

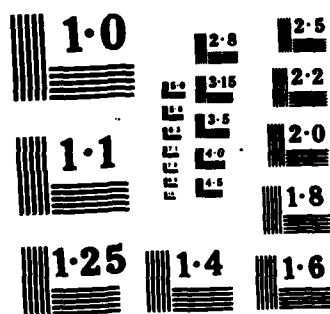
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The Political and Social Capabilities of North and South Korea for the Long-Term Military Competition

Richard L. Snelder

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The Political and Social Capabilities of North and South Korea for the Long- Term Military Competition

Richard L. Sneider

January 1985

Prepared for the
Director of Net Assessment,
Office of the Secretary of Defense



PREFACE

This report was prepared as a component of Rand's on-going collaborative study with the Korea Institute for Defense Analyses (KIDA), dealing with the economic, technological, and political-social capabilities of South and North Korea for the long-term military competition between them.¹ The author, Richard L. Sneider, served as U.S. Ambassador to Korea in 1974-1978 and is a knowledgeable and experienced authority on Asia.

In addition to being a valuable input to Rand's forthcoming report on the North-South Korean balance, Ambassador Sneider's study is an independent evaluation of the political and social strengths and vulnerabilities of the two sides. It should be of particular interest to those in the Department of Defense and the Department of State concerned with Korean affairs and with the evolving situation in Northeast Asia.

Charles Wolf, Jr.
May 1985

¹See *The Changing Balance: South and North Korea's Capabilities for Long-Term Military Competition*, The Rand Corporation, 1985 (forthcoming).

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SUMMARY

This report assesses the sociopolitical capabilities of South and North Korea to maintain their military competition through the 1980s. It discusses the various factors making for stability and instability in both Koreas at the present time, projects these factors into the near-term future, and estimates the effects of possible increases in defense efforts.

Although the Republic of Korea, led by President Chun Doo-Hwan, is an authoritarian government, it has given increasing scope to opposition views and exercises lessening control over the economy. Its economic growth over the past two decades has been impressive. Despite some problems, South Korea is currently a stable society, because of three factors: Certainly the major one has been the unifying force of fear of the North Korean threat and a renewal of aggression. The second is the track record of the government in effectively and competently satisfying the critical military and economic requirements of the country, and the third factor has been South Korea's proven capacity to manage the multiple political and economic crises that occurred in 1979-80. Others include broad acceptance of the need for social discipline; the strong supportive military and economic role played by the United States; and increasing international recognition, such as hosting the 1988 Olympics.

The Republic of Korea also faces politically destabilizing forces, principally the lack of established political institutions and a proven process of constitutional transfer of power, the vulnerability of its export-led economy to external factors outside its control, and the need for its political system to adjust to a growing middle class restless with military-led authoritarianism. Nevertheless, the Korean public fully accepts the current level of defense spending, 6 percent of GNP. In fact, even higher levels of defense expenditures, despite their tax effects on the Korean people, would also probably be accepted, given the North Korean proclivity to emphasize the danger and brutality of its threat by such actions as the Rangoon incident, in which a group of senior ROK government officials were murdered. A greater problem may be generating the foreign exchange to pay for the modern weapon systems now being purchased largely from the United States.

North Korea must currently be assessed as a very stable society, directly attributable to the totalitarian control exercised by Kim Il-Sung. There is no evidence of challenge to that leadership. Kim has developed a structure that brooks no criticism or challenge and permits

the mobilization of North Korea to whatever goals and objectives he decides upon. Furthermore, he is now in a position to dictate succession of his leadership to his son. He can generate very high levels of defense expenditures, estimated to be in the area of 20 percent of GNP, and the North Korean system could provide even higher levels of defense spending without seriously straining the existing order or discipline.

Although there are no credible threats to the North's stability in current circumstances, serious problems have a longer-term destabilizing potential. First and foremost are the difficulties associated with the transfer of power from Kim Il-Sung to his son, Kim Chong-Il. In addition, North Korea's lack of much economic growth over recent years, its very limited access to modern technology, its differences with its Sino-Soviet allies and their pronounced limitation of support, and the loss of international status (due in part to the Rangoon incident) are all major problems that could force a change in policy.

Looking ahead to the near-term future, both the South and North must be able to make a nondestabilizing transfer of power. Hereditary succession in the North could generate major opposition once the strong hand of Kim Il-Sung is no longer present. In the South, President Chun's commitment to relinquish power in 1988 will be accompanied by pressures to broaden the political base and ease political controls, which could be resisted by security-minded military and other officials.

The North's political problems will be compounded by its economic difficulties and need for external capital and technological resources. In these circumstances, the North may revise its policies and accept a lessening of tension in the North-South relationship and a reallocation of some resources from defense to the economy. The North's current soft line may be a step in this direction, although it is far too soon to make any judgment.

The report finally examines the sociopolitical effects of possible changes in the military posture of the Republic of Korea. Three scenarios are reviewed: a continuation of the present policy with 6 percent of GNP defense expenditures, an increased defense budget and manpower ceiling, and a major shift to reliance on high technology weapons with a 25-40 percent manpower reduction. None of these scenarios is likely to have an adverse economic or sociopolitical effect. Even the additional budgetary costs of the second scenario would probably be bearable. The foreign exchange costs, particularly of the third scenario, could cause problems given South Korea's adverse current account balance and high foreign debt. Any increase in the South Korean defense effort could further complicate the dilemma facing the

North regarding resource allocation between defense and the economy. It might force a reconsideration of the North's highly belligerent military posture or provoke consideration of a preemptive attack. Continuation of the current defense policies in the South is not likely to force a change in North Korean policy.

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I. INTRODUCTION

Given the history of modern Korea, any assessment of sociopolitical factors must have a conjectural quality. Korea's entry into modern industrial society occurred at the end of World War II. Centuries of feudal Confucian rule followed by an extended period of rigid Japanese colonial control permitted no self-government. The lack of experience in governing a modern society was compounded by the division of Korea into two hostile political camps.

Since 1945, South Korea has had three distinct institutional structures and two interregnum regimes. It has yet to achieve a peaceful transfer of power.

The North has had a more constant pattern of government as Kim Il-Sung consolidated his highly personalized Communist regime. But the stability of the North Korean institutions is still to be tested, particularly when power passes from Kim to his son, Kim Chong-Il.

II. CURRENT SOCIOPOLITICAL ENVIRONMENT IN SOUTH KOREA

KEY CHARACTERISTICS

A Strong Central Government

During most of the postwar period, the Republic of Korea has been governed by three strong leaders, Syngman Rhee, Park Chong-Hi, and Chun Doo-Hwan. In broad terms, the governments have been described as "soft authoritarianism." The present government is highly centralized with all the essential power within the presidential office. The president's authority is buttressed by strong police and military authorities, who enforce much of the social discipline in the country. But within this system are areas of economic and social freedom outside government control or direction. Opposition to the government, criticism of corruption and economic and social policies, and the conduct of periodic elections have been the norm. The essence of South Korean politics, however, has been that opposition must not challenge the presidential role or undertake actions that might threaten the security and stability of the nation as interpreted by the government.

Until President Chun's commitment to a single term of office, presidential power blocked any transfer of the office to another leader. President Chun has gradually allowed greater scope to the opposition and to opposing views, including the press. He has lessened the government's control over the economy and has promoted a gradual transition to a market-oriented economy. But the central direction of the regime and the real power of the president remain unchallenged.

Economic Growth

Since the 1960s South Korea has gone through a major economic transformation from an agrarian society to an increasingly urban and industrial society. The decade between the late 1960s and the late 1970s was probably the period of the most rapid economic transformation and growth of any country in the world. The rate of annual growth averaged well over 10 percent during this period and per capita income grew dramatically. In 1964, per capita income was \$103; by 1983 it was \$1880. The benefits from this growth spread throughout Korean society, and family income in both urban and rural Korea

benefited equally. Income distribution is, according to World Bank data, very impressive, one of the most equal in the developing world. Although there are some indications of increased income disparity in recent years, it is starting from a very high base.

Korean economic growth was largely stimulated by export demand; exports increased from a 1973 level of \$3-plus billion to over \$24 billion in 1983. At the same time, the commodity mix and the industrial component of the Korean economy went through a major transformation from dependence upon labor-intensive industries (particularly textiles) to concentration on capital-intensive industries, including the steel industry and shipbuilding. Korea's ability to maintain an increasing level of exports as it shifted the composition of its exports is testimony to the competitiveness of its industry in the world market.

At the present time, Korea is commencing a further transition of its industry to the technology-intensive sector. At the first stage, it concentrated on mature technologies and consumer products, but it is now beginning to seek out such high technology as semiconductors as it plans for the future.

From the low technology, labor-intensive sector to the technology sector in consumer electronics, the Korean economy is balanced and competitive. It has proved resilient, recovering from its only period of negative growth in 1980. In 1983, Korea resumed high growth rates of 8-9 percent, which were accompanied by a low rate of inflation, increases in per capita GNP, and substantial benefits to the average Korean. The economy has been able to develop rapidly, in large part because of the combination of effective leadership, an efficient and hardworking labor force, and heavy inputs of domestic and external capital. The capital inputs from abroad, however, have left a very large gross external debt, although well within the limits of acceptability in terms of Korea's ability to meet its debt commitment, assuming continuing GNP and export growth.

Social Discipline and Social Change

Korean society has several characteristics worth particular attention—a high degree of social cohesion and discipline, and the continued transition from predominantly poor and rural to increasingly urban and middle class. Compared with the discipline and, to some extent, the docility of other East Asians, the Koreans are known to be more fractious, independent, and confrontational in nature. Yet South Korea has had considerable social cohesion and discipline in the postwar period. The most conspicuous break from this pattern came during student demonstrations in 1960, which led to the overthrow of

President Rhee. Subsequent years have seen other major demonstrations (such as the 1980 student uprising in the southern city of Kwangju, which resulted in a serious conflict with the South Korean Army) and a continued tendency, particularly among students, to seek major political and social changes through demonstrations.

Nevertheless, Korean society is prepared to accept, for the present, strong central government direction. Three factors have influenced South Korea in this direction. The first and most important of these is the continuing threat from North Korea. Few Korean families have not been subjected to hardship and loss of family members as a result of the North Korean attack on the South in 1950. In addition, over two million people fled from the North before and during the war, and a large element of the leadership has a northern heritage. When Chun Doo-Hwan took over the government in 1980 after student demonstrations in Seoul, his justification for this action to counteract North Korean exploitation of disorder in the South hit a responsive chord and greatly facilitated his assumption of power. Even the harsh handling of the Kwangju uprising in 1980, although widely resented, did not arouse widespread public demonstrations against the government, again in large part because of fears that the North might exploit the incidents to attack the South.

