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Korea's Economic Role in East Asia

Lawrence B. Krause

The "Great Game" on the Korean Peninsula

James Lilley

**Japanese Colonialism in Korea:
A Comparative Perspective**

Bruce Cumings

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The Walter H. Shorenstein Distinguished Lecture Series: Korea in the 21st Century

The three talks that make up this publication were the 1996–97 Walter H. Shorenstein Distinguished Lecture Series, titled *Korea in the 21st Century*, held on the Stanford campus in the fall and winter quarters. Each year, the Asia/Pacific Research Center, through the generous support of Mr. Shorenstein, holds a series of public lectures for the university community on some topic related to contemporary economic, political, and social trends in Asia. The lectures on Korea were the second in the Shorenstein series.

Korea's Economic Role in East Asia

Lawrence B. Krause

As many of you know, I am involved in short-run economic forecasting through the Pacific Economic Outlook under the aegis of the Pacific Economic Cooperation Conference. However, this lecture permits me to look further into the future.

The Security Context

Of course, the economy does not exist in a vacuum. It sits within a context of security, political, and social developments and institutions. I think it is fair to say that the Korean peninsula is unusual in all of these dimensions.

With respect to security, the Cold War has ended everywhere except on the Korean peninsula. The demilitarized zone separating South Korea from North Korea is arguably the most dangerous stretch of land on the globe. We are reminded of this constantly—most recently by the incursion and beaching of a North Korean submarine on the coast of South Korea. The rise in tensions that this caused has been punctuated by the announcement that North Korea intends to test a medium-range version of its Rodon I missile that could reach sensitive areas of China and Japan as well as South Korea. It clearly would be suicidal for the North to restart the Korean War, but there is no real peace on the Korean peninsula and this has significant economic implications.

The first implication is that it forces a large resource burden upon both South Korean and North Korea. For the South it is quite manageable, but for the North it is excruciating. Second, it probably is distorting R&D and investment allocation decisions being made or influenced by the South Korean government. How else can one explain the inexplicable

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effort of the government to promote a Korean made and designed commercial aircraft. Third, it adds uncertainty to all investment decisions for the entire peninsula. There is some risk premium that is being added to calculations to reach a necessary rate of return. The risk premium may not be very great most of the time, but it does rise on occasions such as the present.

The Political Context

The political interaction between the two halves of the Korean peninsula is no less exciting and possibly menacing. Ever since the United States and the Soviet Union divided the Korean peninsula in 1945, much against the desires of the Korean people, political leaders in both halves have sought ways to reunify the country. Of course, their visions were much different, and after the passage of fifty-one years of separate development, they are very different places. Yet the desire is still there to create a unified country of some sort. What is particularly important in the present context is that Korean reunification—if and when it occurs—will be a defining event for East Asia. Each of the four major powers—China, Russia, Japan, and the United States—has a major stake in the outcome. For the United States, it might well mean the end of our military deployment on the Asian mainland. With serious questions also being raised about the U.S. military in Japan, questions which will become sharper once reunification is accomplished, Korean reunification could mark a pullback of all U.S. forward military deployment in the area. Obvious questions come to mind. Can peace be maintained under those circumstances? Will national arms races ensue? Will the political basis for regional economic integration be maintained? The absence of ongoing political tensions has been a necessary condition for the creation of APEC and is essential for its further evolution.

The concern about Korean reunification is no less when approached from the perspective of China and Japan. China would have a hard time being accommodating to a neighbor which was perceived to be both strong and hostile. The same could be said of Japan. Koreans are said to be viscerally antagonistic toward China and have near hatred for Japan. Whether this proposition could stand up to academic research or not, if this is the perception in the region, then Korean reunification will cause great concerns. Many Koreans are of the belief that neither China nor Japan (nor Russia) really wants Korean reunification. Therefore, tensions clearly will rise in the region as the process unfolds.

Of course, there could be huge differences in the outcome depending on the modality of reunification. If unification results from a long negotiation process with gradual convergence between the two regimes, then much accommodation can be accomplished by Korea to the outside world, and by Korea's neighbors to the new reality. If, on the other hand, reunification results from an implosion of the DPRK regime, then a region-wide crisis will erupt. In the former case, the economy of North Korea could over time be raised at a faster rate than in the South, and—incorporating the lessons of East Germany and other transition economies—economic dislocation could be minimized. In contrast, overnight reunification would place huge costs on the South, would lead to massive migrations of people from the North, and involve immense human suffering.

Societal Changes in South Korea

Turning to my last digression, I would like to make a few remarks concerning societal changes in South Korea. Korea can be considered a laboratory for change of a society without any history of democracy. In Korea all changes seem to be “larger than life.” As I will remind you momentarily, Korea’s economic advance through industrial development has been unprecedented. It was engineered by a very intrusive government which operated well within the bounds of its authoritarian history and tradition. Growth of per capita income, however, greatly expanded the middle classes. This group or groups demanded and still demand greater participation in the political process that is directly impacting their lives, and they have the resources to make their desires felt by the government. What is interesting about these groups is that they wanted reform, not revolution. Their prosperity depended and still depends on political stability, so they want change, but within strict boundaries. With some fits and starts, Korea has managed to traverse a bounded path toward democracy.

In my model of societal change, democracy begins with economic development which leads to political change with a feedback mechanism. Greater political participation permits further economic development, but with changes. Usually consumption increases as a share of output, international interactions are increased, and the business community becomes less accepting of government interference. Business is still willing to accept carrots, but they are less intimidated by sticks. For example, threats of a tax audit to force political contributions are less credible in Korea today when the last two presidents who used this device are now in jail. Finally, greater democracy is likely to raise challenges to bureaucratic controls. Korea’s experience may well contain lessons for other countries that will undergo this process. I have in mind countries such as Indonesia and Myanmar. To repeat, Korea has been a laboratory for societal change.

The Korean Economy

Now turning to the economy directly, it is correct to say that Korean economic development at first followed a Japan model of government/bureaucratic led growth within a mercantilist framework. However, the Koreans carried the model so much further that it should be described with its own name—the Korean model. The Korean government was much more intrusive in economic decisions than in Japan, and the political system played a much larger role relative to the bureaucracy than in Japan. The chosen instrument of the government was control over financial resources, which even to this day has resulted in the emasculating of private financial intermediaries.

Korean development can best be understood by focusing on four major turning points: in 1953–54 at the end of the Korean War; in 1960–61 with the coming of the Park Chung-Hee regime; in 1973–74 as a result of the first oil crisis; and in 1987 with the beginning of democratization. At each of the points, the status quo was recognized as being unsustainable and a significant change in policy direction took place. I take note of this because I believe we have now reached another watershed in Korean development. I think that major changes could be in the offing, possibly introduced by the new president to be elected in 1997. I will explore this possibility in the following way: I will first examine the current status of the

Korea economy. (I am not going to get into an appraisal of North Korea, which would require a paper by itself.) I will then evaluate the structural strengths and weaknesses of the economy. Next I will consider the economic goals of Korea, which will lead me to consider two possible scenarios. I will then place Korea in the context of East Asia and the larger APEC region. Finally, I will suggest some tentative conclusions about Korea's most likely path and role in East Asia.

Current Status of the Economy

First, let me turn to the current status of the economy. No one can deny that South Korea has achieved remarkable economic success. I will try not to overwhelm you with numbers, but I want to impart a sense of the dimensionality of this success. Obviously, Korea today is not the richest country in East Asia, so it is not the level of its riches that is most striking, but rather it's the speed by which it emerged from abject poverty to its current level of prosperity that really impresses one. Korean per capita income has doubled every five years since 1961 and is now about \$10,000 per person. If one thinks of the poverty of Mozambique or Ethiopia today, then one gains a sense of Korea in 1960, and in just thirty-five years it is within hailing distance of New Zealand—and without the benefit of plentiful natural resources.

In 1960, Korea was primarily an agricultural economy, and with a shortage of irrigable land, much of the labor force was underemployed. Today Korea is an industrial/urbanized society—nearly 80 percent of the population lives in urban areas—with an unemployment rate below 2 percent, which compares favorably with every other industrial country.

In 1960, Korea was essentially a closed economy heavily dependent on U.S. aid, which accounted for 10 percent of GNP. Today Korea is the tenth largest trading nation in the world, and is itself a provider of aid to developing countries.

In 1960, the Korean economy was overwhelmingly made up of small companies, very few of which could trace their origins to the prewar period. By 1995, according to *Fortune* magazine, twelve out of the world's five hundred largest corporations were Korean. These groups—or *chaebol*—are well known around the world, having not only exported their products but also having made direct investments in all major markets. In Tijuana, Mexico, abutting San Diego, one of the largest and clearly the fastest growing maquiladoras along the U.S.-Mexican border, the largest employer is Samsung (one of the two largest Korean *chaebol*), and the fifth largest is Hyundai (the other Korean firm in the top two). Just down the road in Mexicali, the LG Group is one of the largest employers. Also, the Daewoo group has a manufacturing facility somewhat further away. Hence all of the top four *chaebol* produce in my backyard. In terms of products, Korea is among the world leaders in producing various products, including semiconductors and ships, and its automobile producers are the only new entrants that matter in this oligopolistic industry.

Korea has come of age, which is symbolized by the invitation of the OECD to Korea to join its ranks. The Korean government has a long-term plan to reach mature and advanced country status by 2020, by which it means reaching a par in per capita income with Japan and the United States. Given its past record of achievement, one must believe that this is possible.

The Korean economy enjoyed a boom in 1994 and 1995, growing about 9 percent a year. Few Koreans will admit that they were growing too fast, but they were. The go-for-broke advocates noted that the sectors that were the growth leaders were equipment

investment and exports, which they interpreted as highly desirable and sustainable, and the inflation rate was just 5 percent, which is about average for Korea, although above other industrial countries. However, resources were under great strain in 1994 and 1995. Labor shortages were popping up everywhere. Imports were rising even faster than exports, and the current account deficit of the balance-of-payments rose to 2 percent of GDP. Furthermore, the inflation that matters most to households was much above 5 percent, leading to societal discontent. The monetary authorities finally became convinced that the economy had to be reined in, so they tightened money for that purpose. In response, the economy slowed its rapid rate of advance.

One should expect that with slower growth the strain on resources would ease, and the quality of economic performance would improve as imbalances righted themselves. They have not, and this is why I suggest that a turning point may be at hand. No doubt some of the current economic problem—Koreans are calling it a crisis—is the result of bad luck related to the down cycle of semiconductor chips, which Korea exports in great volume, but structural weaknesses are also involved. Rather than a lessening of strain in financial markets, Korean firms are even more seriously stressed. Rather than reducing the trade imbalance, the deficit has ballooned to about 3.5 percent of GDP. And there is little evidence that wage pressures have abated. Structural weaknesses may have been swept under the rug for too long, and the time may have finally arrived where something needs to be done about them.

Structural Weaknesses

Imbalance of Industrial Structure

What are these structural weaknesses? The government's aggressive policy to achieve maximum growth has created two major structural weaknesses in the Korean economy, the political system created a third, and society is creating a fourth.

Government manipulation and domination of the financial system has resulted in an imbalance between large enterprises—*chaebol*—on the one hand, and small and medium-sized enterprises on the other (SMEs). The government favored the largest firms in the economy.

First moderately in the decade of the 1960s, and then massively in the 1970s when the heavy and chemical industry program was being pushed, the government channeled resources to the big firms that they believed could lead the country. Thus the *chaebol* prospered, and they display four characteristics. They are family controlled; they are diversified by industry domestically while concentrated in exports; and they are vertically integrated. They neither depend on SMEs as vendors nor as customers, nor have they nurtured them as in Japan. They were more likely to compete with SMEs directly and quite successfully in view of their financial resources. The *chaebol* not only control the commanding heights of the economy, but also the molehills. While I hesitate to use this number because it may not be measured correctly, it is reported that just fifty *chaebol* produce more than 50 percent of the GDP.

In the 1960s and 1970s, the government directed and controlled the *chaebol*. By the end of the 1980s, however, it was unclear how much the government could direct them, and whether it wanted to try. In the 1990s that uncertainty has ended; the *chaebol* direct themselves, subject, of course, to market pressures.

The proclivity of *chaebol* to diversify domestically stands in stark contrast to the behavior of large firms in other industrial countries. Elsewhere, large firms are husbanding their resources by narrowing their focus to core competencies in order to meet increasingly fierce global competition. This is not the case in Korea. Apparently the *chaebol* are not facing global competition in their domestic market. Samsung, after great success in electronics, is diversifying into the automobile business, and Hyundai, which is strong in autos, machinery, and shipbuilding, is diversifying into basic steel making. Even more surprising is the *chaebol* move into smaller industries that are now the province of SMEs. Apparently they feel they can expand there by outspending the SMEs.

Another manifestation of this imbalance and structural weakness is seen in finance. For twenty-five years the government directed bank loans to the *chaebol*. As a result, the balance sheets of *chaebol* are heavy on debt and light on equity. Such a balance sheet would scare an American chief financial officer, as if every day were Halloween. In a typical U.S. corporation, stockholder equity is larger than debt, but for large Korean firms, debt may range from four to ten times greater than equity. As every beginning student in finance knows, excess leverage leaves a firm very vulnerable to cyclical slowdowns. Hence the current economic slowdown in Korea, which is still expected to show between 6.5 percent and 7 percent real growth, is leading to a crisis of profitability of Korean firms. While large firms in other countries are reducing their debt exposure, Korean firms are increasing theirs.

Meanwhile, the lack of equity has meant that the stock market in Korea has not developed in line with the economy. Also, Korean banks never learned how to be efficient allocators of capital. They dare not pull the plug on any large Korean firm for fear of setting off a financial panic that would take them down with it. Financial reform has long been delayed by the government, but it has started and is being accelerated as a requirement for joining the OECD. A significant adjustment is going to have to be made, and fairly soon.

Imbalance between Traded and Non-Traded Goods and Services

The second structural imbalance created by the government's growth policies was excessive expansion of the traded goods and service sector relative to the non-traded counterpart. Korea, like Japan, pushed export-led growth, and simultaneously import-replacement growth. What didn't get emphasized were things like housing, parks, health facilities, urban transportation systems, and the like. As families attain middle class incomes, however, these are the things they want and demand. They are usually capital intensive, land using, and reduce the overall growth rate. Furthermore, a deficiency once created is very difficult to make good. While the congestion and air quality of Seoul is not as bad as in Bangkok or Mexico City, it is bad enough to make people concerned. When a building or a bridge collapses because of inadequate provision for the use being made of it, that concern can turn to anger. This is the situation in Korea today.

Spatial Imbalance

The third structural weakness in the economy, namely spatial imbalance, came about because of the peculiarity of Korean politics. Korea has developed on a diagonal from Seoul in the northwest to Pusan in the southeast. The disadvantaged regions are in the northeast and southwest (principally Cholla Namdo and Cholla Pukdo). It comes as no surprise to learn that all of Korea's presidents and political elites came from towns and regions along that diagonal. While economic theory does support a concept of growing points, from a geographical perspective the underdeveloped parts of Korea are not badly located. They are

near coastlines and, in the case of Cholla Namdo, have an existing concentration of population that could become a potential industrial workforce. Rather than getting work at home, however, Cholla natives have had to migrate to Seoul, leading to excess concentration in that metropolitan area—fully 25 percent of the population lives there—and to some very dissatisfied migrants.

