



## Reconfiguring Strategies and Taking Precautions Against Upheaval on the Korean Peninsula

### ——North Korean Policy in an Era of Population Decline

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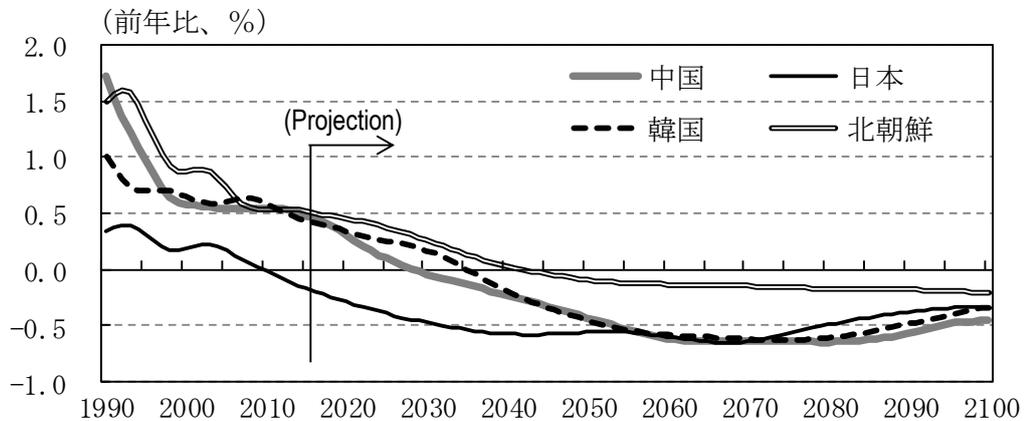
#### [Key Points]

- The Korean Peninsula currently faces three risks: the North Korea issue, changes in relationships among the surrounding major powers, and South Korean political developments. Depending on the direction of future events, the Korean Peninsula — and indeed, the whole of Northeast Asia — could see turmoil of an entirely different kind than before.
- For the neighboring country of Japan, developing closer diplomatic ties and enhancing deterrent effects to mitigate military risk are pressing issues. At the same time, it needs not merely to deal with the immediate problems, but also to establish a long-term strategy for achieving peace and sustainable development in this region.
- In the long term, the countries of Northeast Asia, including North Korea, are set to plunge into an era of population decline. A perspective focused on supporting the unification of the Korean Peninsula in a desirable form and promoting the region's ascendancy through stronger cooperation among the countries of Northeast Asia will also be essential.



Key Data

Northeast Asia: Population Growth Rate Outlook



Source: United Nations, *World Population Prospects: The 2015 Revision*

(Year-on-year, %)

China

Japan

South Korea

North Korea

The analysis in the preceding chapters revealed changes in the situation surrounding the Korean Peninsula. While the North Korea issue poses a growing risk, relationships among surrounding major powers, such as the USA, China, and Russia, are in a state of flux, compounded by South Korean political developments. Japan and the rest of Northeast Asia could face unprecedented turmoil, depending on the direction of future developments. Given that it faces three simultaneous risks, what should Japan do going forward? This final chapter considers future responses.

## 1. Addressing the Three Risks

### 1.1 Hard-line Measures as a Declaration of Intent

Resolving North Korea's abduction of Japanese nationals and the nuclear and missile issues are unquestionably the most pressing tasks in Japan's Korean Peninsula policy. The generation that includes the parents of the abductees is now elderly, leading to anguished remarks about "running out of time." Moreover, North Korea is estimated to have deployed 200 Rodong medium-range missiles, which are capable of reaching Japan, posing a very real threat. If North Korea's progress

in making smaller and lighter nuclear weapons results in the development of an intercontinental ballistic missile (ICBM) capable of reaching the US mainland, there would be a major impact on US strategy. The security environment of its ally Japan could be transformed in an instant.

Japan's policy is to take a strong stance in the hope of breaking the deadlock around these issues, in partnership with the USA and South Korea. US policy was under the spotlight when Prime Minister Shinzo Abe met with President Trump in February 2017. After their summit meeting, Prime Minister Abe said that the USA's stance toward North Korea would become much tougher. "The Obama administration used the words 'strategic patience' and was cautious about the exercise of military force. The Trump administration has reviewed this and wants to resolve the issues diplomatically, while keeping all options on the table," he explained. Japan, too, is prepared to develop policies centered on strengthening sanctions and defense policy based on the Japan-US alliance.

Broadly speaking, these policies would seem to be appropriate. A policy of appeasement toward North Korea should not be adopted, at least in the short term. This is because immediately adopting a conciliatory stance in the face of repeated provocation by North Korea would send the wrong message and could encourage further acts of this nature. First of all, it is necessary to demonstrate strong political will, showing that nuclear development by North Korea will not be tolerated and that it will not be accepted as a nuclear weapons state even if it successfully develops such capabilities.

In imposing the sanctions that constitute the main pillar of international countermeasures, Japan has strongly urged China to offer its cooperation to ensure full implementation of the United Nations (UN) resolution. On March 7, 2016, the US Department of Commerce announced that major Chinese telecommunications equipment maker ZTE Corp. had agreed to pay a fine of \$1.19 billion (approximately ¥136.0 billion) after admitting illegally exporting US-manufactured telecommunications equipment to Iran and North Korea. This was reportedly the biggest ever fine imposed by the US government for violating export restrictions. Full-scale implementation of "secondary boycotts" sanctioning third-country companies that trade illegally with North Korea will also be on the agenda.

The joint statement issued after the Japan-US Summit Meeting stipulated that the USA is committed to defending Japan "through the full range of US military capabilities, both nuclear and conventional" and made it clear that the USA is willing to continue to offer nuclear deterrence. Efforts to strengthen defense measures will focus on enhancing missile defense systems, as well as demonstrating extended deterrence via the nuclear umbrella. Bolstering the security alliance between Japan, the USA, and South Korea is of paramount importance to ensure that missile