A second factor leading to social discipline is the continuing effect of Confucian tradition on Korean society. Virtually all Korean organizations are hierarchical and tightly structured. Whether within the family, the company, or the government, the need for strong leadership and loyalty to that leadership are widely accepted. However, the public demands "legitimacy" of this leadership and confidence in its competence, both of which are continuing problems for the Chun government.

A third factor influencing social cohesion is the desire for material success and satisfaction. The years of the Park regime and its tight discipline over Korean society were accepted in part because they transformed the mode of living for the average Korean. A public opinion poll taken by the Seoul National University Institute of Social Sciences in 1981, a year after the first decline in economic growth and real income, noted that even then, almost 55 percent of Koreans were happy or very happy with their current life.¹

A major consequence of economic growth has been the change in Korean class structure. The middle and upper classes and the working class have greatly expanded and rural society has contracted. Middle

¹Nationwide Survey by the Institute of Social Sciences, *Attitudes Related to Social Development and Policies*, Seoul National University, 1981.

and upper class Koreans probably now constitute well over 40 percent of Korean society, up from about 20 percent in 1960. The working class has risen from 9 percent in 1960 to almost 23 percent in 1980, and farmers have contracted from almost 70 percent in 1960 to about 30 percent in 1980.²

A driving force behind the transformation of South Korean society has been its educational system. For the average Korean family, education has become a priority. The expansion of the high school education system has provided Korea with a trainable labor force that has been the backbone of industrial expansion. Sacrifices are made to ensure that children obtain higher education, because at each level of education the cost increases. Education has served as an avenue for economic advancement and social equality, particularly as the competitive examination system opens opportunities for members of all sectors of society to enter universities.

In 1945, fewer than 8,000 students were in institutions of higher learning, of which there were only 19. In 1981, almost 800,000 students attended 398 institutions of higher education—89 universities and senior colleges had an enrollment of 536,000 students. Despite this expansion, it is estimated that almost 50 percent of students are unable to attend institutions of higher education because of inadequate facilities.³

FACTORS FOR STABILITY

The Threat

The one overriding factor that dominates Korean society is the threat of renewed aggression by North Korea. The North maintains a large military establishment, it probes South Korean weaknesses (including border incidents and infiltration), it has very heavy military expenditures, its constant propaganda reminds South Korea of North Korean ambitions to unify the two countries under a political system favorable to the North. Among the more hostile actions was the Rangoon bombing, in which North Korean terrorists murdered several South Korean government officials.

The North Korean threat unifies the country behind a single national goal and justifies sacrifices on behalf of the defense of the

²D. S. Hong and K. M. Suh, "Korean Social Stratification: Facts and Conceptual Reformulation" (in Korean) Spring 1984.

³Kim Kyong-Dong, "The Dilemma: University Education for Whom and for What," *Universities in Mass Society*, Seoul National University Press, 1983.

country. The South Korean populace is prepared to accept heavy defense expenditures, which are now about 6 percent of GNP, and universal military service for its men with very little complaint or opposition. Moreover, it is prepared to accept a higher level of government control and leadership than would be the case without such a threat. There is fairly broad recognition that destabilizing actions could only work to the benefit of the North and increase the risk of invasion.

Effective Government

The network of effective governmental institutions developed since the 1960s is a second stabilizing factor. The presidential office provides the leadership and direction for the bureaucracy, which both implements policy and stimulates decisions. The Korean bureaucracy has proven to be efficient and effective in achieving national economic and social goals. Current complaints about it are more related to its unwillingness to divest itself of power, permitting fuller development of a nongovernmentally controlled decisionmaking process. With modernization of the transportation and communication systems, the bureaucracy functions in a highly controlled fashion, extending down to every village in Korea. This provides a stable backbone for the country but permits only limited local or popular participation in the decisionmaking process.

Underlying the governmental structure is the extensive internal security system, directed against North Korean subversives and closely monitoring and controlling opposition forces. A key element within this system is the military, whose prime interest is a stable order conducive to dealing with the North Korean threat, both external and internal. The security forces maintain a close and constant watch on political and social forces and censor and manipulate the press and other media. There is constant awareness of its potential for stamping out opposition actions unacceptable to the government. The administration of President Chun has permitted greater scope for action to the opposition in its handling of student problems, as well as to the press and formerly barred politicians. Nevertheless, the security apparatus provides an inherent limitation on how much the opposition or the media can arouse public sentiment against the regime. To the extent that law and order can be directly related to fears of the North Korean threat, there is acquiescence in the South for maintaining some limits on the opposition.

The Military

The ROK military establishment is a major force for stability. Not only has it provided strong political leadership and an important element in the internal security apparatus, it is first and foremost an effective military force and a critical component in the deterrence of North Korean aggression. Military service also provides a major manpower pool of technology-oriented and trained workers for industry. Because all young men are subject to military service, it is another equalizer in the social structure.

Effective and Intelligent Economic Leadership

The economic growth of South Korea can be directly traced to effective leadership exploiting a disciplined, hard-working, and educated labor force. The leadership has come from both President Park and President Chun. But an essential ingredient has been the depth of talent in both the public and private sectors. A remarkable group of largely American-trained economic technocrats have led the Korean economy through its transformation from an agrarian to an industrial society. In the early period of economic growth, these men planned the development of the Korean economy at a most detailed level and then oversaw its implementation. They are committed to a free enterprise, competitive society and are sufficiently nonideological to make pragmatic decisions when a shift in direction is necessary. They have rapidly adjusted to both external and internal changes. There is also considerable depth in the leadership, as demonstrated by its ability to replace the talent killed in Rangoon.

Demonstrating their pragmatic approach, the technocrats are now engaged in pressing for increased liberalization and less governmental control over the economy. By the late 1970s, the technocratic leadership within the government realized that detailed microeconomic planning was no longer feasible. They also recognized that greater internal competition was necessary to promote the external competitiveness of Korean exports. With the coming to power of President Chun, a shift in economic decisionmaking took place from detailed governmental direction to greater reliance on market forces. At the same time, the government accelerated the process of liberalizing both foreign imports and foreign investments. Small and medium businesses received greater capital support to encourage a broadening of the ownership base of Korean industry.

The shift to a market economy has been gradual but troubled. The major Korean conglomerates welcomed the increased freedom from government decisionmaking, but they also missed the comfort and benefits of active government support and resented the government's

tight money and austerity policies, which were designed to counter the high rate of inflation in the late 1970s and early 1980s. To some extent, they wanted to have their cake and eat it too. Liberalization, furthermore, represented a threat both in the import of competitive goods and in the movement of foreign investment into sectors previously monopolized by the Korean conglomerates.

Resistance to economic liberalization has also come from bureaucratic elements who see their power increasingly circumscribed. At least at the lower levels of bureaucracy, there is evidence of active resistance to the process of liberalization. Even with the shift toward a market economy, the government role—whether direct or indirect—remains extensive. However, there is scope for the private sector to operate outside government direction and for movement of both foreign imports and investment into Korea. Liberalization, although upsetting established economic routes, is a longer term force for stability.

Side by side with the technocrats, the Korean economy has benefited from strong leadership on the part of its postwar business leaders. Those men have expanded their businesses with government support to the point where some are billion-dollar structures. Control over Korean industry is largely vested in the hands of about 50 large family holding companies (*chaebol*), with five particularly large groups. They are privately owned, personally directed, highly diversified businesses that have proved to be both efficient and competitive. Although they have received a good deal of government support, particularly in the early period, they have also effectively exploited the opportunity to develop industries that are competitive on a world-wide basis. They have proved willing to take risks and invest in new sectors to permit the diversification necessary for a broad-based economy. It is estimated that in 1983 the 50 groups of companies contributed 20 percent of Korea's total production of goods and services. The concentration of Korean industry in the *chaebol* and the dependence within each of the conglomerates upon strong personalized leadership may be a potential weakness. It is uncertain whether a second generation of leadership will be as efficient and entrepreneurial as their predecessors and whether the concentration will not lead to a less competitive and less efficient industry in the longer term.

Social-Cultural Pressures

Despite the fractious nature of the Korean, there is broad acceptance of an orderly, nondestabilizing social structure. Acceptance of social discipline within an economically competitive society stems from factors already noted—the North Korean threat, the Confucian

tradition, and the need for an orderly process of economic development. In particular, the South Koreans are conscious of the poverty of their natural resources.

One aspect of the maturing process in the South has been a growing recognition of the need for a consensual society such as one finds in Japan. Whether such recognition grows strong enough to overcome the cleavage and divisions in Korean society remains to be seen. In particular, the middle class, which is expanding and self-perpetuating, has demonstrated its large stake in maintaining the stability of the nation and preserving and expanding its economic position. It seeks greater public participation in the government structure in a nondestabilizing form. Aside from the poorer farmers, the rural population also tends to be conformist, stability-oriented, and influenced by traditional Confucian ethics. The rural population has become more attuned to group rule than any other segment of Korean society. The village elders no longer dominate rural village policy.

The Effects of Success

The Park and Chun regimes promoted stability by deterring aggression and promoting economic progress and development. The fact that the Korean government has developed an effective military system, which substantially diminishes the threat from the North, is sometimes overlooked. But it is an achievement that meets the most basic of national objectives. The economic statistics of Korea are a record of economic transformation and growth to the point that it is now accepted as one of the prime examples of successful transition from an underdeveloped to a middle-advanced society.

The success of the Chun government in reviving high levels of growth and reversing the growth rate from -6 percent in 1980 to +9 percent in 1983 should not be overlooked as a stabilizing factor. It has directly affected the standard of living. Sales of consumer nonessentials such as color television, air conditioning, and even automobiles have grown considerably over the past few years.

As a result in part of the policies instituted by President Park and the subsidization of agriculture, there is also balanced urban and rural development and family income. The green revolution in Korea may in fact be more dramatic than the industrial transformation. No sector of the populace shows evidence of intense dissatisfaction, although there are areas of inequity, distaste, and unhappiness with aspects of the present regime.

The U.S. Role

Historically, Korea has viewed itself as a pawn buffeted and pushed around by the much larger powers lying at its borders. Well into the current century, Japan and China were the dominant influences in Korea, but neither was able to subject Korea to full control. The Soviet Union has lately loomed as another major external factor in the Korean equation. The Koreans have always viewed themselves as a "shrimp in an ocean of whales."

Since the end of World War II, Korea has found an external power that has been both supportive and beneficial to it in the United States, which occupied the southern half of Korea following the Japanese surrender in 1945. The U.S. role in Korea in those days was viewed and is still viewed as something of a mixed blessing. The United States initially assisted Korea materially, helping to establish an independent government and giving it international support through the United Nations, but the United States is held responsible for accepting the division of the country, which has now become—at least for the foreseeable future—permanent. Then in the late 1940s, the United States withdrew its combat forces from Korea, exposing the country to a North Korean invasion in June of 1950. The American role in the Korean War restored confidence in the United States.