The final structural weakness of Korea is a question of demography. There has been a collapse of fertility rates in Korea. This is a phenomenon seen throughout East Asia and other parts of the industrial world as well. For the last five years, and for several years before that, the Korean fertility rate was a mere 1.7, which is much below the replacement rate of 2.1. This is comparable to the low rate of Japan. Hence, with some delay, Korea is going to face the same problems of an aging population that are beginning in Japan already. And Korea will age at least as fast if not faster than Japan. However, this is a problem for 2015 or later.

Structural Strengths

Set against these structural weaknesses are some considerable structural strengths. First of all, the *chaebol* in the main are very well managed and competent firms. They have mastered the art of international trade, and they are in the process of learning how to manage direct foreign investments. At least in the international part of the market in which they operate, they compete and do very well indeed. They have recognized that the key to future growth is technology, and they spend a higher share of their revenues on research and development than all but the most technologically advanced countries. Second, the society has several structural strengths. Importantly, it is a homogeneous population. All segments of the society have learned habits of thrift such that they save a remarkably high share of income. The labor force itself is disciplined and hardworking. The society also highly values education. While Koreans complain that not enough money is devoted to education, they now educate almost all of their young people through high school and send a larger share of cohorts on to higher education than any other country except Japan and the United States. Finally, I count as a structural strength that the Korean government is perceived to be successful. When it coalesces behind a priority, it has been able to achieve good results. When a government has credibility as does Korea's, then implementation of policy is easier because expectational factors work in its favor. This is an advantage not to be taken lightly.

Goals of Korea

Economic Advance and Independence

In order to move from consideration of the present circumstances of the Korean economy into a discussion of the longer term outlook, it is necessary to consider the goals that most likely will be directing government policy and the society in general. My study of Korea leads me to specify three such goals.

First, I believe Korea will want to sustain its economic growth and maximize its gains from economic integration with the region while at the same time maintaining its economic

independence from its large neighbors—China, Japan, and Russia—and from its close trading partner the United States. This somewhat internally inconsistent goal takes a bit of explaining. Why it should want to sustain growth is obvious, and being integrated within the Asia Pacific is a way to achieve it, but why independence? It is more than just the natural fear of dependence, a fear long known as the Hermit Kingdom syndrome. Rather, the major reason is that South Korea will want some room to maneuver when detailed issues of reunification with North Korea arise. It will want to be able to withstand economic pressure to accept a deal that it is not satisfied with. An overly dependent economy in its eyes may make it too vulnerable to external pressure.

Three things come to mind that are elements in a (relative) economic independence strategy. First, Korea must complete its financial reform. Without reform, Korean financial intermediaries will never become internationally competitive, and Korea needs players in the global financial game. This is necessary for countervailing power. Second, Korea must continue to diversify its foreign vendors and customers. With respect to purchasing, it is the import of technology that is most critical. At one time, Korea was excessively dependent on Japanese technology, but this has been moderated quite considerably. Korean firms now have greater links to U.S. firms through corporate strategic alliances and the like, and with European firms as well. When the Soviet Union fell apart, Korean firms were among the first to seek a new source of technology there. As to customers, Korean firms are making significant efforts in Central Asia, in Eastern and Western Europe, in Latin America, and in Southeast Asia and China, along with cultivating its ongoing position in Japan and the United States. Hence, Korea is well along in achieving diversification.

The third element to gain relative independence is for Korea to take a leadership position in the Asia Pacific. There is no recognized leader in Asia to counterbalance and stand beside the United States. The two most obvious candidates, China and Japan, have significant handicaps. China has huge size, but its political outlook is so uncertain that many countries will refrain from risking “close followership.” Japan, on the other hand, is stable, but its history raises fears in other countries, and Japan itself seems reluctant to step out in front.

Korea will come to recognize that leadership can be costly. The government will open itself up to criticism from abroad, which will interact and interfere with domestic politics, and it will require the use of real resources. Nevertheless, there are significant benefits to be had as well. While unable to determine outcomes by itself, Korea may well be able to set agendas for regional consideration. In particular, South Korea will want to forestall any institutional development that is seen as a barrier to reunification with North Korea, and promote those things that make it easier.

Where might this leadership be exercised? In the economic domain, it could be in APEC and ASEM (Asia-Europe Meeting). The loose structure of APEC permits Korea to make initiatives and challenge others to match them. The absence of detailed formal negotiations is a clear advantage to any country that wants to move the process along. That country could well be Korea. The ASEM has just started, having had its first meeting in Bangkok. However, Korea will host the second and it might well use this occasion to begin a process of institutionalization to solidify its links with European countries. The joint Korea-UK committee to make preparations for the meeting is a place to start.

A Technology Leader

A second major goal for Korea will be to become a leader in technology. Koreans recognize that it is only through mastering advanced technology that they will be able to continue to climb the economic ladder. Technology is also seen as a source of national power. Korea has no large endowment of a natural resource to attain commodity power from the supply side, nor is it so large a buyer as to be a demand monopsonist as is the case of Japan. All Korea has is brain power, and it can capitalize on that by developing technology. In addition, creating a domestic source of technology will support the goal of independence with economic integration.

Korea is well suited to be a major developer of technology. It values education, it is quite prepared to make major investments in human capital, it has ample savings, and the *chaebol* enterprises are potentially good organizations for creating technology. What is missing are innovative SMEs. There may well be a role for government policy in correcting this deficiency. Indeed it may be the only feasible approach to correcting the imbalance of industrial structure. The government dares not weaken the *chaebol*, but it can strengthen the SMEs.

Be Attractive to North Korea

A third major goal for South Korea will be to construct an economy that will be attractive to North Korea. News about South Korea does get through to North Korea. The more that South Korea is seen as an attractive partner, the more likely that a marriage can be consummated. Thus it must appear that there is a career path for educated people regardless of their background. This will be attractive to the elites of North Korea. The raw material needs of the South will be an attraction to the degree that they are available in the North. Moreover, South Korea must begin to make a place for North Korea in its development planning. Planning in South Korea is only indicative, however; giving North Korea a vision of where they may fit in without being overwhelmed will be very useful.

Alternative Scenarios

Existing economic forces and trends will likely lead the South Korean economy to continue to evolve much like it has in the recent past. Korea will remain a high savings, high investment, high growth economy. The changes will be seen in the growing importance of R&D. In addition, the economy is likely to become somewhat more inward focused than it has been in the past as it makes up its deficiency in non-traded goods and services. The economy is still likely to be dominated by large *chaebol*, but there is also likely to be a larger role for service-oriented SMEs and innovative SMEs.

One might think of two scenarios of how this comes about, whose differences turn on the role of government and government policy. One scenario I will call the bureaucratic evolution alternative. This would be characterized by bureaucratic leadership of a slow process toward economic reform as has occurred in Japan. This would imply the sustaining of heavy government intrusion into the economy for some time. The second scenario would be characterized by full liberalization of the economy. It would imply rapid and aggressive policy changes. These are quite different paths.

Korea and the Pacific Basin

Now I want to consider Korea in relation to the rest of the Pacific Basin. East Asia has been the fastest growing economic region in the world for the last forty-five years. The original growth spurt came in Japan, which grew annually by 10.4 percent between 1950 and 1973. Next came the newly industrializing countries, which included Taiwan as well as Korea, which grew by 9 percent annually between 1965 and 1995. Meanwhile the ASEAN countries, first led by Singapore, but more recently by Malaysia, have sustained growth between 6 percent and 8 percent for over two decades (the Philippines is a partial exception). Of course, it is China that is now getting the headlines, having grown by 10.2 percent annually between 1984 and 1995. While this is obviously an outstanding achievement, it is important to notice that it is not dissimilar to the other countries in the region. What makes China different is its huge size.

The secrets of East Asian economic success have been repeatedly studied, and Korea fits squarely into the mold. They include a societal willingness to save a high and growing share of income, an ability to invest huge amounts in both physical and human capital, an embrace of outward-oriented economic policies with intrusive government in the development process, and plain hard work. It is also likely that the fact that each of these countries faced societal challenges which made the status quo unsustainable contributed to making the sacrifices for growth acceptable to the population. Some slowing of growth rates during and after the industrial catch-up phase is inevitable, but unless these basic factors promoting high economic growth are reversed, the region is likely to remain the growth leader of the world. This is my expectation for the region in the medium run.

How will Korea fit into the region if this growth continues? Like a glove. Korea's economic success will stress comparative advantage, and it will benefit from progress made in other countries in the region. Korea will gain its competitive position from its management skills and increasingly from its technology edge, much like Japan and the United States today.

There will, of course, be significant global competition, but with rapid growth there is room for all. A rising tide may not raise all ships, but it surely raises most of them, and especially those that are rigged especially for it. Furthermore, rapid growth of China and ASEAN fits Korea's need for diversification. I expect that Korean companies will be aggressive in all phases of international commerce.

Conclusions—Which Path?

Given the evolution of the economy in the region just outlined, what is the likely path of Korean policy? Following a gradual path of reform directed by the bureaucracy has advantages. It would minimize the risks of rapid change, and it would permit Korea to absorb the lessons from Japanese experience before attempting anything themselves. It would be cautious, but it wouldn't be Korean. I think this unlikely.

The second alternative is for Korean political leaders to be very aggressive in leading the country toward full liberalization of the economy. In this respect, Korea would become more like the United States (not pre-1997 Hong Kong). Such a path is likely to involve some serious stumbles from time to time, but Korean governments in the past have shown that

they can adjust policy quite rapidly in the case of an unforeseen event, and Korean business has made a living being adaptable.

Rapid liberalization is an attractive path for Korea because it addresses the three structural weaknesses of the economy. First, international competition will discipline the *chaebol*, and they will be forced to be more welfare promoting for the society. Second, opening the economy to imported consumer goods which can be more efficiently produced abroad will accommodate a shift in the disposition of output without forcing an efficiency-reducing shift in the productive structure. That is the great benefit of international trade. Third, the spatial imbalance of Korea could be relieved by greater interaction with China and the rest of the Asian mainland, which could disproportionately stimulate the southwest of the country.

The kind of initiatives that Korea might champion might be the complete liberalization of shipbuilding and telecommunications equipment, strengthening of intellectual property rights, or the enactment of a comprehensive and enforceable regime on foreign direct investment. If Korea takes the initiative, then it will get on the agenda those industries where it is advanced and can immediately benefit from liberalization. The great exception will be agriculture, which cuts the other way on independence. Korea is no more likely to promote liberalization in agriculture than is Japan.

With an aggressive liberalization menu, Korea could vie for intellectual leadership of APEC. How would the rest of the Asia Pacific react? Japan would probably be most concerned because it would have difficulty with some of the initiatives themselves, and would be miffed by Korean leadership. The United States from time to time might be uncomfortable—in response to a liberal proposal for the merchant marine, for example—but on balance is likely to be quite happy to share the cost of leadership. The rest of Asia is likely to encourage Korea to contest with the big powers for leadership, even if they resist some of the proposals. And of course APEC would thrive as a result.

In conclusion I am encouraged to believe that in twenty years, when observers look back at the changes that will result from the 1996–97 turning point, Korea will remain “larger than life.”

The “Great Game” on the Korean Peninsula

James Lilley

Today I’m going to talk about Korea in three parts, if you’ll forgive my organizational push. But first I’m going to have a backgrounder, which is based largely on my conversations with and the writings of my respected colleague at the American Enterprise Institute, Nick Eberstadt, who is one of the most thoughtful people and original thinkers on North Korea. I’ve drawn a lot on what we’ve talked about. This first stage is calculated thoughts and deep background. Second stage, I’m going to try to talk about how one negotiates with North Korea, how to move North Korea, based on my talks with a man called Jimmy Lee, an American of Korean origin who spent thirty-five years on the Military Armistice Commission, dealing with North Korea. And with Spence Richardson, who was to be our first liaison chief in Pyongyang, but who recently resigned because it was taking so long. And finally, what’s really my original contribution is the summary and recommendations. So, let’s get on with it and talk first about the background.

Background

In world affairs today, the division of the Korean peninsula into two separate and irreconcilable political entities is taken as a basic fact of life, although the Koreans are a single, distinct people, and lived under a single government for more than a thousand years before the Allies’ fateful August 1945 partition of their land. The continuing existence of two suddenly formed and mutually hostile states in this one nation has come to be an established feature of the international order that has emerged since World War II. The international security framework that has evolved in Korea since 1953 is predicated on an expectation that the division of the peninsula will continue. It may seem too obvious to require comment, but the

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long-standing U.S. policy of deterrence in Korea, the basis for our military commitment to the Seoul government, implicitly presumes that there will be a powerful and hostile North Korea, against which South Korea must be defended. Yet, whatever may be said in its favor, the two-state system in Korea to which the modern world has grown so accustomed will not last indefinitely. The permanent political partition of the Korean nation is quite simply an unsustainable proposition. What complicates this right now is the final failure of the North Korean state, and this is something that cannot be forestalled by external actors, even if they were so inclined. But the manner in which North Korea departs can be influenced. How North Korea departs world politics matters greatly, both within Korea and beyond. We are not talking about a soft landing, we are talking about the disappearance, hopefully with a whimper, of the DPRK. Korea reunification, however, is not foreordained to be a time of tragedy. To the contrary, with the proper preparations and a bit of luck, a free and largely peaceful reunification of the peninsula might also be consummated. The benefits from such a reunion could be enormous and wide-ranging, and would not accrue solely to Koreans.

As you know, North Korea's food problem, like its other major economic problems, is the direct consequence of particular policies that Pyongyang has carefully selected and relentlessly enforced. It is North Korean policy, after all, to assign top priority of all resource allocations to its huge and unproductive military machine. To siphon off state investment into expensive, showpiece projects of political, rather than economic, merit. To throttle the ideologically suspect consumer sector, to minimize the role of financial incentives in the workplace, to smother the transmission of price signals within and between domestic sectors, to divorce the local currency as much as possible from the actual process of economic exchange, to ignore the country's souring international credit standing, and to avoid any unnecessary contact with the world economy. No solid evidence of reform is there yet; little wonder that output is heading down. It is probably safe to say that the economic environment in the DPRK at this time is more severely and deliberately distorted than anywhere else on earth. Yet, despite the obvious benefits that could be grasped almost immediately by moderating its extremist regimen, the North Korean government has rejected the option of charting a new course. The reasoning behind this posture is straightforward, and has been spelled out by DPRK leadership for all those who care to listen. The regime is unwilling to unleash turbulent and unpredictable political forces that current arrangements still keep well under control. North Korean postmortems of the Soviet Union's demise blame a bacillus of bourgeoisie culture. The DPRK's current de facto ruler, Kim Jong Il, said, "One-step concessions and retreat from the socialist principles has resulted in ten- and a hundred-step concessions and retreat, and finally invited grave consequences of ruining the working class parties themselves." Although some acute observers of the Asian scene have speculated that North Korea might be able to evolve into a more open, but still essentially autocratic polity, indications are that the DPRK's own leadership is not at all sure that their hold on power could survive such a transition.