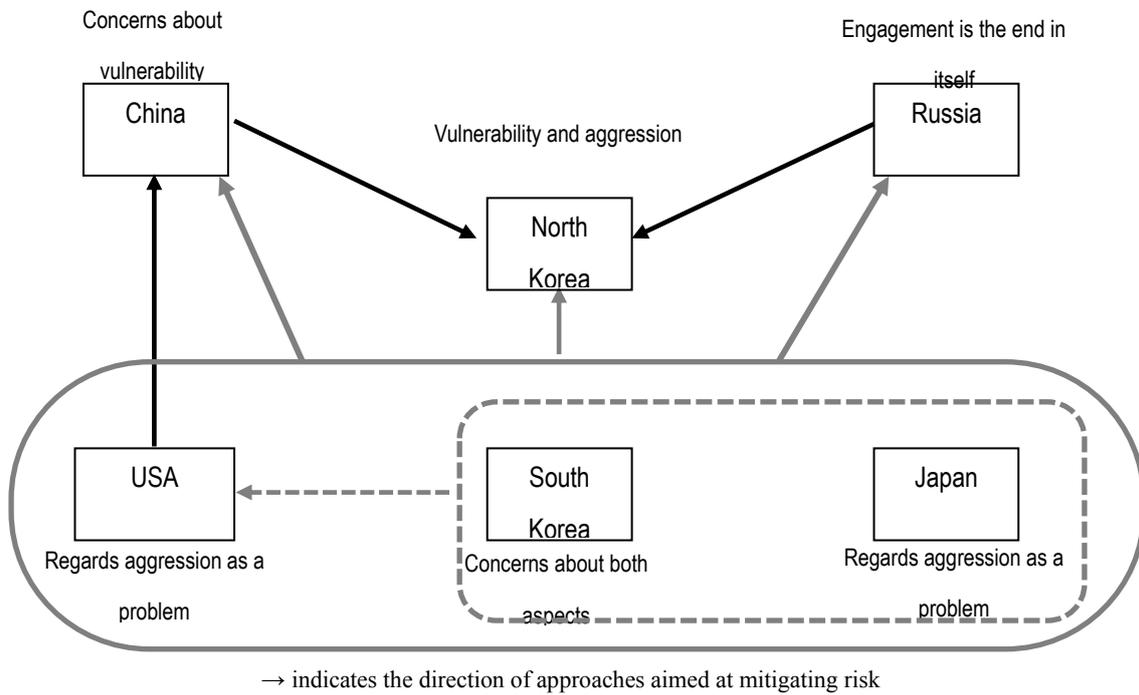
defense systems function effectively. It is necessary to make North Korea realize that rudimentary nuclear deterrence of the kind that it is trying to acquire will neither alter the response of the international community nor guarantee the survival of the Kim Jong-un regime.

Arguments in favor of giving Japan “pre-emptive strike capability,” which would allow it to attack ballistic missile launch sites in other countries, have begun to emerge from within the Liberal Democratic Party (LDP). The alliance between Japan and the USA has so far been based on the division of roles, with the USA as the spear, offering attack capabilities, and Japan as the shield, playing a defensive role and providing the US military with bases. Amid progress in North Korea’s nuclear and missile development, this is a new move to explore improvements to Japan’s own deterrence and response capabilities.

## 1.2 Revival of the TCOG and Trilateral Policy Coordination by Japan, the USA, and South Korea

Coordination among the relevant countries is essential to the progress of policy on North Korea. While some countries, such as Japan and the USA, see *aggression* — the development of nuclear and other missiles — as the key problem with North Korea, others, such as China, worry more about North Korea’s *vulnerability* in terms of its institutions and economy (Figure 1). It is 20 years or so since the issue of North Korea’s nuclear development first raised its head. We must not forget that the power struggles and lack of solidarity among these countries during this period gave North Korea sufficient time to improve its nuclear and other missile capabilities.

Figure 1 Relationships between Major Countries Affected by the North Korean Risk



Source: *Kaibō Kitachōsen risuku* [The North Korean Risk], p. 250

A fierce tug-of-war played out between these countries over the UN resolution on sanctions in response to a series of provocative acts by North Korea starting in early 2016. There has been a strong backlash from China over the deployment of the US military’s state-of-the-art Terminal High Altitude Area Defense (THAAD) interceptor system on South Korean soil, increasing the pressure on South Korea. Not only North Korea, but also China and South Korea are likely to be wary if Japan rushes to acquire pre-emptive strike capability. Although one proposal involves Japan exercising this capability in consultation with the USA, the extent to which independent initiatives by Japan will be accepted by its North American ally is unclear at this stage.

It is only natural for countries to discuss approaches to their own security from their own specific perspectives, but the countries concerned here must ensure that they maintain a united front without any gaps for North Korea to exploit. Above all, Japan, the USA, and South Korea share strategic interests, so solidarity between them is vital.

“Cooperation between Japan, the USA, and South Korea” on the North Korea issue is a somewhat hackneyed phrase, but it is high time that all three countries solidly reaffirmed it. During his election campaign, President Trump brought up the subject of reviewing relationships with allies in the context of the burden of defense costs, but also mentioned the possibility of talks with North Korea’s Chairman Kim Jong-un. Although President Trump announced a policy of

maintaining and strengthening the USA's alliances with Japan and South Korea following his inauguration, his specific policy on North Korea has not yet been finalized.

President Trump values a transactional approach to foreign relations and appears willing to resolve international issues through bilateral channels. If the USA goes over the heads of Japan and South Korea to engage in bilateral negotiations with North Korea, the national interests of both Japan and South Korea could be compromised, so close prior consultation among the allies is essential. Maintaining a united front will also give Japan, the USA, and South Korea greater ability to convince China, which has influence over North Korea.

In addition, there is a strong possibility that the South Korean presidential election triggered by the ousting of President Park Geun-hye will result in an administration with a different approach to foreign policy. The new administration might attach greater importance to dialogue and exchange with North Korea and adopt a negative stance on the deployment of THAAD on South Korean soil. The commander of the ROK/US Combined Forces Command (position held concurrently by the commander of US Forces Korea) has the right to exercise operational control in the event of an emergency on the Korean Peninsula, but there is a strong possibility that the issue of transferring this right to South Korea in a time of war could be raised again, depending on the outcome of the election. One cannot deny the possibility that this might expand into a review of the defense structure throughout the Asia-Pacific region, including US Forces Japan.

There are cases in which partnerships between Japan, the USA, and South Korea in the area of North Korean policy have functioned comparatively well, such as the Trilateral Coordination and Oversight Group (TCOG) meetings instituted between them in the late 1990s. During that time, a comprehensive North Korean policy program was formulated through frequent working-level discussions headed on the US side by then Secretary of Defense William Perry, who enjoyed bipartisan trust. It is time to breathe new life into trilateral discussions to achieve progress in policy coordination, including reviving frameworks of this nature.

