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North Korea and Japan

~Japan's Key to Recover from its Economic Crisis~

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1. Introduction

For long terms Japan has been interested in keeping peace on Korean Peninsula. The main reason for this is the national security since the geographical closeness of Korean Peninsula has a strategically importance on attacking Japan's homeland. Another dominant reason that Japan's government becomes so sensitive on North Korea is the effect on Japan's economy. Even though some countries (especially the US) do not wish as Japan does because of economical and strategic problems, the reunification of Korea is Japan's ultimate objective. In a short term, the reunification causes some negative results on Japan's economy such as more expected international economic supports on Korea after the reunification. However, solving current problems with North Korea will cause great benefits on Japan. In other word, the unresolved current problems with North Korea slower the rate of recovery from Japan's current economic crisis. It has been 10 years since Japan first faced to the economic crisis; it is said that it needs another decade to recover from it. The acceleration or deceleration of the rate of recovery is (partially but definitely strongly) related to the reunification of North Korea. This paper reports the importance of the reunification on North Korea by providing facts of economic influences due to the exiting problems that Japan is currently facing to between North Korea. Theses problems are listed below in the order of the discussion.

- Ballistic Missile Problem
- Nuclear Problem
- Narcotic Trafficking, Counterfeiting, and Black Market Problem
- Problems with International Aids and Investment

In this report, China's and South Korea's points of view toward the reunification is included for better understanding of international positions and relations among Japan, China, and Korea. Expected problems and difficulties toward the reunification are

summarized at the end of this paper. Because the reunification of Korea is related to, of course, not only Japan's economy but also interests in all surrounding countries (South Korea and China) and the United States. Therefore, the important rules between Japan and the US toward the reunification is also discussed at the end of this report.



(Picture: aped.snu.ac.kr/cyberedu/cyberedu1/eng/eng16-02.html)

2. Ballistic Missile Problem

One of the biggest problems that Japan is facing to about North Korea is the problem on North Korea's ballistic missiles. Especially, Japan is concerning about direct military attacks against Japanese territories by medium-range missiles such as Taepo-Dong. In a view of economy, Japan has spent quite large amounts of money for its defense system. The cost nowadays distresses Japan's national budget at this worst time for Japan in the mid-bottom of economic crisis in the last 40 years.

Cost on National Security

The following table shows some important events in recent years about North Korea's missiles.

Table 2-1: Past Missile-Related Events of North Korea to Japan [1]

Date	Events by North Korea
05/1993	Launched Nodong I in Japan Sea
05/31/94 – 06/01/1994	Test-launched a ground-to-sea missile "Silkworm"
08/31/1998	Launched a shorter range inter-continental missile "Taepo-Dong" (The missile fallen in the pacific ocean across Japan.)
09/12/1999	Agreed with a temporary suspension of launch of missile between US
05/03/2001	Kim Jongil declared EU the freezing of any lunch of missiles by 2003
09/17/2002	Kim Jongil agreed with an extension of 2001's declaration after 2003
11/05/2002	Warned Japan about the annul of the declaration of 2001
01/11/2003	Announced the annul of the suspension of launching of missiles
02/24/2003	Launched a ground-to-sea missile "Silkworm"
03/10/2003	Launched a ground-to-sea missile "Silkworm"

As seen in the table above, North Korea has threatened Japan by launching various missiles including shorter range of inter-continental missile called Taepo-Dong. The hit of Taepo-Dong flown over Japan to the pacific see several hundred kilometers away from the land of Japan in 1998 has changed the Japan's homeland security policy to install and increase the Missile Defense system. Japan's Self-Defense of Air Force installed US's

PAC2 Patriot Missile Defense (MD) system and Aegis ships. As of the year 2003, Japan has four of Aegis ships, one Aegis ship costs around 1.1 billion US dollars (140,000,000,000 Japanese Yen) [2]. Currently, Japan is planning to increase its MD system because of the recent North Korea's actions about their missiles. The present MD system only works for shorter range (less than 600 km) missiles such as No-Dong. To counteract against the longer range missiles such as Taepo-Dong II, Japanese government is planning to install US's PAC3 MD system by 2004 which is currently under tested and developed. Repairing and version-upping of current Aegis ships are also considered; the total costs of repairing four of Aegis Ships are said to be around 800 million US dollars (100,000,000,000 Yen) [2].