Under such circumstances, what can the North Korean leadership do to protect themselves and to rescue the system? Two radical measures are sometimes mentioned by outside observers who speculate about such things. One, a renunciation of the state's claim to rule Korea South, leading to a peace treaty with Seoul; a redirection of DPRK military resources; and significant foreign assistance. Two, a reconfiguration at the top in North Korea that thrusts the ruling Kim Il Sung, Kim Jong Il dynasty aside and implements its own version of de-Stalinization. Unfortunately for North Korea's elite, such seemingly bold and pragmatic steps would be at least as likely to shorten the life span of their state as to lengthen it. The

claim to dominion over the entire Korean peninsula and to the mission of reunifying Korea, and we can see the recent submarine infiltration in that context, is the cornerstone upon which the legitimacy of the DPRK rule relies, perhaps even more heavily in these austere times than it has at junctures in the past. They have a justification for their own style of socialism. Socialism is science—*chuche*. In no other country has the identity between a state and its ruling family been so purposely fused. None of the policy alternatives before the North Koreans can look attractive to this DPRK leadership.

Yet there is one stratagem that may seem decidedly more promising than any other. That is to continue to augment their potential to inflict devastation on neighboring or more distant adversaries. The international community, they may correctly calculate, can be expected to take rather less interest in the survival of their state if the North Korean question were construed as a purely humanitarian problem than if it were framed as an issue in international arms control. To extend the life of their state by this reasoning—to enhance still further the strength of the DPRK's conventional forces and to upgrade progressively the threat posed by its weapons of mass destruction—is not only desirable, but essential. As best we can be told this is exactly what North Korean policymakers are attempting to do. They are having a continuing improvement in the quantity and quality of armaments at their disposal. A Defense Department policy paper of 1995 cites that North Korea continues to expend its national resources to mechanize its huge, offensively postured ground forces, expand its already massive artillery formations, and enhance the world's largest special operational forces. They have assembled an arsenal, including nerve gas, according to some reports, and they have the third largest inventory of these compounds. They are moving into the No Dong class of missiles, with an estimated range of 1,000 to 1,300 kilometers, and the Taepo Dong, which when perfected may have a range of 10,000 kilometers, according to some analysts. The North Koreans have continuously warned that they have the capability to deliver weapons of mass destruction, and the thousands of emplaced artillery tubes already capable of targeting Seoul provide what Pyongyang may view as its best long-term bet for securing support from abroad.

We have looked at this problem, and we have had varying approaches to it. Although President Bush declared in Seoul in 1992 that the day will inevitably come when Korea will be whole again, American policy does not anticipate that advent any time soon. To the contrary, Washington's agreed framework on the nuclear agreement with Pyongyang envisions a prolonged and expanding American engagement with the DPRK. The obligations outlined in the document are not to be fulfilled for years to come, not at least until the year 2003. If, in fact, you have a continuation of the North Korean regime, according to present estimates the circumstances will result in an absolute gap in per capita income between North and South, which will continue to widen. Every year that reunification is delayed, this gap will widen more. And as you know, if we want to look briefly at the German unification model, even today in Germany most of the payments made from West Germany to East Germany are not for investment but for social welfare. This would be at least triple that problem in North Korea. And I think that we also have to realize that if the United States disengages from North Korea, even on the friendliest terms, Korea will have to pay a commensurably higher risk premium for any capital it does manage to attract. And its ability to attract international capital will almost surely be compromised. Simply put, strong security ties with the United States are essential if the project of Korean reunification is to pay off.

Negotiating with North Korea

Let's move into looking at the North Koreans and seeing what lessons we've learned from negotiating with them. In the first place, we've been negotiating with them since 1951. We have freight cars loaded with documents, pulling out everything these people have said. There has been negotiation after negotiation on a whole series of issues with the North Koreans. And there are certain factors that emerge as consistent patterns. Number one, their objective is always to drive a wedge between the United States and South Korea. It's been there from the beginning. It's there today. Second, it's to get American forces out of South Korea. It was there in the beginning, it's there today, and it's there tomorrow. And finally, it's to downgrade and humiliate the role of South Korea. That's been a permanent part of their tactics in dealing with us. It is important that you recognize what they're up to, and it's rather transparent (and I was engaged in this process when we had our first talks with them in New York in January 1992). We have reviewed the entire record of the negotiations with North Korea on a whole series of incidents. The Blue House attack in '68, the Pueblo incident, the Rangoon assassination, KA-858, all incidents that we've dealt with the North Koreans through our system. And what I've done is to take three instances where we've dealt with North Korea, and try to give you what happened when we acted in a certain way.

First, the situation off the DMZ in the Western Sea off South Korea. In the Armistice Agreement, there was no water boundary defined, but the islands were put under United Nations control. North Korea immediately insisted that the waterways were under their control, and that we had to get permission from them to resupply the islands in that area. The United States refused to ask permission to transit the waters, sent gunboats through, the North backed down. It's still a vulnerable situation, but I picked it out as a clear case where you have a vague situation, they stake out a position, you challenge it, they back down.

Second, in 1976, the North Koreans ax-murdered two Americans in the joint security area. The U.S. then sent in a team to finish cutting down that tree. General Stillwell ordered B-52 bombers to overfly the DMZ, and to give the North Koreans the clear impression that we were willing to go to the mat on this one. Fighter aircraft were sent from Japan, U.S. forces were put on an increased def con. North Korea was well aware of the strength of our combined forces, was afraid that we might go even farther, and called for a meeting immediately. Kim Il Sung sent a personal message to General Stillwell, requesting a private session. He said the ax-murders were unfortunate, and retreated from the southern portions of the joint security area, and they have not come back.

Number three. We flew reconnaissance planes over North Korea; they were called the SR-71, the Blackbird. In August 1981, they fired a missile at the Blackbird. We gave them a sharp warning—don't do that again. We said, if you take action, we will go to the root. That was seen as a threat to knock out their missile sites. North Korea did not try to shoot down reconnaissance planes again.

What does this tell us about North Korea? In the Pueblo case, we had to make compromises in terms of apologies. In the helicopter incidents—the one that took place in 1977 and the one that took place most recently in 1995—how did they negotiate? It was quite different. In 1977, when we dealt with it through the Military Armistice Commission, our helicopter pilots were out in a matter of two or three days. In 1995, when we dealt through the State Department, it took seventeen days. It was clear in the 1977 issue that Kim Il Sung felt that if he managed the United States well on this particular incident, it would perhaps accelerate President Carter's troop withdrawal plans. In 1995, it was quite clear that

once they had engaged the State Department in direct negotiations on a matter on the DMZ without the South Koreans present, it was a desirable circumstance and they stretched it out as long as they could.

There are certain aspects of the North Korean negotiating style which we should note. First of all, they are opaque. It's hard to figure out sometimes what their objectives are. The North Koreans always seem to assume, as the Chinese do, what we call the "victim status." It's your fault, we're the victim of your aggression. They are always classifying themselves as the underdog. The accusations come that we are trying to strangle them. This in turn causes you to try to convince them by actions and words that this is not what you're trying to do; namely, they get concessions. They attempt to exclude certain areas from negotiations. It's always exactly what you want to bring to the table which they take off the table. What am I talking about?

We met them first in January 1992 in New York in the delegation that was headed by Kim Young Sun, who is their number seven man. Our leader was the number three man at State, Undersecretary Arnold Kanter. When we talked to them it became quite clear that what they wanted was a continuation of these political talks. This time they were quite transparent. They telegraphed their punches, because they did not have much time. We said to them that there were conditions for continuing these talks; namely, full challenge inspections of their nuclear facilities and a full resumption of North-South dialogue. When the new team came in to talk to them in 1993, the North Koreans said there are two issues which we will refuse to discuss, and if you put them on the table, we cannot make progress: (A) North-South dialogue, and (B) full challenge inspections, because these go after the nuclear waste areas which we consider military and therefore off the reservation. That's what I mean by building a fence around areas and then taking them off the table. We can talk about everything but what you want. It fences you off, and any concessions have to be major ones to get progress.

They use drama and catastrophe. They threaten, demand, scold, take umbrage, walk out. Certainly Admiral C. Turner Joy, who was our first negotiator, was subjected to this in spades. He had to advise the U.S. to watch the North Korean propaganda motive. They select the sites and the venue very carefully to load it up in their favor. They try to set the agenda for the talks. They take the initiative, we react. They try to manage the press and public affairs, as their Chinese friends do—many of these techniques are common to the Chinese. They do not expect honesty, and we should not expect either honesty or compliance. It's very important that when you deal with them, you have clear, limited, and well-defined objectives, as well as patience. The agenda is very important. They try to put theirs up front. We have to seize that agenda away from them. It doesn't work to let them set the agenda, because you're left trying to react to what they give you. They always try, as the Chinese do, to get what you call an "agreement in principle." Get control of the principles. In the Chinese case, if you want to normalize with us, you must break the security treaty, withdraw all your troops from Taiwan, and break diplomatic relations. One, two, three. These are the principles on which we will negotiate normalization. In the North Korean case, we will negotiate with you if you do not bring up North-South dialogue and if you do not raise challenge inspections.

In most instances, the North Koreans are rational in pursuing their interests, and diligent about what they do. There's always been a difference between how the North negotiates with the U.S. and how it negotiates with the South. The North is threatened by negotiations with the South, fears loss of advantage and face, but sees opportunities from the United

States. They see the likelihood of increased stature and perhaps survival with us. It doesn't exist in South Korea. There has been a valuable adjunct of our relationship in dealing with the North, namely the United Nations Command Military Armistice Commission. They have now terminated that because we put a South Korean general in charge of it. I think, again, by the same token, liaison offices in Pyongyang and Washington would be useful to make our points; not to give them something they want, but to make our points in a given crisis situation. But one of the essential things, and it comes through in dealing with North Korea, is you have to have a clear message. It is probably the most important factor in negotiating with the North Koreans. This has, however, evolved somewhat since 1990. Certainly since 1990, ideology is not as important on their side. They have no leverage from their Leninist allies. The death of Kim Il Sung certainly caused them a major loss of legitimacy. Their period of mourning, as you know, has been adjusted to deal with the lack of appearance of Kim Jong Il—is it two years, is it one year, is it three years? Who knows?

Since the fall of the Soviet Union and East Germany and the death of Kim Il Sung, North Korea certainly has found itself with less bargaining power. There is this possibility, out of desperation, that the North might seek to provoke opportunities for attack. They are constrained, however, because they must be careful about inviting a large-scale retaliation. And certainly in the past when this has come up, they've backed away from it. The Pentagon has said that the North Korean situation is the most important security problem in Asia, if not the world. It is the number one threat to regional Asia stability, much larger than the Taiwan Strait, Senkaku Islands, South China Sea, even the India and Pakistan confrontation. The Pentagon feels it is important for the United States to get on the same track with the Republic of Korea again. This has diverged, as you know. This cannot be solved with words. It needs to be solved with actions. One of the things that has upset our friends in South Korea was moral equivalence statements made after the submarine infiltration. We encouraged both sides not to become rash. And this was repeated twice. The South Koreans felt this was insulting and insensitive to their position. Similarly, they felt that when we negotiated the Korean agreed framework, and they were given the bill for \$3 or \$4 billion, they felt they were not properly consulted. Yes, they were briefed, but they were not consulted on the process. This was resented. A number of other things came up which have caused them concern about what the Americans are doing. A lot of this goes back into history a long way, but still I think there are areas of tension, and right now it's been heightened.

Summary and Recommendations

Let me just spend a little time, finally, on what I think can be done to deal with this situation. I've tried to talk to you about the background, and what I see on negotiating with North Korea. Taking this altogether, what can be done to solve this situation? I will simplify for the sake of the presentation a most complicated situation.

Number one, before you do anything else, you have to establish a credible deterrence. You have to make it clear that there is only a no-force option on the Korean peninsula. Force has to be taken off the table as an option. Even if it takes massive retaliation, spelling out the destruction of the infrastructure of North Korea by cruise missiles (conventional). It seems to me that you have to make this clear, that we are not going to fight another Korean war, that whatever happens will bring the destruction of North Korea. President Clinton, in 1993,

made a statement in reference to nuclear weapons that if they proceeded on the program and ever used these, their country would not exist as they know it. (I'm paraphrasing.) In 1994, Secretary Perry said, if they ever attack, they will be decisively and rapidly defeated. Now, that sounds definitive. It's not definitive enough. We have to make an authoritative but quiet statement that there is a no-force option. It's important to establish this, because it reduces the irrational factor. North Korean military leaders, in our experience, are cunning and calculating, despite the blind bravery of the submariners. If they are given the order to attack South Korea, you would have increased their chances of not following that order if the devastating consequences were quite clear to them. If they see their homeland destroyed, if they see their buildings, their Juche Tower, the Nampo Dam, whatever it is, I think they would be less inclined to attack. So it's very important that we do this. The Soviet archives now give us a very interesting slant on the negotiating process in 1951-53, when Admiral Joy was negotiating with the North Koreans and Chinese for a cease-fire and an armistice. It became quite clear that by 1952, with the devastating losses that the Chinese had taken, and the North Koreans almost completely destroyed after the Inchon landing, that the North Koreans and Chinese were anxious to cut a deal. The man who kept them fighting was Joseph Stalin, who thought it was important for his worldwide plans to have the Americans kept bleeding in Korea and diverted from Europe. And it wasn't until Stalin died in March of 1953 that we began to see movement in the Korean armistice talks.

My point is that the North Koreans understand force, and when the young guide took me to the top of the Juche Tower in January 1995, and showed me the city of Pyongyang and all of its magnificence, and she said, "Did you know that the Americans dropped 400,000 tons of bombs on this place from 1951 to 1953?" And I guess I was supposed to apologize, but I said, "I flew in the plastic nose of a B-26 from Seoul to Pusan in 1952, and I saw the absolute devastation in South Korea. There were no trees, the villages were smashed, Seoul was gone, there was a terrible devastation in the South." The conversation ended. To reiterate, get the force option off the table. The North Koreans with their "sea of fire" and their threats have used this very effectively to get concessions out of us. That game should now be over.

Number two. When you start dealing with the negative aspects of deterrence, it seems to me you have to go beyond deterrence to the positive aspects, and you have to get back to agreements that the North Koreans have made in the past. We want confidence-building measures. We want them as they were spelled out in the two communiqués signed between North Korea and South Korea in 1991 and 1992. Mutual inspection, hotlines, a common power grid, notification of exercises, and drawdown at the troop levels with verification. Most of these were agreed to by the North, and even in the *Pyongyang Times* today there's a piece calling for the reduction of forces down to 100,000 on each side. They've said this for a long time. Of course, there's no verification in their proposal. But the fact is, when you get them to start echoing this, you begin to see opportunities, and we're beginning to hear this theme pop up again and again in their publications.

Number three. You have to get four-party talks going. And it's interesting, in some of the most recent North Korean statements they are claiming that we're backing off on the four-party talks. That's interesting, because they are the ones that have been the dog in the manger on this one. The Chinese have become more positive towards this. The Chinese have always pushed for North-South dialogue. It seems to me that the four-part talks must be pushed, and these must be pushed with a clear idea that they are leading to a full, constructive two-part North-South dialogue. Constructive and contentious, we know that. It's not going to be

easy, there's going to be backing and filling and walkouts and all that, but we've got to get that going again. When I was in Pyongyang in January 1995, Kim Young Sun said to me, "You know these bureaucrats really get in our way. When I took my South Korean counterpart into the back room we talked as Koreans, and we got things done. We got that meeting with Kim Il Sung done." I think the South has quite a different version of that particular event. But in any case, what the North Koreans choose to say and choose to emphasize is rather important because it gives a hint of the direction in which they might move.