Since the conclusion of that war, the United States has assumed a critical role in the protection of Korea and the provision of a counterbalance to Korea's neighbors. It has made Korea far less vulnerable to dependence upon Japan, toward which Korea has an ambivalent attitude.

The U.S. role in Korea in the past and today is a multiple one. By far the most important U.S. contribution is the security commitment backed by powerful American forces, both those stationed within Korea and those available from outside Korea. The South Koreans themselves have a powerful and competent military force, but the availability of U.S. combat forces, together with the regularly reasserted American treaty commitment, provide an effective deterrent against renewed North Korean aggression. The North Koreans respect American military power and fear its potential to destroy them, particularly through superior air power and the implicit threat of nuclear retaliation.

The United States also provides essential material support for the Korean military forces. Further, the current military assistance program particularly facilitates the purchase of American weapons through guaranteed credits, although a very large amount of Korean foreign exchange is still required to purchase such weapons.

The continuing American role in the Korean economy should not be underestimated. In the 1950s and early 1960s, the United States was the principal provider of grant aid and other forms of economic assistance, which were central to maintaining and then stimulating the Korean economy. Grant aid ended in 1974. Today, the principal U.S. contribution is access to its markets. It has also become the major source of agricultural imports into Korea, some of which are financially supported by credits from the Commodity Credit Corporation. Korea has become one of the major U.S. trading partners, important to the economies of both countries, but much more so to Korea. Additionally, American banks have been the major source of commercial credit to help finance South Korean economic development, balancing the adverse trade and current account balances. Finally, American technology has increasingly become the key to Korea's future development as well as to the continued improvement in Korean weapon systems.

The material benefits of American support in stabilizing Korea are self-evident, but the psychological factors should not be lost sight of. In fact, Korean confidence in U.S. support may become even more important than material factors as Korea is able to bear a higher level of its own economic and military support, because of the growth of its economy.

Korean confidence in the United States has waxed and waned with changes in American policy appearing to be adverse to Korean interests. The first major blow to Korean confidence was the enunciation of the Nixon Doctrine in 1969 and its deliberate ambiguity regarding which countries the United States was clearly prepared to defend. Even the renewal of the pledge to defend Korea and commitments of much larger military aid were insufficient; doubts were left by the withdrawal of one of the two American divisions. The collapse of Viet Nam and Cambodia in 1975 left the Koreans not only baffled but greatly concerned whether the United States would fulfill its commitment to defend the Republic of Korea.

Perhaps the severest blow to Korean confidence was President Carter's enunciation of his intention to withdraw American ground forces from Korea. Although it was true that Korean ground forces, if properly equipped, could replace the remaining American division, this was a fundamental psychological miscalculation. The proposed action was viewed as a major step toward full withdrawal, following the pattern of Viet Nam. The eventual reversal of this decision in 1979 and the subsequent reaffirmation of the American commitment to Korea by the Reagan administration have done much to bolster Korean confidence in the United States, but doubts remain.

Increased International Recognition

Another factor that has served to stabilize Korea has been its growing international role, largely the result of its own efforts and record of economic success. Korea has gained international prestige not only among its long-term proponents in the West and the developed world but increasingly in the third world, where Korea's economic accomplishments are recognized as a model for other underdeveloped countries. Most symbolic of the change in Korea's international status—from a beleaguered competitor with North Korea to an established international regime—is the awarding of the 1988 Summer Olympics to the Republic of Korea, on top of hosting other major international and regional events. South Korea thus becomes the first third world nation to host the Olympics. Even the opposition of the Soviet bloc has not deterred support for this decision. The eventual effect of the Olympics on Korea should not be underestimated. That decision serves as a unifying force to the Korean people and a powerful stimulus to present a picture of a stable government and economy to the rest of the world in 1988.

INTERNAL SOURCES OF POTENTIAL INSTABILITY

The Problem of Political Institutions

South Korea has yet to develop any firm, constant, or lasting political institutions. Postwar Korea has revised its constitution seven times. All but two of these revisions were engineered to give the incumbent executive more power and longer tenure.

The current constitution, undertaken by President Chun, is only in its fourth year and must still be tested. The transition of power provided for in the constitution in the 1988 elections is still ahead. President Chun has constantly reiterated his pledge to transfer power peacefully in 1988 at the conclusion of his seven-year term, but the doubts about this pledge are indicated by his constant need to reaffirm it. The reasons for the lack of credibility are understandable. Not only has the constitution been revised to keep past presidents in power, but the transfer of political power has never occurred peacefully. In the four major transfers of power, one was a result of student-led demonstrations in 1960, two were the result of military coups in 1961 and again in 1980, and the fourth was a result of the assassination of President Park in 1979.

A weakness in the political process has been inexperience in the sharing of power. In tradition and history, Korea has always adhered

to a strong leadership structure with very little power devolving to other political groups or to the people as a whole. Pressures for greater democracy and representative government are therefore not matched by a tradition of implementing such a structure. Yet the desire for greater participation in the government continues to grow as the economy has brought a more diverse social structure and has lessened the capacity of the government to control every aspect of life.

The process of political development has also raised questions regarding the Chun regime's competency to govern effectively and its "legitimacy" in the eyes of the Korean public. People are concerned about the effectiveness of the president and his Blue House staff to administer the government effectively and about allegations of corruption among members of Mrs. Chun's family.

The Opposition

In a society where political power is so highly centralized and controlled by a combination of strong presidential powers backed by the bureaucracy, the military, and other security forces, any opposition is bound to create some sense of instability. Opposition to the Korean political structure arises from both moderate and radical elements within the society.

The moderate opposition in many respects supports the government and accepts the need for a firm security posture and the maintenance of a disciplined, lawful society. Their principal grievance is insufficient participation in the governmental system. Their goal is a modification rather than a radical overhaul of the government, permitting a larger role in the decisionmaking process.

The moderate opposition has also found the political party system less than satisfactory. A stable party system has not had a favorable environment to take root in, and the current party system tends to be either too solicitous of government views or too unrealistic in its opposition to government policies. Furthermore, the parliamentary system has proved largely unsatisfactory as an instrument for influencing governmental decisions, leaving the party system almost devoid of any real relevance to the governing of the country. The moderates find themselves without either adequate voice or adequate political leadership relevant to their desires.

The more strident opposition comes from various groups who wish to change the present structure rather than modify it. These elements operate largely outside the current system and are far less numerous than the more moderate groups. However, they are demonstrative and vocal and appeal to economic and social grievances.

The dissidents include Christian groups imbued with a desire for social action, elements of the press that are prepared to challenge the leadership and its censorship and control, and most vocally the student movement. Kim Dae Jung is in particular the rallying point and symbol of dissident opposition and his return to Korea in February 1985 will almost certainly spark confrontational policies and increase the risk of reversing any liberalizing tendencies.

The student movement has played a traditional role of opposition to the government, aided and abetted by western trained intellectuals. The student movement gained its greatest credibility during the overthrow of President Rhee and is actively seeking to sustain its "historic" role in the present context. It has shown a capacity for organizing mass demonstrations and for mobilizing other elements of discontent. However, it overstepped its bounds in the spring of 1980 when it organized large-scale demonstrations in Seoul but generated scant public support and much concern. The government is now trying to deal with the student movement by giving it further autonomy within the campus but barring it from demonstrations outside. The activists probably represent a very small percentage of the total student population, but they can maintain a good deal of peer pressure to broaden their supportive base within the university campuses. They have also become more radicalized and sophisticated. At least in the short term, the new government tactics have had a positive effect in minimizing support from the external community. Parental pressure about future stability and job opportunities is growing and moderating the student movement. Yet the student movement represents a major threat for instability, with the government *softer tactics in jeopardy*.

Potentially more disturbing to Koreans in the longer run could be the labor movement, which has been largely dominated and controlled by the government. There is no real independent leadership within the trade unions. To date, there have been sporadic strikes among a few union groups, but these have not as yet led to any broader effort to obtain independence. The major problems in this area are grievances against the terms of employment, a sense that income distribution has been inequitable in terms of management and labor, inadequate wage increases in recent years, intolerance of organized labor among the major industrial companies, and a lack of institutions designed both to represent the Korean worker and to operate within the Korean political system. Increasingly, there is concern in government circles that a failure to address the labor problem today could lead to future difficulty, particularly as the student movement and labor could coalesce behind Kim Dae Jung.

Social Pressures for Change

The growth of the middle class and its market value system is a source of strength and stability; but if the desire and expectation of a greater voice in determining the course of events within Korea is frustrated by government desires to maintain a more authoritarian society, that could potentially destabilize the country. Middle-class Koreans support the status quo but want adjustments in the political structure and institutions comparable to those in the economic and social structure. Signs are already accumulating that hard-line rule may no longer be suitable for modern-day Korea. President Park's final act of repression of a textile strike and demonstrations in the south of Korea led to serious doubts regarding his tactics even within the security establishment. The tough suppression of the Kwangju student-led riot is also now broadly recognized as a mistake. The new government policies on the handling of students is one indicator of these changing attitudes.

There are contradictory pressures, particularly among the security forces, to make minimal concessions and maintain tight controls. In the past, concessions to the opposition have too often provoked greater demands and constant probing to find the limits of government tolerance.

A critical factor in this equation will be the balance between the roles of civilians and military within Korea's power structure. Inevitably, the desire for civilian government leadership will increase and could arise in connection with the 1988 Presidential election, although the role of the military as the security bulwark is accepted as essential.

The Potential for Confrontation

Among the issues that potentially could lead to confrontation and instability in Korea today are civilian discontent with continued military leadership of the government, strong regional pulls, bureaucratic resistance to political change and the weakening of its role within the economy, income disparities between the very poor and the very rich, the tendency of the educational system to perpetuate the wealthier elite at the expense of the poor, and rural versus urban competition for resources. Finally, major elements with the opposition political leadership are not prepared to work within the current system and will press for changes by confrontational tactics. A critical question for the future is whether Korea can develop a consensus society that will diminish the destabilizing influences of confrontational situations.

EXTERNAL SOURCES OF POTENTIAL INSTABILITY

The United States

Although the United States represents a major prop and a clearly stabilizing factor on the Korean scene, it is also a potential source of instability. Their very dependence on the United States has left the Koreans concerned about their vulnerability to the vagaries of American policy. Policy changes in the United States in the mid- and late-1970s in the aftermath of Viet Nam accented this concern. President Park was motivated to develop an independent Korea defense industry and capability in weapons technology partly by his lack of confidence in United States staying power. He feared and resented dependence on the United States and sought a degree of military independence.

There will always be lingering doubts as to the credibility of the American commitment. These will tend to vary with the American government at the time. The desire to decrease dependence on the United States will always be an underlying and at least subconscious element of Korean policy. It will be reinforced by Korean desire for national independence, by their pride in achievement, and by a burgeoning nationalism. The resistance to foreign investment and foreign management control of joint ventures is only one symptom of the broader wish for going the Korean way, independent of foreign control and influence.

