated the transition from the Fourth to the Fifth Republic further widened the chasm between the citizens and the regime. This was most clearly demonstrated when there were wide spread agitations over the Ninth amendment of the constitution in February 1986. The opposition New Democratic Party and its ally -

¹ For a detailed analysis, see Hak-Kyu Sohn, *Authoritarianism and opposition in South Korea* (London, 1989). See also, T.S. Chandrasekhar (unpublished M.phil. dissertation), New Delhi, JNU 1997).

the Council For the Promotion of Democracy launched a nation wide campaign to collect 10 million signatures.

President Chun Woo Hwan was compelled to agree to revise the constitution before his single seven year term expired in February 1988. However, he wanted to delay matters and gave the plea that the debate and controversy over the constitutional amendment should be suspended until the Seoul Olympics in September 1988. His efforts to stall the revision of the constitution further intensified the anti-regime agitation. Roh Tae Woo, chairman of the ruling Democratic Justice Party and its presidential candidate, seemed to have compelled his course mate and close friend president Chun Doo Hwan to yield to the citizens pressure and thereby prevent the opposition from capturing power in a fair presidential election. He, therefore announced a series of measures on 29 June 1987 which included the long standing and wide spread opposition demands for a direct presidential elections, local autonomy, freedom of press, release of selected political leaders and restoration of civil rights to the long term democratic leader, Kim Dae Jung².

Less than a month after the announcement Chun Woo Hwan endorsed Roh Tae Woo's formula on 1 July 1987, measures were initiated to prepare the draft amendments to the constitution. On 12 October 1987 the National Assembly, approved the revision of the

² For further details see *Korea Annual*, 1988, pp. 89-90.

constitution with regard to direct presidential election and on 28 October 1987 the amended constitution was approved in a national referendum.

The United States could not have ignored the fact that the Korean citizens had perceived that the U.S. Government was supporting a regime in Seoul which was seen to be lacking in legitimacy and credibility. Although the U.S. could not create or install a regime of its choice in Seoul, it was subjected to criticism for its support to the regimes in Seoul by those in Korea and the U.S. who valued openness and liberal democracy. These included the democratic leaders like Kim Dae Jung and former U.S. Presidents and leaders like President Jimmy Carter.

The point that was sought to be stressed was that cordial, multifaceted relations between Korea and the U.S. could not be built or sustained, if the democratic forces with support from the citizens were arrayed against an authoritarian regime lacking in credibility and legitimacy.

The emergence of the Sixth Republic with Roh Tae Woo as president gave rise to a hope of a new era and new ethos in domestic politics³. The change in the domestic political scene, the exceptionally

³ Roh Tae Woo polled about 8.3 million votes out of the total 23 million votes. Source, *Korea Annual*, 1988, p 77.

remarkable economic progress after the 1980's set back, the successful conclusion of the Seoul Olympics and the indications of significant changes in the Soviet Union and Eastern Europe, encouraged the Roe Tae Woo administration to redefine, reformulate and restructure the perspectives and priorities of the country's external relations, especially towards the socialist countries⁴. It is against this background that Rae Tae Woo made the first statement in which he set forth the country's new "Nord Politik" towards the communist countries, has to be seen.

The statement consists of the following six principles:

- 1) Promotion of personal exchanges in various fields between South and North Korea and permission of visits to South and North Korea by Korean residents abroad;
- 2) Encouragement of exchanges of correspondence and mutual visits of separated families;
- 3) Promotion of trade between South and North Korea and treatment of South-North trade as internal trade;

⁴ A record breaking 14,000 athletes and officials from 160 countries participated in Seoul Olympics. There was participation from almost all communist countries like China, the Soviet Union, Romania, Vietnam, Mongolia, etc. Cuba and North Korea did not participate. For more details on the Seoul Olympics, see *Hand Book of Korea* (Korean Overseas Information Service, 8th edition Seoul 1989)

- 4) Promotion of balanced economic development between South and North Korea, and permission of trade between countries friendly to South Korea and North Korea, provided it does not involve goods for military use;
- 5) Ending of counter productive diplomatic competition with North Korea and permission of contact between South and the North Korean representatives at international forums; and
- 6) Support for North Korea's improvement of relations with the United States, Japan and other countries friendly to South Korea and pursuit of improved relations with the Soviet Union, China and other socialist countries⁵.

As a fallout of the new policy diplomatic relations between Korea and Hungary were established in February 1989 which was seen as an epoch making event in the history of foreign relations of Korea. This was followed by Yugoslavia which established diplomatic relations in December 1989, Poland established an official relationship on 1 November 1989, Czechoslovakia and Bulgaria reached an official agreement with Korea on 22 March and 23 March 1990 respectively⁶. A major breakthrough in Korea-Soviet Union

⁵ For a discussion and background of Northern policy see Jitendra Uttam's (unpublished M.phil. dissertation) "South Korea's Foreign Policy During the Sixth Republic", (New Delhi, Jawaharlal Nehru University, 1992).

⁶ Korea Annual, 1990, pp. 84-86.

relations came in July 1988 when the two countries established the Economic Cooperation Committee of Businessmen, a non-governmental economic cooperation organization in both countries in an attempt to foster bilateral economic cooperation. The founder of Hyundai Business group, Chung Ju-Young, made visits to North Korea and the Soviet Union in January 1989, to discuss the possibility of investment in North Korea and in Soviet Siberia. In February 1990 at San Francisco, President Roh Tae Woo and President Gorbachev agreed to establish a joint working level committee to further develop bilateral interests such as preparing treaties to guarantee foreign investment and eliminate double taxation in the Soviet Union. "Moscow Declaration" signed by President Roh on 14 December, called for an end of the cold war in order to achieve an expansion of economic ties between the two countries.⁷

Korea was relieved when the attempt to overthrow President Gorbachev and reverse its policies did not finally succeed. President Roh welcomed the reinstatement of President Gorbachev when the coup staged by hard-liners failed. Even after the disintegration of the Soviet Union as a political entity and formation of the Commonwealth of Independent States (CIS), Korea maintained its close links with the

⁷ Young-Shik Bae, "Soviet-South Korea Economic Cooperation following Rapprochement" *Journal of Northeast Asian Studies* (Washington D.C., 1991) vol. X, no.1, pp.18-34.

Baltic States, Russia, Ukraine, Belarus, Uzbekistan and other members of the CIS.

Korea was also keen to develop relations with People's Republic of China (PRC). It sought Chinese support for its entry into the United Nations. The Chinese participation in 1988 Seoul Olympics was enthusiastically welcomed by Korea. It assumed special significance because, North Korea, an ally of China had boycotted the Olympics.

A new phase was witnessed in the bilateral trade especially after 1988. The trade volume between Korea and China rapidly expanded from \$ 1.3 billion in 1985 to \$ 3.2 billion in 1988. China became the fourth largest trading partner following the U.S., Japan and Germany in 1989. Korea became China's tenth largest trading partner.⁸

One of the most remarkable events in the development of Korea-China relations was the agreement reached between Korea Overseas Trade Representative Authority (KOTRA) and Chinese Chamber of International Commerce(CCOIC) on 20 October 1990 to open trade representative offices in Seoul and Beijing.⁹

⁸. Korea News Review (29 January 1990)

⁹ Korea News Review (9 February 1991)

A little over a year after the conclusion of the agreement on 20 October 1990, the historic trade accord between Korea and China was concluded. The accord had several unique features. It abolished China's discriminatory tariffs on Korean exports and granted Most Favored Nation (MFN) status in tariffs and import-export procedures. A working level committee was set up to finalise an agreement to avoid double taxation and to provide an investment guarantee in Beijing on 19-21 February 1992.¹⁰ During the first five years of the economic relations, from 1988 to 1993, a total of 631 cases of direct Korean investments in China totaling over \$ 600 million were approved.¹¹

While there was a significant improvement in Seoul- Beijing economic relations since 1988, there was also an improvement in their diplomatic relations. China's support to Korea's entry into the United Nations along with North Korea can be seen as a new shift towards improving relations between the two countries. In the past China had consistently supported North Korean position on the question of membership of the two Koreas in to the United Nations.¹²

¹⁰ Korea Herald, 21 Feb. 1992.

¹¹ Jang Won Suh, "South Korea-China Economic Relations- Trends and Prospects", *Journal of Northeast Asian Studies* Winter 1994, pp.21-36.

¹² On September 17, 1991 North Korea and South Korea were given entry in to the United Nations. *Korea Annual*, 1992, p.144.

The United States had strong reasons to welcome the positive development in Korea's domestic political scene and external relations especially since June 1987. The decision of the Korean ruling leadership to yield to the mounting citizens pressures for a phased dismantling of the Yushin political structures, to reintroduce direct presidential election, to restrict the tenure and power of the President, to allow for certain basic democratic rights of the citizens including freedom of speech and lifting of the severe ban on print and electronic media, and release of the popular political prisoners like Kim Dae Jung was viewed as positive steps in the transition to liberal democracy by the United States.

From the U.S. point of view these and other related measures which initiated the democratic political processes would help in bridging the widening gap between the U.S. administration and the Korean citizens and reinforcing the Korean's enormous trust and faith in the U.S. commitment to the democratic values within and outside the country.

The election of Roh Tae Woo as President on 16 December 1987 in a keen contest marked the beginning of a new phase in Korea-U.S. relations. The perceptible shift in orientation and direction in Korea's external relations, especially in re-defining and reformulating "Nord Politik" and vigorous efforts in constructing bridges of cooperation with the Soviet Union, East European countries and exploring areas

of understanding and economic cooperation with China, seem to have injected certain dynamism and optimism in Korea's external relations. The U.S. was quick to realise that Korea was seizing every available opportunity to capture political, economic and diplomatic space in the rapidly changing international situation and to take advantage of the first signs of the post cold war era. It was obviously clear understanding that Korean efforts to pursue an active foreign policy in the newly emerging post cold war scenario was in no way antithetical to the long standing and repeatedly tested special security, political and economic relations with the United States. If anything these efforts were seen as supplementing and reinforcing the U.S. efforts to reconstruct a new world order in the post cold war era where in Korea had a definite place carved out for itself in that new order.

The United States supported Roh Tae Woo's statement on 7 July, 1988 and his speech to the United Nations General Assembly on 18 October 1988 in which President Roh had expounded the general outline of Northern policy with regard to improving relations with North Korea and other Communist countries.¹³ The United State's support was further exemplified when President George Bush assured

¹³ For the text of President Roh Tae Woo's speeches, see *Korea Annual* 1989. Also see, In-Joung Whang, "Korea's Northern Policy", in IL Yung Chung (eds), *Korea in a Turbulent World: Challenges of the New International Political Economic Order and Policy Responses*, (Sejong Institute, Korea, 1992) pp.421-460.

the Korean President his positive support for Korea's northern policy during President Roh's visit to Washington from October 15 to 20, 1989 for summit talks.¹⁴

An important area that witnessed reappraisal and reformulation of policy framework after Roh Tae Woo was elected President was inter Korean relations. In a major policy statement Roh in July 1990 proclaimed; "the five-day span around August 15, at the time of the 45th anniversary of Korean liberation be celebrated as a period of grand inter-Korean exchange of visits. For five continuous days beginning on 13th August," we will keep Panmunjom (the site of the Military Armistice Commission, between the North and South) open and will accept our brethren from the North without restrictions..we will also permit our citizens to visit North Korea through Panmunjom, without restrictions..If we succeed in such a free exchange, ...we ;should be able to permit mutual visits on and around...national holidays" and thus "clear the way for free interchange throughout the year..."¹⁵.

North Korea however did not respond favourably. Roh Tae Woo reiterated the proposal of July 1990 in his commemorative address on August 15, 1990 he said, "Today in the first Independence Day of

¹⁴ *Korea Annual*, 1990, pp. 147.

¹⁵ Roh Tae Woo, *Korea in the Pacific Century, selected speeches, 1990-1992* (University Press of America, Inc, the Embassy of the Republic of Korea, 1992), p.xxi.

the 1990's, and we greet it with the determination to build within the decade the proud homeland that our patriotic forefathers dreamed of ...We must usher in a new century of glory during which our brethren will live in freedom and prosperity in a single homeland..."¹⁶

Roh Tae Woo's offer of talks with North Korea on virtually the entire gamut of relations covering a range of issues without any pre-condition could not be ignored by North Korea. The North, therefore, responded positively, thus initiating an unprecedented process of inter Korean dialogue beginning with the meeting of the Prime Ministers of North and South Korea in Seoul December 1990. Appealing to the North to take note of the momentous changes in Germany following the collapse of Berlin Wall in 1989, President Roh reaffirmed his government's determination in February 1991 and said, "The peaceful and democratic unification of Germany inspires us with courage to seek that goal. I am convinced that just as unified Germany is underpinning European peace, so will the unification of the Korean Peninsula bolster peace in the Asia-Pacific region..."¹⁷ Emphasizing the importance of the admission of both Koreas to the United Nations President Roh said "...now that we are members of the United Nations which pursues peace and prosperity of all mankind, I believe the cold war system and confrontation on the Korean

¹⁶ Ibid.

¹⁷ Roh Tae Woo's selected speeches, 1990-1992 n,15, p. XXI.

Peninsula will proceed to a relationship of cooperation and mutual trust, and that, I believe, would be another step toward realization of Korean Unification."¹⁸

The resolve of the two Koreas to work out a realistic and comprehensive new basis of relations through a series of five meetings at the Prime Ministers level alternatively in Seoul and Pyongyang, became evident when the "Agreement on reconciliation, Non aggression and Exchanges and Cooperation between the North and the South" was signed. The 25 article "Basic Agreement" is a "comprehensive, concrete agreement which took a historic and realistic view of the bilateral problems and found systematic ways and means to simultaneously improve, political, systemic, economic, military dimensions and international aspects of inter-Korean relations"¹⁹. Further it is the first joint agreement which unequivocally and categorically stated that the North and the South shall respect the Military Demarcation Line (MDL) specified by the Military Armistice Agreement of 27 July 1953 (to which South Korea was not an original signatory) and agreed to set up a South-North Korea military sub committee in order to discuss concrete measures to ensure the implementation and observance of the accord on North-

¹⁸ Ibid, p.XXII.

¹⁹ R.R.Krishan : Text of speech delivered at a seminar on "The United Nations, United States and Two Koreas: Changing Equations" at New Delhi on 23.3.1995.

South Non-aggression and also various additional military matters involved in resolving military confrontation."²⁰

The "Basic Agreement" especially the provisions regarding the military demarcation line (Article 11), and the proposal to set up a South-North Military sub Commission (Article 12) to discuss, concrete measures to ensure the implementation and observance of the Accord and various military agreements to resolve the confrontation had direct bearing on Korea-US relations.²¹ There were questions raised whether the basic agreement had in effect made the United Nations Military Command (UMNC) created during the Korean War and continued after the Armistice Agreement ineffect irrelevant. In fact it was argued that the U.S. itself had side lined the institution of

²⁰ Ibid.