Number four. The implementation of the Korea Peninsula Energy Development Organization. We stick with that. We've signed onto it. We're therefore committed. Quite frankly, it was not very skillfully negotiated, but many agreements aren't. But it's on the record and we've got to carry through on it. But we should never relent on full challenge inspections. We have to put them on the defensive. This was part of the agreement from the beginning. We shoved it aside in the agreed framework, and we kicked it down the road. But, nevertheless, I wouldn't ever let a meeting go by when I wouldn't say to them that there is still the suspicion that you have concealed nuclear weapons. The waste sites have never been seen. We know they exist. You really have to open up if we're ever going to have confidence in you. I think you just keep hammering on this. Liaison offices, they said—that's all right. I was in the first liaison office in China. We didn't sell our soul to put that liaison office in there. We didn't give in to the Chinese. We got a great deal out of it. You have to be careful that you don't mislead them as to the reason you're doing it. We've had some very bitter experiences in ambiguous signals to the North Koreans and how they've reacted. I'm sure you've heard again and again Dean Acheson's statement of January 1950 to the National Press Club about drawing the line south of the Korean peninsula. Kim Il Sung, according to Russian archives, took this to heart, decided, and told Stalin, "We can take South Korea in three weeks and the Americans won't intervene." He was wrong. Four million Koreans died, 55,000 Americans, half a million Chinese. We can't afford ambiguous signals to them. It's important to be straight.

A unilateral move, as President Carter wanted to do in seeking peace in 1976–77, believing the best of humanity, and deciding that cutting the American troop levels in South Korea would bring about a response from the North, caused the opposite. The director of Central Intelligence delivered the message to President Carter just before he left government in 1978 that the combined intelligence estimates were that the North Koreans had increased their troop strength by 150,000 as we considered withdrawing. It was the wrong signal.

So in implementation of KEDO, be careful about your signals. The liaison office doesn't really give much away. We also ought to lift commercial restrictions that are imposed on them. We want to help American business. North Korea is in a terrible mess economically. Some of the horror stories of them coming over and trying to sell magnesite to us, and the convoluted arrangements that we make, are not reassuring. And the bitter arguments they have among themselves about whether they should deliver on magnesite, because the politicals say—promise it. The technical people say—you can't do it. We don't have the equipment. We don't have the roads. We've promised it to the Indians. It's then a fight. The political people won, but we never got as much magnesite as we ordered.

And, finally, I think it's important that we tackle the problem of North Korea's economic reform. We cannot really influence their political system. It's George Orwell, it's Nuremberg 1936, it's the cult of personality of the cultural revolution in China, and it's partially a Midwestern marching band. It's a mix of strange slogans, right out of *1984*: freedom is

slavery, love is hate. It's a different world, it's their political world, and I suppose we've got to let them have it. What we have to work on is the economic part. We take the military option off the table. We let them have their own sick, obnoxious political system, and we get to work on the economics of it. There you focus right on agriculture. And the people that know agriculture and can make it move from collectivization to the individual responsibility system is their close neighbor—the Chinese. They did it 1978; they had a successful harvest in 1984, in fact, the largest harvest in history. The North Koreans have problems of deforestation, chemical fertilizer, poor irrigation, very poor damming systems. They are farming marginal lands up the hills without taking care of erosion, and they're living with the consequences now. I'm sure the Chinese could give them good advice on this. This is the key. It's not going to happen tomorrow. The Chinese will tell you that North Koreans pay no attention to them. You don't just throw food down the black hole of North Korea, or let them build these obscene mausoleums to Kim Il Sung with \$100 million. You try to build basic reforms.

In the industrial field, you've got to begin to make inroads. A good place to start is textiles. Textiles is where the developing countries have climbed up the ladder from import substitution to export promotion to technology intensive. The North Koreans have a textile industry. They even export textiles to Japan. The Russians helped them build it. The Russians, bad as they are, are willing to come back and help them again. Daewoo has a small plant in the Nampo area, outside of Rajin Sonbong. Some South Koreans are even going beyond textiles. It seems to me that this is an area where the North Koreans can naturally contribute—cheap labor, workforce, facilities, and they've got the machinery—they have to be modernized, and move up scale. Textiles now, Reebok, Nike shoes in five years. It's also important that the Japanese come into this in a major way. What the Japanese government and the Japanese business community can now begin to focus on is the potentialities of mutually beneficial economic cooperation in a united Korea, not on the problems that must be avoided or resolved if such cooperation is going to bear fruit. The Japanese business and financial community may also be well placed to participate in the major infrastructural development projects that could draw together the economies of North Korea, China, and Russia. The power grid between North and South, the developing of the roads are crucial.

There are ways that you can get things done in North Korea. We're going through a fairly difficult period right now. We've gone through difficult periods in the past. We're beginning to see some signs that they're working themselves into some sort of a different posture. Certainly, Kim Il Sung, for the first time in 1993, recognized that they were an economic failure. He gave priority to trade, light industry, and agriculture as the areas they should focus on—for three years, of course. But, that could become part of the permanent change in North Korea. There are people—Kim Dal Yon—who seemed to understand. He was prominent in our negotiations early on. He came into Seoul, he saw what was happening. Unfortunately, right now, he seems to be in the boondocks, but he's still alive. Some other people have suffered a more grim fate for their miscalculations. It is very dangerous—we have 37,000 American troops, they have these missiles, they have the capability to cause horrible damage. Yet we know that in the economic field, that the light must be breaking through. The Chinese say, we say, you focus on the things that you can get done, and you try to set aside some of your differences.

Questions and Answers

My first question is regarding U.S. troop withdrawal. During the 1992 high-level talks between North Korea and the United States, Kim Il Sung was reported to say that U.S. troops must not withdraw from the Korean peninsula because the U.S. and Korea have to prepare for some kind of possible threat from Japan. That comment flabbergasted the U.S. representative, so I'm wondering if it's true or not. And my second question is, you said North Korea's negotiating style is a well-calculated strategy. If so, how can you explain North Korea's action in April of this year, when we held a general election in South Korea? North Korea took some kind of offensive measure along the DMZ, which helped South Korea's ruling party lead in the parliamentary election. So how can we explain that kind of action? And my third question is about the current situation between North Korea and South Korea. I fully agree with your proposal of how to make the Korean peninsula more stable and peaceful. But the current situation is getting worse, and serious. What is your personal opinion of South Korea's initiative? You are reported to say that even if South Korea is fully mature, it will be difficult for it to achieve reunification of the Korean peninsula because of the China and Japan factor. But I don't think China and Japan are very supportive of reunification, so I'd like your opinion about China and Japan's direction regarding this.

Kim Young Sun says a lot of things. It has been the policy line of the North Koreans to get the American troops out of South Korea. I don't think anything that Kim Young Sun says will change that. He may use it for tactical purposes. He certainly, in my conversations with him, is always trying to stick it to the Japanese and make common cause with us. He could very easily make some breezy comment like this. This doesn't commit anybody to anything. But that they are firmly committed to the American troops leaving—that is true. Given that statement, there are North Koreans who feel that, as their situation deteriorates, the American troops in South Korea do form a holding action on South Korea, and they take advantage of that. I mean, their minds go in very peculiar ways, and they always see Team Spirit, Foal Eagle, as offensive operations—which they are not. They see it that way, and I think they believe it. I got a call from Ho Jung, after we resumed Team Spirit, and he was obviously reading from a paper for fifteen minutes on the phone, and it was all about we have to go to general mobilization, and we have to be prepared for war, and on and on he went. It strikes me that you have to sort out what games they're playing at the particular moment, and what they're trying to achieve politically. If they're buttering up an American, and they want to give him a sense that they aren't as hard-line on troop withdrawal, it's perfectly within the line that he would say that. He may have said that to one of our party, and I just didn't hear it. I just wouldn't take it very seriously, because their policy is to get us out of there. The Chinese fired missiles at Taiwan during its election in April, and Lee's vote went up probably 5 percent. It had the exact opposite reaction, but it did curb Taiwan independence. I'm sure you know this, but their policy is to carry out the unification of Korea by whatever means they can. And I think the submarine intrusion falls right into that category. Actions on the DMZ, they've always tried those. They've tried to make the South Koreans nervous. They've always tried to have their presence known. But when they really use it, you get the Yonsei riots. Now that was an operation; that was something designed to cause real disorder in the South. Again, it backfired. I'm not saying their tactics will always succeed, but there's a cunning in what they do. And they were able to force the South

Koreans to take pretty strong action against the students. They were hoping that this would cause a reaction such as happened in June of 1987, that the people would join the students—because the military would overplay its hand, or the police would. That didn't happen. But I think their calculations were that it would happen. The North stresses that the South has no role to play on the DMZ. We will only deal with the Americans, because the South is the puppet of the Americans. If we intrude on the DMZ, it's not your business. We'll talk to the Americans on the problem. And they could have forced the Americans to do that—they did in the helicopter incident. And there was a strong feeling among certain Americans in the U.S. government that we deal with them directly. And they came fairly close to succeeding. Luckily, wiser heads prevailed, and we pulled back. Japan and China on Korean reunification—they probably don't want it in the short term. It doesn't make sense to China. That's what they fought the Korean War about. They do not want a unified Korea, under Seoul, allied to the United States. This is territory on the borders of China which is essential to its security. The same was true in Vietnam. They could not tolerate a unified Vietnam under Saigon, allied to the United States. They cannot accept a Tibet backed by India. They cannot accept Taiwan with a defense treaty with the United States. They see as a challenge a unified Korea on the borders of Manchuria, which is one of their most troubled areas, where unemployment is probably up around 20 percent, struggling with these dinosaur state-owned enterprises. And sixty-four million tough Koreans looking right down their throat, with maybe two million more in Manchuria, in the Yenbien area, makes the Chinese uncomfortable. It's better to have a despotic, socialist buffer zone for an indefinite period, until you negotiate enough leverage in South Korea that you can offset the American influence. Then you will see the Chinese perhaps moving more positively to unification. They've said clearly, in a number of meetings that I've been at, and they've said it publicly recently: North Korea will not collapse. Japan for its part can support infrastructure projects, where they bring their huge financial and engineering and manufacturing talent into this and gradually move towards, let's say, not a soft landing, but the disappearance of North Korea into a single Korea over time.

What is South Korea's role in reunification?

Their role is the major role. I mean, there was much more progress made between North and South Korea between 1991 and 1992, when South Korea took the leading role. And America deliberately put itself in the supporting role. And that's when you saw the breakthroughs. And yes, we gave advice to our South Korean friends. We certainly pushed for abolishing reprocessing, to be put in the denuclearization agreements, and both sides eventually agreed to that. I think that was positive. But the people who took the lead on it were the others in the South Korean government. And I think it's important to reestablish that as soon as possible.

As you mentioned, close cooperation between the ROK and the U.S. is a key element in preventing North Korea from making any miscalculation. However, it is reported that there is discord and misunderstanding between the two surrounding food aid policy to North Korea. Since North Korea is such an unpredictable regime, it is feared that the U.S. contacts with the North might give the wrong signal to them. So, I presume that the ROK-U.S. consultation mechanism should be further strengthened. In this regard, could you give some recommendations for a desirable relationship between the ROK and the United States? During your tenure of office in Seoul, what were the main stumbling blocks to deepening the bilateral friendship?

People I've talked with on the policy side of defense certainly understand that problem. And one of them told me, and he's in an influential position in defense, that getting the South Korean relationship back on track is the first order of business of the new Clinton administration. We've let it slide. It was quite an admission on his part, because a lot of people are defensive about this. They say things have never been better. I don't know what you're talking about. Why are you trying to make trouble by raising these things? But when they talk frankly with you, they say—yes, things have gone bad, and it's very important that we turn this around. One of the problems is that you do change foreign ministers a lot. There were three while I was there, and four defense ministers. Not that this changes your policy. I've liked every South Korean foreign minister I've dealt with, but it does cause a certain gap. I mean, certainly we had gotten to know Chie Kwang Soo very well, and we felt that we really were on the same wavelength. And then one day he wasn't there. And the next man came in, a very effective man, but it takes time, it takes months to build up the kind of trust and importance. I think Ambassador Laney's done a lot of good work on this. He's worked very hard on it. I won't speak for the Koreans, but they seem to have a good impression of him. And certainly, we've had a good impression of your ambassadors in the United States. They've changed quite frequently again, but when I think of the highest caliber people you sent there, like Kim Kyung-wan and Park Gun-woo, people like this, we really saw that we could talk to somebody who understood what we were saying and reflected it accurately back to Seoul. I think another confusing thing in the Korean situation is built into the American side, because you do have a unique situation, which really doesn't happen anywhere else in the world. You have a commander in chief and an ambassador. And the commander in chief with direct lines to the defense department through the secretary of defense to the president. And some people say it's creative tension. Maybe that's so. I find it also often troublesome. During the Kwang-ju riots in the Chun Doo-huan suppression, there were some mixed signals being given from the American side. And this confused Koreans. I would be in favor of unifying the American side in Korea as soon as we can. It's hard for us to do, believe me. We have built-in bureaucratic institutions of our own, which are sometimes unshakable. I remember when I tried to move the golf course from downtown Seoul out to, what was it—Sung Hon? That took three and a half years, plus the intervention of the president of the United States. I have the greatest respect for our military. They're great people, but they have their own institutions, their loyalties. And have somewhat of a different approach sometimes.

When the original ruler of North Korea died, his son took over. If he were to pass on, by fair means or foul, would there be conflict over a successor? Would they choose someone of a more moderate nature? Second, if you would please discuss the whole reactor situation, wherein South Korea is to supply a pressurized water reactor, or maybe it's two of them. Although the fuel can be reprocessed, I know there is plutonium in this fuel; presumably we will feel that it will be a safer and gentler world.

Churchill once described the Soviet Union as “a riddle wrapped in a mystery inside an enigma.” It looks to us like North Korea is going through a crisis of confidence. The cult of personality for Kim Il Sung is stronger than ever. This is calculated, because obviously there are many indications that North Koreans know that Kim Jong Il, for all the old man's faults, is no Kim Il Sung, to paraphrase Lloyd Bentsen. It's important at this stage that Kim Jong Il be there for the legitimacy of the regime. There's no other legitimacy, except naked power.

This comes from the God King, and it's given to the anointed heir apparent. And if you go with the God King concept, which most of them do as they don't know anything else—if he says junior is the new dear leader, and then becomes the new great leader, so be it. And it's important to the guys that are actually running Korea that junior have this air of legitimacy from the God King to him, so he's useful to them at this point.

You start counting the mourning period when the old man dies, that's the first year. The second year is in 1995, and the third year is in 1996, and that's three years of mourning. And the Chinese went to them and said—you told us in 1995 that mourning would end in 1996, in the third year. It's now '96 and a half. What happened? Well, the North Koreans said, we changed our mind. This is filial piety, this is the deep feelings of the son for the father. You gave us the concept of filial piety, we're merely practicing what you preach. And if this young son is so carried away by the love of his father that he can't come out, then so be it. The other factor may be that he might fall on the floor and start scratching under his arms. I mean, I think that there's a real problem in programming him to appear on the world stage if he becomes their leader. And certainly we get all these cameo performances in their papers and television all the time. Where everything is very carefully structured about his appearances. And the few people that have met him, at least the ones that I've talked to, say there's a problem—the eye movements, the body movements, the very quick mind that has sort of an erratic quality that is rather unnerving. This is Russians who have met him, Italians who have met him, Koreans who have met him, and of course the famous movie couple wrote a great deal about him. And it's unnerving.