More Military Spending by the US's Push

These increments of military forces in Japan are, of course, to protect Japan's nations and homeland and to establish an advantage over ongoing negotiations with North Korea (dealing with nuclear problems and cases of abduction of Japanese citizens by North Korea as well as ballistic missile problems.) However, the US is taking advantage of Japan-North Korea's affairs by selling more military weapons to Japan. To protect Japan is obviously the US's pretext; the actual reason to ask Japan to possess Aegis ships is to protect the US battleships in Asia in case of any wars. (Aegis is build for the purpose of protecting mother ships, which Japan doesn't possess.) Japan itself can't arm itself without great reasons because of Japan citizens' public consensus against armaments; there have been enormous pushes by the US. Japan spends 44.4 billions US dollars for its military (6.1% of Japan's national budgets, top 3 nation in worldwide by amount of military expenses) [3]. If the ballistic missile problem is solved Japan can

possibly reduce its military budgets and use it for economical recovery such as increasing public undertaking.

China's View on Japan's Armament

In 1996 (after the North Korea's nuclear weapon crisis of 1993-1994), Japan declared to proceed a new US-Japan Joint Security plan. Also in 1998 Japan made a new rule on the missile defense plan in cooperated with the US. In addition, after the North Korea's lunch of the Taepo-Dong missile, Japanese government decided to start researching new missile defense system with the US. Also, as one of the plans of new defense system of 1998, Japan lunched an Information Gathering Satellite (IGS, or so-called "spy satellite") in 2003 [4]. These tendencies of Japan's more armaments have enough effects on China to have negative insinuation on its national security policy. The same things are said for North Korea's nuclear weapon armament. The possessing of nuclear weapons by North Korea will make it to legitimate that both South Korea and Japan are also to have nuclear weapons [5]. These negative contributions by North Korea to China will effect on the diplomatic relation with Japan. China is now becoming the largest global market place. Japan's more international investments to China are expected. To carry out the favorable negotiation with China, North Korea's villainy behavior becomes annoyance.

Another Serious Problem --- Japan's Space Development

1998's North Korea's launch of Taepo-Dong causes a dramatic change in Japan's space development program [4]. As it is mentioned above, the new plan of Information Gathering Satellite has started under a new national security policy. Two of IGS were

launched on March 28, 2003. More than 2.5 billion yen has been spent for this project as seen in the Table 2-2. This IGS development has negative effect on Japan's space development program by consuming not only too many budgets but also many of human resources. In 2002, IGS project took 25% of total NASDA's (National Space Development Agency of Japan) budgets. Also, about 100 out of 1100 workers in NASDA are placed for IGS program. Because of the weights of IGS on the Japan's space development program, Japan can not start new and more commercial technological plans such as the US's GPS. Europe's space agencies announced a new plan to develop GPS-like system called "Galileo." Russia is maintaining and developing its existing ground-measuring satellite system called "Glonus." China also announced to establish its own GPS-like systems by 2010 [4]. Japan's delay for the international GPS competition will put Japan away from the international market place of space development. The unexpected spending which originally came from the launch of Taepo-Dong is now torturing Japan's space development plan and related economy.

Table 2-2: NASDA's Net Budgets and Budgets for IGS in 100 million yen [4]

Year	1998	1999	2000	2001	2002
Budgets for IGS	17.3	370	700.6	773.3	676.8
NASDA's Total Budgets	1851	1919.4	2002.4	2082.2	2040.3
NASDA's Net Budgets excluding IGS	1851	1919.4	1763.2	1592.3	1493.7

Summary of Ballistic Missile Problem

Russia loses its power and China and Japan become good business clients each other nowadays; only the threatening to Japan is the existence of North Korea. Resolving this missile problem in Korean Peninsula results in a lot of saving in Japan's military

budgets and relieves Japan citizens from the anxiety, which causes the better economic recovery.

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(Picture: www.zakzak.co.jp)

3. Nuclear Problem: Negative Effect on Japan's "Pluthermal" Plan

The other problem on Japan's economy from North Korea is a negative effect on Japan's recycling plan of plutonium (called "plutonium thermal use" or "pluthermal" in Japanese). This problem is not commonly known in Japan; however, Japan's government considers this problem as one of the top objectives of Japan's policy against North Korea [1]. The government extremely concerns for Japan citizens to obtain negative aspect, due to the North Korea's nuclear problems, for its new energy plan to increase nuclear power plants. The failure of the new energy plan will lead the slower recovery from current Japan's economic crisis.

What is the Effect? --- The Negative "Spill-Over" Effect

On December 27, 2002, North Korea announced the re-operation of a nuclear facility. The ostensible reason by North Korea is to make up its shortage of electricity due to the stoppage of oil supply from the US [2]. The obvious actual reason would be to produce the nuclear weapon by extracting the plutonium in the facility. (By doing so North Korea expects the advantage in the on-going negotiation with Japan.) Whatever the North Korea's reasons are, the use of plutonium for nuclear weapons has an apparent negative image. Especially, entire Japan citizens have latently negative aspect for the use of nuclear power though the experience of World War II. Besides, the extracting of plutonium from the spent nuclear fuel of uranium is exactly same as what Japan wants to do in its new energy plan. Any of accidents in North Korea during the process of producing plutonium will stop or slower the pluthermal plan in Japan.