Policy coordination between Japan, the USA, and South Korea would not only be an important source of information for dealing with the triple risks, namely the North Korea issue, changes in relationships among the surrounding major powers, and South Korean political developments; it could also become a means for Japan to communicate its perspective to the USA and South Korea and head off any moves that might be unfavorable to Japan. Accordingly, any discussions should carry political weight, just as TCOG did.

### 1.3 Reconfiguring Strategies to Utilize Sanctions

Discussions between Japan, the USA, and South Korea on policy coordination need to cover not

only sanctions against North Korea and policies on handling unforeseen circumstances, but also medium- to long-term strategy. This is because reinforcing sanctions and defensive measures is only meaningful if a sound strategy is in place.

Amid repeated acts of provocation by North Korea, it is only natural for tighter sanctions to become the central focus of discussions. However, it is worth noting that, in their reports, most experts who participated in the seminars held by the Japan Center for Economic Research questioned the policy of relying exclusively on sanctions.

The author who pointed out that “a sole reliance on sanctions cannot be described as a strategy” in Chapter 2 is Young C. Kim, Professor Emeritus of The George Washington University, who is well-acquainted with US-South Korean relations. He recommended, “To remove the use of force as an option, we must also consider providing North Korea with convincing incentives.”

“The problem is maintaining a balance between sanctions and cooperation.” This is the view expressed in Chapter 9 by Kang In-duk, Chair Professor at Kyungnam University, who was involved in analysis and negotiations with North Korea for many years in his capacity as Director-General of the North Korean Intelligence Bureau at the Korean Central Intelligence Agency (KCIA) and later Minister of Unification. Viewed from the perspective of North Korea’s domestic politics, “sanctions are a good pretext for the North Korean authorities to tighten their control over the people,” he said.

Highly experienced diplomat Kazuo Ogura, Invited Professor at Aoyama Gakuin University and former Japanese ambassador to South Korea, pointed out, “Looking back over the past, one can see that in cases where economic sanctions were effective, the approach to sanctions and the content thereof had less impact than the existence of strategic reasons in the context of the international situation at the time that pushed the countries concerned down the path of compromise” (Chapter 10). While one cannot say that a consensus has emerged among the seminar group as a whole in the process of putting together these reports, most of the researchers appear to share the view that what is needed to make the sanctions effective is a policy with something extra, which can be combined with a strategy outlining the basic premise, a vision for the future, and sanctions.

In fact, various analyses and deliberations concerning the effects of sanctions and the problems that they pose are already being carried out in the private sector in the USA, which will play the central role in formulating policy on North Korea. According to a report compiled in August 2016 by a group from Harvard University and Massachusetts Institute of Technology, the effect of the various economic sanctions imposed on North Korea has, ironically, been to increase its ability to procure supplies from overseas. This is the result of the extra fees paid to the Chinese brokers who serve as middlemen in facilitating transactions for North Korea. Some analyses point out that the

sanctions imposed to date have had little effect, while others state that sanctions have resulted in the spread of the free market within North Korea, posing a bigger risk to the Kim Jong-un regime in the medium to long term.

In North Korean policy to date, neither the approach prioritizing dialogue and cooperation nor the sanctions-only approach has had the desired effect; the Obama administration’s policy of strategic patience — waiting for North Korea to take steps to abandon its nuclear program — simply allowed North Korea to carry out a series of nuclear tests. A dispassionate analysis of policies to date is the first step required for rebuilding the strategy.

#### 1.4 Existing International Agreements on Which to Build

With the nuclear armament of North Korea on the verge of becoming a *fait accompli* as a result of successive tests, the biggest problem is what strategic goals to set. Policymakers in some of the countries concerned have expressed the view that they should first aim for the freezing of nuclear development and missile testing, for the purpose of *détente*, but it would be dangerous to back down from the stance of pursuing the denuclearization of the Korean Peninsula.

The main countries with an interest in the Korean Peninsula situation have already reached an agreement on the denuclearization of the Korean Peninsula. This is the joint statement issued on September 19, 2005 following the Six-Party Talks between South Korea, North Korea, the USA, China, Japan, and Russia. The statement affirmed that the goal of the talks was the verifiable denuclearization of the Korean Peninsula in a peaceful manner. North Korea committed to abandoning all nuclear weapons and existing nuclear programs and returning, at an early date, to the Treaty on the Nonproliferation of Nuclear Weapons (NPT) and to International Atomic Energy Agency (IAEA) safeguards. The USA, which North Korea regards as its biggest security threat, affirmed that it had no nuclear weapons on the Korean Peninsula and no intention to attack or invade North Korea with nuclear or conventional weapons (Figures 2 and 3).

Figure 2 Progress of the Six-Party Talks on the North Korean Nuclear Issue

August 2003	1st round
September 2005	Joint statement including a commitment by North Korea to renounce nuclear capabilities adopted at the 4th round
October 2006	North Korea carries out 1st nuclear test
February 2007	Agreement on Initial Actions, including the sealing of the Yongbyon nuclear facility, at the 5th round
December 2008	Meeting of delegation leaders (the Six-Party Talks were subsequently discontinued)

May 2009	North Korea carries out 2nd nuclear test
February 2012	USA and North Korea agree to a moratorium on uranium enrichment and missile testing

Source: Compiled from data published by the Ministry of Foreign Affairs and other bodies

Figure 3 Outline of the Joint Statement Adopted During the Fourth Round of the Six-Party Talks

- Reaffirmed that the goal of the talks was the verifiable denuclearization of the Korean Peninsula in a peaceful manner
- North Korea committed to abandoning all nuclear weapons and nuclear programs and returning to the NPT and IAEA safeguards at an early date
- The USA affirmed that it had no intention to attack or invade North Korea
- All parties agreed to discuss, at an appropriate time, the subject of the provision of a light water reactor to North Korea
- North Korea and the USA and Japan undertook to take steps to normalize their diplomatic relations
- The Six Parties agreed to discuss a permanent peace regime on the Korean Peninsula at an appropriate separate forum

Source: Compiled from data published by the Ministry of Foreign Affairs and other bodies

It incorporated undertakings that the USA and North Korea, whose relationship hitherto had been antagonistic, would take steps to normalize their relations subject to their respective bilateral policies, and that Japan and North Korea would take steps to normalize their relations in accordance with the Pyongyang Declaration, on the basis of the settlement of unfortunate past and outstanding issues of concern. The agreement also covered economic matters, with the Six Parties undertaking to promote economic cooperation in the fields of energy, trade and investment. The USA, China, Russia, Japan, and South Korea expressed their willingness to provide energy assistance to North Korea, with South Korea reaffirming a specific proposal to provide two million kilowatts of electric power to North Korea.