²¹ Article 11: "The South-North demarcation line and areas for non-aggression shall be identical with the military demarcation line specified in the Military Armistice Agreement of July 27, 1953 and the areas that have been under the jurisdiction of each side until the present time".

Article 12: "To implement and guarantee non-aggression, the two sides shall set up a South-North Joint military commission within three (3) months of the coming into force of this agreement. In the said commission, the two sides shall discuss and carry out steps to build military confidence and realize arms reduction, including the mutual notification and control of major movements of military units and major military exercises, the peaceful utilization of the Demilitarized zone, exchanges of military personnel and information, phased reduction in armaments including the elimination of weapons of mass destruction and attack capabilities and verifications thereof".

Source: *Defence White Paper 1992-1993* (The Ministry of National Defence, The Republic of Korea 1993).

Military Armistice Commission (MAC). Whenever there was a serious crisis in the U.S.-North Korea relations, as during the "Pueblo incident" in January 1968. According to some the changing equations in South-North Korea relations also triggered- off changes in US-North Korea relations.

It was argued that it was not possible to find Korean Peninsula in a situation wherein there would be a thaw in North-South Korea relations but tension in North Korea-US relations. The bilateral and the trilateral relations cannot be separated.

One of the priority areas of concern of the United States in the emerging Post cold war era was the proliferation of the Nuclear weapons across the Continents and restricting the number of nuclear states to six only. In this context the United States was particularly keen to prevent the emergence of North Korea as a nuclear weapon state especially after the disintegration of the Soviet Union and the emergence of Commonwealth of Independent States (CIS) with some of them having the capability to produce the nuclear weapons. This explained why the United States showed considerable interest to work for the de-nuclearisation of the Korean Peninsula and as a first step to reduce the prospects of military confrontation between North and South Korea. The U.S. realised the significance that North Korea had attached to the U.S. tactical nuclear weapons located in South Korea and also realized that North Korea was linking its refusal to sign the

safeguard agreement although North Korea had signed the Nuclear Non-Proliferation Treaty (NPT) in December 1985. This was because the U.S. was working towards a situation where it could withdraw its tactical nuclear weapons provided North Korea would denounce its plan to produce nuclear weapons and conclude the safeguard agreement. Thus as the 1980's was coming to an end, and the stable post cold war era situation was emerging in North East Asia, President George Bush announced a major decision in September 1991 on tactical nuclear weapons. As per this announcement there would be a global withdrawal of U.S. tactical nuclear weapons which also included South Korea. This marked a clear departure from an equivocal "No Confrontation No Denial" or what came to be known as NCND position of the U.S. on tactical nuclear weapons. This was also addressed essentially to North Korea so that it could facilitate North Korea to take positive measures to conclude the safeguard agreement.

Roh Tae Woo made two important announcements with regard to the nuclear and the Military Demarcation issues of the US-South Korea relations. First was the statement in November 1991, in which he declared that South Korea is free from nuclear weapons and North Korea could carry on site verifications. Secondly the operative joint US-South Korea "Team Spirit" exercises would not be held in 1992. These two momentous developments coming against the backdrop of the 13 June 1991 Agreement (Basic Agreement) paved the way for the conclusion of the historic joint declaration on 31 December 1991

called "North-South Joint Declaration on the Denuclearization of the Korean Peninsula". The six point agreement, declared as follows:

1. The South and the North shall not test, manufacture, produce, receive, possess, store, deploy or use nuclear weapons.
2. The South and the North shall use nuclear energy solely for peaceful purposes.
3. The South and the North shall not possess nuclear reprocessing and uranium enrichment facilities.
4. The South and the North, in order to verify the Denuclearization of the Korean Peninsula, shall conduct inspections of the objects selected by the other side and agreed upon between the two sides, in accordance with procedures and methods to be determined by a South-North Joint Nuclear Control Commission (JNCC).
5. The South and the North, in order to implement this joint declaration, shall establish and operate a South-North joint control commission with in one (1) month of the effectuation of this joint declaration.
6. This joint declaration shall enter into force as of the day the South and the North exchange notifications of completion of the procedures for the entry into force of this declaration.²²

²² Defence white paper 1992-1993 n.21, p.243.

It is against this background North Korea decided to sign the long delayed safeguard agreement with International Atomic energy Agency (IAEA) in January 1992. Never before had the United States South Korea and North Korea independently and jointly worked so successfully to defuse tension in the Korean Peninsula.

The two momentous developments, the June 1991, Basic Agreement and the December 31, Joint Declaration of the Denuclearization of the Korean Peninsula, set the framework, and agenda for a new phase not only in the inter Korean relations but also the triangular relations between the U.S. and the two Koreas. The holistic approach and the keenness to explore and identify areas of economic, political, cultural and military dimension of relations injected a dynamism and initiated a flurry of activities in the bilateral ties.

The year 1992 began in extremely positive note when Roh Tae Woo in his New Year address to the nation said "South and North Korea to achieve unification together, independently of external forces, with their own wisdom and strength" he further said that the two Koreas opened "a new age of reconciliation and cooperation" by signing a Basic inter-Korean agreement on 13 th December 1991.²³

²³ Korea Annual, 1993, p.5.

The importance that South Korea attached to its economic relations with North Korea became evident when Kim Woo-Choong, Chairman of Daewoo Corporation, told reporters in Beijing after a 11-day visit to North Korea that the North Korean leader Kim IL Sung hoped to meet the South Korean President "as soon as possible to discuss unification and other issues."²⁴

Yet another concrete step in implementing the Basic Agreement was taken when South and North Korea made agreements to arrange family re-unions, open liaison offices in Panmunjom and form three joint committees - military, economic exchanges and cooperation, and social and cultural exchanges and cooperation. These agreements were signed by Prime Minister of South Korea Choung Won Shik and North Korean Premier Yon Hyong muk.

Towards the end of July 1992 South Korea in response to North's request initiated the establishment of a light industrial complex in Nampo in North Korea. On July 25 an important, Minister of North Korea Kim Dalhyon visited the historical sites in Korea and became the first high dignitary from the North to visit the leading industrial establishments in South Korea.

As stated earlier the Basic Agreement and the Joint Declaration on the Denuclearization of the Korean Peninsula produced a

²⁴ Ibid.

framework for a new phase in the inter-Korean relations and also in the triangular relations between the U.S. and two Koreas. The Joint Declaration brought to the fore the nuclear issue in the Peninsula. The U.S. was obviously satisfied with both the agreements for a number of reasons. The U.S., especially in the post cold war period was keen to ensure that North Korea's nuclear programme was irrevocably oriented towards peaceful purposes and that both North and South would follow the six article of 31 December, Joint Declaration agreement in letter and spirit. Since South Korea was a signatory to the NPT and had also concluded the Safeguard Agreement with IAEA, the U.S. was determined to work in tandem with South Korea to bring North Korea into the regime of the NPT. Therefore two parallel processes were initiated by the U.S. and South Korea to resolve the issue of North Korea nuclear programme through a dialogue.

The Basic Agreement and the Joint Declaration Agreement came into effect on 19 February 1992. As per the agreement, stipulating the establishment of North-South Military Committee within one month of signing the inter-Korea basic accord on 19 February, 1992, the two sides established the North-South Military Committee. It had seven members from each side. It held its first round of talks in Panmunjom on 13 March 1992. After two rounds of meetings of the Committee (seventh meeting of North-South high level talks) an agreement was reached on establishment of the Joint

Military Commission in May 1992. The meeting also agreed to draft an auxiliary agreement on non-aggression by September 1, 1992. At the eighth North-South high level meeting on September 15, 1992, the auxiliary agreement for the implementation and observance of North-South non aggression of the inter-Korean basic accord was finally signed. The auxiliary agreement consisted of six chapters and nineteen articles. They are: 1) non use of military force. 2) peaceful resolution of conflicts and prevention of accidental military confrontation. 3) establishment of the boundary line and zone for non aggression. 4) installment and operation of a hotline between military leaders. 5) establishment of a body for consultation and implementation. 6) and revision and effectuation of the agreement. These military talks were extremely significant developments as they were the first military dialogue where high ranking military officials of two Korea met face to face to solve their problems. Some had viewed it as a "turning point in the diminishing of military rivalry between the South and the North."²⁵

The Joint Declaration of the Denuclearization of the Korean Peninsula had provided under article 5 that the two Koreas should establish a Joint Nuclear Control Commission (JNCC) within a month of the effectuation of the declaration. After seven official meetings held, between 19 February 1992 to 14 March 1992, the JNCC came

²⁵ For details of the North-South Joint Committee talks (1-8). See "Defence White Paper, 1992-1993", p.86-87.

into being. (for the proposals put forth by the two Koreas in the JNCC talks during first eight rounds, see table end of this chapter). In pursuance of the Joint Declaration five rounds of discussions were held for finalizing the regulations and processes and inspections of declared nuclear sites. The objective of North-South nuclear inspections was to guarantee stable denuclearization in the Korean Peninsula by verifying the implementation of Articles 1,2, and 3 of the Joint declaration. These stipulate that the two sides "shall not test, manufacture, produce, receive, possess, store, deploy or use nuclear weapons and shall use nuclear energy only for peaceful purposes".

During the inspections North Korea indicated that it had separated "minute" amounts of plutonium from their Graphite Reactor in 1990. In all the IAEA conducted six inspections in 1992 in North Korea. The first adhoc inspection began at the declared nuclear sites in North Korea between 25 May and 6 June 1992. The sixth inspection was carried out between the 26 January and 6 February 1993. At the end of the sixth inspection the IAEA suspected that North Korea had reprocessed more of its plutonium in its nuclear reactors than it admitted in its initial statement in the IAEA declaration.

As a result of the suspicion the IAEA requested that it should be allowed to conduct "special inspections" of two undeclared storage

sites at the Yongbyon complex.²⁶ Hans Blix Director General of IAEA undertook a tour of the atomic energy research centers in Yongbyon for five day inspection of North Korea's declared nuclear sites from May 11 to 15. On his way back to Vienna while in Beijing he said on 16 May 1992 that North Korea was building a nuclear fuel reprocessing plant capable of producing weapons grade plutonium.²⁷

He further told the U.S. House of Representatives Foreign Affairs Committee on July 22, 1992 that the IAEA "would not have any hesitation," in calling the radio chemical laboratory, which was six stories high and about 190 meters long" a reprocessing plant in the terminology of the industrialised world²⁸. Following Hans Blix observations in Beijing, North Korea's Plutonium holdings and their quantity as well as their sources became a subject matter of a new controversy between North Korea on the one hand, and South Korea and US on the other. As the controversy further deepened and became more deeper the U.S. took the unprecedented step of providing the IAEA with satellite intelligence photos showing what appeared to the two undecleared nuclear waste storage sites close to the Radio Separation Plant at Yongbyon. It was these two suspect

²⁶ For details of the IAEA inspections see Act Interview, "North Korea at the crossroads: Nuclear Renegade or Regional Partner?" *Arms Control Today*, vol.23, No.4, May 1993, pp.3-9.

²⁷ Korea Annual, 1993 p.11.

²⁸ K.D.Kapur, *Nuclear Diplomacy in East Asia US and the Korean Nuclear Crisis Management* (Delhi: Lancers Books, 1995), p. 5.

storage sites in the vicinity of the Yongbyon reprocessing facility that the IAEA wanted to inspect.

Furthermore the IAEA and its 35 member Board of Governors insisted that these inspections be carried out before 31 March 1993. North Korea rejected the demand on the ground that the undeclared sites were in fact military sites and beyond the jurisdiction of the IAEA²⁹.

In a dramatic and what later turned out to be effective move, North Korea's Foreign Minister announced on 12 March, 1993 the government's intention to withdraw from the NPT by giving a three month notice ending on 12 June 1993. The Foreign Minister declared that the "Withdrawal will stand until the agency abandons its unjust conduct and the US nuclear threat is removed". He further stated that the IAEA insistence on visiting the two military sites as "an encroachment on the sovereignty of North Korea, an interference in its internal affairs and hostile act to stifle our socialism"³⁰.

North Korean government outlined two reasons for its withdrawal from the NPT. They were (a) a decision by South Korea,

²⁹ James Bayer and Robert F. Bedeski, "North Korea's Nuclear Option: Observations and Reflections on the Recent NPT crisis", *The Korean Journal of Defence Analysis*, vol. V, no.2, Winter 1993, pp.99-118.

³⁰ Kapur n.28, p.110.

and the United States to resume 'Team Spirit' exercises in 1993 (b) the IAEA's use of intelligence data provided by the U.S.³¹

Regarding the first reason, North Korea saw the resumption of the team spirit exercise violative of the earlier commitment to terminate the joint exercises and also interpreted as a deliberate provocation. Regarding the second reason North Korea maintained that "never before had the IAEA (which North Korea had generally viewed it as an American controlled organisation) used member states intelligence to justify its inspections"³².

North Korea's announcement of its intention to withdraw from the NPT predictably sent shock waves especially in South Korea, Japan, the U.S. and the United Nations Security Council (UNSC) and IAEA. Never before a signatory to the NPT, which had also signed the safeguard agreement with IAEA albeit belatedly, had announced its intention to withdraw from NPT. North Korea's announcement was viewed with alarm and considered to have serious consequences. It could jeopardize the U.S. in promoting the non-proliferation of nuclear weapons in the post cold war era. It would further accentuate

³¹ On January 26, 1993 the Defence Ministry of Korea announced the implementation of the South Korea-U.S. Joint Military exercise Team Spirit '93 with the participation of an estimated 1,20,000 soldiers, including 50,000 U.S. Servicemen. Source: *Korea Annual 1994*, p.6.

³² For details of possible reasons for North Korea's actions fears and apprehensions, see *Arms Control Today* vol.23, No.1, January-February 1993, p.22-28. Also see, James Bayer and Robert E. Bedeski's article, n.28, pp.107-113.

regional tensions and pushed Korean Peninsula to the precipice of war. It was feared that the North Korean threat of withdrawal from the NPT would have an adverse impact on the other NPT signatories. It would hurt the U.S drive for universalisation of NPT and its indefinite extension at the 1995 NPT Extension Conference. The U.S. seen to have followed a two track strategy of "Pressures and Inducements" or of "Carrot and Stick" to persuade North Korea to change its stand on the Nuclear issue. For example the outgoing commander of the US Forces in South Korea General Robert Riscassi reportedly told the Senate Armed Services Committee on April 27, 1993 that "we must be aware of the possibility that North Korea could simply implode or explode"³³. Simultaneously, the U.S. also intensified its efforts to try and engage North Korea in a dialogue. The high level talks between the U.S and North Korea led by Assistant Secretary Robert Gallucci of the U.S. and the Foreign Minister of North Korea Kang Sok Ju were held on 2 June 1993 at New York.

On June 11, 1993, the North Korean government in a tentative interim agreement with the U.S., unilaterally declared to remain within the NPT in exchange for diplomatic gains. Both sides also agreed to keep momentum of their talks. Further, a joint statement was issued by the U.S. and North Korea in which an agreement on three points was conceded. They are (1) assurance by the U.S. to

³³ K.D.Kapur, n. 28, p. 160.