It seems to me that once they get through the mourning period Kim Jong Il has to get his legitimacy by delivering. The old man didn't have to deliver; Jong Il does. And if you have this terrible situation, where the economy is collapsing and people aren't getting enough to eat, he's got to get them out of it. And he's somehow got to become a beacon to rally the people to pull them out of what they're in. But it seems that once they're able to make the hard decisions it's still very hard for them, because it's sort of a zero-sum, Catch-22. If you want to survive, you've got to reform. If you reform, you aren't going to survive. What are you going to do in this case? You're going to muddle through and you're going to try to take Rajin Sonbong, 700 square kilometers, and build a high-wire fence around it and have people come in and develop it. This is not a special economic zone like they have in China? Now they are trying to, as the Chinese say, cross the river by feeling the stones. They're beginning to try to work themselves out in an erratic way, to get themselves out of this gridlock that they're in. And he's critical to them at this point. He's probably more important to them behind the scenes. Because if they surface him, it's high-risk stuff. And they may, by next year, reprogram him. I don't know, put a chip in his head or whatever they do that programs people to get somebody out, or perhaps get a double, or do whatever it is to make this thing salable. But right now, I don't think they have something they can put together to make it work.

The reactors—light water reactors produce less plutonium (or the high energy fuel) than the graphite reactors. I think this is fairly well established. It does undercut our whole counterproliferation regime, though. It puts us in a difficult position, to try and stop the sales to Iran, for instance. We've kicked it down the road and this is going to haunt us. It's not going to go away. You're hooked into this 500,000 tons of oil, and they're spending their hundreds of millions of dollars on hotels with elevators that don't work and stadiums that nobody goes to see, or roads that go nowhere, for victories in a Korean War, which they lost. And all these things go on and on. And the remittances from Japan—my friend, Nick

Eberstadt, thinks it's less, but the general assumption is it's around \$500 million a year. If they took that, it would pretty much take care of their food problem. So, we're reacting to them. I do not go along with the idea of humanitarian aid without conditions. I took this position in the Senate Foreign Relations Committee, and there were about five witnesses, and most of them were against me. But, unfortunately for them, it was the day after the submarine went in. And the argument was won, not because I was so persuasive, but because the North Koreans got caught. And there was less inclination to do it. The nuclear problem, the light water reactors, the money that goes into this, is not a good deal. But I don't think we have any choice but to pursue it. The best operation we have, by the way, is Steve Bosworth and company on KEDO. They are competent people, and Steve has done a good job under very difficult circumstances.

In the discussions regarding the Comprehensive Test Ban Treaty, no one seems awfully concerned about the fact that North Korea is hardly mentioned, and the State Department actually declared that North Korea was a non-issue with regard to the Test Ban Treaty. Given that the international monitoring system that they suggested can hardly detect all forms of nuclear testing and that North Korea is still capable of maybe developing weapons in the future, and considering, as you said before, that North Korea is the greatest threat to regional security in Asia, how can the State Department take that stance?

There are lots of good people who think that you get things done by being nice to other people. I think President Carter is of this persuasion. And if you look at his track record, he's done some pretty good things; and also, I think, some fairly dangerous things. Certainly, he was instrumental in defusing the situation in Haiti. He had a certain role in North Korea, which infuriated the White House, but which nevertheless may have contributed to Kim Il Sung's death—I don't know. But there's a feeling, among certain circles in the United States and in the government, that North Korea is through. That we're never going to have to carry out this agreement, because they're going to be gone. And therefore, we can make these allowances for North Korea because they're finished. Since they are so proud and difficult, why antagonize them with a kind of gratuitous insult, since Kim Il Sung said we have no nuclear weapons. Are you calling the great leader a liar? So, the easiest thing to do is to sort of push North Korea aside, and say it's a non-issue. And get on with the serious issues of what Iran is doing or what Pakistan is doing, or what is happening in the former Soviet Union, who's smuggling the stuff out to Libya. These kinds of things we've got to focus on.

And it's important to stress that the agreed framework was a major foreign policy success, and it works, and there's a bit of that in there too. And if people run around saying well, they may blow off a bomb or they may do something, then the agreement framework didn't work. So there's probably a complex of reasons why these things are said. Again, we get into the sort of contradictions in what we do—because, as I pointed out, Nick Eberstadt, my colleague at AEI, thinks that what we're doing is prolonging the life of the North Korean regime by the agreed framework. They've made it quite clear that they have violated the basic rules of civilization and that a better arrangement is for them to join their brothers in the South, in a minority role of some kind, and then they will rejoin the world and their country will be developed, as it was before they took over. When North Korea established a Stalinist regime in 1945 under Kim Il Sung, who as you know was put in by the Russians, after the Korean War to about the mid-1960s they were doing pretty well. They were outstripping South Korea in many different areas. They almost got South Korea in 1950 at

the Naktong River. And it's infuriating and frustrating for them to have this happen, and what can they do? What's left to them? Almost nothing but military means. And if the West seems at all gullible, or anxious for a victory, or careless in its interpretation of events, then take advantage of it. And then keep doing what we have to do to survive and to carry out our sacred mission of liberating South Korea. I think that's part of it.

Japanese Colonialism in Korea: A Comparative Perspective

Bruce Cumings

I prepared a talk for Stanford some months ago, when I was invited. I thought I would talk about a paper that will be published in a book of essays that I'm doing on East Asia, generally, and would come out in about a year. For those of you who don't know Korea intimately, and Korean history, one of the things that is remarkable about Korea is the way in which the colonial experience with Japan continues to play upon Korean minds and Korean history in this century. I began this particular paper with a first draft for a panel at the American Political Science Association, in response to another paper, by Atul Kohli of Princeton, in a journal called *World Development*. Professor Kohli had argued that however exploitative the Japanese might have been in Korea, they were nonetheless also developmental, and the combination of exploitation and development made Japanese imperialism different than other varieties of imperialism, for example the Dutch in Indonesia, who didn't really leave much at all for the post-colonial regime in Indonesia. This particular paper in *World Development* is now part of a debate. Stephan Haggard, David Kang, and Steven Moon have done a joint paper criticizing Professor Kohli for arguing that Korean development should be understood in terms of the full run of the twentieth century, not just in the last few decades, and through almost fifty years of Japanese colonialism.

What I want to do tonight is to agree with Professor Kohli in one respect and disagree with him in several others, and also disagree with Professor Haggard and his colleagues. What I want to agree with is that to understand Korea's success as an industrial power does require a longer frame of reference than to begin, as so many specialists do, in 1960, when Korea had a \$100 per capita income, and then bring the story up to the present. When you look at things only from the 1960s forward, then you have to focus on a policy package that was developed at that time that led to export-led growth over the next twenty or thirty years. The argument is really that there was some sort of "big bang" around 1961, '62, '63, when

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Koreans finally got their prices right, and their plans right, and their won-dollar exchange rates right, and then all of a sudden they began exporting. I think that's too facile an explanation of South Korean development, and I do think we need a longer view. On the other hand, to argue that Japan developed Korea, without placing much more emphasis on the repression and exploitation and really deep violence that Japan did in Korea—not only in the course of the hell-bent-for-leather industrial program of the 1930s, but also just in terms of what they did to the Korean people en masse, is really to get things very wrong. So, what I did in the paper was to discuss Korea alongside Taiwan as another test case of Japanese imperialism, and then look at Vietnam as a test case, so to speak, of French imperialism.

The original panel for which I did this paper was called “Colonial Legacies” in the economic and political development of various countries, including African, Middle East, and East Asian countries. And I began by asking what is a colonial legacy and why is colonial history such a neuralgic point in East Asia even today. My definition of a colony is that it is one way of organizing territorial space in the modern world system; one that obliterated political sovereignty and oriented the colonial economy toward monopoly controls and monopoly profits, even if that was done differently by various imperial powers. I take a legacy to be something that appears to be a follow-on to the different historical experiences of colonialism. A legacy can be good, bad, or indifferent. The legacy of rich parents to their children might be seen as good; an alumni legacy to an entering freshman fraternity class bad; and a railroad running from Hanoi to Saigon neutral, good, or bad, depending on your point of view. As it happens, the comparative points of view of Korea, Taiwan, and Vietnam are very different and offer much food for thought about nationalism and colonial resistance, development and modernity.

What I want to look at is not so much colonial legacies as the utility of those legacies in explaining the postwar growth of Taiwan, Korea, and even, in a curious way, Japan itself. And then to examine the virtual opposite in Vietnam, namely the thirty years of war and revolution that was the prime postcolonial legacy of the French after 1945. The nationalist point of view, well represented in Korea, is that there's no such thing as a good colonial legacy, and therefore the contribution of Japanese imperialism to growth was zero, really minus zero. Korean historiography, whether in the South or the North, sees anything good or useful deriving from Japanese imperialism as incidental to the ruthless pursuit of Japanese interests. Even if a railroad from Pusan to Sinuiju is useful, a railroad built by Koreans, for Koreans, would have been better. The rail system, for example, would not have connected Pusan in the southeast to Sinuiju in the northeast on a diagonal route leading into Manchuria, had it been built by Koreans. Furthermore, Koreans think, were it not for the Japanese, a native railway system would still have been built. And indeed, native railway systems had been built on a smaller scale before the Japanese colonized Korea. In other words, Koreans assume that Japan aborted their drive for modernity rather than merely distorting it, in the course of fifty years of colonial rule. Taiwanese, on the other hand, have tended to look upon their colonial experience with Japan in a different way, as a reasonably happy and efficacious interlude between ineffectual Qing dynasty rule and, at least in the initial period after the late 1940s, rapacious and exploitative Chinese Nationalist rule. Douglas Mendel, for example, a political scientist, in his book in 1970 (*The Politics of Formosan Nationalism*), found nostalgia for the Japanese era at every turn in Taiwan. Japan held Taiwan longer than any of its other colonies, from 1895 to 1945, so the question is, did Japan do something here that it did not do in Korea, or did it do the same thing with a very different outcome—a very different native response? The French took a long time to colonize Vietnam, from 1856 to

1885, and then held onto it until 1945. There followed, as I said, a thirty-years' war. At the end of that war, in 1975, Vietnam was one of the most impoverished nations in the world. Meanwhile, South Korea, North Korea, and Taiwan, at least in the mid-1970s, were all success stories of economic development; according to the CIA's published information in the mid-1970s, per capita GNP in South and North Korea was about the same at that time, even if it diverged later on, and Taiwan was higher than both Koreas. Today, Vietnamese planners look to South Korea and Taiwan as models of export-led development.

So, did this different outcome have anything to do with the nature of French imperialism as contrasted with Japanese, or did the thirty-years war after 1945 bequeath a backward economy? Those are the questions I set out for myself in doing this paper. I want to argue that the differing colonial experiences of these three nations did make a big difference, if not *the* difference in their postwar development. It's a complex argument, however, and also a difficult one to make, because the argument is all in the nuances. I'll get to some of those nuances in a minute, but I don't want to be understood as saying that the Japanese ever did anything for Korea out of the goodness of their hearts. Whatever benefit might have come to Korea in the form of a railroad or something like that, it was always done from the standpoint of imperial interests. But, I do want to argue that Japanese imperialism in Taiwan and Korea was different from French imperialism in Vietnam. Taiwan and Korea got the same type of imperialism with very different results, and I think that's because both of them had different precolonial experiences.

I also want to make the point that Korea, as I argue in the paper, was a nation and a society with a long and continuous history, a well-recognized and understood history, within the same national boundaries. Taiwan was an island and a distant administrative department of the old Qing dynasty, and was not a nation, but just part of a nation. And I think that made a great deal of difference in the different responses of the Koreans and the Taiwanese to Japanese rule.

The Modern and the Colonial

Now, if we think about the modern and the colonial, what is modern in colonialism and what isn't? And where do Taiwan, Vietnam, and Korea sit on certain scales of modernity at the onset of imperialism around the turn of the century, or a little bit before? Vietnam was purely agrarian. Taiwan had a mini spurt of development in 1885–91, followed by a four-year lapse, and then, of course, in 1895, absorption by Japan. Korea, however, had begun to modernize on the usual indexes in the 1880s, with mixed results by 1905, when Japan began its protectorate, but certainly with more progress than was to be found in Taiwan or Vietnam. Just to give you one example of this, I happened to find a few years ago in the library a book by an American named Angus Hamilton, who visited Korea in 1904. Korea, to him, was a land of exceptional beauty, and Seoul, a city much superior to Beijing. And I'm quoting him now, "The streets of Seoul are magnificent, spacious, clean, admirably made and well-drained. The narrow, dirty lanes have been widened, gutters have been covered, roadways broadened. Seoul is within measurable distance of becoming the highest, most interesting, and cleanest city in the East." (Foreigners were always concerned about cleanliness in their various travels at the turn of the century.) There was, for Angus Hamilton, no question of the superiority of Korean living conditions, both urban and rural, to those of

China, if not Japan. "Seoul," he wrote, "was the first city in East Asia to have electricity, trolley cars, water, telephone, and telegraph systems all at the same time." Most of these systems were installed and run by Americans. The Seoul Electric Light Company, the Seoul Electric Trolley Company, the Seoul Fresh Spring Water Company, were all American firms. At the turn of the century Korean imports from the U.S. included Standard Oil Company kerosene, Richmond Gem cigarettes, California fruit and wine, Eagle Brand milk, Armour canned meats, Crosse and Blackwell canned foods, and so on. Hamilton concluded that the period since the opening of the country in the 1870s had afforded Koreans countless opportunities to select for themselves such institutions as may be calculated to promote their own welfare. This is powerful evidence supporting the Korean claim that their route to modernity was not facilitated by Japan, but derailed and hijacked. Still, note the indexes that the American Hamilton chooses to highlight: electricity, telephones, trolleys, schools, consumption of American exports, and cleanliness. If we find that Japan brought similar facilities to Seoul and Taipei, do we place them on the ledger of colonialism or modernization? The Korean answer is colonialism; the Japanese and Taiwanese answer is modernization.

Timothy Mitchell, in a book on British imperialism in Egypt, has a better answer to this question. Mitchell, in his book, wants to "address the place of colonialism in the critique of modernity. Colonizing refers not simply to the establishing of a European presence, but also to the spread of a political order that inscribes in the social world a new conception of space, new forms of personhood, and new means of manufacturing the experience of the real." Professor Mitchell examines British colonialism in Egypt as a matter of "restrictive exterior power giving way to the internal productive power demanded by modernity." This is a discipline that produces the organized power of armies, schools, and factories, and above all the modern individual himself or herself, "constructed as an isolated, disciplined, receptive and industrious political subject." There's much more to be said here, but if we put things this way, then Japanese rule in Taiwan and Korea looks rather different.