Up to the present, the thrust of nationalism and longing for "independence" has not led to serious and potentially destabilizing problems. In fact, reduced dependence on the United States could ease some tensions in the bilateral relationship. But there have already been important differences between the two countries on key policy issues, not only in the political arena (pressure from the United States for greater political freedoms) but in both the security and economic sectors. Careful handling of these issues and containment of differences has prevented any serious damage to the relationship. But the potential is there.

Economic Vulnerabilities

The engine of postwar Korean economic growth has been the expansion of the export market. The growth spurt of the late 1960s and 1970s benefited from a favorable external environment. The external market will continue to be critical to the Korean economy, despite the expansion of the domestic market. The two oil crises and the decline

in world trade adversely affected Korea, although their influence was moderated by effective governmental counter-policies and the ability of the Korean economy to maintain its external competitiveness. However, the threat of increasing protectionism, not only in Western Europe but also in the United States, hangs over the Korean economy. The fact that Korea has, for the first time, maintained a markedly favorable trade balance with the United States has aroused protectionist tendencies within and outside the U.S. government. Should such tendencies take hold, Korea's export-stimulated economy could be adversely affected in a manner that would be difficult to moderate by internal policies. Korea's ability to pay its debt obligation depends on continued market access for its exports.

Another external factor that Koreans must take into account is the increasing pressure for liberalization of both trade and investment. The Koreans have made major policy decisions to move in both sectors. Although the process of liberalization is ahead of the pace in Japan at a comparable stage in economic development, implementation is not likely to be as rapid as desired by its trading partners. A combination of increased protectionism and pressures for liberalization is a potential risk.

A related problem is Korea's high external debt. The Korean government is conscious of concerns about its indebtedness, particularly to the commercial banking system in the wake of major problems elsewhere, mainly in Latin America. Nevertheless, Korean efforts to correct its trade and current account and reduce further borrowing are likely to take time. For the present, the debt crisis has not adversely affected Korea because the commercial banks are still prepared to extend both short- and long-term credit, given their confidence in Korea's excellent economic record and ability to expand exports.

The Japanese Relationship

Postwar Korean-Japanese relations have had a checkered history. At the present time, relations highlighted by President Chun's visit to Japan are considerably more friendly than in the past. Nevertheless, for both countries there is ambivalence, an almost love-hate relationship.

The Koreans recognize that close relations with Japan could be an asset, particularly a source of economic assistance. Japan's economic aid has greatly expanded with the 1983 commitment of \$4 billion over five years, which the Koreans still consider inadequate in view of the Korean role in the defense of Japan and Northeast Asia. However,

Korea wishes to reduce any sense of dependence on Japan and has not forgotten, by any means, the past history of the relationship.

The Koreans are ambivalent regarding the Japanese defense effort. They resent what in their eyes is Japan's minimal defense expenditure, which constitutes far less of a burden than Korea's defense expenditures. Yet they have no desire for any form of Japanese security commitment or defense assistance, and they would be concerned about a major Japanese rearmament. Other sources of almost constant friction are the ambiguous status of Koreans living in Japan and the unofficial Japanese relations with North Korea.

Periodic Japanese efforts to achieve a more "balanced" relationship with the North and provide forms of economic assistance are particularly resented. Underlying Korean concerns are fears that Japan will move to a two-Korea policy. The economic relationship between Korea and Japan is extensive; but again, the Koreans, despite Japanese assistance, believe that Japan has been less than forthcoming in opening its markets to Korea and they blame Japanese protectionism for the seriously adverse bilateral trade balance. The Koreans complain about "subtle and shrewd" import barriers and lack of access to sophisticated technology. Yet they find the Japanese, as a trading partner, easier to deal with than the United States because of quick access to Japanese machinery and components and the servicing provided by the trading companies.

The Japanese have the same equivocal view toward Korea. On the one hand, they look down upon the Koreans, particularly the Korean community within Japan. On the other hand, Korea's economic success has led the Japanese to talk about the Korean "threat." Despite a structure of mutual dependence in both the security and economic sectors, Japan and Korea want no part of any formalization of this relationship and certainly are opposed to any sort of trilateral relationship embracing the United States.

Serious differences between the two countries have also proved to be a major political problem in Korea. Reestablishment of relations in 1965, for example, led to large-scale demonstrations, as did the 1974 assassination of Mrs. Park by a Korean resident of Japan. A serious breakdown of Korean-Japanese relations, if not dealt with effectively, could be a major force of instability given the underlying interdependence of the two countries.

THE BALANCE SHEET

The principal source of potentially serious problems for Korea lies in the lack of stable, tested political institutions and a track record of peaceful change of government. The next test for the present political structure will come in 1988, at the very time Korea is preparing for the Seoul Olympics. There is also a growing need to adjust the political process to the major economic and social transformation that has taken place over the past twenty years with a more representative government. It would be difficult to reduce the authoritarian bias in the Korean political structure within a stable environment, but its prolongation over an extended period could increase disaffection among the very elements within the middle class that are now prepared to seek changes within the system. At present, however, these problems do not threaten Korea's stability.

The balance sheet is on the side of stability. Three factors have been critical in stabilizing South Korea. The first is the unifying force of fear of the North Korean threat and a renewal of North Korean aggression. The virtual unanimity in Korea on this point and the preparedness of the public to accept major sacrifices, forgoing greater material rewards to ensure an effective defense, makes it willing not only to accept but to welcome broad U.S. support despite the inherent infringements on its independence.

The second factor is the track record of the government over most of the past two decades in effectively and competently satisfying the country's critical military and economic requirements. Korea's transformation has been self-evident and rewarding to the entire populace. The expansion of the economy and rapid improvement in the standard of living have been a constant in Korean life over the past twenty years. The consequence has been a strong vested interest in maintaining the stability of the country and not upsetting the applecart. Although there is only limited positive support for the present political and constitutional structure, there is widespread recognition that at the present time no viable alternative exists.

A final factor in evaluating the stability of South Korea is its proven capacity to manage a major multiple crisis. Beginning with the assassination of President Park in late 1979, Korea went through a political crisis of major proportions until the new constitution was formulated and the election of President Chun took place in 1981. At the same time, Korea experienced a major economic crisis, with a 30 percent loss

of agricultural output and a worldwide trade recession, leading, for the first time, to 6 percent negative growth. Korea's standard of living declined and the people felt the dual effects of an economic downturn and political uncertainties. Nevertheless, Korea managed to overcome this combined political and economic crisis, rapidly recovered its high rate of growth, and developed a fairly stable governmental structure.

In these circumstances, there is no question that the current level of defense spending, 6 percent of GNP, is fully acceptable and bearable. In fact, one can predict with some degree of certainty that even higher levels of defense expenditures, despite their tax effects on the Korean people, would also be accepted. However, pronounced softening of the North Korean posture combined with a loss of confidence in the government and an economic downswing could raise questions about higher levels of defense spending. A greater problem may be generating the foreign exchange to pay for the modern weapons systems now being purchased largely from the United States. Given its adverse current account balance, these costs bear heavily on Korea. Nevertheless, the weapons purchases are viewed as necessary, but the foreign exchange cost constitutes a far greater constraint than additional budget costs.

In sum, the Republic of Korea is currently stable. Furthermore, there is no serious internal threat to the government or obstacle to allocating whatever defense funding and other resources appear reasonable and necessary to achieve security from the North Korean threat. For the future, the effect of the recently launched North Korean "peace offensive," if sustained, on southern attitudes, particularly regarding defense expenditures, will need careful analysis.

III. CURRENT SOCIOPOLITICAL ENVIRONMENT IN NORTH KOREA

North Korea is a more enigmatic and difficult target to assess than South Korea. The whole structure of North Korean society is, in fact, designed to control and limit the flow of information. Although it is possible to discuss trends in North Korean policy, such as current concerns regarding its economy, the very essence of North Korean policy is its reliance on *chuch'e*—a policy of self-reliance—and autarkic economic policies is designed to inhibit discourse with the outside. North Korea is as isolated as any country in the world.

The formal governmental and economic structure is well known and no secret. But when one probes beneath the surface, the details become obscure. Statistics on the North Korean economy are unreliable, the amount of GNP devoted to defense has been variously estimated from 14–15 percent up to 24 percent, and details of political infighting and factionalism are kept very tightly.

KEY CHARACTERISTICS

Self-Reliance

The North Koreans have made a fetish of their policy of self-reliance and independence. This policy relates not only to its relationships with the outside world but even to those with its allies, the Soviet Union and the People's Republic of China. The North Koreans have made it clear that they will accept no form of domination or influence over their policies on the part of the two principal Communist allies. In fact, the basis of their policy is an effort to play one off against the other. Their economy is likewise based upon self-reliance, in part forced upon it by the paucity of resources provided either by the Communist states or by the developed western nations, including Japan.

Rigid Totalitarian Control

North Korea is probably the most rigidly disciplined and controlled state in the world today, not only politically but economically and socially. Nothing is left to chance or personal initiative. The children, for example, are educated from infancy by the state rather than by the

family. There is no aspect of life that does not have the imprint of state control upon it.

The state exercises rigid security and police control to discourage and stamp out any opposition. Major reliance is placed on developing loyalty and respect for the "supreme leader," and North Koreans are subjected to unending indoctrination. They are at the same time excluded, to the extent possible, from any sources of information regarding the outside world.

The Personality Cult

Politics and government in North Korea are dominated by the personality of Kim Il-Sung. He has been in power since 1945. Over the early period he skillfully outmaneuvered his rivals within the leadership to take over complete domination of the party and government. He has instituted a structure of personality and personal loyalty that brooks no rivalry and no other voice in the affairs of state. His picture and other symbols of personal worship dominate the scene; power rests in his hands and in those of his loyal adherents, who stand well below him in the hierarchical order. He is now in the process of passing this personal mantle of power to his son, Kim Chong-Il.

A Political Elite

Underlying the personality cult is the development of a political elite based upon proper family background, which provides the technocratic and bureaucratic manpower for both the party of the government and the military. The elite is preferentially treated in terms of both economic privileges and education and is intended to be self-perpetuating.

The Military Priorities

Resource allocation in North Korea gives overriding priority to development of its military forces. Although there may be some question about the size of the military budget, there is no doubt that the military effort receives a priority far above that of other economic activities. The industrial resources of the country have gone into building a defense industry to the degree that military weapons are a major export. Manpower allocation gives military service a priority that limits the labor force available to industrial and agricultural activities, except to the extent that military manpower is diverted to them on necessary occasions. The policy of the state is to build a

military machine superior to that of the South, capable of undertaking offensive operations if the opportunity occurs. The structure of the North Korean forces emphasizes its offensive rather than defensive capabilities.