North Korea against the threat and use of force, including the use of nuclear weapons; (2) peace and security in a nuclear free Korean Peninsula including impartial application of full scope safeguards; and (3) mutual respect for each others sovereignty and non-interference in each other's internal affairs and support for peaceful unification of Korea.³⁴

The U.S. President Bill Clinton described the agreement as the first but vital step towards ensuring North Korean involvement in a strong international non-proliferation regime, a goal that will benefit all nations". In his Foreign policy he stated that "preventing the proliferation of nuclear weapons" was on the highest priority "and that his administration will continue to press North Korea strongly to comply fully with international standards and to move toward the goal of a nuclear free Korean Peninsula."³⁵

While South Korea was preparing in close cooperation with the U.S. for any eventuality, it showed willingness to engage North Korea in an purposeful dialogue to defuse the tension. South Korea in a letter to North Korea said that it had accepted North Korea's agenda

³⁴ *Times of India* June 13, 1993.

³⁵ Ibid.

for talks aimed at "defusing a row over nuclear proliferation" and agreed to stimulate North Korea for a meeting with them.³⁶

The second round of negotiations between North Korea and the U.S. began on 14 July 1993 in Geneva and on 19 July 1993 an agreement was reached. As in the first round of negotiations, the U.S. side was led by Robert Gallucci and North Korean side by Kang Sok Ju. An interim agreement stated that "full and impartial application of the IAEA safeguard agreement was "essential to accomplish a strong international nuclear non proliferation regime"³⁷. North Korea was also prepared to begin consultations with IAEA on safeguards and other related issues. Both the U.S. and North Korea also reaffirmed the three points made in the June, 11,1993, Joint US North Korea agreement. They also reaffirmed the importance of the implementation of the North-South Korean Joint Declaration on the De-nuclearisation of the Korean Peninsula.

North Korea reaffirmed that it was prepared to begin the North-South talks "as soon as possible on the bilateral issues including the nuclear issue"³⁸. To continue with the dialogue both sides "agreed to meet again in the next two months to discuss outstanding matters

³⁶ "Republic of Korea accepts North Korea Agenda", *The Japan Times*, June 3, 1993, p.1.

³⁷ K.D. Kapur, n. 28, p. 117.

³⁸ Ibid.

relating to introduction of Light Water Reactors (LWR) and improving the over all relations between the two"³⁹. The U.S. was prepared to support the introduction of the LWR, and to explore with North Korea ways in which the LWR's could be obtained⁴⁰. North Korean Vice Minister also promised high level talks with South Korea regarding the summit meeting between Kim Young Sam and Kim Jong Il⁴¹.

It is important to stress that when the U.S. was finding a mechanism to negotiate with North Korea through high level talks, it also sought to encourage South Korea to open dialogues with the North. It however categorical in its support to South Korea's security. President Bill Clinton during his visit to South Korea on 10 July, 1993, warned North Korea that the U.S. will take punitive actions including economic embargo, if North Korea withdrew from the NPT. In a summit meeting with Kim Young Sam, Clinton assured that there will be "no reduction in the size of U.S. forces in the region as long as North Korea posed a danger".

On October 31, 1993, the U.S. Defence Secretary Les Aspin, urged North Korea to accept nuclear inspections to avoid a crisis. He reportedly stated that "the ball is in the North Korean Court if it wants

³⁹ K.D.Kapur, n. 28, p.165.

⁴⁰ Shim Jee Hoon, The Haed Bargain: US Persuedes Pyongyang on Nuclear Inspects", *Far Eastern Economic Review*, July 29, 1993, p.19.

⁴¹ Ibid.

to avoid a crisis and improve relations with the U.S....it will have to honour its international commitments".⁴² He viewed North Korea's efforts to acquire nuclear weapons as a "most serious threat" to peace on the Korean Peninsula.

On November 1, 1993, the UN also put pressure, on North Korea. "The UN General Assembly adopted a resolution which demanded compliance by North Korea of inspection of its nuclear facilities as demanded by the IAEA"⁴³. Intensifying the situation Clinton declared that North Korea can't be allowed to develop a nuclear bomb and said "any attack on South Korea will be considered an attack on the U.S."⁴⁴.

Earlier North Korea in an appeasing gesture returned the remains of the 17 U.S. Soldiers killed in the Korean War (1950-53)⁴⁵. The fact that in May 1993 North Korea allowed the IAEA to inspect its declared nuclear sites in keeping with NPT obligations and also attended the NPT Review Conference preparatory meeting in New York did not go unnoticed. It also allowed the IAEA officials to use load sensing equipment and cameras with enough films and batteries.

⁴² K.D. Kapur, n.27, p.169.

⁴³ *The Hindustan Times*, November 7, 1993.

⁴⁴ *The Times of India*, November 9, 1993

⁴⁵ *The Japan Times*, June 15, 1993, p. 1.

On 3 March, 1994, South Korea announced conditional suspension of Team Spirit exercises. The U.S. decided to resume high level talks with North Korea on 21, March, 1994 at Geneva. However, neither the inspection of nuclear facilities was carried out smoothly nor the March 1994 inter-Korean talks to discuss the nuclear issue succeeded. In fact there was a renewed tension in the Korean Peninsula similar to a situation in March 1993.

On March 21, 1994, the IAEA Board of Governors passed a resolution regarding North Korea's non-compliance and referred the matter to the Security Council for action. The situation further intensified as Clinton announced that he had agreed to deploy Patriot anti-missile batteries in South Korea as well as possible sanctions against North Korea. The U.S-South Korea 'Team Spirit' exercises which had been suspended in March 1994 were resumed.

North Korea reacted sharply against the deployment of Patriot, missiles and the resumption of 'Team Spirit' exercises. North Korea had threatened to pull out of the NPT if the pressure continued and the UN Security Council imposed any sanctions. The North Korean Central News Agency said, "It is self evident that the deployment of Patriot missiles in South Korea will resume the tensions on the Korean Peninsula and increase the danger of war". It further added "if

the U.S. and its allies think they can subdue North Korea with pressure and threat, it is a bad mistake"⁴⁶.

Once again, as in 1993, hectic negotiations began both inside and outside the UN Security Council especially between the U.S., China and other Security Council members in formulating a resolution which would help in finding a way out of the impasse. Finally the Security Council president announced a mildly worded non binding appeal calling upon North Korea to complete the inspections of the sites.

North Korea on its part, at least officially, rejected the Security Council appeal and warned the United States not to persist in its bullying tactics. It also made it clear that it would allow inspections only of its declared nuclear sites, that it had no other sites.

On the other hand American threats intensified after the security councils appeal. The U.S. Defence Secretary warned North Korea that a military showdown would bring devastating consequences". The U.S. Pentagon official raised the specter of a nuclear attack by North Korea in any new war in the Peninsula.

North Korea responded strongly and on 13 June, 1994 it announced that it would immediately withdraw from the IAEA. The

The Pioneer, 29 January 1993.

immediate provocation was IAEA's decision to suspend most of the technicians.

The U.S. was intensifying various diplomatic and military moves including a draft proposal for sanctions against North Korea. The U.S. started circulating its draft proposals at the UN on 15 June 1994 in which it called for a mandatory arms embargo, a cut off of UN assistance, a ban on scientific and technical cooperation and reduction of diplomatic ties.⁴⁷ However China refused to support the issue of sanctions.

The United States in another move in coordination with South Korea against North Korea came up with the idea of lending positive support to former President Jimmy Carter's idea of a visit to North Korea for a discussion with President Kim IL Sung. In retrospect Jimmy Carter's visit to Pyongyang on 15 June, 1994 was not only an excellent but timely and effective move. It could be said that when Jimmy Carter walked across the world's most heavily guarded border into North Korea a historic event had taken place. An event which seem to have changed the course, content and characteristics of US-North Korea relations as also the triangular relations between Washington, Seoul and Pyongyang.

⁴⁷ T.R.Reid, "Closer Ties are possible, Cater tells North Korea", *International Herald Tribune* 16, June 1994 p.65.

Although Jimmy Carter was on a private visit he was briefed by the State Department. Probably the briefing included of what North Korea could expect from the U.S., what was expected of North Korea, and how reduction of hostility between the two countries and resolution of the impasse of the North Korean disputed nuclear programme. There was great expectation that the visit would usher in new and positive development in the Korean Peninsula.

From all available evidence it was clear that Jimmy Carter and Kim IL Sung established cordial and friendly discussions and Kim IL Sung seem to have lived up to his reputation as a courteous host. It is reported that Kim IL Sung told Carter "What is important between us is trust, confidence in each other."⁴⁸

It was also announced that a summit meeting between Kim IL Sung and Kim Young Sam would take place, the first ever by the Presidents of two Koreas in Pyongyang towards the end of July 1994.

After the discussion with Kim IL Sung, Jimmy Carter said that North Korea had agreed to allow UN inspections to remain at the disputed site and this was a positive step towards the resolution of the crisis. One of the significant steps taken by Jimmy Carter was he reassured Kim IL Sung that Clinton administration had stopped the

⁴⁸ Paul F. Horvitz, "US aids detail Korean sanction plan", *International Herald Tribune* June 6, 1994, p.2.

sanction move against north Korea in the U.N. Carter also maintained that the U.S. would "go ahead with the high level talks that North Korea has long demanded",. The U.S. officials however, maintained that no such talks could take place unless North Korea had actually agreed to 'freeze' its nuclear programme, and that it would not produce more weapons from the fuel it had recently extracted from its largest reactor.⁴⁹

On 22 June, 1994 Clinton announced that North Korea has formally promised to freeze its nuclear programme in exchange for resuming high level talks between the two sides. The President also rang up Kim IL Sung to inform about the developments of the talks and the third round of negotiations to be held on 8 July, 1994 in Geneva. North Korean side also confirmed that the talks were expected to take place on 8 July with the U.S.

The third round of negotiations was held as per schedule on 8 July 94' in Geneva in a cordial atmosphere. In the midst of the negotiations came the news of the death of the Kim IL Sung. As a mark of respect to the deceased leader the negotiations were indefinitely suspended. Following a working level meeting between the U.S. and North Korea on 21 July 1994 the suspended third round of negotiations were resumed on 5 August 1994. About a week later

⁴⁹ David E. Sanger, "Korea Trip, goodness, Carter says, US unsure: White House and Asians has given into Pressure", *International Herald Tribune*, June 18-19, 1994, p.1

a joint statement of agreement was issued on 13 August 1994. The agreement highlighted, four points: (1) Interim energy alternative during the period between replacing the graphite moderate reactor with light water reactor. (2) Both sides will establish diplomatic offices at both Washington and Pyongyang and reduce the barriers in trade before the establishment of normal economic relations. (3) The U.S. to give an assurance to North Korea against threat or use of nuclear weapon. The assurance was to be the first of its kind by the U.S. in the generally confrontational relations with North Korea. (4) North Korea on its part agreed to remain a party to NPT and to implement safeguard agreement.⁵⁰

The on and off negotiations in Geneva between North Korea and the U.S. finally concluded when an "Agreed Framework" or what came to be known as "Geneva Accord" was concluded on 21 October 1994. It would be appropriate at this point to highlight the significance of this extremely important international document before an examination of its inter-related provisions.

The document was called an "Agreed Framework" not only because the U.S. and North Korea did not have formal diplomatic ties but also had almost five decades of stormy political relations. The two countries therefore could not conclude a treaty at the end of their prolonged negotiations, which would have had legal force or validity in

⁵⁰ K.D. Kapur, n. 28, p. 227.

the perception of the international community. The "Geneva Accord" was perceived by the US and North Korea as a necessary and desirable framework which would structure their relations in a phased manner and also help resolve the contentions nuclear issue. It was therefore aptly termed as the Agreed Framework. The U.S. also realised that describing the Geneva document an Agreed Framework would also not antagonize their close, long time and trusted ally South Korea.

The Geneva Accord is indeed an historic development although its background, provisions and consequences have been the subject of an intense and unending debate in South Korea, United States and its allies, and in the larger international community.

The nature and extent of debate within North Korea on the Geneva Accord are not known and yet it is safe to conjecture that the Geneva Accord and the follow up measures formed an important part of the terms of debate in the transition from the post Kim IL Sung era to Kim Jong IL's efforts to consolidate his power and authority.

Three important points of the Geneva Accord may be highlighted. Probably never before a country which had signed the NPT and after seven years signed the safeguard agreement had dared to threaten to withdraw from the NPT in such a dramatic and effective manner as Korea had in its dealing with the Unites States. More

significantly North Korea ventured to play its 'nuclear card' and managed to succeed and that too in an international strategic, political and economic environment which was hardly in its favour. It managed to change its equations with the United States and in the bargain worked out a new pattern and paradigm of relations which had its own logic and momentum. The accord also set a new framework and agenda in the relations between North and South Korea and United States and South Korea.

The agenda now included issues like how to develop North Korea's nuclear energy for peaceful purposes and how to involve an international institutional mechanism to build North Korea's vital sectors like energy and how to draw North Korea into the mainstream of international community as an acceptable member.

The implementation of the Geneva Accord required, among other things, a mechanism to replace the Armistice Agreement with a mutually agreed, alternative agreement carrying out the letter and spirit of the 25 article Agreement on Reconciliation, Non aggression and Exchanges and Cooperation between the North and the South and the Joint Declaration of the Denuclearization of the Korean Peninsula. It also required simultaneous confidence building measures not only between the US and North Korea but also between U.S. and South Korea. Thus the implementation of the Geneva Accord was indeed a onerous and challenging task to the US, North

Korea and South Korea as they were involved in constructing a new framework of relations.

The Agreed Framework is structured in such a way that each step is sequential to the completion of the previous one linked to strict adherence by both sides. The main provisions of the accord are:

- a) The US undertook to make arrangements to replace Graphite Moderated Reactors and facilitate with Light-Water Reactor (LWR) power plants with a total generating capacity of approximately 2,000 MW(e) by year 2003.
- b) The US will organize under its leadership an international consortium to finance and supply the LWR project and act as the principle point of contact with North Korea.
- c) The US will make arrangements to offset the energy foregone due to the freeze of North Korea's graphite moderated reactors and related facilities.-- Deliveries of heavy oil will begin within three months of the date of this document and will reach a rate of 500,000 tons annually, in accordance with an agreed schedule of deliveries.
- d) The US and North Korea will cooperate in finding a method to store safely the spent fuel from the 5 MW(e) experimental reactor during the construction of the LWR project, and to

dispose of the fuel in a safe manner that does not involve reprocessing in North Korea.