The national discourses of Taiwan and Korea in regard to Japanese imperialism cannot tell us what's wrong with the precise timing of the factory punch-clock, or the railway timetable, or the policeman's neighborhood beat. They just differ over the auspices of their introduction to Taiwan or Korea, and their effects on national sovereignty. Every political entity that I've just mentioned, Taiwan and Korea, but above all Japan, put its citizens through a regimen of public education and discipline that seemed perfectly designed to develop the industrious political subject, with the vices of self-surveillance and repression that Mitchell analyzed for British Egypt.

Now, when we turn to Vietnam, we find nothing good to enter on either the imperial or the modernization ledger. The literature of anti-colonialism (the literature of colonialism is a literature of anti-colonialism) is written by Vietnamese who shout themselves hoarse over French exploitation. The French literature almost always takes to task the French colonization project (that is, it is an anti-colonial literature, too), and the industrious political subject never appears. French education was more likely to create the industrious political rebel, otherwise known as people like Ho Chi Minh. The French were not late-coming colonizers in Indochina, tying the colonies to a regional industrialization effort as the Japanese did; somewhat like the Portuguese in Africa, or other colonizers, they preferred to spend comparatively little money—just enough to keep the colonial settlers happy, the rice, rubber, and tin flowing, and the natives pacified.

When we make this comparison with the French in Indochina, I think we see the undeniable legacy and the irony of Japanese colonialism. They were imperialists. They were modernizers. They were every bit as interested as a Frederick Taylor in laying an industrial grid and disciplining, training, and surveilling the workforce. Above all, I think it's fair to say that the Japanese imposed the same modern project on themselves, during and after the 1880s, late in world time, with all the attendant uprootings, distortions, self-disciplines and self-negations, fractured outcomes, and moth-toward-a-flame terrors that marked modern Japanese history, and still play upon the Japanese national psyche.

Korea

Korea was Japan's most important colony, and also its most recalcitrant colony. Among Koreans, North and South, the mere mention of the idea that Japan somehow modernized Korea calls forth indignant denials, raw emotions, and the imminent sense of mayhem having just been, or just about to be, committed. For the foreigner, I know from my own work, even the most extensive cataloguing of Japanese atrocities will pale beside the bare mention of anything positive and lasting that might have emerged from the colonial period. This critical difference between Korea and Taiwan, as I said, begins really with Korea's millennium-long history of continuous and independent existence on its territory.

During the colonial period, however, Korea evinced a pattern that we see around the globe in the twentieth century, which is one of development and underdevelopment going hand in hand. As I've written before, primarily in my first book in 1981, it's that combination of distension and expansion of certain elements of Korean social classes, like the working class, for example, and the suppression of others, like an entrepreneurial or business class, that is the key in my view to the resulting postwar turmoil and civil strife in the 1940s. Within five years of the Japanese departure, Japan's imperial effort had left the Taiwanese complaining about Chinese Nationalist carpetbaggers, South Koreans with gnawing hate and respect feelings toward Japan, and a state organized totally as an anti-Japanese entity called North Korea.

Is it possible to find anything in the colonial period that contributed to postwar Korean growth? Clearly, even if you have a railway network that runs diagonally from Pusan to Sinuiju, it's better than having none at all. And in both North and South Korea, the hard facilities that the Japanese built that are so difficult to build in the absence of having them in the first place made an unquestionable contribution to postwar Korean development both in North and South. The heavy industry that the Japanese located in North Korea for their own reasons, connected to their penetration of the mainland, became the industrial base for North Korea's early heavy industrialization effort. It's not widely realized that South Korea had about half of the industry that the Japanese had built in Korea. It tended to be the light industries like textiles, but, of course, textiles were the leading sector of postwar South Korean development. It's also true, I believe, that Jung-En Woo (now Meredith Woo Cumings), in her 1991 book (*Race to the Swift*), analyzed a pattern of state bank and corporate, or *zaibatsu*, financing at preferential rates, as a means to shape industrial development and take advantage of product-cycle advantages in the world market. That pattern began in the 1930s in Korea under Japanese rule, and then became much more indelibly marked in South Korean development in the 1960s and '70s. The pattern of using

state-mediated finance, central-bank-mediated finance, to create out of thin air not only the money, the basic capital for investment, but also the firms themselves, even the entrepreneurs themselves, is a peculiar quality of Japanese and South Korean development.

The evidence is unimpeachable about the industrial growth of Korea in the late '30s, before Pearl Harbor—perhaps before the Sino-Japanese War. Herman Lautensach is a person probably not known to too many of you, but he wrote a very fine geography of Korea, published in German. He toured Korea in the late 1930s, and mapped it. His book was translated into English a few years ago, so I was able to read it. What surprised me was that Lautensach, no apologist for colonialism, was still much impressed by the rapid development of Korea in the late 1930s. Here was an obvious, indeed astonishing, success, even if the development was oriented toward the needs of the empire. Combined with a succession of excellent harvests in 1936, 1937, and 1938, Lautensach wrote about a Korean boom “with the rapid development of all of Korea’s economic capacity, and a certain amount of prosperity beginning to enter even the farmer’s huts.” The northeast corner of Korea, long backward, was according to Lautensach experiencing an upswing unlike any other part of Korea, mainly because of its incorporation into Manchurian trading networks. So there is scattered evidence of even a Korean mini-boom in the 1930s as Japan pushed a heavy industrialization program throughout its northeast Asian imperial sphere.

Nonetheless, at the same time, Koreans were the movable human capital for this industrialization plan—Koreans taken primarily out of southern Korea and put into Japanese factories and mines in Japan, into northern industry in Korea, and into Manchuria, by the hundreds of thousands and even millions. The most dramatic and disgusting element of this human mobilization, of course, were the so-called comfort women, sexual slaves, who were mobilized for the Japanese army during World War II. From Korea, somewhere between 100,000 and 200,000 Korean women participated in this most degraded form of mobilization. But, what is sometimes lost in discussions of that particular episode is that Koreans, particularly people in common walks of life, peasants and workers, were mobilized all over the Japanese imperial sphere by the hundreds of thousands, yielding something like 11 percent of the entire Korean population being located outside of Korea by 1945. So it was an incredible human movement and also the most draconian and dictatorial part of the Japanese imperial era, from 1935 to 1945, when Koreans were forced to give up their names and to worship at Shinto shrines, and where intellectuals and political recalcitrants were put through intense torture and thought reform. The combination of the immense movement of Koreans in service to this war and this industrial effort, combined with this draconian repression, bequeathed to postwar Korea a very deep and completely understandable hatred of what Japan had done in Korea.

Taiwan

In the recent literature on the East Asian newly industrialized countries, much has been made of Taiwan’s manifold differences from South Korea—a less intrusive state, more light industry, less heavy industry, a few big conglomerates, but many more small businesses and family enterprises. Plus, rather continuous export-led development rather than South Korea’s pattern of import substitution, then export-led development, followed by more import substitution. Less nationalism, less hatred of the Japanese. But if this is true of the '60s and

'70s, that being the period of the vaunted "take-off" in Taiwan, it's also been true since the 1920s or the 1930s. Gustav Ranis, for example, one of the leading interpreters and analysts of Taiwan's development, argued that the typically dispersed and rural, smaller character of Taiwan's industrialization effort was a key reason for its quick growth in the '60s. He gives a bunch of reasons for that, but he also points out that this was true throughout the colonial period. Much hoopla accompanied the opening of the Kaohsiung free export zone in 1966. Let me read you something about Kaohsiung during the colonial period. "In the late nineteenth century, Kaohsiung was little more than a sleepy fishing village. By the end of World War I, it had sprouted into the second busiest port in Taiwan, handling more than 40 percent of the island's import and export trade. As the city steadily grew into one of the foremost industrial centers of the island, it flourished as the site of refineries to process imported petroleum." If Taiwan was a fine example of export-led growth after 1960, it was in the colonial period as well. My argument in the paper is really that Taiwan has had a kind of export-led industrial growth throughout its industrial history, going back to the 1920s. If we look at exports as a percent of gross value of production, in 1922 exports were 45 percent of gross value of production; 1929, 46 percent; 1937, almost 50 percent. Hyman Kublin calls the increase in exports during the '20s and '30s literally astounding, but it quickly went higher in the late 1930s. Foodstuffs, particularly sugar, were the most important export of Taiwan in the 1930s. They also retained a dominating position in the 1960s and '70s. Another economist calls Taiwan's exporting in the '60s and '70s a return to normal, as Taiwan came back and reclaimed a place that it had had among exporters in the 1930s.

There are other contrasts between Taiwan and Korea that helped to explain its postwar difference from South Korea. I don't want to dwell on them, but the one that I discuss in the paper is the very different land situation. Taiwan did not have the increasing tenancy that South Korea had, with more and more land being concentrated in the hands of larger landlords, both Japanese and Korean. In Taiwan tenancy was lessened, and land and wealth distribution became more equal between 1931 and 1945 rather than less equal. I think this sort of evidence does demonstrate the leg up that Taiwan had as a result of its reasonably happy—I don't know if happy is the right word, but certainly a kind of imperialism that the Taiwanese people themselves did not resist in the way that the Korean people did.

What about nationalism and resistance to the Japanese in Taiwan? There was hardly any. The Japanese pacified the island within five months, meeting some resistance in the south, but almost none in the north. The primary recalcitrants thereafter were aborigines in the mountains, who remain recalcitrant today, not to colonialism, but to modernity. Even after the massive March 1st movement in Korea, and the equally massive May 4th movement in China in 1919, an observant American traveler noted that some Taiwanese wore Japanese clothes; however, "I can't recall ever having seen a Korean in getas and kimono." "There was a big independence question in Korea," he wrote, "but independence, if it is ever considered at all in Taiwan, is evidently regarded as hopeless, not even worth thinking about." Hyman Kublin, writing in the same period, said that Taiwan was practically devoid of any unrest at the time when Korea and China were full of unrest.

Anyway, quiescent and developing Taiwan nonetheless got the same ubiquitous national police system that Korea got, except that it was instituted in 1898. And here I want to make the point that no one, whether Atul Kohli or anyone else, should ever talk about this Japanese state as a developmental state, pure and simple. Chalmers Johnson popularized the view or the theory of the developmental state, but Professor Johnson never meant it to mean simply a state that tries to develop the economy. He saw it as a particular pattern of East

Asian development growing out of models from continental Europe, emphasizing nationalism, national economy, the nation as the unit of struggle in the world system, in conditions of late industrialization. Be that as it may, when you look at the police networks, the administrative structures that the Japanese built in both Taiwan and Korea, you see a state that did succeed in penetrating and organizing people in an unprecedented fashion, compared to the previous regimes. But you also see something approximating totalitarian control during the colonial period. Here is how Patty Tsurumi described the police after Goto Shimpei, the paradigmatic Japanese colonizer, helped to develop the police system in Taiwan in the late 1890s. "Under Goto, the police became the backbone of regional administration. In addition to regular policing duties, the police supervised the collection of taxes, the enforcement of sanitary measures, works connected with salt, camphor, and opium monopolies, they superintended road and irrigation improvements, introduced new plant specimens to the farmers, and encouraged education and the development of local industries."

Taiwan's Chinese settlers, far from resisting, seemed to appreciate these reforms. Even Sun Yat-sen himself found it difficult to organize on the island. American travelers liked what they saw, too. And here I'm quoting a 1924 book: "Taihoku, otherwise known as Taipei, gives one a queer, almost an uncanny feeling after months in China. For here, all is orderliness in complete contrast to Chinese disorder on the other side of the channel. A Prussian exactness, which Prussia never matched. The Nipponese, it is quickly impressed upon such a visitor, hate any suggestion of irregularity as bitterly as the Chinese seem to love it." This ubiquitous policing structure in Taiwan was erected on top of the traditional Chinese system for local surveillance, the *paojia* system. Ten families formed a *jia* and ten *jia* formed a *pao*. At the end of 1938, for example, there were almost 54,000 *jia* heads, and 5,600-odd *pao* heads. The Japanese, of course, made this system much more efficient. Its functions were as extensive and total as the postwar Chinese Communist and North Korean Communist local *danwei* systems (local committees for control and surveillance). The *paojia* reported births and deaths; recorded and controlled all movements of persons in and out of its area, along with monitoring the conduct of the permanent residents; implemented Japanese health and sanitation regulations; mobilized labor; disseminated information about crop seeds and fertilizer; collected local taxes; and aided the police in every way. This was a Japanese fulfillment of the British project of omnipresent surveillance that the Anglo-Saxons never perfected in Egypt, but that Mitchell saw as their ultimate goal. It's important to understand that what American analysts in the early postwar period saw in Taiwan was a successful Japanese imperial project. Here I'm quoting Barclay's well-known 1954 book on Taiwan: "Taiwan developed into one of the most successful colonial programs in the world. The Japanese rationalized Taiwan's agriculture, established a strong and efficient government, the first the island had ever had, with a shrewd combination of political force and political guile, they imposed strict public order and penetrated every town and village with a structure of organized control." "This was a success," Barclay wrote, "that would satisfy most of the countries striving for modernization today." So, with Korea we get a general verdict of exploitation; and with Taiwan, a general verdict of modernization.

Vietnam

Now, a third of my paper deals with Vietnam, and I'm not going to go into it deeply tonight, except to say that there was a complete contrast in Indochina, in terms of what the French did as colonizers, compared to what the Japanese did in Taiwan and Korea. The French primarily encouraged extractive economic activity. The transportation and communications infrastructure developed accordingly, shaped by the export trade in rice, rubber, tin, and other commodities. Vietnam's extensive riverine landscape made canal building and dredging much more cost effective than the road and railway network that the Japanese built in Korea and Taiwan. Interestingly enough, when the French did build a road and railway network, they essentially engaged in running them in the same direction. That is, you had a sea route going up the east coast of Vietnam, but they also built a highway route up the east coast, and a railroad route. Why did they duplicate their efforts? Well, the French saw Vietnam as a way to penetrate Southern China. That's why they were in Vietnam in the first place, and that's why they developed a fairly irrational railroad and road network, to the extent that they developed them at all. When you look at the way the Japanese exercised imperative coordination from the top down through national police networks, you find nothing of the sort in Vietnam. The French left Vietnamese villages mostly self-sufficient and autonomous, unlike Japanese penetration of the villages. When there was rural disorder, the French relied on periodic punitive military campaigns instead of Japan's practice of continuous presence and surveillance.

Quite unlike Japanese policies in Taiwan, the French inhibited even the most meager forms of small business in Vietnam. Much of the middle-level commerce was in Chinese hands, rice mills and the like. And poor peasant interests, therefore, tended to be directed horizontally rather than vertically, given the general absence of prospects for upward mobility. Jeffrey Paige in his book *Agrarian Revolution* showed definitively that such a political economy has a tendency to promote peasant revolution. It's an important point, but perhaps one that bears no restatement to this audience, given that the Vietnamese themselves punctuated that point with thirty years of war, from 1945 to 1975.

East Asian Development

As I said at the beginning of my talk, in the past twenty or twenty-five years American developmental economists and political scientists have tended to explain East Asian industrial success as the outcome of successive "big bangs." A policy package comes along—Japan's Dodge Plan in 1949, Taiwan's policy packages in 1958–60, and Korea in 1961–63, focusing on comparative advantage, correct pricing, devalued currencies and the like, whereupon export-led miracles are launched. The general tendency is then to develop tables, starting with absurdly biased per capita income or exporting base figures (Japan in 1949, four years after World War II; South Korea in 1953, right after the Korean War; or Taiwan in 1952, after international and civil war—plus massive mainlander influx and carpetbagging from the mainland). Then you show the enormous geometric leaps propelled by each country having accepted the wisdom of neoclassical economic ideas, and thereby economists accomplish the miracle of empirically based self-fulfilling prophecy.