Japan's Reliance on the Nuclear Energy

Japan committed to reduce its carbon dioxide emissions by 6% under 1997's Kyoto Protocol. Since Japan's industries and economies totally depends on the imported oils and thus it is very difficult to reduce the carbon dioxide emissions from the industry side, the government has approved the new 10-year energy plan in March 2002 to aim the increment of nuclear generation by about 30% by 2010. As of 1999, 59% of electricity generation come from thermal power plant and 30% come from nuclear power plant. Under the new plan, it is expected that about 9 to 12 new nuclear power plants will be constructed [3]. To precede this new plan the recycling of plutonium is necessary. Japan has to appeal (to both inside and outside of the nation) the use of uranium as non-weapon purpose by possessing very limited amount of uranium, which turns to plutonium after the use in a nuclear reactor [4]. (This is of course under NPT: Nuclear Nonproliferation Treaty.) Therefore, the acceptance of nuclear power plant and the understanding of recycling of plutonium by Japan citizens are important.

Public Consensus on Nuclear Power Plant --- Potentially Unacceptable

Whether the fact shows that 30% of electricity are generated by nuclear power plant, public consensus of Japan citizen toward the use of nuclear energy has not been appreciated for long years. Their aspects are actually getting more and more negative after an accident (leaking of radiation) in Tokai-Mura, Ibaraki and due to the exposures of deplorable events by Tokyo Electric Company that they covered up the trouble and problems in nuclear reactors. On the operation of nuclear facility, the public opinions play an extremely important rule, since the votes or appeals by residents can decide the actual operationability of nuclear facility in that region. For example, on January 27,

2003, an appellate court judged the dismissal of permission of operation of Fast Breeder Reactor in Tsuruga, Fukui, which had been appealed by residents in the city [5]. This kind of appeals has increased recently, especially after the accident in Tokai-Mura. Japan government does not wish any more events that give negative aspects on Japan citizens.

What If the new Energy Plan Fails? --- Slower Recovery from Economic Crisis

The failure of new energy plan causes the shortage of electricity. Because of low-hovering of economy, industries has been already saving their power usage as much as they can. The more saving of electricity will cause the lower production rate. Also, reducing nuclear power generation and relying more on other plants will result in more cost on the electricity. (According to a research by Energy Ministry, the cost of producing electricity per 1 kW as of February 26, 2002 is 13.6 yen for hydraulic, 6.4 yen for LNG thermal, 10.2 yen for oil thermal, 6.5 yen for coal thermal, 66 yen for solar, 10-24 yen for wind, and 5.9 yen for nuclear [6].) Therefore switching the method of generating power from nuclear to thermal (or any others) raises the electricity costs, eventually causing more deflation in Japan.

Conclusion of this Chapter

In conclusion of this section, North Korea's nuclear problem affects on Japan's nuclear energy plan, and thus on the economy in Japan. This economic effect is indirect (rather, "spill-over" effect, say) to the Japan's Pluthermal plan by giving Japan citizen negative aspects toward nuclear energy. The effect on Japan's economy can not be seen clearly as the other problems are; however, this problem is definitely one of the most

concerning subject of Japan's government because it might affect strongly on the Japan's new 10-year energy plan.

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(Picture: www.zakzak.co.jp)

4. Problems Involving Black Market and Japan Mafias

There are problems related with black marketing of North Korea such as smuggling, narcotic trafficking, and counterfeiting of foreign currencies (mainly US dollars). Since Japan mafias are involved in these problems, North Korea's black marketing is one of the serious problem that affects on Japan (and on other countries, or course).

Current North Korea's Black Market Affairs

The spy vessel was used for illegal immigration and abductions of Japan citizens, and also it is made into a duty with important psycho-stimulant smuggling. North Korea accepts of the existence of this spy ship. Japanese government mentions that psycho-stimulant is manufactured and smuggled, which makes Japan the greatest market. In addition, North Korea obtained foreign currency earnings in large quantities from this a psycho-stimulant base in the world. The retail price of the psycho-stimulant in Japan is decreasing and the gram of this cocaine is about 60,000 yen (about 500 US dollars). This price becomes one-thirds compared with the past several years. The public peace authorities reveal that the most of these cocaine are made in North Korea since the amount of supply increased to about 3 times [1]. According to the criminal document, the amount of psycho-stimulant seizures in 1999 is about 2 tons. This amount of psycho-stimulants is more than the amount which seizures in past five years from 1994 to 1998. It is said that 44% of the extensive seized cocaine of more than 1 kg is made by North Korea [1]. Moreover, the police concerned that 80 percent of the psycho-stimulant that appears on the market to Japan could be made in North Korea. Also, its purity is also high. The government, which took such a situation heavily, declares that solution of a