- e) North Korea agreed to remain a party to the NPT and will allow implementation of the safeguard agreement.
- f) The US gave an assurance to North Korea "against the threat or use of nuclear weapons".
- g) Both North Korea and the US will work for normalization of political and economic relations.
- h) Both sides will work together for peace and security on the nuclear-free Korean Peninsula.
- i) North Korea will consistently take steps to implement the North-South Joint Declaration on the Denuclearization of the Korean Peninsula.⁵¹

The litmus test for US-North Korea's new framework of relations came when an US army helicopter crashed some 5 Km inside North Korea's territory in Kangwon-do on 17 December 1994. One of the two pilots was killed and the other detained in North Korea. Although the

⁵¹ For the text of the Geneva Accord, see K.D. Kapur, *Nuclear Diplomacy in East Asia: U.S. and the Korean Nuclear Crisis Management*, (New Delhi, Lancer Books), pp. 396-399. Also See *Korea Annual 1995*, pp. 384-392.

initial response was one of anger and dismay the US did not want to precipitate and escalate the matters. The US congressman Bill Richardson arrived in Pyongyang on 17 December 1994 on behalf of Clinton and negotiated with North Korea. Later North Korea returned the remains of the American pilot to South Korea. Subsequently on 28 December 1994 US Assistant Secretary of State Thomas Hubbard negotiated with North Korean Officials in Pyongyang for the release of the American pilot detained by North Korea. Following the US apology for its trespassing in to North Korean air space and an assurance that such an intrusion would not happen in future, North Korea allowed the American Prisoner to return home via Panmunjom. The manner in which North Korea and the US handled the December 1994 helicopter incident were noteworthy.

It was observed that the US disregarded the proper channels for settling a violation of the truce agreement through the convening of the Military Armistice Commission (MAC). It instead chose to enter into a direct negotiation with Pyongyang as it had done in the case of 'Pueblo' crisis (1968). It demonstrated that the U.S. intentionally chose not to involve either South Korea or MAC in dealing with its violation. This gave rise to a feeling especially in South Korea, that the US was sidelining and sidelining or setting a side the institutional mechanism spelt out in the Armistice Agreement (1953) for violation of the Military Demarcation Line (MDL). This manner of resolving a contentious issue in North Korea - US relations was seen as an

evidence of the high stakes the US had invested in sustaining the new framework of relations against North Korea on the basis of Geneva Accord.

What is more striking is that following the resolution of the helicopter incident is the State Department announced an easing of the US economic sanctions against North Korea on 21 January 1995. This statement, inter-alia, said: to implement the October 21, 1994 US-North Korea Agreed Framework, we will take the steps listed below to ease economic sanctions against North Korea. These initial steps are in response to North Korea's decision to freeze its nuclear programme and facility and cooperate with the US and IAEA in verifying the freeze and ensuring safe storage of spent nuclear fuel". Further relaxation of economic sanctions against North Korea will depend on further verified progress on the nuclear issue as well as progress in other areas of concern such as telecommunications and information, financial transactions, and trade.

Towards the implementation of the Agreed Framework the United States and North Korea negotiated an agreement in Kuala Lumpur, on 13 June, 1995. Subsequently a US working level delegation visited Pyongyang to discuss the conditions of providing heavy oil to North Korea. In addition to that a site inspection team

visited North Korea to assess the conditions of a proposed site for the planned construction of light water reactors (LWR's).⁵²

Meanwhile, the Korean Peninsula Energy Development Organisation (KEDO), an International consortium was inaugurated in March 1995, in order to supply the light water reactors to North Korea in accordance to the Agreed Framework. An "agreement on supply of Light Water Nuclear Reactor Project" was signed between the KEDO and North Korea in New York on December 15, 1995 recognising that KEDO is an International Organisation (Supported by the US, South Korea and Japan) to finance and supply a light water reactor project to North Korea. The 13, June 1995, US-North Korea statement specify that the US will serve as the principal point of contact with North Korea for the LWR project and reaffirms that North Korea shall perform its obligations under the relevant provisions of the Geneva Accord⁵³.

South Korea extended full support to the "Agreed Framework" between North Korea and the United States. In an address to a Joint Session of the US Congress at Washington on 26 July 1995, Kim Young Sam said, "we support the Kuala Lumpur accord reached between the United States and North Korea on the Nuclear issue.

⁵² Korea Annual. 1996.

⁵³ For US-North Korea Joint Press Statement and details about the Kuala Lumpur Agreement see "Status of North Korean Nuclear Programme and KEDO-North Korea's Accord" in *Korea Focus* July, 1995, vol.3, pp.48-60.

Joint Korea-US efforts to resolve the North Korean nuclear problem must be solidly maintained until all suspicions about North Korea's nuclear development have been removed". He further said, "the Korean government will exert its utmost efforts to ensure that the US-North Korea Agreed Framework signed in Geneva is faithfully implemented"⁵⁴. The Korean President talking on the unification issue said, that peace and stability in North Korea is indispensable for pursuing a joint national development plan designed to promote mutual prosperity of the South and North. It is for this reason Korea agreed to share the costs and assumed responsibility for a Korean model LWR.

In 1996, KEDO selected South Korean firm the "Korea Electric Power Company" as the prime contractor to build the two reactors. The ground breaking ceremonies took place on 19 August 1997, in which South Korean engineers and technicians participated for the first time at an event in North Korea. By the year 2000 as many as five thousand South Korean workers are expected on site. Further two Korean diplomats took up posts in the KEDO office Simpo on 28 July, 1996 marking a historical development between the two Koreas.⁵⁵

⁵⁴ For full text of the President Kim Young Sam's address at a Joint Session of the US Congress see, *Korea Annual* 1996, p.360-362.

⁵⁵ *Korea Annual* 1998, p.98.

The Korean Armistice Agreement has often been described as the longest truce agreement in history. The continuation of the Armistice Agreement has been cited as a proof of the fact that Korea is technically in a state of war. Although since 1961, Korea had taken the position that it would support and honour the agreement, it had serious reservations in the initial period. This opposition, especially led by Syngmen Rhee facilitated the conclusion of the US-Korea Mutual Defence Treaty in 1954.

Since then the US and South Korea have on innumerable occasions defended the special and unique American position in the Armistice Agreement. The US and South Korea have seen the Armistice Agreement and the Mutual Defence Treaty as mutually complementary and supplementary to each other. South Korea and the US have therefore criticized the North Korea's demand raised from time to time for replacing the Armistice Agreement with a Peace Agreement to be concluded between the original signatories. South Korea and the US have Portrayed the North Korean demand as a Camouflage for North Koreas "nefarious" designs to communize the Korean Peninsula and also aimed at the withdrawal of US troops from South Korea. Yet the rationale of continuing the Armistice Agreement even when significant changes have been initiated either in inter Korean relations or in North Korea relations with the U.S. has been the subject of debate.

Towards the end of 1970s the US President Jimmy Carter sought to promote a tripartite meeting among North Korea, South Korea and the US. One of the objectives behind the moves was to discuss the future of the Armistice Agreement. Despite South Korea's diffidence the United States proposed that a triparted meeting would be held in a third country and suggested that the venue could be in Bali, Indonesia. This meeting could have high level government officials from the three countries. North Korea promptly rejected the US proposal and characterized it as a "crafty mechanism to perpetuate the division of the Peninsula".

However North Korea came out with a proposal in January 1984 for a three party meeting. The timing as well as the contents of the proposal were viewed with suspicion because only three months earlier President Chun Doo Hwan narrowly escaped in a bomb attack in Rangoon which was widely seen as a handwork of North Korea. The Reagan administration as well as Chun Doo Hwan government turned down the North Korean proposal for a tripartite meeting.

It was becoming clear by the end of 1980s that both United States and South Korea may have to face a situation in which North Korea would as a deliberate policy disassociate itself from certain institutional mechanism like the Military Armistice Commission of the Armistice Agreement.

Even as North and South Korea talks at the level of Prime Minister's was taking place, North Korea wanted to seize the opportunity of a possible thaw in the inter-Korean relations by asking its People's Army not to attend the MAC preliminary sessions in March 1991. Later when the U.N. Command called its 460th meeting North Korea chose not to respond it. The disintegration of Czechoslovakia also affected the composition of the Neutral Nations Supervisory Commission (NNSC). The Czech delegation at the NNSC was withdrawn at the insistence of North Korea. It also became clear that the Polish Delegation to the NNSC would not be continued following the collapse of its administration.

The important development which could be said to have shaken the structure of the MAC was China's decision to recall its delegation from the MAC on 15, December 1994. China probably considered that it had no role to play in the Korean Peninsula especially after two important and related developments taking place in quick succession. The reference here is to the "Basic Agreement" (13 June 1991) and the entry of two Koreas into the United Nations as full members on 18 September 1991. North Korea thought that it would be an appropriate time to make clear its intentions to progressively disassociate itself from the Armistice Agreement Framework. It took the momentous decision of withdrawing its delegation from the MAC in May 1994.

The above developments probably encouraged the US and South Korea to have a re-appraisal of the Armistice Agreement and the institutional mechanism associated with it. The US and South Korea felt that the appropriate time for a four power talks on the Armistice Agreement had come. The Four powers included China which had expressed its unwillingness to continue its role in the MAC. The US and South Korea probably felt that the changing equations in China-South Korea relations and the strong commitment to sustain their bilateral relations in the post cold war era are strong reasons for involving china in the Four power parleys to discuss the future of the Armistice Agreement.

Following the Geneva Accord North Korea again proposed a new tripartite meeting claiming that a new peace mechanism was needed on the Peninsula to replace the "ineffective Armistice System". In the new proposal it suggested that the US and North Korea should hold negotiations which could be attended by South Korea as an observer. North Korea further maintained that only US and North Korea should be signatories to the 'peace treaty' replacing the Armistice Agreement but it had no objection if South Korea were to be involved in discussions leading to a new mechanism replacing the Armistice Agreement.

At the Bill Clinton-Kim Young San meeting at Cheju Island on 16 April 1996 an in-depth exchange of views took place on ways to

promote Peace the situation in the Korean Peninsula, While the two reaffirmed their faith and confidence in the US-Korea security alliance, they also made it clear that the Armistice agreement would be maintained until a viable peace agreement is worked out. Further, the two Presidents proposed to convene a Four Party meeting of South Korea, North Korea, China and the United States as soon as possible without any conditions.⁵⁶

Nearly 44 years after the conclusion of the Armistice Agreement, talks were held towards negotiating a peace treaty. The Armistice Agreement of July 1953, mentioned that all the combatants in the Korean war were to start negotiating a peace treaty within three months.⁵⁷ The three months ineffect became forty three years.

North Korea first attended a briefing session for the four party talks on 16 April, 1997. The first preliminary meeting was held in New York on 5 August 1997 with Deputy Foreign ministers of North Korea, South Korea, China and the United States. The talks ended abruptly when North Korea insisted to include the issues of withdrawal of US forces from the Korean Peninsula and signing of a bilateral peace agreement between North Korea and the US in the agenda of Four Power talks. A new issue was raised at the second

⁵⁶ For details of Clinton-Kim Young Sam meeting see. Documents in *Korea Annual*, 1997, pp.363-67.

⁵⁷ Times of India, 28 July 1997.

preliminary meeting held on 18 September when North Korea demanded South Korea's guarantee that it will no longer bring in military equipment from outside its borders.

A major breakthrough in the process to begin Four Party talks was seen with the inauguration of North Korea's leader Kim Jong IL as General Secretary of the Workers Party. North Korea seemed to have softened its position on holding talks. Thus, the first full fledged four party meeting was held in Geneva on 9 December 1997 in which South Korea's Ambassador to France Lee See-Young, North Korea's Vice foreign Minister Kim Gye-Gwan, US Assistant Secretary of state Stanley Roth and China's vice foreign minister Tang Jianuan were represented.⁵⁸ Chinese minister urged North Korea and South Korea to improve relations and build mutual trust. He further said, "The ship of the four party talks has now set sail, we know for sure that the future course will still be long and difficult. Nevertheless, we have already struck a good beginning."⁵⁹ The leaders agreed to meet next on 16 March, 1998 at Geneva. They also agreed that the chair would be taken over in the order of China, South Korea, North Korea and the United States.

New developments took place at the third round of talks in Geneva on 21 October 1998. It was the first session since Kim Jong-

⁵⁸ *Korea Annual* 1998, pp.91-94.

⁵⁹ *Times of India* 10 December 1997.

IL officially assumed power in North Korea. The four countries agreed to establish two subcommittees to discuss the establishment of a peace regime on the Peninsula and ways to reduce tension. Unlike previous meetings this session produced concrete results of forming two sub panels one to deal with the issue of replacing the existing Armistice Agreement with a peace treaty and the other to discuss inter-Korean issues such as confidence building measures, arms control and disarmament. According to one observer, North Korea had three strategic goals at the talks :-

- 1 Improving relations with the United States;
- 2 Concluding a bilateral peace treaty with the US and;
- 3 Withdrawal of US troops from South Korea as a precondition for reducing tension and building confidence on the Korean Peninsula.⁶⁰

Since 1990, with the end of the cold war era, North Korea lost its subsidized trade with the former Soviet Union and Eastern Europe. Because of bad harvests the agricultural exports decreased throughout the period of 1990-98. Thus North Korea's economy experienced negative GNP growth. In 1990 it was - 3.7%, 5.2%, in 1991, 7.6% in

⁶⁰ Moon Chung-In, "Direction of Four-Party Talks" *Korea Focus* November-December 1998, vol. 6, No. 6.

1992, -4.3% negative growth⁶¹. Two way trade dropped from 2.72 billion dollars in 1991 to 2.1 billion dollars in 1994. The situation had worsened following floods in 1995, 1996 and severe drought in 1997⁶². North Korea was in a severe Food shortage towards the end of 1995. North Korea appealed to several countries and the UN for assistance for its recovery.

The United Nation's survey team was dispatched to North Korea. It reported that it found extensive damage from flooding. It requested UN member countries to help North Korea. The UN and its related agencies, especially the World Food Programme (WFP), responded with an initial aid of 5,140 tons of rice in 1995⁶³. Approximately 3,25,000 tons of food aid has been given since 1995 under the WFP. Since April 1997, 5,25,000 tonnes of non-WFP assistance has also been donated of which China supplied 2,20,000 tonnes. It also granted "soft loans" to purchase food, fuel oil and cooking coal to North Korea⁶⁴.

After the conclusion of Geneva Accord, the United States showed interest in resolving economic problems in North Korea. The

⁶¹ Samuel skim, "North Korea in 1995", *Asian Survey*. Vol. 34, No. 1, January 1996, p. 64.

⁶² *The Hindu*, 20 November 1997.

⁶³ *Vintage Point* 18:11 (November 1995), pp.6-7.

⁶⁴ *The Hindu*, 20 November 1997.

first policy measure came in January 1995 in the form of permitting telecommunication connections and limited financial transactions between the two countries. In January 1996, the United States and Japan held a joint conference in Hawaii to discuss the issue of aid to North Korea. Following this, the US announced a two million dollar package of food aid to North Korea.⁶⁵ The United States further pledged 500,000 tonnes of additional food aid to the World Food Programme in 1999 for famine struck North Korea⁶⁶.

The background, nature and provisions of the Geneva Accord came to be extensively discussed in South Korea. The Kim Young Sam government was criticized by many, and opposition political parties for sidelining South Korea in the talks and yet almost compelled to assume much of the financial burden for North Korea's Light water nuclear reactor, estimated to cost four billion dollars.