Some have said that the statement is now a dead letter, but the fact that all the major countries concerned reached an agreement is actually quite significant. It provides the basis for future action by the international community, including China and Russia; it is also highly meaningful for North Korea in that it includes an agreement on the normalization of diplomatic relations with the USA and Japan. In February 2007, this was followed by the Initial Actions for the Implementation of the Joint Statement, a joint document which included a plan to establish five working groups: (1) Denuclearization of the Korean Peninsula; (2) Normalization of North Korea-US Relations; (3) Normalization of North Korea-Japan Relations; (4) Economy and Energy Cooperation; and (5)

Northeast Asia Peace and Security Mechanism. The Northeast Asia Peace and Security Mechanism is a theme that also relates to a US-North Korean peace treaty, on which North Korea is insisting in order to maintain the regime.

While it is fair to say that responsibility for the breakdown of the Six-Party Talks lies with North Korea, which proceeded with nuclear development in violation of the agreement, the fact is that there were also failings on the part of Japan, the USA, China, South Korea and Russia, which fell out of step with each other due to differences in their policy priorities and motives. Part of this can be attributed to their failure to demonstrate sufficient determination and solidarity to apply pressure to North Korea, as their coordination skills and political clout proved inadequate despite the great pains that they had taken to put together a policy menu.

With North Korea now declaring itself to be a “nuclear weapons state,” it could be difficult to immediately resuscitate the agreement in its original form at this stage. However, it should be possible to revive the Six-Party Talks framework at an appropriate juncture in the future; the hurdles involved in undertaking discussions based on an existing agreement are lower than those faced in setting up a new set of negotiations from zero. To resurrect the talks, it will likely be necessary to develop better-modulated policies and put together a stronger menu than before, which both applies pressure and offers incentives to North Korea. The Japan–DPRK Pyongyang Declaration signed by Prime Minister Junichiro Koizumi and General Secretary Kim Jong-il is another example of an important existing agreement (Figure 4).

Figure 4 Outline of the Japan–DPRK Pyongyang Declaration

- Both sides expressed their determination to sincerely tackle outstanding problems between Japan and the Democratic People’s Republic of Korea (DPRK) in the course of achieving normalization. They decided to resume Japan-DPRK normalization talks in October 2002.
- Japan accepted that it caused suffering to the people of the DPRK through its colonial rule and expressed deep remorse and heartfelt apology. Japan agreed to provide economic cooperation to the DPRK after normalization, over a period of time deemed appropriate by both sides.
- Both sides confirmed that they would not take any action threatening the security of the other.
- They would cooperate with each other in order to maintain and strengthen the peace and stability of Northeast Asia. The DPRK expressed its intention to further maintain the moratorium on missile launching in and after 2003.

Source: Compiled from data published by the Ministry of Foreign Affairs and other bodies

## 2. Northeast Asia in an Era of Population Decline and Impacts on North Korean Economic Reconstruction

North Korean socioeconomic trends and the economic might of its Northeast Asian neighbors are factors that cannot be ignored when considering future North Korean policy, especially incentives aimed at motivating action by North Korea. This section focuses on demographic issues, which have received little attention in North Korean research hitherto.

### 2.1 The Impact of North Korea's Aging Population and Declining Birthrate on Policy

North Korea, which has adopted a new strategic line of parallel economic construction and nuclear arms development, is facing an invisible stress in the form of demographic change. The phenomenon of the aging of the population coupled with a declining birthrate began to surface in North Korea in the 1990s. In response, North Korea has rolled out policies to encourage childbirth and is also making haste to address the issue through labor and education policy. It will undeniably impact the national development strategy and military strategy of Kim Jong-un's regime, as well.

According to research by Professor Chung Young-chul of South Korea's Sogang University, the reality of North Korea's declining birthrate and aging population became apparent from a comparison of UN population censuses conducted in 1993 and 2008. The annual mean population increase over the 15 years from 1993 to 2008 was just 0.85%, while the number of elderly people as a percentage of the total population rose from 5.4% to 8.7%. At the same time, the number of infants and those aged 14 or under as a percentage of the population fell (Figure 5).

Figure 5 Results of North Korean Population Censuses (1993 and 2008)

Category		1993	2008
Total Population		21,212,378	24,052,231
Male		10,329,699	11,721,833
Female		10,883,679	12,330,393
Sex Ratio (Male/Female)		94.9%	95.1%
Annual Average Population Growth Rate		0.85%	
Urban Population Share		60.9%	60.6%
Demographic Composition	0~4 years old	9.8%	7.1%
	0~14 years old	28.5%	24.9%
	15~64 years old	67.7%	68.1%
	65 years old and older	5.4%	8.7%
Total Fertility Rate (TFR)		2.1	2.0

Infant Mortality Rate (per 1,000 live births)		14.1	19.3
Average Life Expectancy	Total (male and female)	72.7 years	69.3 years
	Male	68.4 years	65.6 years
	Female	76.0 years	72.7 years
Maternal Mortality Rate (per 1,000 women aged 15-49)		54.0	77.2

Source: *Kaibō Kitachōsen risuku* [The North Korean Risk], p. 125

This means that the per capita working-age population dependency burden in North Korea will grow in future, due to the dwindling labor force and growth in the dependent population. The Kim Jong-un regime adopted a new education law in 2012, restructuring the existing 11-year compulsory education system into a 12-year system. North Korea’s conventional development strategy relied upon the mobilization of the workforce, but if the labor force falls, the economic growth rate will drop unless per capita value-added productivity is increased. Analysts see this as one reason why the Kim Jong-un regime is stressing the promotion of science and technology and investing in education despite the country’s dire fiscal situation.

The declining birthrate and requirement to spend longer in education will have implications not only for workforce availability, but also for the military. While some estimate the North Korean military to have somewhere between 1.05 and 1.2 million troops at present, others have noted the possibility that this figure has actually shrunk to somewhere in the region of 700,000. Along with fiscal constraints, demographic issues have the potential to affect both the size and composition of North Korea’s military forces.

## 2.2 Northeast Asia’s Era of Population Decline is Imminent

The aging of the population coupled with a declining birthrate is progressing faster in Northeast Asia — North Korea included — than in any other region of the world. According to UN forecasts, Japan, China, and South Korea will face population decline even sooner than North Korea.