Now, Simon Kuznets is a Nobel laureate and a major malefactor in this kind of work, but he's also more learned and subtle than many garden-variety developmental economists. I really don't want to quote this long extract from Kuznets that I have in my paper. But what he does in the middle of a highly technical article, where he proposes to test all sorts of propositions about Taiwan's economic success, is to pause and to note that "historical proximity also may have played a role." By this, he means the historical proximity of Japan to Taiwan and Korea, with spectacular economic growth from the early '50s to the early '70s. To my surprise, he goes on to argue for a kind of synergy between Taiwan, South Korea, and Japan, all growing—if not at the same starting point, still growing together—and he thinks that this is something that requires more study. I would argue that the same thing was going on in the 1930s under imperial coordination, but I also think that when you look at the regional effort, it becomes very hard, then, to separate out Taiwan, South Korea, or Japan statistically from each other, because they were involved with each other, both in the 1930s and again in the 1960s. In other words, these statements about historical and geographic proximity would seem to render impossible the scientific separation out and measurement of statistics on individual economies and their growth. So, Kuznets can be read to say that regional synergy in Northeast Asia, late industrialization, and inherited institutions (he talks a lot about inherited practices in the region) drove the industrial growth of Taiwan and Korea from the 1930s to the present, thus making it unnecessary to isolate a particular turning point in the late '50s or early '60s when someone finally saw the light at the end of the export-led tunnel.

Conclusion

For those in the audience who are trying to figure out what exactly it is I'm saying about Japanese imperialism, let me reiterate some central points, just so there's no misunderstanding. I'm not making an argument that Japanese imperialism was developmental, or that it even developed Korea or Taiwan. I am making an argument that the French did almost nothing to develop in Vietnam. I'm arguing that repressive controls make a big difference in Japan's case. Various modern forms of coercion were instituted, starting in the late 1890s, as a way to control and discipline colonial populations, and thence to educate them for industrial, commercial, or bureaucratic enterprise. That was characteristic of both quiescent Taiwan and rebellious Korea. Secondly, in the course of imperial exploitation and repression, thought up in Tokyo and imposed on Taiwan and Korea, you nonetheless got a different kind of imperialism than you got in Vietnam under the French, Indonesia under the Dutch, or several different varieties of imperialism in Africa. That is, a system that simultaneously repressed, controlled, and disciplined the local populations, almost on a totalitarian model at least by the 1930s, and you also got a model of rapid industrial growth. Now, what sort of effect did this have in the 1960s when export-led growth began? I would argue that there's a legacy in South Korea of light industry in textiles; and a legacy in North Korea of heavy industry that makes it impossible to understand how well they did, if you don't go back to that period. I also would argue that even if it's hard to build a railroad when you don't have one, as I said earlier, it's also the case that it isn't the owners or the industrialists who build railways. People build railways. It isn't the owners of steel mills who make steel; steel workers make steel. It isn't the owners of textile mills who make textiles; it's people,

workers who make textiles. And when you look at the growth of the Korean blue-collar working class in the 1930s and '40s, you see a fundamental process that was very telescoped and brutal in Korea, a process that is ordinarily much more long-lasting in other countries in the formation of a working class. But it was still Korean workers who built the mills, not Japanese workers or Japanese owners. And that is bound to leave a legacy for the postwar period. It means, for one thing, you have disciplined and trained industrial workers, particularly in North Korea.

Some of you may have read an editorial that I did in *The Nation* this week, where I argued that the labor unrest in Korea today can't be understood in terms of Kim Young Sam passing a bill at 6 a.m. on the day after Christmas. It has to be understood in terms of a Korean labor movement that began in the 1920s, not in the 1980s. In the 1920s the Korean labor movement first began, and fought a number of important strikes and labor actions against the Japanese in the late 1920s and early '30s—with most of the leaders ending up in jail. There then was an enormous labor mobilization under the American Occupation in the 1940s, again, with most of the leaders going to jail. So my argument is that Korean labor and its strength is also a clear legacy of this colonial period.

Above all, as I said earlier, it was the immense shifting of masses of population that makes Korea and the Korean attitude about Japanese imperialism so different from Taiwan. Millions of Koreans ended up in Japan, northern Korea, and Manchuria, in Japanese industries of various sorts. Anybody want to take a guess at how many Taiwanese there were in Japan in 1945? It's not a well-known figure, but the figure that I came up with is 35,000—compared to about 2.5 million Koreans. And what that means is that the Japanese just turned Korean society upside down, using Koreans as mobile human capital for their efforts, and that they left Taiwan relatively alone. Certainly to have 35,000 Taiwanese in Japan, hardly any in Korea, and very few in Manchuria makes a very important point on the reason why Taiwan and the Taiwanese may have looked back on the Japanese period at times with some degree of nostalgia. Perhaps this makes a more important point, as relevant today as it was in 1945, that Koreans have enormous grievances for very good reasons, growing out of the history of Japanese imperialism, and even though Korean industrialization can't be understood except in the long run of the twentieth century, it's also the case that they owe nothing, whatsoever, to Japan. The Japanese idea seems still to be that they developed not just Taiwan but also Korea, and the Koreans should be grateful for that. It's quite remarkable to see the difference in the way Japanese leaders will apologize to the Chinese for various crimes and never really, sincerely, reflect on what they did in Korea. It's not only unfortunate, but it plays upon contemporary politics. Germany has understood, it seems to me, it has reflected upon and educated its young people about the crimes of the Nazi era. But it seems to me that Japan hasn't even scratched the surface on the crimes of the imperial era. And when you know that, then you can understand things like South Korea, in recent years, diverting a certain part of its defense budget to prepare for defense against Japan rather than North Korea. That's a bit off my subject, but I did want to argue that when we talk about colonial legacies and colonial development, it's important to look at the whole problem in the round, in fullness, and to do it in a comparative way so that we can understand different outcomes in Taiwan, Korea, and Vietnam.

I wanted to make one more point that I really think I haven't made, and then I'll close and take your questions. I said that for Chalmers Johnson and his ideas of the developmental state, that they really go back to continental European formulations. Friedrich List would be one person in that pedigree giving us the idea of a national economy, and of world-ranging

struggle with nations as the unit of that struggle, in a race for industrialization. I think the central experience of Northeast Asia in this century has not been a realm of industrial independence where autonomy was the goal, or even the outcome, but an enmeshment in another web. Japan colonized its near reaches, in the context of a world economy led first by England and then by the United States. Japan, South Korea, and Taiwan, in the postwar period, industrialized mostly within an American web. North Korea and China defined themselves as outside this web, thereby endowing the web with overriding significance. They structured their states to resist enmeshment in the web, nonetheless endowing it with great significance. In the postwar period Japan, South Korea, and Taiwan have thus been states strong for the struggle to industrialize, but weak because of their web of enmeshment. They're all semi-sovereign states, even today, with American bases on their territory in the case of Japan and South Korea, and with Taiwan still having some sort of surreptitious American security commitment that perhaps we only learned about last March, when President Clinton materialized a couple of aircraft carrier task forces in Taiwan waters. This security element, I think, is another completely unappreciated factor in South Korean, Taiwanese, and Japanese development. But that's another story; it's a story also explaining, in part, post-1960s growth in these countries. I just wanted to point it out tonight rather than talk about it in any depth.

Questions and Answers

As I understood it, you basically saw as the key difference between colonial Korea and Taiwan that Korea had a separate national identity prior to the Japanese arrival and had its own indigenous efforts at industrialization, and they were therefore more rebellious. Is this the primary reason that accounts for later differences in Japanese power?

That's part of it. That's an argument that I think holds up through the 1920s at least. Korea had a long history with Japan, going back to the 1590s when wars were launched against Korean territory by Hideyoshi, followed by 250 years of mutual isolation and considerable enmity. The point I really wanted to make was that Korea is a nation with its own integrity. It was an independent country with a society and a history all its own, a universe all its own. Furthermore, Koreans have often felt themselves superior to Japan, or at least equal within the Chinese sphere, and to be colonized by Japan created something on the order of the problems between Germany and Poland, or England and Ireland—an intense relationship where it was very hard for Koreans to see anything that the Japanese had done for them, and very easy to understand all the things that the Japanese had taken away. That's part of the explanation for Korea's much more rebellious history, vis-à-vis the Japanese, the stronger resistance at the inception, and the rebelliousness in 1919 and thereafter.

The reason I don't want to use that as a full explanation for the differences between Korea and Taiwan is that Korea was treated very differently within the imperial sphere. This is something that was much more obvious in the 1930s and '40s than before. That difference consisted in using masses of the Korean population for Japanese purposes around the imperial realm, especially industrial purposes. The stark difference between how many Koreans there were in Japan, Manchuria, and so on, as compared to the Taiwanese, expresses the deep disordering of Korean society that occurred in that period. I referred to

development and underdevelopment at the beginning of my talk. Americans almost always think just of development. You know, you get your prices right or something, you take off, you start exporting, and there's just uniform progress. Everybody does better. I don't think that's the way capitalism works, I'm much more of a Schumpeterian in that respect. Joseph Schumpeter famously said that capitalism moves forth in waves of creation and destruction. And in the case of Korea, you had the destruction of long-standing, century-standing agrarian relations, and the creation of a new working class, often in the most exploitative conditions where people were worked to the bone and then thrown away. Still, Koreans for the first time are working in industrial circumstances, in factories. These changes happened in Taiwan in a much more controlled, limited way that did not deeply upset Taiwanese society, in the last, say, fifteen years of imperial rule. I don't know which I would say is more important: the first point about Korea having this long history as a separate nation, and Taiwan having no such history; or the effects of the last decade of Japanese rule. But I tend to think it's really the effects of the last decade, from 1935 to '45, that gave you a Taiwan nostalgic for the Japanese period; and Koreans who would really like to strangle the first Japanese they can get their hands on.

Two questions. One's fairly easy. What caused the population movement in Korea? And the second question is, Why are the Japanese not reflective about their behavior in Korea?

The first question is something I have an answer for, but it's a disputed answer. My answer is that the depression in the 1930s created a situation where in the most populous provinces of South Korea you had increased land concentration and a lot of people losing their land, losing rights to tenancy. I wrote that in my first book, and I was gratified to see a fine book appear in 1994, by Edwin Gragart, on the agrarian situation in colonial Korea, that essentially, in much greater detail, said the same thing. At any rate, increased tenancy created a surplus population that could then be moved into Japan for work in industry or in the mines, or attracted into northern industry where wages were higher, or mobilized to Manchuria. And I see no such situation in Taiwan. As I said, in Taiwan tenancy actually declined, the concentration of land declined. So the dovetailing of an agrarian crisis with population mobilization in Korea, and the absence of real agrarian crisis and the absence of mobilization in Taiwan, I think here would be the main difference.

Why are the Japanese less reflective on their history in Korea? It's a very good question, and I don't want to begin by saying that the Japanese have racist views of Koreans, but they do have a Korean minority in Japan that was created by this same prewar diaspora, a minority that has long been subjected to an apartheid-like condition, denial of civil rights and so on, an oppressed population somewhere between 600,000 to 700,000 strong. And having that be the largest minority in Japan, generally poor people from the start, well, in typical fashion the avenues of upward mobility are often only through criminal or marginal activities. So, for example, the *pachinko* parlors all over the country often turn out to be owned by Koreans in Japan. You get a situation in Japan similar to American ghettos, where people develop prejudices because they don't know what they're dealing with. And that is one reason that prejudices against Koreans remain alive in Japan, long after the end of the colonial period. But there's also something that I think is harder to describe, and more subtle, which is the intensity of Japanese and Korean relations, the coterminous and proximate nature of their initial modernization efforts. Japan, of course, was much more successful, but Korea was thinking along the same lines. It was beginning to try to find an

autonomous path to become a modern nation in the 1880s. I think a lot of Koreans believe that because of a certain kind of Western imperial inattention to Japan as compared to China or Korea, Japan got off the mark quicker—got a leg up on Korea. In my view it is that head start that explains the difference between modern Japanese success and Korea's problems in the twentieth century. And it may be that in the twenty-first century, Koreans will finally make up that gap that the Japanese first began with after 1868. In any case, I think I'll just leave this question by saying that to understand Japanese-Korean relations, you need to understand similarly intense, conflictual, cheek-by-jowl situations elsewhere around the world: Ireland and England, Germany and Poland, maybe even Israel and Palestine—the Israeli-Arab conflict. That is how deep the conflict between Korea and Japan is.

One observation and two questions. The observation is that if you ever come back to this subject, I think it would be interesting to add the legacy of Manchuria in China's subsequent economic development. I know you have spent a great amount of time on that and I think it might reinforce some of your underlying arguments.

That, actually, is part of the book that I've been working on for some time, to look at what was in fact a well-integrated industrial grid running from Northern Korea into Manchuria, and then to look at how that skewed North Korean and Chinese industrial development after the war.

Now the question. In your analysis of the economic development trend of Taiwan and Korea, I wonder whether you could comment on two facets that you didn't touch on. First, commercialization of agriculture: Were there any differences between the two that you talked about? Landholding alone, that doesn't necessarily tell us about commercialization and its subsequent consequences. And then, second, the differences in the patterns of foreign trade. Aggregate trade, and the direction of trade. Because I would have thought that a key facet of Korea in this time period was its increasing contact with Manchuria. And then, one has to ask—what are the consequences for South and North?

To take the second part of the question first, there's no question that you have an integrated industrial operation beginning in Japan and moving through Korea and up into Manchuria after 1931, and up through World War II. When that is severed in three different chunks—Korea is divided into North and South, the Yalu River becomes a key separation between North Korea and initially, Nationalist China, and then later on, Communist China or northeast China, in the late 1940s. When that happens, it therefore makes impossible a statistical comparison between what happened under the Japanese and what happened thereafter. It's just impossible. You can only look at things like steel mills, railway systems, or port facilities, to argue that there was any benefit. And the truncation of the economy was so drastic that I know the North Koreans believe that they started from scratch. They will argue they started just from scratch, and that whatever facilities the Japanese left were merely incidental to their industrial growth thereafter. But that's still a big difference with Taiwan. Taiwan did have a problem of shifting leaderships, first the Japanese, then natives, and then the incoming Nationalists. But their economy and its trading patterns were not severed and sundered the way Korea's were. There are experts in the audience on the commercialization of agriculture in both Korea and Taiwan, like Mark Peattie, and I don't know if Ramon Myers is here, but I don't want to comment too much on that. I'll just give you one anecdote that I've always liked, and that is a Japanese agricultural official in the

1930s remarking that what can be done with incentives in Taiwan has to be done with coercion in Korea. And it seems to me, once again, to express just a critical difference both in the way the Japanese looked at Taiwan and Korea, and also the opportunities and incentives in Taiwan as opposed to Korea. The level of commercialization of agriculture, I just don't want to get into that.

Well, because in a way it is a big argument, isn't it?