Earlier, President Kim Young Sam had ruled out sending any condolence message to North Korea upon the death of its leader Kim IL Sung. By way of contrast President Bill Clinton had issued a condolence message to Kim Jong IL.⁶⁷ However, as in the past, differences in perceptions about North Korea were not allowed to act

⁶⁵ Kim Dough-Joong, " A Balance Sheet on US-North Korea Relations", *Korea Focus* 1996 March-April, vol.4, No.2.

⁶⁶ *The Times of India*, 21 March 1999.

⁶⁷ Chong-Siklee and Hyuk-Sang Sohn, "South Korea in 1994 A Year of Trial" *Asian Survey*, vol. 35, No. 1, 1995.

as an impediment to the bilateral relations between South Korea and the United States. The relations were improved. One clear indication was the selection of "Ulchin 3-4" light water reactor as the reference model. Assurances were given that South Korea would play a central role in all aspects of the LWR project.

The consolidation and development of Korea-U.S. political and military relations to a great measure depended on the remarkable growth and diversification of economic ties between the countries especially after 1961 when Korea launched its new strategy of rapid economic development. The next chapter is precisely devoted to an examination of the economic dimension of the bilateral relations.

Table

Classification	South's Proposal	North's Proposal
<p>1st Talks March 12, 1992</p>	<ul style="list-style-type: none"> ● Adoption of regulations on inspection by May 18, and mutual inspection by early June ● Articulation of a proposal of regulations on mutual inspection ● Respect for targets of inspection designated by the other party 	<ul style="list-style-type: none"> ● Inspection of nuclear weapons and USFK bases ● Cessation of instigation of international pressure against the North with the intention of attaining mutual inspection ● Overall simultaneous mutual inspection to remove suspicions about each other ● Preparation of joint countermeasures against outside nuclear threats ● Suggestion of a draft for inspection regulations as an appendix of the agreement for implementation
<p>2nd Talks April 1, 1992</p>	<ul style="list-style-type: none"> ● Pointing out that the agreement for implementation is unnecessary ● That the North's secret nuclear weapons development is responsible for the nuclear problem on the Korean peninsula ● Discussion of inspection regulations first ● Emphasis on mutuality 	<ul style="list-style-type: none"> ● Request for a draft on agreement for implementation ● Creating separate chapters for the inspection of nuclear weapons and bases ● The unfairness of mutual inspection on equal number of facilities

Classification	South's Proposal	North's Proposal
3 rd Talks April 21, 1992	<ul style="list-style-type: none"> ● Priority on the preparation of inspection regulations ● Pointing out that the agreement for implementation is unnecessary ● Willingness not to insist on the principle of inspecting the same number of facilities if the principle of mutuality is respected ● Pointing out the possibility of the North's clandestine nuclear development and secret imports of nuclear materials ● The necessity of special inspections 	<ul style="list-style-type: none"> ● Blaming the USFK'S nuclear deployment for the nuclear problem on the Korean peninsula ● Objection to the inspection of equal numbers of facilities on either side ● Overall simultaneous mutual inspection to remove suspicions about each other ● Discussion of the agreement for implementation to be first on the agenda ● Request for the South's proposal for implementation
4 th Talks	<ul style="list-style-type: none"> ● Discussion of inspection regulations first ● Discussion of the agreement for implementation after adoption of inspection regulations ● Insisting on one-to-one inspection of military bases and private facilities of each side, according to the principle of inspecting the equal number of facilities ● Request for special inspections 	<ul style="list-style-type: none"> ● Creating a separate chapter for the inspection of nuclear weapons and bases ● Overall simultaneous mutual inspection to remove suspicions toward each other ● Objection to special inspections on the grounds that they are contrary to the spirit of a joint declaration for denuclearization

Classification	South's Proposal	North's Proposal
5 th Talks May 27, 1992	<ul style="list-style-type: none"> ● Suggestion to discuss and adopt inspection regulations first, and then work on the agreement for implementation ● Special inspections of military bases ● Special inspection of military bases ● Pointing out the limits of IAEA inspection, and urging for early inspection, mentioning the international support for mutual inspection 	<ul style="list-style-type: none"> ● A package settlement and simultaneous effectuation simultaneous effectuation of an agreement, and regulations on inspection ● Creating a separate chapter for the inspection of nuclear weapons and bases ● Objection to inspections on military bases and special inspections
6 th Talks June 30, 1992	<ul style="list-style-type: none"> ● Pointing out the increased suspicion of the North's nuclear development following the IAEA inspection, and urging mutual inspections ● Request for the discontinuation of construction, and for the dismantling of nuclear fuel reprocessing facilities ● Request for special inspections of military bases ● Willingness to propose a draft of agreement for implementation of the North agrees to the order of discussion - regulations on inspections, preliminary signing, and discussion of the agreement for implementation 	<ul style="list-style-type: none"> ● Insistence that the suspicion about its nuclear development program has disappeared through the IAEA inspection, and urging inspections of USFK military bases, which it claims to be the only remaining issue ● Request for explanation of the South-Korean government's stance that no progress in South-North relations can be expected without the resolution of the question of North Korean nuclear development

Classification	South's Proposal	North's Proposal
7 th Talks July 21, 1992	<ul style="list-style-type: none"> ● Discussion of inspection regulations first ● Suggesting the draft of agreement for implementation under the precondition that the North agrees to the order to discussion of inspection regulations, preliminary signing, and discussion of the agreement for implementation ● Pointing out the limits of the IAEA inspection ● Request for mutual inspections 	<ul style="list-style-type: none"> ● Insisting that the suspicion about its nuclear development has disappeared through the IAEA inspections ● Shifting the responsibility for the deterrent of mutual inspection to the South, arguing that the South did not propose a draft of the agreement for implementation and that it stuck to its previous stance demanding special inspections on military bases
8 th Talks Aug, 31, 1992	<ul style="list-style-type: none"> ● Request for mutual inspections ● Emphasis on our basic stance on special inspections of military bases and symmetrical inspections based on mutuality 	<ul style="list-style-type: none"> ● Agreeing to discuss inspection regulations first ● Overall simultaneous mutual inspection to remove suspicions towards each other ● Objective to our proposal for special inspections of military bases ● Proposing a revising draft for inspection regulations with changed chapter titles, accommodating our draft

Source: Defence white Paper 1992-1993. The Ministry of, National Defence The Republic of Korea, 1993.

CHAPTER - III

ECONOMIC RELATIONS: CONTINUITY AND CHANGE

We had noted in the opening chapter that one of the most important reasons for the Americans to incessantly knock at the door of Korea since 1830s was Commerce. For about a quarter of a century (1882-1908) following the historic Korea-US "Treaty of Peace, Amity, Commerce and Navigation" it looked that profit making became for American entrepreneurs became the main reason to pursue various investment opportunities. These included gold mining, rail road construction, electric lighting plants, city water systems, street cars, and telephone systems.

The economic and political dimensions of Korea-US relations tended to become less significant as Korea was sucked into the vortex of international rivalry towards the end of the 19th century. The U.S. so keen to develop its economic relation with Korea at in the 1860s began to cultivate Japan in a vigorous manner in the first decade of 20th century. This was best exemplified in the U.S. policy towards Japan and Korea in 'Taft-Katsura Agreement'. The U.S. was willing to abandon all the economic and commercial concessions acquired during the first few years of official relations. The United States even closed its diplomatic mission in Seoul and withdrew its recognition of Korea as a Sovereign, independent state.¹

R.R. Krishnan, "Early History of U.S. Imperialism in Korea", *Social Scientist*, No. 138, November 1984, p.5.

The shift in the United States policy towards Korea had its negative impact on the growth and development of Korea-US economic relations as “most of the American business leaders in Korea were forced to leave without proper compensation from either Japan or the United States.”² Korea became a full-fledged colony of Japan in 1910. The United States decision to defeat Japan in cooperation with its wartime ally the Soviet Union inevitably led to a situation where America came to play an important role in Korea.

The unconditional surrender of Japan was followed by American occupation of Korea in the area south of 38th parallel. A military government of USA (USAMGIK) was installed in the area south of 38th parallel. The USAMGIK took direct charge over the economic affairs of post colonial Korea where two third's of the Korea in an area population lived.³

Although the American role in the land reforms of Korea during the three year occupation has been subject of intense debate the fact remained that it was during this crucial period that the inherited colonial agrarian structure came to be dismantled. This undoubtedly

² Yongnok Koo and Dae Sook Suh, ed., *Korea and the United States: A Century of Cooperation* (Honolulu 1984), p. 226.

³ For detailed discussion on American Military rule in Korea See Suk Joon Kim, *The State, Public policy and NIC Development*, pp. 329-356. Also see, Andrew C. Nham, *Korea: Tradition and Transformation* (Hollym International Corporation New Jersey, 1988), pp. 329-356.

facilitated the process of industrialisation in the early 1960's. The United States not only helped in the establishment of the government of Republic of Korea but also accorded a high strategic importance to the Korean Peninsula as a front line of defence against the Soviet Union. With a view to influencing its political interests and military stakes in Korea the US sought to strengthen its ties with the nascent government in the form of economic aid. The first government-to-government assistance pact was signed in late 1948. The aid came mainly through American Relief Government Appropriations in Occupied Areas Program (GARIOA). It played an important role in helping the Korean economy. From 1945 through 1949, GARIOA aid provided nearly US \$ 500 million worth of commodities. Out of these about 60 percent were in the form of food and other agricultural supplies and the remainder in fuel and miscellaneous items. The GARIOA had three basic aims: (1) Prevention of Starvation and diseases (2) increasing farm output, and (3) supplementing the shortages of consumer goods.⁴

The United States role in the Korean war took several forms, military, political and economic. Not only did thousands of American soldiers and non-combatants die defending South Korea but also the

⁴ Tae Hwan Kwak, et.al., *US Korean Relations 1882-1982* (Seoul, 1982) p. 326. Also see, Dong Se Cha, Kwang Suk Kim, Dwight H. Perkins (eds.), *Korean Economy, 1945-1995: Performance and Vision for the 21st Century* (Korea Development Institute, Seoul, 1997).

US virtually financed the war on behalf of the UN. If one were to take a longer period of American economic assistance, i.e., before, during and after Korean war (1945-1960), a total of US \$ 2.4 billion was provided to Korea. If we were to restrict it to the second phase of the Syngman Rhee regime then Korea received US \$ 1.9 billion from the United Nations Korea Reconstruction Agency (UNKRA). The US financed nearly 70 percent of imports between 1953 and 1961, and 75 per cent of total fixed capital formation. About three quarters of all aid was in the form of commodity exports.⁵ It is difficult to say what would have happened to Korea's economy, especially the structure of its production, government policies and the government itself, in the absence of substantial US assistance. How substantial was the US assistance could be gauged from the fact that it constituted 95 percent of the total foreign aid during the period 1953-62.⁶ Although the economic relations were "asymmetrical" and "patron-client" in nature the fact remained that governments of Korea and the United States endeavoured to forge special economic relations.

The successful 16 May, 1961 military coup'd'etat spearheaded by Major General Park Chung Hee ushered in a new period not only in

⁵ See R.R. Krishnan, "The State and Economic Development in Korea", in Sharma, R.C. and Kim, Dalching (ed.), *Korea-India Tryst with Change and Development* (Khanna Publishers, New Delhi, 1993, p. 122.

⁶ Edward s. Mason, et.al., *Economic and Social Modernization of Republic of Korea* (Cambridge, 1980), p. 193.

political and military development but also in economic development of Korea. One of the most frequently cited justifications for the momentous military intervention in Korean politics was to give a momentum to the economic development. Park Chung Hee used to say "..... the key factor of the May 16 military revolution was to effect an industrial revolution in Korea."⁷

To be sure there was no pre-determined, well thought out strategy of economic development during the initial years of the Third Republic. And yet a set of important domestic and external economic policies came to be inter-related and they produced very remarkable results. These policies essentially gave priority to the launching of a series of Five Year Plans beginning with 1962 and absolute priority to achieving targetted exports. The fusion of State directed economic planning and export led industrialisation may be described as the crucial factor in the political economy of development during the Park Chung Hee era.⁸ In the new orientation and direction of the Korean economy the United States came to play a decisive role. In particular the US provided substantial capital, technology, and most importantly an open market for Korean exports.

⁷ Park Chung Hee, *The Country, The Revolution and I*, 1963 (Publisher not indicated).

⁸ For details of Korea's Industrialisation, see Byung-Nak Song, *The Rise of Korean Economy* (New York, Oxford University press, 1994). Also see, Lee-Jay Cho and Yoon Hyung Kim, *Economic Development in the Republic of Korea: A policy perspective* (Hawaii: East West Centre, 1991).

All these cumulatively contributed to the development and diversification of Korean economy. However, the Korea-US economic interaction varied depending on the priorities and stages of Korea's industrial development and changes in the international economic environment.

The backwardness of the Korean economy or the relative lack of industrialization was clearly noticeable in the fact that more than two third of Korean exports were primary products. For example tungsten occupied a major share in exports to the US. The manufactured exports were infact negligible. The Korean imports were heavily financed by foreign aid. It was the US aid which made the Korean economy to recover from the ravages of the war. Foreign aid financed more than 70 percent of Korea's total imports. Korea heavily depended on the US as the main source of raw materials such as grains, textile goods, fuel and fertilizers. Capital goods consisted only 10 percent of the total goods. Korea's dependence on the US also extended to certain economic policy guidelines including on balancing the budget, foreign exchange rates, use of counterpart funds and imports were financed by American aid. The counterpart fund was a Korean currency equivalent to American grants-in-aid commodities. It was indeed an indispensable part of Korean national budget and was used to finance the reconstruction and recovery of Korean economy with out causing additional inflationary pressure.

Beginning with the early 1960's Korea moved in the direction of working out or what later came to be known as Export Oriented Industrialization (EOI). The US took lead in providing capital and technology. The grant type foreign aid was reduced significantly in late 1950s and it was replaced by a large sum of public and commercial loans. The US also provided the most stable export market for a range of commodities. This provided the opportunity for a rapid increase in exports to the US from a mere \$ 12 million in 1962 to \$ 532 million in 1971.

As a result the US' share in the Korean exports grew rapidly from 22 percent to 50 percent during the same period. In other words there was a direct linkage between growth of Korean exports and growing share of US market for Korean exports. The pace of export growth to the US was sustained throughout the 1970's. It reached \$ 4.6 billion in 1980. What was also significant was the interrelationship between Korean exports to and imports from the US. The US share in the Korean imports also showed a sustained increase in the 1960's and 70's. It rose from \$ 220 million in 1968 to \$678 million in 1971 and to \$ 4.9 billion in 1980.⁹ Thus there was a parallel growth of imports from and exports to the US.

⁹ For details See Dong Sung Cho, in Youngnok Koo (ed)., *Korea and United States: A Century of Cooperation* (University of Hawaii Press 1984). pp. 219-40.