psycho-stimulant smuggling problem is also included as conditions for normalization of diplomatic relations. The Japan government has to ask for reparations on diplomacy of normalization negotiation about the spy vessel activity, which carries a psycho-stimulant and other smuggling stuffs. As for North Korea, materials supply also shows an active motion. The chloride ephedrine contained in cold medicine is also used for the materials of a psycho-stimulant. Then, North Korea imported in large quantities of cold-medicine by the pretext of necessity. Although INCB (International Drug Control Committee) required for necessity of such a medicine, and North Korea had applied for the volume of import with 30t at the beginning in January 10 at o'clock. However, the quantity of this cold medicine is the quantity that can be used for 120 years in North Korea. Finally, INCB allowed North Korea import of only 2.5 tons cold medicine [1].

Why Does Japan Become the Target of the Stimulant?

The international surveillance of arms, such as a missile which North Korea had exported, and of the counterfeiting US dollars, which are called "Super K" faced severity [1]. Moreover, the flood destroyed the poppy field, which was making the materials of drugs, such as heroin. Therefore, the Bureau of Public Security Investigation mentioned that the trade of a psycho-stimulant was intensified because Japan is easy to slip into the country through Japan mafia. According to the report of the U.S. government, North Korea began the poppy cultivation used as the materials of a drug around 1975. The poppy cultivation has got into stride for an economic crisis since 1980, And Kim Il-Song encouraged poppy cultivation in 1983. There is 4200 – 7000 ha of poppy fields. The place is northern North Korea near the China border, and no less than 3 - 4.5 tons of heroin are made at the places every year. The scale of drug industry had increased to

more than 10 billion in one year. North Korea has been suffered from the destruction of poppy field by floods for eight years. Thereby, North Korea has changed from production of a poppy field to psycho-stimulant production. It now has 10 – 15 tons manufacturing capacity of cocaine per year [1].

Economic Effect in Japan

It is said that the sum of the amount from smuggling in 2002 is 1.07 billions US dollars, which is about 6.5 times more than its national budges [2]. The amount of counterfeiting US dollars that were found in Otaru Seaport, Hokkaido in 2002 was 20 million dollars. These money are flown to Japan by the help of Japan mafias. Japan mafias also trades with North Korea to smuggle hand-weapons. The total illegal incomes to all Japan mafia is estimated 1.045 trillion yen (8.71 billion US dollars) [3]. Some (or most) of them are from the trades with North Korea. The fraud money causes more deflation in Japan as well as more allocation of budgets on Maru-Bou (Anti Japan Mafia Committee), all of which have negative effect on current Japan's economic crisis.

Additional Information ---- General Problems Concerning Pachinko Parlors

It seems that North Korea is faced with the financial deficit of hundreds of millions of dollar scale. If arms export is excluded, the greatest source of acquisition of foreign currency will be the remittance from a Korean resident in Japan. It was said that the remittance is the lawful profit of the pachinko industry with which they carries out (Pachinko parlor is popular as gamble in Japan). In addition, Korean resident in Japan is managing this big industry and serving the big role for Korean resident who visits North Korea because of this remittance. Moreover, various guesses have been made about

unusual international balance of payment that cannot explain. Since the estimation of such various ambiguous remittance ways, the remittance, which flows into North Korea from Japan, has the variation from 2 billion to few million. Although the trial calculation of the amount of remittance from Japan is generally made with hundreds of millions of dollar scale, the present remittance will be less than 100 million dollars [4].

Summary of North Korea's Black Market and Economy in Japan

The incredible amount of money (6.5 times North Korea's national budgets) are traded by North Korea through its black marketing. The counterfeiting currencies, hand-weapons, and narcotics are flown to Japan through Japan Mafia. As long as North Korea exists, this relationship between Japan mafia and North Korea will be kept, causing that Japan has constant negative effects on its economy.

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5. Problems with Aid and Investment in North Korea

Finally, there have been problems on Japan economy related to aids and investments in North Korea. North Korea is the only country which Japan has not yet established diplomatic relationship with in the world. Obviously, there are many complex reasons behind this, but the colonial history and political discord between two nations are the major causations among others. However, despite their ‘abnormal’ relations, Japan has been providing aid such as food aid to North Korea and there are trades in various industries between Japan and North Korea. As with present condition, it does not seem for Japan to have economical advantages. In this chapter of the paper, we will see the problems related to aids and investments in North Korea by exploring the motivations behind the Japanese government’s practice of bilateral aid to North Korea and the incentives of both Japan and North Korea to establishing trade.