If you look at the Kohli article in *World Development* and then particularly the subsequent forthcoming article by Haggard, Moon, and Kang, what you see is they go deeply into the differences between agrarian Korea and agrarian Taiwan, and try to make a big deal out of that. But to me, they miss the fundamental point, which is that Taiwan had a much smoother development. It was not disrupted in the way Korea was, by a whole bunch of things, but especially this enormous population movement in and out of Korea. Therefore, whatever growth may have occurred in Taiwan, and there was considerable agricultural growth, it's not nearly as important as understanding these population shifts from agrarian into industrial circumstances. That's not a real precise answer to your question, but I think I'll leave it there.

So do you think Japanese policy did make a big difference? What I want to argue is that the colonial policy the Japanese pursued did not make a great contribution to economic development. The reason I want to argue that is not because I'm a nationalistic Korean, but because I want to look at it in terms of rational knowledge. From that standpoint, we cannot accept your argument even if it is moderated.

My argument isn't just a moderate version of Professor Kohli's argument. It's a different argument. And what I want to refute is the idea that policy packages adopted, say, from '61 to '63 in Korea, that they made all the difference in Korea's growth—that this is where you must begin and in some ways end in understanding that first big phase of export-led development. Of course those policy packages were important, but if you don't understand the Korean effort in the previous hundred years, really, it's just utterly ahistorical and anachronistic to start only in the early '60s. The built-up stock, so to speak, in the form of railroads, ports, transportation, communications facilities, the way in which Seoul looked when I first went there in the late '60s with all kinds of colonial buildings—that when these complexes were put to Korean uses, as opposed to imperial exploitative uses, of course it helped Korean development, as compared to Vietnam. You look at Vietnam, they have one railroad running down from Hanoi through Hue to Saigon. To have a relatively well-developed rail network and road network in Korea is a boon to Korean development. It doesn't mean the Japanese did it because they liked Koreans, but you can't assume that if that weren't there, Korea would have developed as rapidly as it did.

I also think this idea, which is really a conception, that the state can create finance and capital for industrialization almost out of thin air—a Schumpeterian idea that Meredith Woo-Cumings analyzes in her book—this also is a pattern that was particularly appropriate for Korea and was learned by Korean administrators during the colonial period. I could, I'm sure, raise hackles in this audience just by saying this, but my view has been that the mass of Koreans, let's say 95 percent of Koreans in 1945, were thoroughly anti-Japanese. But the elite had important fissures, and one of them involved pro-Japanese collaborators, people who worked with the Japanese, people who worked with the Japanese perhaps because they

thought that way they would help Koreans, who knows. But there were also elites who resisted the Japanese. This fissured elite is something that we need much more study of, but when you look at a book like Carter Eckert's on Kim Yon-su's textile company, you see that this was the first *chaebol*, the first big textile group, and they got going by collaboration with the Japanese, at a pretty deep level. That's, I think, an irrefutable case study. This book clearly shows that Korea did not start from scratch in the 1960s with its textile industry, the industry that was the first big motor of Korean growth. So, as I said, the nuances are the most important thing about this argument, and if someone comes out of this room thinking I'm an apologist for Japanese imperialism, what can I say? I don't want to be, and I don't think I am an apologist, and I think I've paid my dues in terms of describing in great detail the repressive and totalitarian nature of Japanese imperialism in Korea. But, I just can't believe that this all got going with a "big bang" in the early '60s.

I'm intrigued by the way you treat colonialism. It seems to me what you're doing is moving away from Chalmers Johnson. Because instead of looking at bureaucrats and industrial policy, you're using Tim Mitchell to argue for a critique of modernity itself, which questions both what the Japanese did in Korea and Taiwan, and Johnson's approach. So I guess the question is, do you still retain this idea, Mitchell's idea?

I'm gratified that you had that take on my talk, because I went over Mitchell's ideas fairly quickly, but in the paper itself, I develop them more. The idea—it's not necessarily Mitchell's idea—but when you look at the British trying to create modern industrial subjects in Egypt and you see how far they got, it wasn't very far. And then you look at what the Japanese did, with their administrative mechanisms, above all the national police networks in both Korea and Taiwan. Then you can do just what Mitchell says we ought to do, which is to look at colonial development as part of a critique of modernity, not just as a celebration of modernity.

I also try to argue that the Japanese have imposed those disciplines on themselves, in the modern era, and that those disciplines sit very uncomfortably on the Japanese soul. Even today, the question of what it means to be modern and Japanese at the same time is a vexing problem for almost every Japanese intellectual, as many of you know. And certainly, the question of what it means to be a Korean and to be modern, with the fractured history that Korea has had in the twentieth century, that is also a very vexing problem. We all, somehow, became industrious political subjects in the U.S., but it happened over a very long time, with Lockean liberal ideas, and various other kinds of ideas, getting embedded in our skulls, so that we get up in the morning and we go to work, we are good Lockean subjects. In the case of a place like Korea, a modern, punch-the-time-clock mentality had to be created almost overnight, and the Japanese did it in draconian fashion, but with relatively efficient, well-organized, highly penetrative mechanisms.

As for my argument about Johnson, I don't think he's really part of this debate. I don't think Chalmers Johnson has ever said that the Japanese developed Korea. His whole argument is about a developmental state in Japan, beginning in Manchuria in the 1930s, at least in terms of the administrative cadre that he talks about in one of the best chapters in that book. Furthermore, he doesn't think developmental states are just developmental, or create growth. He thinks they're nationalist entities. That's what he really thinks. So there's a connection between his first book on *Peasant Nationalism in China* and the MITI book in 1984. And that's what I think too, in somewhat different terms. It's really, I suppose, Eckert

and Dennis McNamara and some others who have raised this issue of the Japanese being developmental, even in colonial Korea, who I am talking about. And that's the literature that I don't want to be identified with, even though I think Carter Eckert's book is fine, because I've never made this point in my own work, and yet Haggard and his collaborators are citing me as if I agree with Eckert.

Isn't it true that 80 to 90 percent of what the Japanese built was destroyed during the Korean War?

I've looked at the statistics on rolling stock, and railways, and various other things in South Korea. The fact is the American Air Force had control of the air in Korea within weeks of the opening of the war, and the only place they ever lost it, even temporarily, was in North Korea, not in South Korea. Thus the bombing in South Korea and the destruction of facilities was much, much less than North Korea. Your argument works perfectly for North Korea, which was cleaned like a slate by American bombing. But nonetheless, any engineer will tell you that if you have a rail bed that has been bombed, it's much easier to repair it than to build it from scratch, and all through the bombing that went on for three years in the North, the North Koreans kept the railways running.

If the Japanese left nothing, why is the colonial central government building only being torn down now, in the 1990s? Why is the Blue House, which the Japanese governor-general and successive South Korean presidents used for their presidential mansion, only being torn down now? Why is the Seoul railway station still standing? Why are all these colonial buildings there? I mean, I thought they were all destroyed in the Korean War, according to you. When I went to Seoul in 1967, it had many of the aspects of a Japanese city. Fortunately, I stayed there long enough to figure out that that wasn't the main point. But I think it's really quite a distortion to say that there was nothing left after the Korean War of what the Japanese built in the way of industrial facilities.

Going back to what you were discussing earlier about the industries in North Korea built by Japan, not with regard to the specific types of industry in North Korea, but specifically the firms that made their way into North Korea—to what extent was that the product of certain firms in Japan being squeezed out of the Japanese home market by competitors?

I think that was much more true of the so-called new *zaibatsu* groups, ones that tended to invest more in Manchuria in the 1930s, like the Ayukawa group. The great *zaibatsu* groups, Mitsui, Mitsubishi, Sumitomo, firms like that, were heavily invested in North Korea. My sense, and this is more from a dissertation that a student of mine, Haruo Iguchi, did a few years ago than my own work, is that the new *zaibatsu* groups really found their frontier in Manchuria more than in Korea, although of course some of them were involved in Korea.

Wouldn't you say that there were really only two groups in postwar Korea, the collaborators and the resisters, that the Japanese allowed no political development whatsoever?

I agree with that. I wouldn't quite say there were only two groups in postwar Korea, but I do think that the Japanese allowed absolutely no political development. And in Taiwan, they did. Interestingly enough, there were local elections in Taiwan. There were fake local elections in Korea, but in Taiwan, there was some political autonomy and space for Taiwanese participation, and in Korea there was really none. One of the things that occupied my earlier work, what I constantly complained about, was the idea that Koreans were factionalized and that they were politically immature after 1945. The fact of the matter is

that the Japanese squashed any independent Korean political initiative. So, it's a very good point, and it's a good point to level at those who sort of take a one-sided or developmental view of what went on in Korea during the colonial period.

You said that Korea was an independent country when Japan took over. During the takeover, what roles did the Western powers play? Did they recognize Korea as an independent country, or was it considered a territory that was undeveloped?

The Western powers have a pretty bad record in Korea, too, starting with at least the 1860s, if not earlier. All of them, by the early 1880s, had subjected Korea to unequal treaties, an unequal system much like that in China. Korea's custom service was penetrated in the way that China's custom service was, etc. Korea, in that sense, has a history much closer to China than to Japan. Japan was able to escape the unequal treaties imposed on it by the 1890s. Many of you know this history, but the fact is Japan was never threatened with colonization or with the realization of a colonial project the way China was, the colonial project that Korea actually got in 1910. So, that's a brief answer to your question, but in this book that I wrote called *Korea's Place in the Sun* I have a long chapter on the late nineteenth century rivalry over Korea, and I don't think you'll find that there was any particular country, Western, Japanese, or whatever, that ever cared much about Korea's independent existence as a country, including the United States. I mean, Teddy Roosevelt won the Nobel Prize at the Portsmouth Conference, for "putting an end to the Russo-Japanese war," which also resulted in a protectorate for Korea. So, it's a sorry history, but I do want to make the point, and I make it in this book, that Korea was not some sort of underling of China for long periods of time. Korea was fundamentally an independent entity until the 1860s and the imperial era.

In 1945 and '46, I was assigned to the U.S. military government in Korea, to run the railways there, and I found out that whatever might have been built by the Japanese, there were lots of Koreans who were running them, who knew all the nuts and bolts. And I think that the Japanese did that for them, they trained a number of Koreans to run the railroads.

Many of you probably don't know this, but we have in Washington a captured archive that's very substantial from North Korea in the late 1940s. General MacArthur went to the Yalu River, and he didn't come back with much, but he came back with a large archive of North Korean materials. And in those materials, you have piles of documentation on how the North Koreans set up their industry, how they ran their railroads, how they did their police functions and all of that, and what you find is that by instantly coming out and forming themselves as an anti-Japanese state, they were able to use, not only Korean technicians and collaborators, but Japanese as well. A lot of Japanese technicians stayed on by force or habit in North Korea. In South Korea, the issue of collaboration was posed immediately, because the United States, quite stupidly, came in and continued the Japanese top-level officers in place for several weeks. And then they were forced to turn around and send all the Japanese home. In a context where all of a sudden the issue of collaboration had become a dominant one, that early difference between South and North Korea affected a lot of the subsequent development. But it's important to understand the point you made, I think, because it isn't just the railways, it's lots of other places. Koreans are a talented people, and in the context of a fifty-year imperial experience, lots of them saw the virtue of going to Japan to get an education. Much of the postwar South Korean elite got an education like that. It doesn't

make them pro-Japanese. It doesn't mean the Japanese did it out of the goodness of their hearts. But it does mean there were people who were expert, whether running a railroad or doing various other things, at the end of the colonial period. I think maybe Koreans are moving into a phase in thinking about their own history where they're more willing to accept these facts. There's quite a bit of good work coming out from young historians, looking back at the colonial period. But it's also hard to do that when the Japanese themselves haven't really been very reflective about their imperial experience in Korea.

I read your article in The Nation about the recent labor unrest in South Korea. You linked it to labor history in the 1920s. Could you elaborate on that?

I wanted to make the point that Korean labor organizing has a long history. It didn't start recently. It started in the early 1920s with various laboring groups, socialist groups, emerging within this Japanese colony, and carrying off strikes and labor agitation of various kinds. Japan, particularly after it occupied Manchuria in 1931, reacted with draconian measures against any kind of labor organizing in the '30s. Tens of thousands of Koreans ended up in colonial prisons as a result of that. In 1945, they got out. I can't remember my own figures precisely, but it was something like 16,000 political prisoners in the South got out in 1945 when the Americans came in. And this gentleman may remember some of this, but the U.S. could not occupy the provinces of Korea very rapidly, and as a result for months there was a vacuum of power, and workers organized and got production going on their own in a variety of factories in the South. That was also met later on with a lot of repression and a lot of arrests, and the breaking of unions often on the grounds that they were Communist, when they weren't. But that was an important legacy.

And then when you ask what was the labor situation in the '70s and the '80s under the military dictatorship, it was one of organizing in the teeth of a very, very severe repression. One of the differences I've had with my friend Stephan Haggard over the years, he's frequently writing things like, 'Korean labor is weak. This is one of the things that you need to understand about Korea, comparatively its labor is weak.' And every time I hear that, I knock it down, because it isn't true. It's sort of like saying that when someone gets their head bashed in and put in jail and tortured, they're weak. But Korean labor has been very strong, and these days, in democratic circumstances or where the president is elected democratically, and after major labor mobilization in 1987 and '88, you're seeing, I would argue, a very strong civil society in South Korea now, with laborers who know what their interests are and how to get them. It's true that these strikes are not doing a whole lot for Korea's comparative advantages in the world market; but it's also true that a lot of the problems of the Korean economy in the last twenty years have been blamed solely on labor. One of the reasons you have so much unrest right now, I think, is that if the government had gone ahead and deregulated itself, the bureaucracy got rid of a lot of red tape and various other problems, and if they had reined in the growth and influence of the big conglomerate groups, and gotten a new labor law—well, if they had done that, you wouldn't have had this unrest. But Kim Young Sam and his allies blamed all the problems on labor unions, rising labor costs, and have done very little at deregulating the Korean bureaucracy or reining in the *chaebol* groups. And the result is, in a relatively democratic situation, that large masses of people are in revolt about it. But it seems to me that Korea has one of the liveliest civil societies on the face of the earth right now, and it's a testimony to the long struggle both for labor rights and democratic rights in the country. This makes an important point for students in the audience,

maybe also for adults, that democracy isn't something that is given to you from on high, but it's something you seize for yourself and that you have to protect and fight for pretty much every inch of the way when it's threatened. I know a lot of people are very upset about what's going on in Korea. I think it's wonderful. I think it's an example of South Korean democracy at work, and that Korea will be the better for it. And if their growth rates are hurt a little bit, that's too bad. It helps American labor when Korean labor gets better wages.

Why do Koreans get upset about legacies from the colonial period? This happened all over the world.

To answer a very long and complicated question quickly, a lot of the angst that Koreans feel about any discussion of a legacy from the colonial period would be amazing to an African living in Niger or Guinea or one of the other French colonies, because they're in effect still in the French bloc. They still have French administrators. They still get all kinds of help from France, and yet they've been independent, presumably, for twenty, thirty, forty years. Maybe the French example is closer to the Japanese/Korean situation in Algeria, which was such a struggle, as you all know. But, the idea that there would be some inheritance from a colonial period—that's not news anywhere else in the world, but it is in Korea.

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