Living Standards

According to all available reports, the average North Korean lives an austere life with no frills and lots of hard work. Nevertheless, the government has provided him with adequate food, housing, health care, and educational opportunities. He is not wanting for the minimum requirements of life, but there are no additional luxuries except for occasional bonuses and outings. Clothing and other essentials are provided by the state, and wage levels do not adequately reflect the real income of the average North Korean.

FACTORS FOR STABILITY

Total Control

Critical to the stability of the North is the capacity of Kim Il-Sung and the bureaucratic hierarchy both to set policies and then implement them without opposition. The bureaucratic structure, consisting of military, party, and governmental officials, ensures effective execution of policy. Whether policies are debated within the inner circle is impossible to determine on the basis of information now available, but clearly changes in policy do take place; the extent to which this reflects just the personal whims of Kim Il-Sung or a more corporate leadership structure is difficult to discern. But once policy is set there is no room for opposition.

North Korea's Isolation

A factor that tends to stabilize and facilitate unquestioning implementation of policy is the isolation of the North from external influences and even knowledge. Clearly at the top, there is an awareness of external factors, although the extent to which these are passed through an ideological filter is difficult to determine. Nonetheless, the lack of exposure of the vast majority of North Koreans to the outside world facilitates satisfaction with government policies. There is no doubt that, during the North-South talks of 1972, the visit of the North Korean delegation to Seoul thoroughly alarmed the Northern leadership because it exposed them to the higher standards of living in

the South. Every effort is made, particularly in recent years, to prevent the average North Korean from learning of South Korea's far greater economic progress. They are shut out from South Korean radio and television and other forms of information and communication.

Social Discipline

Visitors to the North inevitably comment on the highly disciplined and controlled nature of the North Korean population. They are hard-working, austere, prepared to sacrifice for the state, and in all respects highly disciplined and loyal. As in the south, some of this social discipline flows from the Confucian tradition and respect for authority. However, the discipline is heavily reinforced by state controls and the constant process of indoctrination. The consequence is to provide a stable, docile social environment, permitting Kim Il-Sung's leadership latitude in a wide variety of directions. At the same time, there are indications of some resistance to this discipline (and in particular to the constant effort to break down family loyalties and ties). The high cost paid for any form of opposition limits the scope of resistance and any capability to determine whether there is widespread dissatisfaction with the tight discipline imposed by the state.

Economic Welfare

The government has apparently been able to satisfy the basic human needs of the population. North Korea today contrasts strikingly with the spartan life of the 1940s and 1950s. There is little differentiation in the distribution of income both in cash and kind—excluding, of course, the narrow ruling elite, which enjoys privileges not available to the masses. The North Korean government allocates sufficient resources to maintain agricultural production and adequate industrial activity. Rather than unemployment, there is actually a labor shortage, given the heavy allocation of both financial and human resources to the military. North Korea is able to meet its very heavy military requirements, which have an absolute priority, while maintaining minimal living standards. What the allocation to the military does sacrifice is a higher level of economic growth and development.

The Threat

The alleged "threat" from the South combined with that of "Imperialist America" has been used as a unifying force to justify sacrifice in the North. The North Korean population has never forgotten the devastation wrought by the Korean War. Incessant indoctrination

throws the onus for the war on the United States and South Korea. But underlying the propaganda is a genuine concern on the part of the North Korean leadership that, without a major allocation of resources to the military, North Korea could come under increasing pressure from the South. Kim must also be seriously concerned about the growing economic and technological gap with the South. By deprecating South Korean leadership, as well as the U.S. deployment in the South, the North Koreans have also shown repeatedly how much they respect and fear the combination of U.S. and South Korean military forces. Even temporary deployment of modern U.S. weapons systems has brought quick and sharp reactions. Thus there is both a genuine concern and a broader desire to exploit the "threat" to rally public support for the North Korean control system.

Sino-Soviet Support

The principal objective of the North Korean power structure has been to maximize the support received from both its allies, the Soviet Union and the People's Republic of China, while maintaining barriers against either one's undue influence. Particularly since the Sino-Soviet split, the North has tended to lean in one direction for a period of time and then to the other, without sacrificing support and falling under the control of one or the other. The general bias has been more to the Chinese than to the Soviet Union, although the rapprochement in Sino-U.S. relations has undoubtedly cooled North Korean enthusiasm for Beijing. The Chinese influence at present is greater than that of the Soviet Union, as evidenced by their efforts to cool North-South hostility and encourage North-South talks.

North Korea has sought and obtained constant support from both its allies in terms of maintaining its viability as an independent state and of ensuring that the South does not gain too great an advantage in military or national prestige terms. Thus South Korean entry into the United Nations has been effectively blocked by North Korea's senior partners. More recently, the Russians worked vigorously, although unsuccessfully, to block the designation of Seoul as the host of the 1988 Olympics. Economic assistance has been provided by other partners, particularly the Soviet Union in the 1970s when major industrial projects were undertaken. In addition, both have provided military weapons although of limited advanced technology. The Chinese are the principal suppliers for the North Korean Air Force, a fact that undoubtedly galls the North Koreans, who would much prefer advanced Soviet aircraft, particularly MiG 23s.

In sum, North Koreans have been fairly successful in juggling their two allies, regardless of the level of hostility between them. But Sino-Soviet support of the North has distinct limits, as was indicated by Kim Il-Sung's apparent failure to extract substantial new aid on his trip to Moscow and Eastern Europe in the spring of 1984.

FACTORS FOR INSTABILITY

Political Succession

The major problem facing North Korea is the transfer of power from Kim Il-Sung to his designated successor, son Kim Chong-Il. The continued leadership of Kim Il-Sung since 1945 has given the North Koreans political stability and consistent political institutions. But the day of reckoning is still to come. Kim Il-Sung, apparently aware of the problems involved in political transition, has prepared the ground for his son to assume power at his death.

Hereditary succession is virtually unknown within the Communist sphere. In fact, Communist leadership in other countries, including China, has dealt harshly with efforts to achieve hereditary succession. Nevertheless, it is consistent with Korea's Confucian heritage.

There are several problems associated with the Kim Chong-Il succession. Can Kim Il-Sung pass on to his son the aura and mantle of leadership and the structure of loyalty and dedication devoted to himself? Does Kim Chong-Il possess the ability and canniness of his father to manipulate and control the North Korean system? Related to this question is the problem of both factionalism within the North Korean power structure (of which very little is known) and perhaps most important, the generation gap. Kim Il-Sung is still surrounded by a cadre of senior and older statesmen who took power with him. The young son undoubtedly has a much closer relationship to the younger elite of his own generation. Whether there will be a serious generational split within the party with consequent purges and potential for counter-coups at the time of succession is an open question. Furthermore, there are indications that the younger generation, better educated and more technocratically oriented, may wish a shift in policy from that of Kim Il-Sung. Again, there is a question of whether Kim Chong-Il is prepared to face these policy issues, particularly in the economic sector, although North Korea is now espousing more open economic policies. As will be noted below, resource allocation needs to be reconsidered, given the slow rate of growth of the North Korean economy. Furthermore, the alienation of the North, not only from the

West but even from formerly friendly forces in the third world, also has to be faced. Thus, the succession battle may not only be an issue of personalities but also involve decisions in important policy areas.

The Cost of Totalitarianism

In the absence of very much solid information on the state of the North Korean psyche, one is left to conjecture about the price paid for the total mobilization of society under the rigid hierarchical system. North Korea has left nothing outside the realm of state control. Even marriage is in a sense dictated by the state, because affiliation with the party and social class are essential criteria in the selection of a mate. Individuals are eliminated as independent personages and replaced by a social system that entirely subordinates the individual to the state.

The rewards of this system are readily apparent, but the cost less so. There is a price paid in the loss of diversity, individual creativity, and constructive criticism that could affect productivity. The strains on this society also derive from some confusion over the role of the family in the social fabric. Although the family is deemphasized and the liberated women given very little opportunity even to care for their own children, there is still recognition that the family plays an active and important role in the education and indoctrination of the children. Kim Il-Sung has stressed, from time to time, the importance of family and home. Furthermore, the family unit has traditionally been at the core of Korean society, and constant efforts of the North Korean Communists to subordinate the family run counter to this heritage.¹

It is questionable that the thrust for freedom of choice and some measure of liberty from control are entirely sublimated among the North Koreans. Although these very natural desires have been suppressed by the power of the totalitarian mobilization of society, the inherent desire for greater freedom must create strains in at least a segment of North Korean society. Further, strains must inevitably develop from the demand for constant sacrifice and the loss of any substantial and recognizable improvement in living standards. How long can a people endure what is basically a stable but minimal existence without expectation of improvement, particularly as the average Korean lives side by side with a small minority of self-perpetuating privileged elite?

¹Chong Sik Lee, "Social Policy and Development," in Robert S. Scalapino and Jun-Yop Kim (eds.), *North Korea Today*, Institute of East Asian Studies, University of California, Berkeley, 1983, pp. 128-129.

Limited Resources

In 1945, when Korea was divided for purposes of accepting the Japanese surrender, the northern half was endowed with the bulk of the heavy industry developed under Japanese colonial rule, the major resources—chemicals and iron—and the hydroelectric power potential. The South, in contrast, was largely agricultural. During the initial postwar period and then during the post-Korean War reconstruction, North Korea made far more rapid economic advances than the South. It effectively exploited its resource base and under the economic planning of the Communist state moved rapidly to begin a process of industrialization and more effective exploitation of the agricultural sector. By 1960, per capita income in the South had barely doubled, while in the North it had tripled. A decade later, per capita income was equal; but by 1980, South Korean per capita income was well over \$1,500, but that of the North was only about \$750.

After rapidly exploiting its natural advantages, autarchic and defensive policies left the North with very limited resources to expand on this base. The resource base was also limited by a labor force shortage, by a lack of any new, unexploited natural resources, and by the limited flow of capital and technology from abroad. North Korea did not receive abundant economic assistance from its Communist allies, particularly after the early 1970s. In fact, many projects still being completed with Soviet assistance date from earlier commitments in this period. In the early 1970s, the North Korean government shifted its policy and increased its trade with the non-Communist countries. It also sought and obtained substantial economic loans to modernize its plants and equipment from Japan and other Western nations. By the end of 1976, North Korea's hard-currency debt was estimated at almost \$1.5 billion. This policy of importing foreign machinery and technology came to an abrupt halt after 1974 when North Korea proved unable to meet its foreign debt commitments and new resources from the West were no longer available. Foreign technology was also hampered by North Korean exclusion of western technicians and the consequent failure of imported plants to meet expectations.

North Korea now faces a situation where in the absence of major policy change, it must depend largely on domestic resources to expand its economy at a time when the bulk of these resources are being devoted to military ends. The resource shortage in terms of raw materials, manpower, and capital has led to a static North Korean economy and a very limited potential for growth. Although the immediate effect may not be great, the potential long-term implications could be very serious.