Japan’s Aids to North Korea

Japan has been the second largest food donor to North Korea ever since they started providing rice in 1995. (The number one donor, the US has given a total of about 1.9 million tons of food and Japan has provided over 1.5 million tons total of food since 1995 as of 2002 [1].) Initially, the request for food aid was made by North Koreans themselves to the Japanese government, but by a year later in 1996, international organizations such as the World Food Programme (WFP) were involved and started calling world wide for food aid to North Korea. Japan responded to their demand quickly and has donated food to North Korea through these agencies ever since then.

Reasons of Aids as Donation

In general, there are two motivations for donor countries to provide aid – humanitarian and national interest (strategy) motivations. Is Japan's aid to North Korea a result of a humanitarian action or is Japan using food aid as political and economical tools? We deny the idea that Japan gives aid to North Korea hoping to get economical reward back from North Korea in the future, because Japan's aid to North Korea is quite large in amount and also because North Korea already has a huge financial debt to Japan [2]. We believe Japan's aid to North Korea derives primarily from humanitarian considerations. However, we cannot deny the fact that Japan uses food aid to try to ease the various conflicts they have with the North Korean government, including political discord and military threat. A good example supporting this view is the recent change in Japan's donation to WFP operations in North Korea in 2002. Japan gave no donations in 2002 after giving \$104 million in 2001 because the facts about abduction of Japanese citizens by North Korea became the hot topic in the year 2002 [2]. As it is clear from this example, aid and politics are connected to one another to some extent. Also, it is important to note that the feelings of compensation of colonization may be included in Japan's aid to North Korea.

Few Possibilities of Economical Rewards for Japan

Japan is the second largest trading partner of North Korea, with China being the largest today. (Recently, there was news about South Korea exceeding Japan in the amount of trade with North Korea. If so, Japan will be the third largest trading partner.) Although trade with Japan is economically very important for North Korea, trade with

North Korea consists less than 1% of total trade for Japan. Therefore, North Korea can and is posing a military threat to Japan's security, but it is widely believe that North Korea's actions can pose no threat to Japan's economy. In other words, Japan does not receive that much benefit from trading with North Korea. Rather, many large Japanese corporations are unwilling to establish trade with North Korea due to its economical instability. In fact, it is estimated that 80% of the total Japan-North Korean trade is actually handled by North Korean related companies and organizations based in Japan. (Korean ethnic group is the largest ethnic minority group in Japan as the result of colonization. It is said that many North Korean descendents are still affiliated strongly with North Korea related companies and organizations.) However, it is more complicated for North Korea. Though, North Koreans have not forgiven the Japanese for its colonization of the Korean Peninsula from 1910 to 1945, its support of the United States during the 1950-53 Korean War and its close relations with rival South Korea, and thus has been refusing the establishment of normalization ties, North Korea is interested in Japan as the major economic power of the region. Moreover, North Korea needs Japan for its economic development. (For reference, Table 5.1 shows the contents of trades between Japan and North Korea.)

The motivations and reasons for Japan's aid and investment in North Korea cannot completely explain if we only look at Japan's potential economical benefits. Rather, bringing North Korea back to the negotiating table to establish normalization ties, solving the complex problem of abduction of Japanese citizens by North Korea, and working toward easing the potential military threat by North Korea are what the Japanese government hopes for as a result of its aid and investment in North Korea. If this non-

diplomatic relations continues, and if all the problems are kept unsolved, Japan will have to keep give aids and investments to North Korea without a sure possibility of economical rewards.

Summary of this Chapter

To establish secure investments and proper aids to North Korea, there is no way for Japan except for resolving this abnormal diplomatic relation. Reunification is not the only one but surly the way to establish the diplomatic relation. North Korea is abundant of mining and natural resources such as gold, iron, coal, and ore, all of which Japan does not have much [3]. One says that, “North Korea is also abundant of rare metals such as bauxite and tungsten. Mitsui group has confirmed under the coal development program that North Korea is rich in these natural resources, and the US also has reached the same opinion by the information from the satellite. There surely is the future in business for Japanese industries, if they are involved in the developments [4].” This becomes true when Japan gets the true diplomatic relation with North Korea, which is result of reunification of Korea.