The fall has already begun in Japan, whose population peaked at 128 million in 2010. China’s population — currently 1.38 billion — is projected to dwindle from a forecast 1.42 billion in the latter half of the 2020s. South Korea is expected to be next, with the population starting to drop after reaching a peak just short of 53 million in the mid-2030s. North Korea’s population is forecast to continue rising from around 25 million in 2015 until the end of the 2030s, peaking at about 27 million in the first half of the 2040s before starting to fall again (Figure 6).

Looking at changes between 2015 and 2100, whereas North Korea’s population is projected to decline by just 1%, China’s is forecast to fall by 27%, Japan’s by 34%, and South Korea’s by 23%.

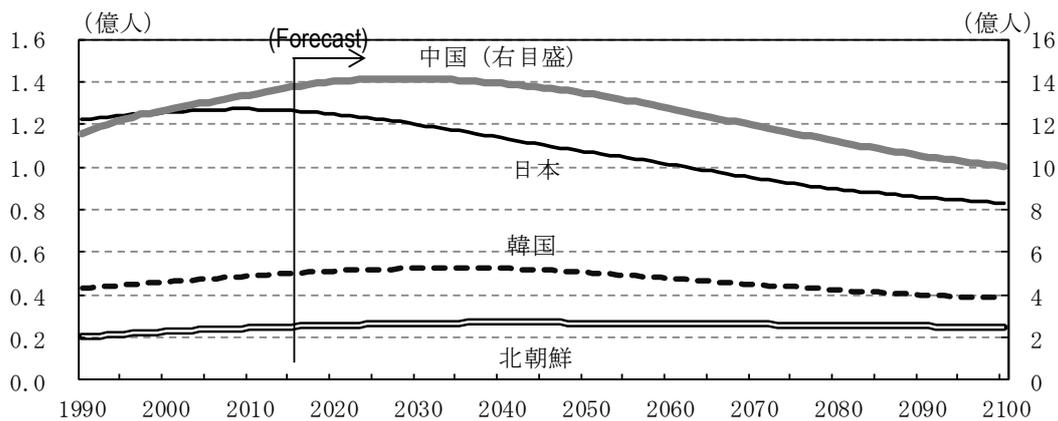
South Korea's population is about double North Korea's at present, but this would mean that the gap would shrink to approximately 1.5 times by 2100. It would also mean that the total population of Japan, China, and South Korea would fall to about 45 times that of North Korea in 2100 from approximately 62 times in 2015.

Even over the 35 years to 2050, the outlook is for the total population of Japan, China, and South Korea to fall by 3% while North Korea's grows by 7%. Broken down by country, China's population is expected to fall by 2% and Japan's by 15%, while South Korea's is forecast to grow by 0.6%. As of 2050, South Korea's population is expected to be about 1.9 times greater than North Korea's, with the total population of Japan, China, and South Korea 56 times greater than that of North Korea.

With North Korea's national economy effectively teetering on the brink of collapse, who will help to shore it up in the future? If that role is to be played by South Korea, with which it shares a common ethnicity, along with neighboring countries such as Japan and China, one should note that North Korea's relative weight will increase as time goes by.

The population of the Russian Far East, which is generally regarded as being part of Northeast Asia, was approximately 6.21 million as of 2015. As explained in Chapter 4, it is about 76.5% of the 1991 level (a fall of 23.5%). Population decline and labor shortages are already a major problem, constituting an obstacle to the economic development of the Russian Far East, especially its construction, agriculture, and forestry industries.

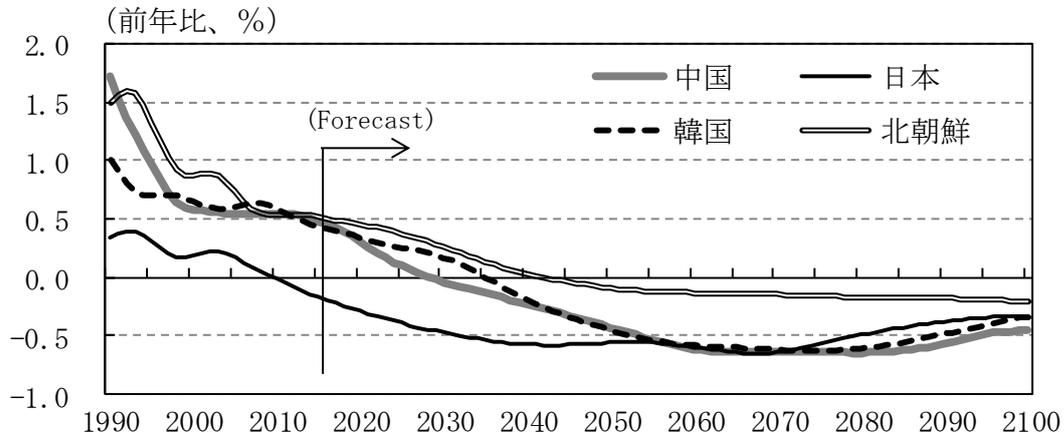
Figure 6 Northeast Asia: Population Outlook



Source: United Nations, *World Population Prospects: The 2015 Revision*

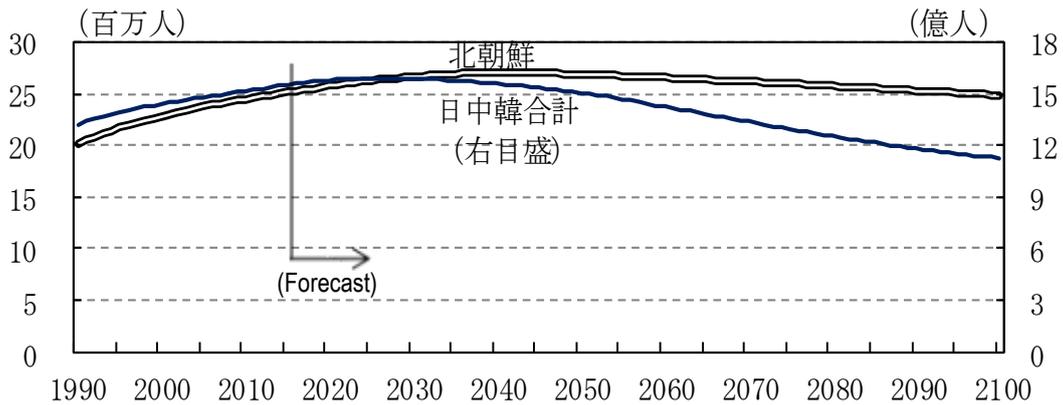
(100 million people)  
China (right axis)