Economic and Technological Shortfalls

Since the period of rapid economic growth in the 1960s and early 1970s, the North Korean economy has become increasingly stagnant and beset by problems.² The North Koreans have had to extend the current seven-year plan and have acknowledged serious shortages and bottlenecks impeding economic development. The bottlenecks are fundamental to the economy and are generally identified in five sectors: the lack of unexploited arable land, limiting further growth in agricultural production; labor shortages; energy shortages; transportation bottlenecks; and low productivity in extractive industries. Transportation was identified as a matter of decisive importance by Kim Il-Sung as late as 1980. Despite the hydroelectric power system, energy shortages have been a constant problem.³

A serious impediment to dealing with these problems has been the shortage of foreign exchange. North Korean trade has not induced a positive flow of foreign exchange. In fact, it is barely able to meet annual obligations. There is an absence of any capital flows from the West and little from the Communist orbit. Therefore, importation of new plants is limited. Perhaps of more consequence are the limitations on the flow of new technology to the North Korean economy or military. New investments are largely dependent upon high domestic savings and burdened by military priority. Particularly at the present stage of South Korean economic development and its shift to higher technology, shortages in the technological sector may become the most serious problem North Korea faces. They affect North Korean capacity not only to satisfy domestic requirements but also to produce competitive goods for export. The military effects are self-evident, particularly as the South Koreans begin to depend more on technologically advanced weapon systems.

One avenue for resolving its problem is for North Korea to redirect resources from the military to the industrial sector. This solution would represent a basic change in policies pursued by the North through most of the postwar period. Such a fundamental change could have destabilizing effects on the regime. Another strategy would be to renew efforts to induce a foreign capital flow from Japan and the West, forgoing the established policy of self-reliance. In fact, North Korea is already moving in this direction, adopting PRC foreign investment loans and seeking new loans, particularly from Japan. This strategy

²Joseph S. Chung, "Economic Planning in North Korea," in Scalapino and Kim (eds.), *North Korea Today*, 1983.

³Sung-Yeal Koo, *A Demographic-Economic Model for Korea: Long Term Demographic Prospect and Policy Impacts*, Korea Development Institute, March 1982.

likewise involves some risks. Yet failure to move in either or both directions is likely to expose the North's vulnerabilities. Over the longer term, the choice between self-reliance and modernization will plague North Korean policymakers.

The dilemma will only worsen as the gap between the comparative rates of growth and technological advancement of the North and the South grows larger. The leadership of the North undoubtedly recognizes that it is falling farther behind. It may be only a matter of time until even the insulated North Korean populace begins to understand this reality and questions the capacities of its leadership. During a succession crisis, the problem of the "gap" and lack of economic growth could become a critical factor.

Sino-Soviet Caution

The Soviet Union and the People's Republic of China share a goal in the maintenance of a Communist regime in the northern half of the peninsula. To this end, both have given diplomatic and military support to the Kim Il-Sung regime. But there are serious differences, not only between Russia and China, but between North Korea and its two allies. These differences pose limitations on the extent of assistance and support both are prepared to give the North Korean regime and are a potential force for instability, particularly if the North Koreans wish to push their ambitions for unification to the point of military confrontation.

The PRC and the Soviet Union are rivals in seeking to place North Korea under their exclusive influence. To the PRC, preventing North Korea from joining the Soviet bloc is particularly important because it finds itself isolated from other Communist regimes, both within and outside East Asia. The Soviet Union, by the same token, seeks a pro-Soviet bias in North Korean policy so as to complete a process of encirclement of the PRC. North Korea wishes to escape from the domination of either of its much more powerful allies and therefore seeks to balance off relationships with both of them. The result is that neither China nor the Soviet Union is prepared to give all-out assistance and support to the North Koreans. The Soviet Union in particular has withheld specific forms of assistance in order to bring the North Koreans into its camp. The Chinese have been much more active, accepting exchanges of sports delegations, permitting some other forms of indirect trade, and not opposing Seoul as the 1988 Olympic site. They recently have indicated a broader interest in the South, particularly in expanding trade. Although the Russians opposed

the Seoul Olympics, they have not rejected attendance in 1988 and have accepted official ROK delegations in Moscow.

A second very basic difference between North Korea and its allies arises from North Korean militancy regarding unification by means that would involve a serious risk of conflict. Both China and the Soviet Union have made it clear in several ways that they now seek a stable, peaceful Korea and that neither is prepared to support any aggressive ambitions on the part of Kim Il-Sung. In 1975, Kim Il-Sung was discouraged from attacking the South when he visited Beijing following the collapse of South Viet Nam and Cambodia. In the latter part of the 1970s the Soviet Union sent East German Prime Minister Honecker to Pyongyang to encourage the North to follow the two-Germany model, a policy that Kim Il-Sung publicly rejected during the visit. Recently, Pyongyang aggressiveness and willingness to take risks have been criticized directly or implicitly by both of its partners. Both were clearly unhappy with North Korea for its role in the Rangoon bombing incident and previously in 1976 when several American soldiers were killed during an attempt to cut down a tree in the Joint Security Area at Panmunjom. Neither the USSR nor the PRC has given any support in a moral or material way to Kim Il-Sung's ambition for achieving unification at any cost. Both have encouraged Kim to pursue "peaceful unification," supporting his political formula, and both have limited the amount of military weapons, including major qualitative improvements.

Although the Russians and the Chinese compete for position and influence in the North, they have also made it clear that they recognize the game Kim Il-Sung has undertaken in playing one off against the other. Both have made it clear that they are not going to be baited into playing this game. In the spring of 1984, Kim sought increased Chinese and Soviet assistance during an exchange of visits with the Chinese and a trip to Moscow, after many years of absence. Judging by the public pronouncements, he got scant additional support from either of his allies.

This demonstration of Kim's limited leverage over his allies may have induced him to launch his latest "peace offensive," which started with the offer of relief aid to the South's flood victims and now has gained additional momentum with the reopening of the hot line, the acceptance of the South Korean proposal for economic talks, and the renewal of suspended Red Cross talks on the reunion of separated families. Where this resumption of North-South talks will lead and whether it signals a fundamental shift in North Korean policy only time will tell. Perhaps both the PRC and the USSR signalled to Kim

that it was time to refurbish his image and seek aid elsewhere to revitalize his economy.

Finally, although both the PRC and the USSR have implicitly accepted the succession of Kim Chong-Il, neither has waxed enthusiastic. The Chinese hosted a visit by Kim and generally have been more forthcoming than the Russians, probably an effort to maintain a preferred position with the North. In fact, there are indications that both consider hereditary succession almost heretical in the Communist world, but both seem willing to swallow this pill if it is not too costly.

During a succession crisis, the whole issue of Kim Chong-Il's pretensions to the throne could become a source of Sino-Soviet rivalry and instability within the North. It is almost certain that the PRC and USSR will attempt to exploit any factional or other differences. How much maneuverability either will have within North Korea is an open question, but both are almost certainly looking to factional alignments within the North that may provide opportunities for influence and a superior position during the process of succession.

Neither the Soviet Union nor the People's Republic of China has complete confidence in Kim Il-Sung, and both are hedging their bets. The contrast between American support of South Korea, particularly in recent years, and the limited support afforded the North by its allies must to some extent be galling to Kim Il-Sung. Improvement in Sino-American relations obviously raises a warning flag in terms of the extent to which he can depend upon China. U.S.-Soviet relations today are at a low point, but past periods of better relations must have proved far from satisfactory. Given North Korea's declining position relative to the South, in terms of both economic development and access to industrial and military technology, the limited support afforded by either the Soviet Union or China must pose serious problems. These difficulties are exacerbated because both major allies seek to impose unacceptable conditions as a price for the additional assistance North Korea seeks.

Declining International Status

North Korea has deliberately insulated itself from external influences, but it has assiduously sought support from the third world. This policy gained momentum in 1975 when the Chinese encouraged Kim Il-Sung to develop his third world ties and support for North Korean plans for "peaceful" unification of the Korean peninsula. North Korea developed a large body of third world support within the United Nations, mainly from the more radical pro-Soviet nations

within the nonaligned bloc, which, however, provided only moral support to the North, rejecting support on "unification."

Gradually, the North Koreans have eroded their support within the non-Communist bloc, by both their extreme demands and even more extreme behavior. North Koreans continue to sell weapons—a major source of foreign exchange—to Iran, Libya, and some African nations. But this assistance has, if anything, thwarted its efforts to gain broader support within the third world.

What shocked the nonaligned bloc more than any other North Korean action was its responsibility for the bombing incident in Rangoon. The enormity of the effort to wipe out the whole top level of the South Korean government, and the fact that it took place in Burma, caused a serious loss of friends and sympathy.

At the same time, South Koreans have been expanding their role and influence within this very group. South Korean international prestige and position have greatly increased, as attested to by the awarding of the 1988 Olympics to Seoul, while North Korean prestige has hit the bottom. More and more, the ambitions of Kim Il-Sung have been thwarted by his aggressive posture and proclivity for violence. The loss of international prestige has undoubtedly been one motive for Kim's launching a "peace offensive" and could become a major source of difficulty during a leadership crisis.

THE BALANCE SHEET

At the present time, North Korea must be assessed as a very stable society. The country is under the tight control of a dominant leadership headed by Kim Il-Sung. There is no evidence of challenge to that leadership, whatever his policy miscalculations. Kim has developed a structure of control that brooks no criticism or challenge to his authority and permits the mobilization of North Korea to whatever goals and objectives he decides upon. Furthermore, he is now in a position to dictate succession of his leadership to his son. He is able to allocate resources according to his desires with very little need to take domestic opposition into account. He is able to generate very high levels of defense expenditures, which have been estimated to be in the area of 20 percent of GNP.

Furthermore, if Kim desires, the North Korean system could provide even higher levels of defense spending without seriously straining the existing order or discipline. The North Korean people have demonstrated their preparedness to accept the necessary sacrifices in order to enhance their military posture. If the system continues to provide

adequate food, clothing, housing, etc., Kim Il-Sung probably can demand and receive full support for his policies.

The limitations on Kim are much more external than internal. First, the ability of the United States and the Republic of Korea together to generate overwhelming military power discourages direct aggression. Second, neither the Soviet Union nor China is prepared to provide the material support to balance this combination. On the contrary, they are actively discouraging any renewal of aggression. Kim is therefore left with trying to exploit South Korean internal differences as a means of projecting his ambitions for unification. However, since the Korean War, opportunities to act during periods of internal difficulties within the South have been avoided. It is quite possible that had the demonstrations in 1980 spread, and had they hit other major cities in the South, Kim might have tried to move. He did not, and he must view these lost opportunities with some degree of regret.