Table 5.1: Composition of Japan-North Korea trade for selected years in % [5]

	1986	1988	1990	1992	1994	1996
Exports to Japan						
Marine products	20.5	21.0	17.1	23.4	15.6	19.9
Vegetable and fruit products	10.2	5.6	13.9	9.2	22.0	3.7
Raw materials	11.5	7.4	9.0	5.9	3.1	3.4
Fuels	0.4	6.9	8.4	6.8	5.9	6.6
Textile manufactures	N/A	2.1	9.0	25.7	28.6	42.7
Metal products	36.8	32.1	38.0	22.4	10.6	7.9
Other products	N/A	2.2	2.8	1.7	1.5	N/A
Imports from Japan						
Textiles	7.3	7.7	15.9	27.8	39.1	33.4
Non-metallic ores	2.6	2.4	2.3	1.5	1.2	0.6
Light industry products	11.1	9.7	14.2	11.3	11.1	N/A
Chemical products	10.0	9.0	10.1	7.8	4.3	3.3
Metallic products	13.7	9.4	9.3	5.5	5.4	4.1
General machinery	20.2	22.2	23.1	18.4	13.4	28.2
Electrical machinery	13.3	12.5	10.1	12.0	10.0	8.3
Transport machinery	12.5	8.1	5.7	7.8	8.7	11.4
Precision machinery	2.1	1.8	1.3	1.8	0.8	1.5
Other products	7.0	17.3	8.2	6.1	5.8	N/A

Source: Tsūshōsangyōshōhen, *Tsūshō Hakusho*, 1985–96.

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(Picture: www.csmonitor.com/durable/2001/04/17/p8s1.htm)

6. China's Rule and South Korea's Policy to North Korea

In this section, apart from the direct relation with Japan's economy, we will discuss about the China's and South Korea's point of view on the problems on the reunification of Korea. China has a very important role for the Korean Peninsula, and it is located in the place that is the easiest to act for the occurrence of the Peninsula. China has built the intimate relation on politics, military affairs, and economy with South Korea since normalization of diplomatic relations with South Korea in 1992. Actually, the economical dealings between China and South Korea in 2000 are about 34 billion US dollars, and are increasing about 10 times. On the other hand, China has also set about restoration of the relationship between China and North Korea on economy, politics, and a military domain since 1990. Since China has taken the delicate and moderate diplomacy for North Korea, it is difficult to discern China's role well. However, China promoted north-south relations relief and worked on the enforcement of economic reform for North Korea. At present, there are no signs that China desires North Korea acquires of the capability about the nuclear weapon and a ballistic missile. The Korean Peninsula is the area where the United States should keep emphasis with China in mind. The Korean Peninsula is the area where the United States should keep cooperation with China. China has so far taken the same pace as the United States about a North Korea policy until now. On the other hand, China also disliked that the policy is cooperating with the United States positively. However, there is no problem of U.S.-China cooperation judging from Chinese responding to alliance relation with U.S in this area, because the benefit may decrease when the Korean Peninsula is unified [1].

Why Doesn't China Take a Hard-line Stance toward North Korea?

North Korea is on the brink of an economical collapse now. China government does not want to put more pressure than that in present on the poor neighboring country of communism. On the other hand, in case North Korea carries out nuclear armament, China will be severely anxious about that South Korea and Japan may take a nuclear armament similarly. The possibility that China will cut down support of the food to North Korea and heavy oil is low, because China is worried that the starvation situation of North Korea may get worse and a lot of refugees may pour down to China by doing this [1].

South Korea's Policy to the Reunification

The rivalry of the democracy (Korea) and communism (North Korea) that were spent for the half-century has began to show the changing international situation. Although there are many obstructions for keeping peace and re-unifying, the expectable change has occurred in North Korean clearly. Our world has witnessed the serious aggravation of North Korea for the past several years. Since children of North Korea are in a starvation situation, humanitarian support is offered to this isolated North Korea Administration. On the other hand, North Korea accepted the trade expansion with South Korea in order to gain important foreign currency. Now, North Korean is driven into the situation that must open oneself wide for their southern sibling and the international society even though the movement is reluctant and slow. Therefore, Korea wished détente, peace, and reunification. The engagement policy, which processed by the President of Korea, urges to favorable and radical changes for North Korea. Although various guesses about collapse of North Korea is flowing around the world, the

possibility that this country will collapse in near future is low. Stability of organization is performed by the management organization of communism which does not leak anything from every field such as society, economics, politics, and military affairs in this country, and this present condition could be continued for a while. On the other hand, Korea doesn't desire the collapse of North Korea either because the collapse of North Korean will cause the situation which can not be expected on military affairs, politics, and humanity. Thereby, considering the future of Korea by focusing on the collapse of North Korea as main elements is too large crisis. Therefore, South Korean does not want to take such a way but emphasizes the attaining of peace and the reunification gently and tidily. This way to the reunification will take a long time; it is not only very worthy but also the way which only exists in actuality for Korea [1].