Figure 7 Northeast Asia: Population Growth Rate Outlook



Source: United Nations, *World Population Prospects: The 2015 Revision*

Figure 8 Population Outlook for North Korea and for Japan, China, and South Korea



Source: United Nations, *World Population Prospects: The 2015 Revision*

(Million people)

Japan, China, S. Korea total (right axis)

### 3. Japan and the Unification of the Korean Peninsula

#### 3.1 The Perception Gap Around Unification and the Lack of Preparation

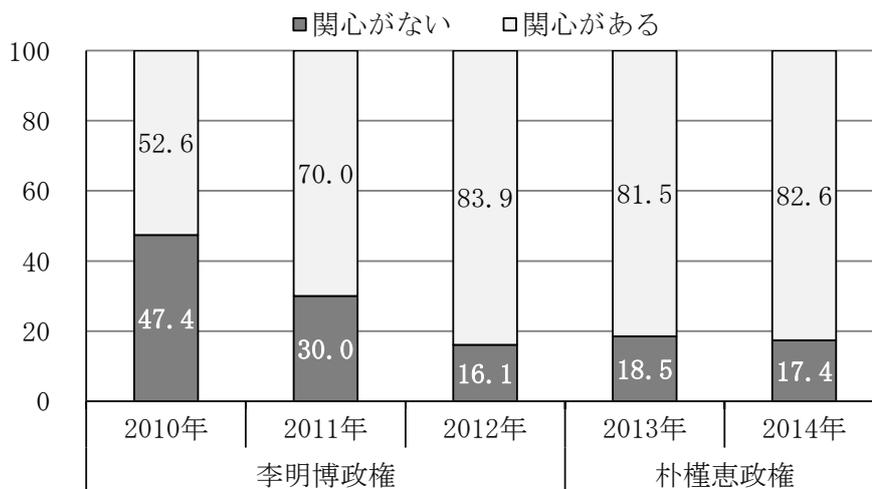
Given the three risks — the North Korea issue, changes in relationships among surrounding major powers, and South Korean political developments — that it faces, what could the future hold for the Korean Peninsula? Will the Korean Peninsula be unified? If so, when and in what form will this occur?

The USA is discussing policies on the use of force and, indeed, regime change as

countermeasures against a North Korea that will not call a halt to its nuclear development and missile launches. After the February 2017 murder of Kim Jong-nam, Chairman Kim Jong-un's half-brother, there was even talk of establishing a government in exile or replacing the supreme leader. Amid this situation, the fact is that it is not easy to make short-term forecasts, let alone long-term projections for the future of the Korean Peninsula. However, it is vital for Japan, too, to formulate a vision and make preparations in case of unrest on the Korean Peninsula, bearing in mind a variety of scenarios.

Over the last few years, interest in unification with North Korea has grown among South Koreans. According to a survey by the National Unification Advisory Council, a body that advises the President of South Korea on the formulation and promotion of unification policy, the percentage of people who are interested in unification has been on the rise since the 2010s, as shown in Figure 9.

Figure 9 Interest in Unification Among South Koreans (Unit: %)



Source: Opinion poll by the National Unification Advisory Council

Not interested

Interested

Lee Myung-bak administration

Park Geun-hye administration

When General Secretary Kim Jong-il died at the end of 2011 and power passed to Chairman Kim Jong-un, observers suggested that the North Korean regime might undergo unforeseen changes. At a press conference in early 2014, then President Park Geun-hye spoke about her desire for

unification. “Reunification is *daebak* [a jackpot],” she said. Among the factors behind her unification theory were undoubtedly the views of South Korea’s business community, which hopes to secure a low-cost workforce that speaks the same language.

However, many accept that even South Korea is not fully prepared for unification, despite being one of the parties directly involved. Although 80-90% of respondents to various opinion polls point out the need to prepare for unification, 64.8% of respondents to a January 2014 survey by South Korea’s Maeil Business Newspaper stated that the country is “Not well prepared” at present.

Attitudes to unification also differ from one generation to another, with younger people taking a negative view, in the main. There are also survey results revealing that the percentage of those in their 20s who think that “We must unify without fail” is lower than percentage across all age brackets, while the majority of those in their 30s responded that they are “not prepared to bear the cost of unification.” While some express concern about the division becoming entrenched, 70 years after the peninsula was first split in two, many people would not welcome a sudden unification for socioeconomic reasons. The fact is that there is a growing perception gap among citizens regarding Korean Peninsula unification and although South Korea pays a great deal of enthusiastic lip service to the idea, the country has fallen behind on making actual preparations for this eventuality.

### 3.2 The Costs and Benefits of Unification

Various estimates of the costs and benefits of unification have been drawn up, mainly in South Korea and the USA. A 2013 report by the Korea Institute for National Unification, which is funded by the South Korean government, analyzed the costs and economic benefits over a 20-year period from unification. Depending on the specific scenario used, the costs were estimated to range from 813 trillion to 4,746 trillion won (1 won = approximately 0.1 yen), while the benefit was calculated to be 6,300 trillion won. According to these estimates, north-south unification would create a domestic market of 75 million consumers, giving rise to synergies in such areas as demand for social infrastructure development, the securing of a high-quality workforce, the linkage of distribution networks to the rest of the continent, and reduced military expenditure.

Although it is unclear when the Korean Peninsula will be unified and the form in which this will take place, most estimates show that a gradual unification would cost less and impose less of a burden on South Korea than a sudden unification triggered by regime collapse or war.

The December 2015 report *Unification Costs Based on Different Inter-Korean Exchange Scenarios and Subsequent Implications* published by South Korea’s National Assembly Budget Office is one such example. Based on the assumption of peaceful unification between North and South Korea in 2026, it set out three scenarios for the decade leading up to that point: (1)

maintenance of inter-Korean exchange at the current level (limited exchanges and cooperation); (2) expansion of humanitarian aid, including food, medical, and agricultural development assistance; and (3) full economic cooperation, including the promotion of economic investment. The report calculated the cost of unification in a broad sense, including the private sector investment that would be required to bring North Korea’s per capita GDP up from 5% of the South Korean level (projection for 2016) to the level of interregional income inequality within South Korea, which was 66% in 2012 (Figure 10).