The stability of the North at the present time might be deceiving. One of Kim's heritages is a large basket of problems that could become increasingly difficult to cope with. Its lack of economic growth over recent years, its very limited access to modern technology, the differences with its Sino-Soviet allies and their pronounced limitation of support will all be major problems in the future. For the present, they can be ignored without serious risk to the stability of the country. The real question mark is a future when Kim Il-Sung is no longer alive. It is reasonable to speculate that Kim has moved to improve North Korea's economic position and to refurbish its image to lighten his son's policy heritage.

IV. FUTURE TRENDS—A COMPARATIVE ANALYSIS

INTRODUCTION

This section will project the factors for stability and instability in the South and the North into the near future. It will highlight the strengths and weaknesses in both parts of Korea, accenting their future vulnerabilities. In addition, it will deal with the potential effects of the four major outside powers, the United States, Japan, the Soviet Union and the People's Republic of China, on the Korean peninsula, looking at potential variables in this four-power relationship.

THE SOUTH

The principal strengths of the Republic of Korea lie in its abundant and well-trained human resources, its economic record, its rising international prestige, and its fear of North Korean attack. The South Korean people have demonstrated that they are hard-working, prepared to sacrifice, upwardly mobile, and driven by ambition for constant improvement in lifestyle as well as material advancement. The South Korean system has offered the people a clear opportunity for advancement and an incentive to work and save for the future. There appears to be no slackening of this drive for progress, at least in the near future, because South Korea's goal is to come as close to equality in living standards as possible to Japan. The enormous explosion of educational opportunities during the postwar period, furthermore, has provided an abundance of talent to man its industrial revolution. Many opportunities for an expanding pool of technicians and middle managers, as well as trained workers, exist in the South. Shortages from time to time in trained technicians and management may constrain industrial improvement, but both the educational system and compulsory military service provide a continuous source of trained or trainable manpower for industrial growth, even in the high technology sector.

The strength of the South Korean system includes its economy. The record of economic growth since the mid-1960s, with only one setback, is steady enough to project a continuation through the 1980s and

probably beyond. There are problems and there will be failures, but continued growth is predictable. The South Koreans have developed a mixed economy in which effective technocrats and enterprising businessmen play a major role in developing an economy competitive in the world system. The transition to a market economy with a decreased government role will also continue, albeit on a troubled course. But Korean recognition of the need to shift to a greater dependence on the market is one more indication of the strength of its economic structure. Increasingly, in the 1980s, the industrial sector will also shift toward a higher level of technological capability. This will have important and positive implications both for the economy and for the military capability of the South. In the competition with the North, South Korea's major strength will lie in its far higher rate of economic growth and its far greater adaptation to higher technology.

Additionally, and not to be underestimated, is South Korea's international prestige and role. The Olympics in 1988 are not only symbolically important, they should have a positive effect on the economy and lifestyle of the Koreans as well. Potentially, the effect could be as great as that of the 1964 Olympics on Japan. In another respect, South Korea is likely to be among the first of the middle economies to emerge as a developed nation. The enhancement of the South's international position again contrasts strikingly with the declining prestige of the North and its loss of sympathy and support even among its former friends in the nonaligned bloc.

The ever-present threat from the North and the potency of the South Korean military as a guardian of external and internal security are both a source of strength and a unifying force in the Republic of Korea. Both factors are likely to be sustained in the future, barring an unexpected change in North Korea's basic policies.

The principal vulnerabilities of the South lie in two areas, the fragile state of its political institutions in a dynamic economic and social environment, and its dependence upon external factors, both economically and militarily. South Korea has yet to develop firmly established political institutions or a process of peaceful transition of political power. The political structure developed by President Chun has still to be tested. The remaining years of the 1980s will provide that test, particularly in 1988 when the new presidential elections are scheduled. The Olympics will provide Korea a showcase to demonstrate its mature status. North Korea could play the role of troublemaker, however, threatening to disrupt Seoul's security. The Soviet Union, which has sought to move the Olympics, could renew this effort. The presidential election will precede the Olympics. If it goes awry as a result of an unexpected reversal of Chun's commitment to step down or if his

successor is not widely acceptable, the hope of a smooth Olympic scenario could be threatened.

The desire for political change is likely to be enhanced by potential imbalances between the economic and social structure on the one hand and the more authoritarian political structure on the other hand. The movement toward a market economy, leaving more and more economic decisions in the hands of the market rather than the government, and the burgeoning change in the social structure with the expansion of the middle class all increase pressures for broader political participation. The problem is how to satisfy demands for political participation within a system that affords broad power and authority to the central government. Although the Chun government recognizes the requirement, how to fulfill it is still not clear, including a scenario for transition of power in 1988.

With the pressures for greater political participation are strong pressures for greater political stability. The overriding need is for an environment that will not encourage any North Korean incursions. The growth of the middle class has also enhanced the vested interests in not upsetting the applecart. South Koreans are talking about a consensual society that downplays the Korean confrontational nature. These factors could diminish the potentially adverse effects flowing from the fragility of the present political institutions in South Korea.

Another major vulnerability lies in South Korea's dependence upon external economic and military factors. As the economy expands and trade continues to be a major stimulus for growth, Korea becomes increasingly vulnerable to downturns in the world economy and to protectionist pressures in the western developed sector. A reduction of restrictions on Korean imports and foreign investment will be part of the price to pay to lessen protectionist pressures. But liberalization also will force the Koreans to pay a price in opening up their markets to foreign competition and foreign ownership.

Additionally, the Korean debt and dependence on foreign credit for economic growth also increases its vulnerability to external factors. The American and Japanese markets are particularly important to Korea, and the Koreans will have to cultivate these markets more astutely in the future than in the past, particularly given the new protectionist pressures in the United States.

Militarily, at least through the 1980s, Korea is likely to continue to depend upon U.S. military forces as an essential ingredient of the deterrent against North Korean aggression. Any shifts in U.S. policy toward a lessened commitment to Korea could increase the risks to the South. As the Korean forces modernize, there could be pressures

within the United States to diminish the American military deployment in Korea.

American, and secondarily Japanese, assistance and support for South Korea are an asset. Yet Koreans will never be confident and secure depending on Japan, at least for the foreseeable future, despite improvement in the relationship over the past few years. Confidence in the United States has risen since 1980, but the Koreans still recall the American military withdrawal in 1948-49, the ambiguities of the Nixon doctrine, and more recently the Carter ground troop withdrawal proposal. Even in the economic sector, they fear American protectionism and a restriction of their American market. American policy at its rock-hard level has, in fact, been quite steadfast in support of Korea, but the surface noises and efforts to shift the policy (such as the Carter troop withdrawal) have left a residue of suspicion.

THE NORTH

The principal strengths of the North rest in its tight and absolutely controlled political structure and control, and in its potent military establishment. The economic and social structure is controlled and manipulated by Kim Il-Sung. As long as he survives, there can be no expectation of a change.

At the present time, the North Korean military establishment has a distinct advantage over the South in manpower and firepower. It is able to mobilize its forces and its reserves very quickly and has the capability for launching a major attack along the established attacking corridors with very little warning time. Qualitatively, the North Koreans are likely to continue to improve their forces except in the air sector, and quantitatively to increase their firepower and mobility over the 1980s. The technology available to the North is likely to be less sophisticated than that of the South, but this may not seriously affect its military advantage in the near future. By any standards, the North Korean military is a formidable force and apparently fully loyal and supportive of Kim's policies. In these circumstances, the South cannot afford to reduce its vigilance and readiness.

The vulnerabilities of the North are fourfold: its economic weakness relative to the South; its potential for political instability during succession; its declining international position relative to the South; and finally, the limited support received from its allies, the Soviet Union and the PRC.

The very strength of the North Korean military forces and the defense production capability underlying it have created serious

problems for the North. Resource allocation has been so unbalanced between the military effort and economic development that the civilian economy has largely stagnated. The North has been able to devote only limited capital to meeting its needs for new industrial plants, overcoming infrastructure, energy, and transportation problems, and dealing with its real manpower shortage. Capital flows from other countries have been limited by the slow growth of its trade and the unwillingness of either of its allies or western capital sources to provide new capital for investment. These policies have limited technological growth and progress.

The adverse economic and technological picture, particularly compared with that of the South, has not affected North Korean stability. But there is already evidence of concern, judging by Kim's efforts with his allies and now with the West to seek additional resources to stimulate his economy. In the future, the policies of the North could become more broadly challenged within the governing sector and motivate even stronger pressures for policy changes. These pressures are likely to increase in a succession scenario in which Kim's son would have to justify not only his succession but the policies he has inherited.

Potentially, the North's greatest source of vulnerability is the whole process of hereditary succession, which is traditional in Korea but unheard of in Communist society. Likewise, it represents a generational shift in political power that would push aside many of the old guard who came to power under Kim Il-Sung. South Korea has gone through a series of succession crises and has proved capable of overcoming inherent dangers, but the North has yet to face this test. The North Korean political structure and the preparation for succession may be sufficiently strong to overcome any resistance to Kim Chong-Il's assumption of power, but the possibility of major opposition, factional struggles, and political instability is inherent in the succession battle. Even if Kim Chong-Il is not challenged, he faces difficult policy issues. Gaps in both economic development and technological advance are likely to grow between the North and the South and are likely to raise difficulties for him whether he gains power smoothly or with difficulty.

The isolation of the North and its much diminished international image represent yet another vulnerability. Current efforts to restore that image may well require something more tangible than a softer line and a willingness to talk to the South. Concrete actions opening the North and in particular agreement to tension-reducing measures, which would constitute a fundamental change in policy, are likely to be required. Yet such a change could also involve serious risks for the North, exposing its populace to new currents and the far greater

strengths of the Southern economy. There is a real question whether a basic policy change will be forthcoming. Furthermore, the 1986 Asian games and the 1988 Summer Olympics in Seoul pose an even greater challenge to North Korea as its international position further declines. How will the North respond? To participate in these events represents a major shift in policy, but to play the spoiler could only further intensify its isolation.

North Korea's future vulnerability is increased by the limits to the support given it by either the Soviet Union or China, and by the clear constraints on both to support Kim's more aggressive and venturesome policies. The Soviet Union and the PRC both expressed their displeasure with the Rangoon incident. Kim's recent efforts to expand economic and military assistance from his allies have not achieved much in a tangible sense. The Chinese are now even openly encouraging the North-South dialogue and diminution of hostility. In the future, this vulnerability to its allies could grow, as neither seems inclined to enter into a major bidding contest for North Korean support in their rivalry. The impending succession scenario will offer opportunities for both to meddle in and potentially destabilize the North. A competitive struggle for primary influence over a succession regime might bring the North additional assistance, but at what price? Can Kim Chong-Il, or any other successor, play the "independence" game with as much skill and deftness as Kim Il-Sung played it in the past?

THE NORTH-SOUTH VARIABLE

Inherent in the assessment of the near-term future is an assumption that North Korean policy will not change fundamentally despite the growing problems it faces. The current "smile" diplomacy is a limited game aimed at refurbishing its image and gaining new western capital without making any serious concessions in breaking down barriers to the South, accepting a variant of a two-Germany policy, and agreeing to tension reduction measures.