Two significant aspects of Korea-US relation during 1961-1980 may be highlighted. One was the decline in the share of imports from the US from 52 percent in 1962 to 28 per cent in 1971 and 22 per cent in 1980. This was mainly due to the diversification of the Korean export and import markets through the 1970's and the resulting decrease in the share of American exports in the Korea's external trade. A number of factors accounted for this trend. The normalization of Japan-Korea relations in 1965 and its fallout, the emergence of European community, South East Asia and the Middle East as Korea's new trading partners. Secondly, the export-import composition of trade was highly complementary based on their respective comparative advantage. The changing composition of Korea's exports to and imports from the US were both a cause and a consequence of diversification of Korean industrial base. To put it differently the changing composition of Korean exports reflected the structural changes in the Korean industry and its comparative advantage. Korea's comparative advantage lay in the fact that it had abundant literate, disciplined and motivated labour at low wages to produce manufactured goods for export. It was not a fortuitous conjunction that Korea launched the new strategy at a time when significant changes were taking place in the international economic environment.

Although the Korea-US bilateral trade showed tremendous growth and diversification during the period 1961-81 they were not free from problems and controversies. One of the major trade issues

between the two countries was the protectionist policy by both countries towards each others products. For example towards the end of 1970 nearly 40 percent of Korean exports were guided by some form of American trade barriers, such as orderly marketing agreements (OMAs), voluntary export restraints, and a trigger pricing system.¹⁰

The Korean pattern of industrialisation initiated by the Park Chung Hee regime was to a considerable extent dependent on public commercial loans from the United States due to insufficient domestic savings. From 1962 to 1979 a total of 16 billion dollars of foreign capital was imported by Korea in the form of public and private loans and direct investment. A total of \$ 1,897 million of public loans and \$ 2,403 million of commercial loans were received from the United States for the period 1959 to 1979.¹¹

The US Foreign Direct Investment in Korea was also significant. The American investments were substantial in both capital intensive and technology intensive industries, such as the petrochemical and machinery industries. The leading American multinationals such as Gulf Oil, General Motors, Dove Chemicals came to invest in Korea. A large portion of the American loans were provided as concessionary

¹⁰ Paul Kuznets, *Economic Growth and Structure in the Republic of Korea* (Yale University Press, 1977), pp. 43-48.

¹¹ Calculated from *Korea's Economic Planning Board Statistics* 1980.

loans by the United States Agency for International Development (AID). In manufacturing sector the US invested \$ 680.5 million which in turn accounted for 88.2 percent of the total US investment in Korea during 1961-85. In manufacturing sector, industries like electric and electronics (\$ 211.1 million), machinery (\$ 157 million) chemicals (\$ 121.7 million), transportation (\$ 49.6 million) took a major share.¹² In other words the US' investment in manufacturing sector was high. It has been observed that in Korea "growth of aggregate output has been led by the industrial sector, the industrial sector by manufacturing and the manufacturing sector by exports."¹³ Capital goods played a major role both in production processes and procedures of Korean economy. Exports in the form of capital goods from the united states rose substantially. For example, General machinery imports increased from a mere 12.6 percent of total imports in 1973 to 17.5 percent in 1980 and to 25.6 percent in 1988 which was to fold increase since 1973.¹⁴

With a perceptible and successful shift in the pattern of industrialization and direction of external trade on the one hand and

¹² EPB, Handbook of Korean Economy, 1980, quoted in Tae Hwan Kwak, (ed) *US Korean Relations 1882-1982* and Ministry of Finance as quoted in *Korea Trade and Business*, January 1987.

¹³ P. Kuznets "Korea's Emerging Industrial Structure", (ILCORK working paper, No. 6, Social Science Research Institute, University of Hawaii, 1971), p. 30.

¹⁴ Alice H. Amsen, *Asia's Next Giant South Korea and Late Industrialization* (Oxford University Press, Oxford, 1989), p. 234.

the mounting US external trade deficit and changing perception of its role in the world economy on the other, there emerged a new phase of stresses and strains in the Korea-US economic relations. Some have attributed the beginning of the shift in the Korea-US economic relations to 1982 when Korea achieved a trade surplus with the US while others have tried to locate the genesis or cause of the Korea-US tensions in economic relations to the US policies like quantitative restrictions or restrictive trade policies, Keenness to force Korea open its agricultural, insurance and other markets, initiate legal proceedings against anti dumping and impose countervailing duty cases, and invoke US Act section 301.

Korea's remarkable economic growth enabled a trade surplus with the US in 1982. Since then Korea continued to maintain its surplus over the US. In 1982 Korea's exports reached to \$ 6,243.2 million and imports from the US fell to \$ 5,955 million.¹⁵ In 1985 out of total bilateral trade of \$ 15.7 billions, the U.S. trade deficit amounted to \$ 4.3 billion. This sharply increased during the next few years and again decreased to \$ 1.7 billion in 1994.

¹⁵ Economic Planning Board, Korea, *Major Statistics of Korean Economy 1988*.

Table 1
Korea-US Trade
(In Billions, US Dollars)

Year	Total Trade	U.S. Trade deficit
1985	15.7	4.3
1986	18.6	6.4
1987	24.7	9.3
1988	31.8	9.6
1989	33.1	6.3
1990	32.8	4.1
1991	32.5	1.5
1992	31.3	2.1
1993	31.9	2.3
1994	37.7	1.7

Source: Cited in Hang Yul Rhee in *Korea Observer*, Vol. 27, No. 1, 1996

Korea-U.S. economic relations continued to diversify rapidly during the 1980's and 90's thus adding irritants into other areas. This was despite the fact that Korea faced a negative growth rate and economic disruptions due to high rate of inflation, bad harvests and political instabilities in 1980-81. The U.S. was more determined then even before, to insist that Korea open its markets and increase the pace of deregulation and liberalization. One of the most important issues that

rocked the economic relations and threatened to engulf the entire gamut of relations including political aspect was the U.S. insistence on opening the Korean rice markets. Although the U.S. for years had been a major exporter of food grains to Korea, the latter had somehow managed to prevent the import of U.S. rice. The successive Korean governments from Syngman Rhee onwards tended to equate the import of rice with undermining of Korea's economic sovereignty. Indeed import of rice was an extremely sensitive and emotive issue for the Koreans. The governments since 1961 while emphasising industrialization sought to support Korean farmers lobby and their demand for a substantive subsidies to sustain farming. It was well known that the international price of rice was far more costly than the domestic price. And yet as in Japan, subsidy and support to domestic agriculture and to the decreasing number of people engaged in agriculture were issues that could not be altered or changed in Korea under external pressures. Kim Young Sam had during the presidential election campaign, like his opponents, vociferously supported the anti import of rice movement and had pledged that he would not allow the import of rice if elected to power.

It has been estimated that agricultural sector in Korea has been accounting for 22 percent of total output. About 84 percent of Korea's

six million farmers are involved in rice production.¹⁶ Korea had announced massive concessions on 8, April 1989 to open its market to 243 agricultural and fisheries imports by 1991. The U.S. in order to widen its market opened a three day massive promotion of American fruits and food in Seoul on 6 September, 1989. Korean farmers reacting sharply against the American Food Fair staged violent protests demanding a halt to imports of U.S. agricultural products.

In a statement issued by the National Council of Farmers organization, (which had 11 nation wide groups of farmers as its members), called for an immediate halt to the U.S. Food Fair, which it perceived as the signal of a U.S. invasion of local farm product markets, and to the pressure for wider opening of local markets to U.S. farm products.

The conclusion of Uruguay Round multilateral trade negotiations too had far-reaching impact on Korea-US trade relations¹⁷ In the area of agriculture the countries agreed to reduce

¹⁶ *Korea Economic Report* January 1994, vol. 9, No. 1, p. 19.

¹⁷ For an assessment on Uruguay Round agreements see, Kim In-June, "Impact of Uruguay Round on Korean Economy", *Korea Focus*, March-April, Vol. 2, No. 2, 1994., pp. 29-37.

Also See, Jeffrey J. Schott, *The Uruguay Round: An Assessment* (Washington, D.C.: Institute for International Economics, 1994).

subsidies, increase market access, and to tariff existing non-tariff barriers. According to an agreement reached between Korea and the U.S. Korea negotiated a 10-year grace period on tariffication, and a minimum import of 1 to 4 percent during that time of rice imports. Thus Korea reluctantly agreed to increase rice imports in annual increments of 0.25 percent for five years in 1999. For the next five years from year 2000 to 2004, Korea will import 0.5 percent more rice each year so that foreign rice reaches 4 percent of total consumption in 2004.¹⁸

In the case of beef, a GATT panel ruled in 1989, in response to a complaint initiated by the United States, that Korea's beef quota was inconsistent with the GATT balance of payments exception. Korea worked out an agreement with the U.S. to substantially raise duty rates while increasing the import quota, but could not fully open the beef market until year 2000.

In 1990, the United States and Korea agreed to a phased opening of Korean beef market beginning with a relaxation of the quota and followed by the establishment in 1993 of a buy/sell system linking certain large buyers directly with producers. The third phase of the beef market liberalization, involving elimination of all nontariff

¹⁸ Kim In-June, n. 17, p. 33.

barriers and an end to state trading by year 2001, was concluded as part of the Uruguay Round.¹⁹

Further, as part of its Uruguay Round Commitments, Korea agreed to phase out import restrictions on a variety of agricultural products of interest to the United States, including pork , Chicken, orange juice, dairy and wheat products, apples and apple juice, grapes and grape juice, and other fruit juices. At the same time, Korea would be permitted to raise its “bound” tariff rates on these goods to levels not to exceed the domestic foreign price differential. These tariffs will then be reduced by 24 percent of the base level once in a ten-year period.²⁰

One of the areas which is crucial for sustained trade relations between Korea and the United States is manufactures. Efforts were therefore, made on cutting existing tariffs. Table (1) shows pre and post Uruguay Round Korean tariff rates on manufactures and the U.S. tariff rates, are compared.

¹⁹ Marcus Noland, in Tong Wan Park (ed.), *The U.S. and the Two Koreas: A New Triangle* (Lynne Publishers, London, 1998), p. 177.

²⁰ Ibid.

Table 2
Tariff Rates (Percentage)

Selected Sectors	Korea		United States	
	Pre-UR	Post-UR	Pre-UR	Post UR
Tobacco Products	100.00	65.50	19.57	8.70
Textile mill products	27.64	18.05	12.71	9.79
Apparel products	29.48	19.05	16.80	15.48
Furniture and Fictures	26.21	8.58	3.69	0.29
Chemical and allied products	18.34	6.73	6.78	4.00
Rubber and Miscellaneous products	27.88	9.15	9.90	9.00
Leather and Leather products	22.09	10.40	8.83	6.60
Industrial machinery	18.26	11.85	3.20	1.30
Electrical machinery	20.33	6.79	4.35	0.96
Transport equipment	4.21	3.31	2.63	2.21
Food and other Kinder products	14.76	8.98	4.83	3.19
Miscellaneous manufactures	27.74	8.66	6.46	3.41

Source: USTR, 1995, *National Trade Estimates of Foreign Trade Barriers*. Office of the Chief Economist USTR, Washington D.C.

Cited by Marcus Noland, in Tong Whan Park(ed.), *The U.S. and the Two Koreas New Triangle* (Lynne Publishers, London 1998) p. 152.

From the above table it could be seen that Korea's pre-Uruguay Round tarrifs on U.S. manufactured exports were the highest rates on tobacco products (100 percent), apparel (29.48 percent), rubber

products (27.88 percent). These rates in the Uruguay Round commitment were reduced to more than half. For example in tobacco products (34.50 percentage), miscellaneous manufactures (19.09 percentage), rubber products (18.73 percentage) and furniture and fixtures (17.63 percentage). U.S. tariffs for the tobacco products decreased from 19.57 percent to 8.70 percent, on apparel from 16.80 percent to 15.48 percent, on textiles it came down from 12.71 percent to 9.79 percent.

The other issue which was often discussed between Korea and the US was copyrights. The two countries established copy right relations when Korea joined the universal copy right convention 1987. Korea's government administrative measures outlined in the 1986 protection for books copyrighted from 1977 to 1987 and software copyrighted from 1982 to 1985. Software piracy however, continues to be widespread in Korea.

Trade mark violation is another area where both countries have had different perceptions. Trade mark violations have been rather widespread in Korea, despite regular crackdowns by the authorities. The issue of concern has been the export of counterfeit goods from Korea to the United States and third countries. Although Korean law allows prosecutors or police to investigate trade mark infringement cases without the filing of a formal complaint, the U.S firms have complained that Korean prosecutors often provide little or no information about the status or results of these investigations.

Korea and the United State have shared a common perspective with regard to regional economic groups. They have, therefore, shared a common commitment to the Asia Pacific Economic Cooperation (APEC). Korea has been positively involved in APEC since its Inception in 1989. The Asia-Pacific is also a major source of a large share of Korea's foreign trade. The Asia-Pacific region also accounted for 70 percent of Korea's total investment.²¹ More importantly APEC is the only multilateral association that links the United States to the Asia-Pacific region. Korea has emphasised APEC's role as a link between Asia and America. During APEC leader's meeting on Blake Island in 1993, Korea and the United States joined the other APEC economies to call for the successful conclusion of the Uruguay Round. APEC supported the move with a package of specific trade liberalizing measures. Trade with the Asia Pacific region accounted for 69 percent of Korea's total trade in 1995, which increased from 60 percent in 1980. Kim Young Sam in an address at the Seventh Annual Conference of the Asia Society toward the Globalization of Korea and Asia on 9 May 1996 at Seoul, stressing the important of APEC said "Korea is actively participating in the activities of both the APEC forum and the Asia-Europe Economic Meeting (ASEM)." He further said "Korea also plans to join the Organization for Economic Cooperation and Development (OECD)". Explaining

²¹ *Korea Annual*, 1996, p. 164.

Korea's Policy of Segyehwa (Globalization) he said efforts to liberalize trade and investment should be increased. The Asia-Pacific region has initiated steps to remove barriers to trade and investment through major efforts centered on APEC forum that advocates "Open regionalism".²²

In December 1996, Korea formally became the 29th member of the organization for Economic Cooperation and development (OECD). This event was a significant milestone in the country's history of international economic policy. The OECD entry was a success for Korea's consistent and rapid economic growth and a major goal of the Kim Young Sam government which sought to link OECD membership with "Segyehwa" policy. The OECD entry forced Korea to undergo far reaching transformations in all sectors of its society. It was hoped that the entry would provide the economy, industry and the nation as a whole with opportunities as well as challenges.

Korea's entry also meant phased opening of its domestic industries to foreign investors and allowing foreigners to take over domestic firms, and opening the sheltered financial market. The government instituted a broad range of liberalization policies regarding monetary and financial institution in accordance with the five year new economic development programme. These liberalizations

²² For the text of President Kim Young Sam's address see - *Korea Annual* 1996, p. 363.

accelerated competition among financial firms. By 1996, Korea became the world's eleventh largest economy, with a GNP of \$ 450 billion and a percapita GNP of \$ 10,000. In 1995, its global trade rose by nearly a third, to \$ 260 billion.²³ Korea found itself in the turbulent waters of international finance which has dominated mostly by profit seeking speculators. As a result of the Korean governments liberalisation, global banks and portfolio investors almost flooded in to the Korean market. This coupled with the rise of the dollar and depreciation of the yen and the yuan led to the loss of export competitiveness for the dollar pegged won economy in Korea.²⁴ The capital inflows exacerbated the real appreciation of the exchange rate and the loss of export competitiveness, all these resulted in a large

²³ Robert A. Scalapino, *"The Challenges Ahead"*, in Tong Wahn Park, n. 19, p. 30.