Figure 10 Unification Costs Based on Different Inter-Korean Exchange Scenarios

Scenario	Start of unification	North Korean per capita GDP as a percentage of the South Korean figure in 2025 (immediately before unification)	Year of completion of unification process (point at which North Korean per capita GDP reaches 66% of the South Korean figure)	Unification cost (Calculated at a rate of \$1 = 1,200 won)
1. Maintenance at current level	2026	4%	2076 (For 50 years)	4,822 trillion won (\$4 trillion)
2. Expansion of humanitarian aid		7%	2065 (For 39 years)	3,100 trillion won (\$2.6 trillion)
3. Full economic cooperation		11%	2060 (For 34 years)	2,316 trillion won (\$1.9 trillion)

Note: North Korean per capita GDP in 2016 is assumed to be 5% of the South Korean figure. Unification cost refers to the total cost of unification in a broad sense, until the completion of unification.

Source: South Korean National Assembly Budget Office (December 7, 2015)

The results show that if South Korea pursued full economic cooperation with North Korea, income levels in North Korea would quickly rise. Not only would this scenario take less time to achieve full unification, but it would also more than halve the cost of unification compared with the “maintenance at current level” scenario for inter-Korean exchange. During the latter half of Park Geun-hye’s time in office, her administration adopted a policy of restricting exchanges, blocking economic cooperation by closing the Kaesong Industrial Park. Amid North Korea’s continuing nuclear and missile development, attention will focus on what kind of unification policy South Korea’s next administration will roll out.

### 3.3 Unification of the Korean Peninsula From Japan’s Perspective

As far as Japan is concerned, the question of Korean Peninsula reunification is certainly not

“somebody else’s problem.” This is because the timing and format of Korean Peninsula unification will directly affect Japan’s national interests. As the Northeast Asian situation becomes increasingly fluid, one cannot entirely discount the possibility that the situation will evolve, whether Japan likes it or not. Japan needs to go beyond its conventional style of diplomacy, which focuses on dealing with the current situation, and prepare a Korean Peninsula policy that takes into account the potential for regime change in North Korea and north-south unification at some stage in the future.

The best scenario for Japan would likely be for the Kim Jong-un regime to resolve to abandon its nuclear program and follow a path toward reform and greater openness. Inter-Korean relations would improve, leading to an expansion in exchange and cooperation. Following a period of peaceful coexistence between north and south as a structure for peace is established, the two Koreas would, by mutual agreement, follow the path to unification based on respect for freedom, democracy, and a market economy. North Korea’s diplomatic relations with Japan and the USA would be normalized during this process, leading to warmer relationships between them. In this scenario, these developments would have a synergistic effect, leading to Japan developing closer relations with both Koreas and building a good relationship with the Korean Peninsula following peaceful unification.

The least desirable scenario would be one in which North Korea pushed forward with its nuclear and missile development and headed down the path toward economic collapse. Not only Japan, the USA, and South Korea, but also China and Russia would try to curb these moves, but North Korea would ignore them and become increasingly isolated. Having lost any room for maneuver both at home and on the diplomatic stage, the Kim Jong-un regime would engage in extreme behavior in an effort to survive. Risky actions would have the potential to trigger another war on the Korean Peninsula and the possibility of an internal coup d’état in North Korea could not be entirely discounted.

Other countries would intervene, causing the Korean Peninsula to descend into chaos. Although north-south unification might ultimately be achieved, one cannot deny the possibility that this might result in China holding effective control over the Korean Peninsula as a whole, if the USA abandoned its involvement in the region based on an “America First” policy. In this scenario, both the Sea of Japan and the Yellow Sea would become internal seas for China, creating an unfavorable security environment for Japan.

In reality, there are various conceivable scenarios between these two extremes. Japan needs to give thought to security policies that will ensure that the nation is prepared for all eventualities, but diplomatic efforts and preparations for fostering a positive environment are also crucial. What role can Japan play in the Korean Peninsula unification process and what specific policies can it adopt?

What can it do in terms of security and how can it contribute to the economic aspects? Japan should probably prepare responses tailored to the whole spectrum of possible scenarios, from peaceful inter-Korean unification over an extended period to unification triggered by an unexpected incident.

The current state of antagonism between the two Koreas makes peaceful unification hard to imagine. However, in the early 1970s, when the hostility between north and south was even fiercer, a swift rapprochement occurred between the USA and China, with President Nixon making a shock visit to China. A turnaround in inter-Korean relations soon followed, resulting in the agreement of the July 4 Joint Statement regarding sovereignty, peace, and solidarity of the Korean people. The Korean Peninsula is a place where unimaginably dynamic moves sometimes occur at an incredible pace.

Japan needs a forward-looking and strategic Korean Peninsula policy; deeper strategic dialogue with South Korea will be essential to this. 2015 marked the 50th anniversary of the 1965 normalization of diplomatic relations between Japan and South Korea. It should have been a time for more substantive discussions about the next 50 years, including responses to the outstanding question of unification and the formation of a new order in Northeast Asia. However, the actual political and diplomatic relationship between Japan and South Korea ended up beset by historical problems, such as the issue of the Imperial Japanese Army's comfort women. Japan's political leaders still face the huge task of building a new strategy that looks toward the future unification of the Korean Peninsula.

### 3.4 Competition and Cooperation With China

A new, forward-looking Korean Peninsula strategy would not necessarily mean opposing China. This is because peace and stability cannot be achieved on the Korean Peninsula without China, which has influence over both North and South Korea. In fact, the real challenge going forward is how to secure China's cooperation in solving the North Korean nuclear issue and ensuring the long-term development of the Korean Peninsula.

President Trump's statement that China has not been cooperative so far attracted a sudden flurry of attention prior to his taking office, but the desire for China to play a bigger role in North Korean policy is widely shared in US foreign policy circles. A leading example of this is the report entitled *A Sharper Choice on North Korea: Engaging China for a Stable Northeast Asia*, which was published by the Council on Foreign Relations (CFR) in September 2016.

This report was compiled by a 17-member nonpartisan task force of politicians and researchers, chaired by former chairman of the US Joint Chiefs of Staff Mike Mullen and former senator Sam Nunn, in response to North Korea's successive nuclear tests and missile launches. It points out,

“...encouraging a transformation of China’s policy toward North Korea should be the next administration’s top priority in its relations with China.” References to military options in respect of North Korea came under the spotlight, but its main emphasis is on scenarios for stepping up efforts to engage China.

In February 2017, China announced that it would suspend coal imports from North Korea until the end of the year. China, too, is ostensibly willing to enforce UN sanctions, so the focus will be on whether the USA and China will work together to deal with the North Korean issue or whether the USA will ramp up the pressure on China by means of secondary boycotts sanctioning third-country companies and financial institutions that do business with North Korea.