Table 6-1: Economical Comparison between North and South Korea [2]

classification	Unit	North Korea(A)	South Korea(B)	B/A(time)
1. population	thousand persons	22,082	46,858	2.1
2. norminal GNI(1)	10won in billions(dollars in hundred millions)	18,741.0(158)	478,251(4,021)	25.5(25.5)
3. per capita GNI(1)	won in ten thousands(\$)	84.9(714)	1,020.6(8,581)	12.0(12.0)
4. economic growth rate	%	6.2	10.7	-
5.gross foreign trade volume	dollars in hundred millions	14.8	2,634.40	178
(export)	"	5.2	1,436.90	276.3
(import)	"	9.6	1.197.5	124.7
(trading volume / nominal GNI)	%	9.4	65.5	-
F/X rate against USA	won/\$	2.17	1.189.48	-
foreign debts	dollars in hundred millions	123	1.364.5	11.1
<net foreign debts>	"	N.A.	-92.9	N.A.
(foreogn debts/norminal GNI)	%	77.8	33.9	-
6. budget(2)	dollars in hundred millions	92.2	703.5	7.6

*Numbers in parenthesis represent won amount converted into US dollar.

**Closing amount for the North and general accounting budget for the South (including supplementary budget)

Reunification --- Profitable for China and South Korea?

As it is discussed, reunification is not the best way for South Korea in a view of its economy but it is the only way to guarantee the stability in Korean Peninsula. Economic difference between South Korea and North Korea is huge. As shown in the Table 6-1, the national budgets of South Korea is more than 7.6 times larger than that of North Korea. GNP of South Korea is 25.5 times larger than that of North Korea. Both of them are as of 1999 [2]. To support the poor people from north region after the reunification becomes definitely the big economic problem for South Korea. For China, reunification will get rid of the partner as communism in South Korea, and thus China will lose its easy access to the Korean Peninsula. Therefore, for both China and South Korea, the direct profits (at least in a view of economy) are hardly expected. However, the stability in Korean Peninsula is more important than the direct economical effect. Reunification will not solve all of the problem including military and economic problems at once; however, it is only the method to have better future in the Korean Peninsula.

Summary of this Chapter

Reunification is not possible if one of the countries of Japan, China, and South Korea does not cooperate on it. The importance on this matter is the understanding (of all three countries) of long-term benefit for each country. We conclude this chapter by referring the words by Saionji, “If one considers what area of cooperation has intrinsic merit, it is surely in the security realm. It would be a great contribution to the stability of the region if the basis of cooperation is strengthened through Japanese and Chinese support of Korean co-existence and reunification, and through China's and South Korea's support of the normalization of Japan-North Korea relations [3].”

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7. Obstruction and Remaining Problems toward the Reunification

As discussed, the reunification in Korea will solve problems between Japan and North Korea. It is also concluded that the reunification eventually results in the economic advantage of Japan. The remaining question is, are there any obstructions? The answer is, yes there are. In this chapter, the main problems toward the reunification of Korea are discussed.

The US's Policy of Non-Reunification

The biggest problem is the US's non-reunification policy or the plan of an encircling net for China. Under the Bush's administration after the world has moved to the end of Cold War era, the US changes its military policy. The content is to move the US's strategic points of military interests to Asia from Middle East by constructing the encircling net for China [1]. In May 2002, the Pentagon announced the report called "Asia 2025." In this report, the Pentagon clearly explains the China as, "A stable and powerful China will be constantly challenging the status quo in Asia. An unstable and relatively weak China could be dangerous because its leaders might try to bolster their power with foreign military adventures[2]." The motion toward this new policy has already been taken. In 1996, the US established the new guideline of defense security plan under the "US-Japan Declaration." In Philippine where the US military was once evacuated, the new US bases are established under the new act of Visiting Forces Agreement (VFA). The disposition of submarines are distributed 50-50 in Pacific Ocean and Atlantic Ocean, which was used to be 40-to-60 % before [1]. The reasons of the US's these behaviors are that Asia become more and more important in global economy and China's military and economic growth becomes threatening to the US. Therefore,

the crisis involved by North Korea and its international abnormal behaviors gives the US the legitimate reason to dispose armies in Asia. In other words, even though the US's conspiracy is nothing but its own national profit, the US can properly use its military strengths without loss of international reputations.