²⁴ Historically the won was pegged to the basket of currencies that constitute the special drawing right (i.e., the currencies of the Group of Five major industrialized nations, whose respective weights in the basket are undisclosed), plus a "policy adjustment" factor. In reality, the policy adjustment factor has been predominant, as the won depreciated against all five currencies in the basket between 1984 and April 1987. See, Bele Balassa and John Williamson, "Adjusting to success: Balance of payments policies in the East Asian NICs" (reviewed), *Policy Analysis in International Economics* 17 (Washington, DC, : Institute for International Economics, 1990). In 1990 a new exchange rate system, the market average exchange rate (MAR) system was introduced. Under the MAR system the mid band won-dollar rate is calculated as an average of the previous day's transactions and then is allowed to float with officially prescribed margins around this rate. Thus the exchange rate floats on a limited basis and moves day to day according to market pressures. In 1991 the Korean government began a process of gradually widening these bands with the expectation that as the bands are widened, a freely floating system will emerge.

current account deficit in Korea inevitably contributing to a major crisis.

As the Kim Young Sam's tenure was coming to an end a number of factors including the deregulation, liberalization and globalization policies plunged Korea in an unprecedented liquidity/financial crisis.²⁵ Soon the crisis affected other sectors. Korean government reserves standing at \$30 billion at the end of 1996, stood at \$22.3 billion at the end of October '97 and only \$7.3 billion at the end of November 1997. The government was not able to contain the sharp depreciation of won (more than 100 percent in two months). As the situation was deteriorating in the first half of November the Korean government stopped defending the won. The Koreans were shocked to know that their short-term debt was more than \$100 billion and the won had been reduced to a 'Junk' status.

Gloom and despair engulfed Korea. The 11th largest economic power and the 12th largest trading power in the world was just not able to cope up with the unprecedented currency/liquidity crisis. The unprecedented crisis required an unprecedented international rescue operation led by the United States. The US came to play a crucial role

²⁵ There are several studies on the cause, context and characteristics of the currency crisis in Korea for the more recent. See, *Korea Journal* vol. 38, No. 2, 1998, pp. 5-56.

Also see Vimal Anand's M.Phil dissertation on "*The State and the Financial System in the Republic of Korea* (JNU, New Delhi, 1999).

in bailing out the Korean economy from the throes of the crisis and rallied the support of IMF, Japan and other advanced industrialized countries.²⁶ On 3 December 1997, Korea reached an agreement to receive a total of \$ 55 billion from the IMF and U.S., Japan and other countries extended support in the form of syndicated loans. The Asian Development Bank announced a \$ 4 billions in terms of loans to Korea.²⁷

However, the financial turmoil has also negatively affected the Korea-US trade relationship. The two way trade volume showed negative growth. From \$49 billion in 1996 to \$ 38 billion in 1998.²⁸ The value of the Korean won was depreciated about 50 percent from 884.2 won in 1996 to 1,680 won in 1997 against the US dollar.²⁹ Korea's position among U.S. exports markets decreased from 5th in 1996 to 10th position in 1998.³⁰

Thus the United States, as in 1950, helped to save Korea from an alarming situation. According to IMF terms Korea agreed to a set of

²⁶ Since Korea joined the IMF in 1955, the country has donated a total of 8 million SDR, has come to hold a 0.55% share in voting right and quotas, and ranks 36th among the list of IMF member countries.

²⁷ For details on IMF progress see, *Korea Annual 1998*, pp. 61-64, 134-135.

²⁸ *Korea Annual*, 1998, p. 253.

²⁹ *Business Times*, n. 4.

³⁰ *Business Times*, November 1998, p. 18.

conditions including macroeconomic tightening, financial sector restructuring, trade liberalization, capital account liberalization, corporate governance reforms, labor market reform, and improved transparency and provision of financial information.³¹ The crisis forced Korea to deepen a number of its scheduled, financial reforms, including some of interest to the United States in an effort to attract foreign capital to recapitalize its failing financial system.³²

³¹ Marcus Noland, in Tong Whan Park, n. 19, p. 166.

³² *Economic Report*, July 1998, p. 10.

TABLE

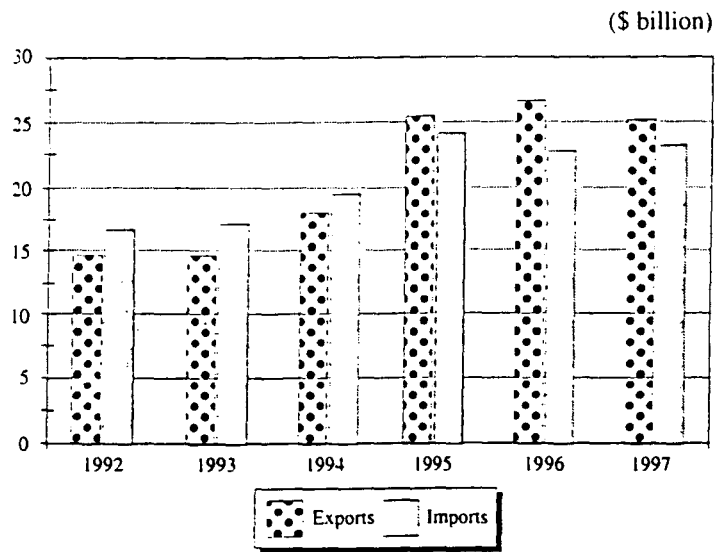
KOREA'S TRADE WITH THE UNITED STATES; 1990- 1997

Unit: thousand U.S dollars.

YEAR	EXPORTS TO THE U.S	IMPORTS FROM THE. U.S	BALALNCE OF TRADE
1990	19,359,998	16,942,472	+2,417,526
1991	18,359,257	18,894,367	-3,35,110
1992	18,090,047	18,287,269	-197,222
1993	18,137,640	17,928,188	+1,209,452
1994	20,552,796	21,578,787	-1,026,091
1995	24,131,474	30,403,515	-6,272,041
1996	21,670,465	33,305,379	-12,635,914
1997	21,625,432	29,981,177	-8,366,745

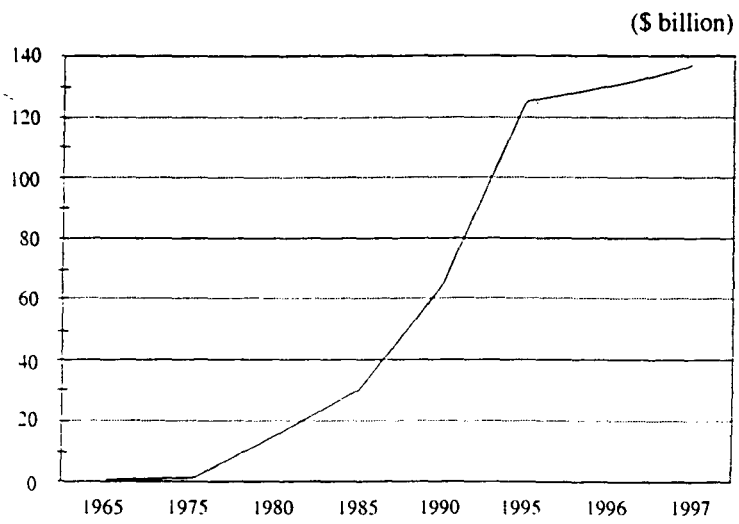
**SOURCE: Calculated from, Monthly Statistics of Korea National
Statistical Office. (Republic of Korea, 1998.9)**

U.S. Trade w/Korea



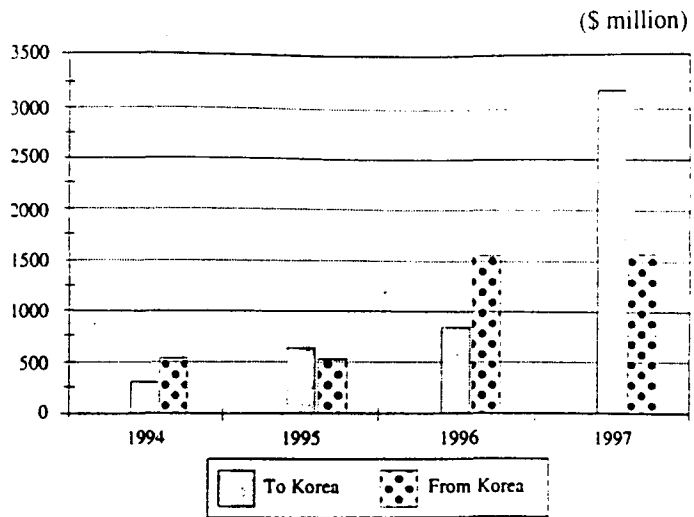
Source: US Department of Commerce

Korean Exports



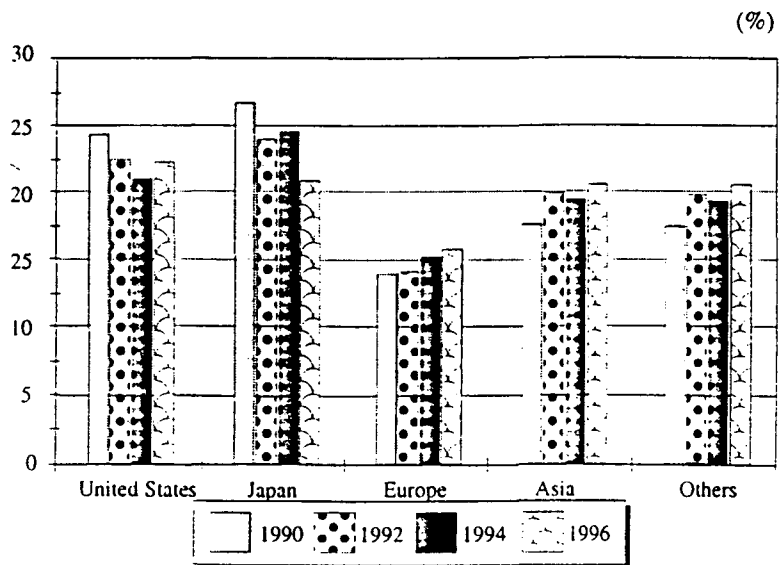
Source: Bank of Korea

U.S.-Korea Foreign Direct Investment



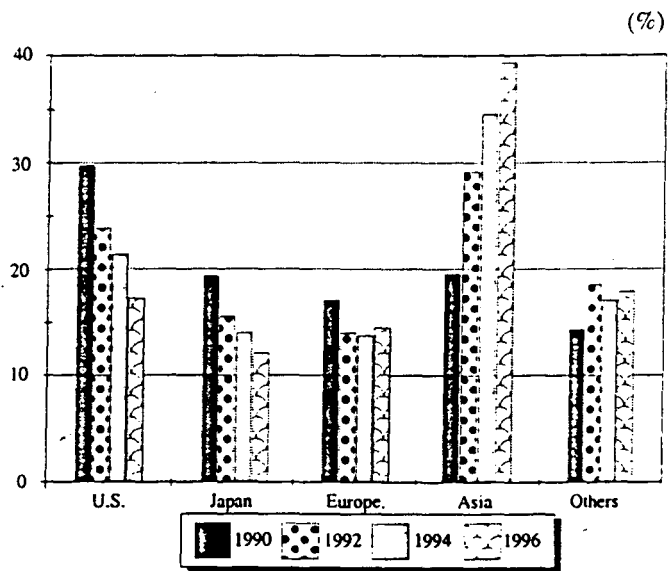
Source: Ministry of Finance and Economy, Korea

Share of Korean Imports



Source: Bank of Korea

Share of Korean Exports



Source: Bank of Korea

SUMMARY AND CONCLUSION

SUMMARY AND CONCLUSION

Republic of Korea has assigned the highest priority and utmost significance to its relations with the United States during the last five decades. The bilateral relations have been generally described as "special and unique". They have formed the core or kernel of Korea's foreign policy and external relations since 1948. The relationship has been truly multidimensional. It has spanned an impressive spectrum of domestic and international issue areas-ranging from politics military security, and economics to culture, science and technology. Continuity and change have lent stability and strength to the relations and capacity and capability to cope with occasional stresses and strains.

In the preceding pages an attempt has been made to examine the political, military and economic aspects of the Korea-US relations during the decade from 1988 to 1998. The period covers the one term, five-year tenure of two presidents, Roh Tae Woo and Kim Young Sam.

This study has been divided into three chapters. The opening chapter presents an historical overview of the ebb and flow of Korea-US relations from the Treaty of Peace, Amity, Commerce and Navigation between Korea and the United States in 1882 to the historic 16 December 1987 presidential election which marked the end of the Fifth Republic. The major political, military and economic

developments in the Korea-US relations for about hundred years from Shufeldt Treaty to the exit of Chun Doo Hwan Government have been commented upon in four Sections. In the first section the important events in the Korea-US relations from the conclusion of the Shufeldt Treaty in 1882 to the decision of Theodore Roosevelt's administration to close the American legation in Seoul in November 1906 have been discussed. The second section has covered the period from the revival of the American interest in Korea during the third tenure of President Franklin D. Roosevelt in 1943 to the termination of the USA Military Government in Korea (USAMGIK) in the area south of the 38th parallel in August 1948. The third section has sought to highlight the crucial and critical role of the United States in the emergence of the Republic of Korea, the ideological, political military, and economic fall out of the proclamation of the DPRK, the prompt, massive US military intervention in defence of South Korea and the U.S role in the Korean War, the circumstances and characteristics of the Armistice Agreement and the concomitant Mutual Defence Security Treaty, and the generous U.S assistance in the post war recovery and rehabilitation of the Korean economy. This period, i.e. 1948-60 the foundation of the Korea-US relations were laid or the framework and structure of the relations came to be formulated. It was again during this period that the interrelationship between political, military, economy dimensions came to be recognized and spelt out. The fourth and final section of the chapter examines the significant political, military and economic events in the Korea-US relations from the coup

d'état that brought military to the central stage of Korean politics in 1961 to the first signs of the end of the total hegemony of the army in 1987. The exit of President Chun Doo Hwan in 1987 not only brought to an end a little over the quarter century of military dominated politics but also ushered in several new developments in the political, military and economic aspects of Korea-US relations. This period (1961-87) may be said to have redefined, reformulated, restructured, and reinforced the basic framework and agenda of the Korea-US relations that were formulated during the years 1948-1960. The 1960's, 70's and 80's saw a qualitative transformation in almost all aspects of Korea-US relations. It could be said that a new paradigm of relations came into being which some scholars have characterized as a shift from "patron to partner" or from "client to an ally". A few aspects of the changes that emerged in the Korea- US relations during this period may be stated here in brief.