While China appeals for cooperation with the international community regarding the North Korean nuclear issue, it is also devoting its energies to strengthening bilateral relations with North Korea, with which it has traditionally been friendly. For almost the last decade, China has been undertaking infrastructure development projects that involve North Korea, building a new bridge to link the two countries and jointly developing a special economic zone near the Chinese-North Korean border. One Belt, One Road — the vision for a modern-day Silk Road advocated by President Xi Jinping — seems set to encompass the Korean Peninsula.

The New Yalu River Bridge at the border between China and North Korea was built with Chinese investment, but has not yet been opened



(Photographed from Dandong, China in August 2016)



The office of the China-North Korea Joint Management Committee in North Korea's Rason Special Economic Zone

There are fears within South Korea that if this kind of dependence on China by North Korea becomes too strong, inter-Korean unification in the form desired by South Korea will become a distant prospect. Lacking direct access to the Sea of Japan, China is undertaking joint development just across the border in the port city of Rason in northeastern North Korea, enabling it to secure an outlet to the Sea of Japan from northeastern China. In 2011, two Chinese navy vessels called at the port of Wonsan, a key North Korean city on the Sea of Japan, and a growing number of Chinese fishing boats have been operating on the Sea of Japan in recent years after having bought North Korean fishing rights. Within the Japanese government, too, some have warned that the strengthening of Chinese control over North Korea could have a severe impact on Japan's security if the Sea of Japan became an internal sea for China.

However, the projects being undertaken by China include infrastructure projects that would be required at some stage in the long run and which will benefit the whole of Northeast Asia. In situations involving a global issue, such as nuclear or other missiles, coordination of timing and methods with international cooperation projects is crucial. An egotistical battle between countries to expand their own sphere of influence would play right into North Korea's hands. In this sense as well, building communication and relationships of trust with China is essential.

This also applies to security policy. Trumpeting the slogan "peace through strength," the Trump administration announced a policy of rebuilding the US military by means of "a historic increase in defense spending." The improvement in North Korea's nuclear and missile capabilities has triggered moves to bolster defense capability on the part of Japan and other countries affected.

However, these moves have the potential to turn into a region-wide arms race if they prompt misgivings among neighboring countries regarding their purpose, nature, and how far the countries concerned are prepared to go. There is a risk of spiraling into a security dilemma, in which actions intended to make one's own country safer incite similar actions by other countries, leading to raised tensions that could ultimately result in a clash, even though neither side actually wants conflict.

It would be the height of folly to lapse into this kind of situation in a Northeast Asia facing long-term population decline as the aging of the population progresses and the birthrate continues to drop. A perspective focused on promoting the region's ascendancy through stronger cooperation among the countries of Northeast Asia will be essential. Even if countries undertake those upgrades to defense capability that are truly necessary, they should be kept to the bare minimum. It is vital for each country to increase the transparency of their defense policy, as well as striving to ensure better communication and building trust with neighboring countries.

#### 4. Conclusion

2016-17 is a time that might well go down in history as a turning point in the postwar world order. The UK decided to withdraw from the European Union (EU), while in the USA — the sole remaining superpower — the Trump administration took office pledging to “put America first.”

In his inauguration speech, the US president adopted a protectionist stance under the guise of putting “America first,” while the Chinese President warned against trade wars in his speech at the annual World Economic Forum in Davos, an inversion of traditional geopolitical roles that must have left many people doubting their own eyes. The USA and UK, which led the formation of the postwar order, are now exhibiting a negative attitude to multilateralism. Indeed, the Trump administration announced that it may ignore the dispute resolution processes of the World Trade Organization (WTO), which pursues economic globalization, if these place the USA at a disadvantage. It is a historical irony that Japan and Germany — the nations vanquished in World War II, which even now are referred to in the UN Charter as “enemy states” — are playing a central role in upholding the principles of the UN Charter and the international order.

However, looking back, changes were already apparent in the Asia-Pacific region — said to be the world's most dynamic region — ten years ago. The rise of China, driven by high economic growth, and Russia's recovery on the back of soaring oil prices caused the regional power balance to shift. Burgeoning nationalism and territorial issues over such areas as the Senkaku Islands and the South China Sea have raised the risk of accidental military clashes. The diminishing strength of

the USA was pointed up by the 2008 global financial crisis, leading to more widespread “dog-eat-dog” behavior. Recent developments are a continuation of this.

Surrounded by world powers, the Korean Peninsula is prone to being affected by changes in the geopolitical power balance among major countries. This is why it has been the scene of numerous wars in the past. In this sense, it is only natural that attention should focus on the Korean Peninsula once more at a time when significant developments in world affairs are afoot.

Change always entails danger, so steps to address risk are needed, first and foremost. However, change can also be regarded as an opportunity to break through a deadlock. A Cold War structure still survives on the Korean Peninsula, even though the Cold War between East and West ended almost 30 years ago. The effects of the failure to achieve cross-recognition of North and South Korea by the USA, Soviet Union, China, and Japan immediately after the Cold War ended still linger and are an indirect cause of the North Korean nuclear issue faced today. It would seem to be a good time to draw up a new and grand vision for the future, precisely because we are in a transition period in which every country is re-evaluating its conventional relationships.

Many countries have a stake in the future of the Korean Peninsula. Consequently, Korean Peninsula policy cannot be approached on the basis of bilateral frameworks — Japan-South Korea / Japan-North Korea — alone. Relationships with not only the USA, as an ally, but also China and Russia will be crucial. For example, the evolution of the relationship between Japan and Russia will also affect Japan-China relations. The interplay of these developments will have an impact on North Korea as well. A broader outlook and more multifaceted approach than before will be essential.

This does not apply solely to politics and diplomacy. The strategies and policies available to Japan in dealing with the Korean Peninsula issue offer the prospect of business opportunities in due course. These include infrastructure development and regional development, as well as support for industry and human resource development. Some projects can be undertaken singlehandedly by Japan, while others would be better suited to multilateral cooperation. Even if they cannot be implemented straight away, we should look at them from a long-term perspective. It would also be worth exploring the long history of exchange between Japan and the Korean Peninsula. The stream of news in Japan concerning the Korean Peninsula seems set to continue for some time to come. This is a great opportunity for not only politicians and bureaucrats, but also businesspeople to direct their thoughts toward the future of the Korean Peninsula as it stands at a turning point.

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