But the possibility cannot be ignored that Kim has decided at least to modify his policies and cut his losses before the North-South economic and technological gap gets even more unfavorable. Although such a shift in policy will have major repercussions in the North, he could probably manage it given his absolute power. It would buy time to revitalize his economy and gain access to new technology. Furthermore, Kim may have decided that the shift in policy could be more easily accomplished under his rule than under his son's.

A shift in North Korean policy could prove very difficult for the South to adjust to. South Korea has good reason to be suspicious of Kim's motives. Undoubtedly there are voices urging extreme caution, if not opposition, to entering into talks with the North. There are also well-grounded fears that Japan and other western nations will view the opening moves in the North-South dialogue as a signal to soften their policies toward the North and resume loans to its economy. Japan particularly is a question mark. It is undoubtedly the primary target of the North, although France has jumped in quickly and probably prematurely. The Japanese will be greatly tempted to increase their economic relationship with the North, while trying to avoid exacerbating relations with the South, a very delicate balance.

President Chun has reciprocated the North Korean gestures and opened North-South economic talks and Red Cross talks. Should the North-South dialogue gain momentum and achieve even a partial breakthrough, the South will face a troublesome dilemma—how to maintain South Korea's vigilance and willingness to sacrifice for defense in a less tense atmosphere and yet not forgo the opportunities offered for at least some easing of the tensions.

EXTERNAL VARIABLES

The projection of likely trends is partly based on the assumption of a continuation of current policy by the four key external powers, the United States, Japan, the Soviet Union, and the People's Republic of China. It is assumed that they will continue to prefer a maintenance of the status quo and an absence of open hostilities between the North and the South and that all four will undertake policies designed to reduce the possibility of a conflict. More specifically, the Soviet Union and the People's Republic of China will discourage aggressive inclinations on the part of the North; the United States will continue to provide sufficient military forces and power to deter any North Korean aggression; and Japan will provide at least economic and diplomatic support to the South. It is also assumed that none of the four will press for major concessions that would bring about a fundamental change in the status quo. It is finally assumed that all four would welcome some reduction of tensions, lessening the risk of hostilities on the Korean peninsula, and will encourage, but not press forcefully for, moves in this direction.

These assumptions may not, however, remain valid throughout the 1980s and into the 1990s. The principal shifts on the Communist side could come in two opposite directions. In one, a scenario of increased

support for and assistance to the North Korean regime could be accompanied by a Soviet decision to put additional pressures on the United States and indirectly on Japan through North Korea. New military assistance, including the provision of more modern aircraft and higher levels of economic assistance, would be used to gain the Soviet Union a dominant role in the North and then to exploit this position to increase U.S. costs in terms of additional deployments to the Korean peninsula and assistance to the South. This policy would also be designed to heighten Japanese concerns regarding the Korean peninsula and the risk of hostilities involving the Soviet Union. Other objectives of such a Soviet policy would be to force Seventh Fleet redeployment away from the Persian Gulf and to encourage Japan to move away from its American alignment.

In the opposite direction is a possibility of increased Communist efforts to damp down the level of tension on the Korean peninsula and increase the pressure on the North to undertake tension reduction measures in the demilitarized zone, and move toward a two-Korea solution similar to the current relationship between West and East Germany. Under this scenario, both China and the Soviet Union would exploit North Korean economic and technologic requirements to force a reallocation of North Korean resources from the military to the economic sector and thus necessitate broader policy changes to insure that a reduced allocation of resources to the military would not enhance the risks to the North. This scenario would require far larger inputs of assistance than in the past to obtain the necessary leverage over North Korean policy. The Chinese are more likely to take the lead in this direction and press for some form of multinational negotiations, preferably not involving themselves directly. Increased economic and technological resources, however, are more likely to flow from the Russians than the Chinese.

A variant of this scenario is an initiative by the North to alter the North-South relationship, as described above, with the support and encouragement of its allies.

With respect to Japan and the United States, similar variables are possible. Japan might reduce its economic commitment to the South and seek a policy more balanced between the South and the North (unlikely). Such a policy shift would follow or certainly result in increased tensions and hostility between the South and Japan. It would be the consequence of enhanced Japanese fears that a less balanced policy could increase the risk of hostilities arising on the peninsula and involve, at a minimum, the U.S. bases in Japan.

In the case of the United States, there are two major variables and another possible scenario. American military and technological

commitment to Korea might be reduced as part of a process of reducing American presence and risk of involvement in a conflict on the Asian continent. The Carter ground force withdrawal policy appeared to be a major move in that direction and could be renewed, particularly if the modernization of the South Korean military forces lessens the need for more than a minimal U.S. deployment and support. A variant of this scenario is the possibility of a South Korean initiative to reduce its military dependence as it gains strength and wishes to reduce areas of potential friction with the United States.

The second major variable is an American decision to press the South to be more forthcoming on the negotiating front, for example to accept the three-power negotiations proposed by the North without Chinese participation. This scenario could involve increasing U.S.-Korean frictions over economic and trade problems and the human rights issue, lapping over into pressures to reduce the American military commitment to the South.

A third possibility is major U.S. political pressures on the South to liberalize as a consequence of serious political problems causing discontent with the government.

Although none of these possible scenarios could be considered likely, they merit attention because each could have a destabilizing effect on the Korean peninsula and all involve that delicate equation of dependence that both the North and South have upon their more powerful friends and allies. If external pressures coincide and accelerate, one consequence could be a mutual North-South Korean rejection of external interference and an increasing sense of broader Korean nationalism and independence. In the brief hiatus in North-South relations in 1971-72, common concerns regarding foreign interference and desires for an independent Korean solution to their problems led to a major North-South dialogue. But any broader Korean independence movement, embracing both the North and the South, must overcome the rivalry for power between the leadership in both parts of Korea as well as their fundamentally different economic and social systems.

V. SOCIOPOLITICAL EFFECTS ON THE REPUBLIC OF KOREA OF VARIOUS MILITARY POSTURE SCENARIOS

This section will examine the effect of an increased South Korean defense effort, particularly one that would involve expenditures greater than 6 percent of the GNP. It will compare using present or higher manpower ceilings and lower technology inputs with using lower manpower ceilings and higher technology inputs. It will also look at the problem of universal military service in a higher income economy and potential manpower shortage problems or other strains caused by universal service. It will examine effects on North Korea of an upgraded South Korean military effort, speculating on how North Korea is likely to respond.

In broad terms, there are three possible scenarios for the future military posture of South Korea. First is a continuation of the present policy with the defense budget representing approximately 6 percent of GNP. The second scenario would involve a higher defense budget and increased manpower ceilings, but with only limited utilization of higher technology and weapon systems. The third scenario would involve a pronounced shift to dependence on high technology weapon systems accompanied by lower manpower ceilings, in the range of a 25-40 percent force reduction.

None of these scenarios is likely to have much of an effect, whether economic or sociopolitical. Continuation of the current defense program will necessitate steady increases in the defense budget. However, these increases can be absorbed within a balanced budget given the expected annual real growth of 7-9 percent. A defense budget absorbing approximately 6 percent of the GNP would still leave sufficient funds for capital investment and stimulation of economic development.

The other two scenarios, involving changes in the Korean defense posture, could conceivably result in even greater increases in the defense budget. Higher manpower levels would increase operation and maintenance costs as well as the cost of weapons for the additional forces. It is unlikely the defense budget would grow beyond 7 percent of GNP under this scenario. An increase in the defense budget of these dimensions, even if covered by additional taxes, is not likely to create any serious unrest or problems in South Korea, given the widespread concern regarding the North Korean threat. Furthermore, assuming continued growth in the GNP, the average South Korean

would still enjoy high real income and living standards. In the high technology scenario, it is quite possible that defense budget costs could decrease. A reduction in manpower ceilings of 30-40 percent would bring a reduction in operation and maintenance costs potentially greater than the increased cost of high technology weapon systems.

Manpower is not a major problem for South Korea. Demographic projections up to the year 2000 indicate a manpower pool in the 20-24 age bracket large enough for both military service and industry.¹

South Korea under any scenario faces absorbing the foreign exchange costs of force modernization, but particularly under the high technology scenario. Korea is intent upon reducing its current account deficit, and some projections see a favorable balance by 1986. Nonetheless, the foreign debt does impose some limitations on the procurement of weapon systems from abroad, mainly from the United States. Foreign exchange costs are rising as the costs of more modern weapon systems rise rapidly. South Korea benefits from military assistance program guaranteed loans, but the amount of this assistance at the present time covers only about one-third of annual military procurement from the United States and just about equates with payments due for past weapons systems bought under this program. Korea has imposed an offset program covering up to 50 percent of the cost of these weapon programs on its foreign suppliers, but that is largely self-deceptive. The foreign military contractors offset military sales by purchasing commodities for export in the civilian sector, and these would probably be exported outside of the programs. The offset program also could involve additional weapon costs if some percentage of localization is required or if the foreign contractor increases his price to absorb the costs of offset arrangements. Assuming current projections for South Korean domestic growth and exports, additional purchases of weapon systems from the United States and other suppliers are not likely to have a seriously adverse effect on the current account balance of foreign indebtedness.

A major issue is the effect on North Korea of any upgraded South Korean military effort. Will it force a North Korean reassessment of its military policies? One result might be to further complicate the dilemma regarding resource allocation between the military and economic development efforts. Presumably the effort to match or surpass the South would mean an even greater diversion of resources from the economy and increase the already considerable gap between the North and the South in both the economic and the technology sectors. The alternatives facing the North would be difficult. On the one hand,

¹Sung Yeal-Koo, *A Demographic-Economic Model for Korea*, 1982.

it might decide to reconsider its present belligerent policies and accept a real reduction of tensions. The South would thereby have less need to increase its military effort. On the other hand, the North might consider an attack against the South before the economic gap grew larger and any military advantage were lost. From the South Korean viewpoint, both of these alternatives involve great risks.

Nevertheless, at the present level of South Korean defense effort, the pressure is not that great to force a change of North Korean policy in the near term. The pressures for policy change come much more from economic factors. An appreciable enhancement of South Korean forces, beyond those now planned, would cause great problems during a succession period.

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This report assesses the sociopolitical capabilities of South and North Korea to maintain their military competition through the 1980s. It discusses the various factors making for stability and instability in both Koreas at the present time, projects these factors into the near-term future, and estimates the effects of possible increases in defense efforts. Finally, it examines the sociopolitical effects of possible changes in the military posture of the Republic of Korea. It finds that any increase in the South Korean defense effort could further complicate the dilemma facing the North regarding resource allocation between defense and the economy. It might force a reconsideration of the North's highly belligerent military posture or provoke consideration of a preemptive attack.

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