Although the initial response of the U.S. to the Korean military coup d'état on 16 May 1961 was one of Skepticism, it soon began to support the Park Chung Hee's regime unequivocally and found it easy to deal with a determined, military authoritarian regime than a weak, civilian undemocratic regime like the one led by Syngman Rhee. The U.S. found Park's regime positive in its response to its moves to normalize relations between Korea and Japan. This meant that for the first time the United States could in cooperation and

consultation with Korea and Japan workout a strong political, economic and military triangle in the Asia Pacific region.

The U.S sought and obtained an enthusiastic, unwavering and concrete military and ideological support from Korea during its most difficult period in the Vietnam war. Korea sent more than 3,12,000 of its finest forces to fight in Vietnam in coordination with and under the command of the U.S forces. No other military ally of the US had shown such a response. Again during this period Korea and the US coordinated and cooperated in every way to strengthen and modernize the Korean Armed Forces and in making it one of the most powerful and largest fighting forces in the world.

The cooperation manifested itself in various ways. These include upgradation of weapon systems, routine joint military exercises, annual "Team spirit" military exercises, joint participation in the Vietnam war, development of nuclear potential, acquisition of sophisticated fighter planes, creation of Combined Forces Command, development of armament industry, systematic expansion of the Army, Navy and Marine forces, sharing of intelligence and surveillance information.

Finally the United States lent every possible support to the new strategy and pattern of Korean economic development initiated in the 1960's. The strategy could not have succeeded without the U.S

providing its market, technology, capital, investment, and vital support in the international financial institutions like IMF, World Bank and ADB. It could be said that Korea-US economic relationship since the early 1960's has provided the most striking example in contemporary times of a successful, substantive, speedy transformation of a backward economy despite so much of differences in the strength scale and structure of the two countries.

The second chapter deals with two aspects of the main theme of the study. More particularly its focus is on the Korean and the American perceptions and responses to the changes in the political and strategic environment within the Korean Peninsula. To put it differently, this chapter examines the context and characteristics of the new paradigm or the changing equation between Seoul, Pyongyang and Washington's triangular relationship. Beginning with the late 1980's Korea and the U.S decided to engage North Korea and involve it in a series of bilateral and multilateral talks with a view to de-escalating tension and improving its economy. The victory of Roh Tae Woo, former General and classmate of Gen. Chun Doo Hwan, in the December 1987 presidential election meant that the era of the formidable military which was in command of the political structure since 1961 was coming to an end. It meant that the military had to finally accept that it could not wield power in an indirect presidential election system through the controversial Yushin Constitution System and its reformulated versions any longer. It also implied that the

changing political situation in Korea would necessitate changes in the basic understanding of the political aspects of Korea-US relations. The long standing US perception that an anti-communist, authoritarian political structure in Korea dominated by military now came to be seen as incompatible with the US strategic and ideological policies in North East Asia. The political and ideological basis of the US relations with Korea in the 1950s, 60s and 70s became less and less relevant in view of the dismantling of the cold war structure.

Following the remarkable success that Korea had achieved in organising the summer Olympics of 1988, in which more than hundred and fifty countries including China and Vietnam, had participated, it felt emboldened to explore the possibility of formulating a new "*Nord Politik*". The trust of the Roh Tae Woo administration's Nord Politik was to initiate a new phase of dialogue with North Korea at the highest administrative level with support from the highest political leadership in Seoul and Pyongyang.

A series of meetings between the Prime Minister's of South and North Korea took place alternatively in Seoul and Pyongyang during 1990. These dialogues paved the way for the historic agreements on a range of contentious issues in inter Korean relations for well over four decades.

Three major aspects of what came to be described as “Basic Agreement” of June 1991 may be mentioned. The 25 – article agreement could be described as a comprehensive document which took a realistic view of the bilateral problems and suggested concrete measures to simultaneously improve political systemic, economic, military, humanitarian aspects of inter Korean relations. It was the first joint agreement which unequivocally stated that the two Koreas shall respect each others political and social systems, accept Military Demarcation line as a defacto border and constitute a South North Korea sub-committee in order to discuss specific measures to ensure the implementation and observation of accords on North-South non-Aggression and also various additional military matters involved in resolving confrontation. What is important to note is that the Basic Agreement had a direct bearing on the future of the Armistice Agreement and Korea-US Security Treaty of 1954. Thus for the first time since the Korean war the security aspects of Korea-US relation came to be discussed under a new framework.

The other historic agreement was the six point North South Joint Declarations on the De-Nuclearization of the Korean Peninsula concluded on 31 December 1991. It too had direct bearing on Korean-U.S. security relations and the U.S. strategic goals in the Korean Peninsula and the larger regional and global strategic concerns of the two countries. With the collapse of the Soviet Union and disintegration of the East European communist block the US principal

concerns shifted from containing communism to preventing the proliferation of nuclear weapons, preventing the emergence of the Sixth nuclear weapon state and in ensuring that those states that were signatories to the NPT also concluded safeguard agreements and allowed the nuclear sites to be inspected by the IAEA without hindrance. It is these considerations that seemed to have encouraged the US to support the *North South Basic Agreement* and more importantly the agreement on the de-nuclearization of Korean Peninsula.

Following the decision of the US to withdraw its tactical nuclear weapons from all over the world including South Korea and confirmation by President Roh Tae Woo that South Korea does not any longer possess nuclear weapons on its soil, North Korea seems to have been persuaded to jointly declare with South Korea denuclearization of the peninsula and in conclusion of the safeguard Agreement. In 1992, it looked as if a new era was in the offing not only in relations between South and North Korea but also the trilateral relations between Seoul, Washington and Pyongyang. However, after some definite signs of improvement in the relations between the two Koreas and their relations with the US throughout 1992, doubts and apprehensions were voiced by Korea and the US about North Korea's repeatedly declared position that it was developing its nuclear energy for peaceful purposes only. Suddenly, the Nuclear issue rocked the inter Korean relations and caused

serious strains in North Korea-US relations. It appeared that the Korean Peninsula was once again on the precipice of a major conflict following North Korea's announcement of its intention to withdraw from NPT with a view to safeguarding its national security.

North Korean announcement came as a surprise to the parties that were directly affected and also the larger international community. This was because never before a country which had signed the NPT and concluded the safeguard agreement threatened to withdraw from the NPT regime. Security dimensions of South Korean-US relations and the overall security environment in the Korean Peninsula became the major issues in the post cold war era. It also raised the larger issue of rights and responsibilities of both nuclear weapons states and of those that were on the threshold of becoming a nuclear weapon state like North Korea. The tension between the two Koreas and North Korea and the US began to mount. However, the political leadership in Washington and Pyongyang sought to defuse the tension.

The US government encouraged former President Jimmy Carter to visit Pyongyang for a discussion with North Korea Kim IL Sung in June 1994. Never before such a high ranking American dignitary had visited North Korea and held discussions with Kim IL Sung. It was also significant that North Korea by acceding to the request of Jimmy Carter for a discussion demonstrated political and diplomatic tact in

resolving an extremely sensitive and explosive situation. What was more surprising was that an agreement was reached between Kim IL Sung and Jimmy Carter to resolve the nuclear issue in a peaceful and phased manner. An announcement was also made that there will be a summit meeting between Kim IL Sung and Kim Young Sam in Pyongyang towards the end of July 1994.

Less than a fortnight after the historic breakthrough in the US-North Korea relations which was expected to have far-reaching impact on inter Korean relations also, came the news of the death of the Kim IL Sung on 8 July 1994. Serious doubts were raised about the internal politics and external relations of North Korea in the post Kim IL Sung era. Contrary to the generally reported assessments North Korea seemed to have rallied around Kim Jong IL. North Korea and the US began to take a series of measures to give a concrete shape to the understanding that was arrived at between Kim IL Sung and Jimmy Carter in June 1994. The world came to know of how far North Korea and the US had shown mutual understanding and commitment to resolve the Nuclear issue in the "Agreed Framework" between North Korea and the U.S. on 21 October 94'. The Agreed Framework came to be called as Geneva Accord.

The Agreed Framework is structured in a way that "each step is sequential to the completion of the previous one and linked to strict adherence by both sides." North Korea was to be supplied with two

pressurized water type light water nuclear reactors for electricity generation in exchange for abandoning its existing graphite-moderated nuclear research reactors. The two sides were to move towards full normalization of political and economic relations including reducing barriers to trade and investment. Both sides were to work together for peace and security. North Korea to work for success of North-South dialogue. The Agreed Framework was to help create an atmosphere that would promote such a dialogue. Both, both sides to work together to strengthen the international nuclear non-Proliferation order.

The background as well as the provisions of the Geneva Accord did become a major issue in Korea-US relations. Although the Korean government endorsed the Geneva Agreement it is doubtful whether it had the citizen's full major of support on the issue. 'Success or Surrender' the title of a book, summed up some of the observations of Korean and American scholars on the dilemmas before the South Koreans on the Geneva Accord.

It was expected that Kim Young Sam would visit North Korea for a Summit meeting with Kim Jong IL who took over the mantle of Party leadership after the death of Kim IL Sung. However, Kim Young Sam was not keen to visit North Korea. He was more keen to pursue a policy of wait and watch the emerging Post- Kim-IL-Sung scene in North Korea. He also made it clear that his administration would not

allow any demonstration of sympathy by any section of the South Korean Society for the deceased North Korean leader.

Although there were indications that Kim Young Sam's administration was keen to stall the processes of improvement of relations between US -North Korea, it did not want Korea to be left out in the estimated five billion dollar light water reactor project under the US supervision or in any institutional mechanism to replace the Armistice Agreement with a Peace Agreement.

Korea along with the United States intensified efforts to find a modus-vivendi to replace the Armistice Agreement with a Peace Agreement. Both emphasised the need for Four Party negotiations. It was however, not easy to evolve a new and acceptable equation between Seoul, Pyongyang and Washington that would facilitate the successful completion of the four party parleys.

Korea-US relations have passed through stresses and strains due to a number of issues during the last about five years. There were considerable differences of opinion on the pace and substance of U.S. North Korea relations. Korea kept emphasising the need for a wide ranging discussion and a basic understanding on the important issues like the Light Water Reactor (LWR) project, the U.S. decision to provide massive famine relief and the manner of ensuring that the relief reached the needy.

The third chapter has dealt with the economic dimension of the Korea-US relations. It is not often recognised that there was so much of interaction between political, military and economic aspects of the relations as they evolved especially after 1961.

It could be said that the development and diversification of Korea-US economic relationship since the early 1960s contributed directly and indirectly to a substantive and all round transformation of a backward economy of Korea in such a short span of about three decades. A new inter-related strategy of economic development was initiated by the Park Chung Hee regime. The twin strategy gave simultaneous importance to planned development by introducing Five Year Plans and Export Oriented Industrialization. The U.S. felt assured that the military regime's ideological orientation was stridently anti-communist and it therefore not only welcomed the new strategy but also gave positive support to realise the goals of economic development set by the Korean government.

The support came in various ways. The grant type foreign aid was reduced significantly towards the end of 1950s and it was replaced by a large sum of public and commercial loans. The United States also began to make direct investments in Korea. Upto the end of the first two Five Year Plans (1962-71) the U.S. remained a top supplier of foreign loans to Korea, amounting to \$ 564 millions in public loans and \$ 542 million in commercial loans. In addition to

loans, the U.S. was also the most important source of equity investment and technology until the end of 1960s. During 1962-85 Korea received a total of \$ 2596.6 million in the form of equity investment, and the U.S. share accounted for \$ 775.3 million. The U.S. direct foreign investments came in several key sectors and strategic industries like chemicals and fertilizers, electronics, transport and telecommunications, arms and ammunitions. The U.S. also helped to strengthen and develop R&D institutions in Korea.

The impact of the major role played by the U.S. as a supplier of capital and technology may be seen in the phenomenal growth of the overall foreign trade of Korea. The total volume of trade expanded more than 128 times between 1962 and 1985. More than 10 percent of Korea's GNP was accounted for exports to the U.S. which included textiles and apparels, electronics, automobiles, chemicals, and machinery. Thus in the United States Korea found a stable and reliable market, a pre-requisite for the success of its export oriented economy. As a result, Korea achieved remarkable economic growth which enabled a trade surplus with the U.S. in 1982. During that year Korea's exports to the U.S. reached \$ 6,243.2 million and imports fell to \$ 5, 955.8 million. Korea became the US' seventh largest trading partner in 1984.

With a perceptible shift in the trade balance in Korea's favour, a new phase of stresses and strains in Korea-US economic relations

emerged. Some have attributed the beginning of the shift in the pattern of Korea-U.S. economic relations to 1982 when Korea achieved a trade surplus while others have tried to locate the genesis of the Korea-US tensions to the U.S. policies like quantitative restrictions, keenness to force Korea to open its agricultural market etc.

One of the most important issues that rocked the economic relations and threatened to engulf the entire gamut of relations including political aspects was the U.S. insistence on opening the Korean rice market. However, following the conclusion of Uruguay Round multilateral trade negotiations Korea and the U.S. reached an agreement in which Korea sought to increase rice imports in a phased manner after a grace period of ten years. After considerable discussion and persuasion Korea reluctantly agreed to a minimum market access commitment that would entail imports supplying 1 percent of domestic consumption of rice in 1995 going upto 4 percent in 2004. There were also sharp differences between Korea and the United States on a number of other issues, if not as sensitive and emotive as the opening of the rice market. These issues revolved around copyrights, software privacy, patents, won-dollar exchange rate, opening of the insurance sector and capital market.

Although the United States enthusiastically welcomed and supported Korea's keenness to join OECD and the W.T.O in

pursuance of its 'Saegyehwa' or Globalization policy, the somewhat hastily prepared Saegyehwa policy soon became a one point obsession with the Kim Young Sam's administration. Before long it became clear that Korea had to yield, more than it was willing, to the external pressures especially from the United States to open Korea's rather weak, unstable, over protected financial and service sectors. Korea found itself in the turbulent waters of international finance which was dominated mostly by profit seeking speculators. As a result of the Korean government's deregulation and liberalization policy, global banks and portfolio investors almost flooded the Korean market. This coupled with the rise of the dollar and depreciation of the yen and the yuan led to a loss of export competitiveness for the dollar-pegged-won economy. The capital inflows exacerbated the real appreciation of the exchange rate and loss of export competitiveness. All these resulted in a large current account deficits in Korea inevitably contributing to a major crisis.

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more than 100 percent in two months. As the situation was deteriorating in the first half of November the Korean government stopped defending the won. The Koreans were shocked to know that their short-term debt was more than \$ 100 billions and won had been reduced to 'junk' status. Gloom and despair engulfed Korea. The eleventh largest economic power and the twelfth largest trading country in the world was just not able to cope up with the unprecedented liquidity/currency crisis. The unprecedented crisis required an unprecedented international rescue operations led by the United States. The United States came to play a crucial role in bailing out the Korea economy from the throes of terrible crisis. The United States took the initiative to rally the support of IMF, Japan and other advanced industrialized countries and thus as in 1950 helped to save Korea from an alarming situation.

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