Another benefit to the US due to the existence of North Korea is the sales of weapon. As discussed in the chapter 2, the amount of sales to Japan is huge. The amount of trades of weapon by the US weighs nearly 50% of trades in the whole world(1.53 billion US dollars from 1994 though 1999) [3]. Japan is one of the best customers for the US. Also, to maintain the US's military bases in Japan, North Korea's missile crisis is the one that the US can appeal the necessity of bases. Recent years, many cases of scandals by the US soldiers in the foreign military bases are exposed in Japan and South Korea. The public consensus toward the US military bases gets very negative in both countries. Only the reason the US can insist the essential reasons to keep the military bases in these countries is now the threatening of North Korea. In summary, what the US wants is the adequate tension in Korean Peninsula and Japan so that the US can make benefit on the sales of weapon and its military extension in Asia.

Short-Term Economical Disadvantage in Japan

Another problem on Japan by reunification of Korea is expected economical disadvantage due to the international aids to reunified Korea. If reunification is made and diplomatic relation between Japan and Korea is established, Japan will be asked more aids to Korea. Currently, Japan can deny this kind of aids to North Korea under the economical sanctions. In addition, more investments are predicted for land development, mining developments, and technological supports in the north regions.

Before we move on to the summary of this chapter, this is the good point to review Japan's and US's roles on the reunification of Korea.

The Role of Japan and USA for the Re-unification

Maintenance of a security domain means the greatest contribution only the United States can do although the US have huge variety of policies which can draw about future direction for the reunification of Korea Peninsula. As if the existence of the US Troops in South Korea is indispensable to deterrence of the Korean Peninsula, the strength alliance relationship between the United States and Korea is necessary to maintain because of success of unification. Moreover, economical reconstruction of North Korea which needs a huge amount of funds will progress quickly by taking in the power of international capital without forcing a heavy burden upon the taxpayer. It is influenced by the risk of investment and the estimation of a dividend whether or not the Korean Peninsula becomes attractive existence for an overseas investor after unification. However, if the US Forces show the commitment on a security, the risk premium of investment will be able to be made low [4].

Only by considering the base and its place in the unified Korean Peninsula, the preparation for the reunification of Korean Peninsula is not necessarily completed for the US. The US have to carry out the duty for the unification of the Korean Peninsula by taking the lead as an powerful economic state and the leader of strategic concept in the world. To perform this efforts cleverly and effectively is large-scale work. And this unification will be requested more efforts and prudence that the unification of German in 1990 [4].

The extent of the influence of Japan towards the reunification in Korean Peninsula has to be considered from the view point, which is Japan's role in the world. Before the World War II Japan was an avaricious state which desires a present condition change. However, Japan became a fainthearted state without an opinion after defeat. Japan citizens feel arguing about national interest embarrassed so far, and have taken a moderate attitude about that even though the problem of North Korea influences for their national interest directly and dramatically.

Sooner or later, the contribution of Japan towards a success of Korean Peninsula unification will be performed through an international financial institution and the organization between many countries which are the diplomatic roots that Japanese government feel comfortable now. And by using these two organization, Japan has a lot of possibilities to solve problem.

When the reunification of the Korean Peninsula becomes successful, it is considered that merchandise trade is expanded considerably. Furthermore, the advance of foreign capital becomes remarkable. Now Japan government and companies have to launch the solution to the failure about profits which reunification of the Korean Peninsula brings about. The companies in Japan are in the suitable position in which they participate in the large-scale infrastructure development project which has a possibility of tying up the economy of North Korea, China, and Russia [4].

Japan can achieve many cases at the place of multilateral forum. For instance, preventing the export of mass-destruction weapons by North Korea is the serious subject which should be tackled through Multilateral Diplomacy. Japan could play a big role with the resolution which forbids North Korea exporting such a nuclear related substance

to the countries which do not protect the Treaty on Non-Proliferation of Nuclear Weapons. Japan can appeal to distribute the special knowledge and financial resources which a special organization has such as the World Bank and other development banks by using the influence of Japan in order to cope with the various difficult problems related to unification.

It is possible to make these possible designs and policies expand further. However, one point is clear. Northeast Asia can coexist with reunification of Korea, and the order of North East Asia will become safe and comfortable after unification of Korea. It is the time of considering how the politicians of not only the Pacific Ocean area but also all areas that make reunification of the Korean Peninsula successful now, because the reunification will come absolutely whether or not it will success.

Summary and Thought on this Chapter

In summary, there are obstructions by the US toward the reunification of Korea. Also, if the reunification is made, it brings some expenses in Japan. However, first, the economic disadvantage is expected to happen for a very short period. Once the people and business in reunified Korea goes well under the way, Japan can expect economical rewards from its investments. Second, the obstruction of the US's non-reunification policy can be resolved as the situation in Asia changes. The US is becoming not able to use the reason of extending its army in Asia for long only by the reason of North Korea. In the report of "Asia 2025," it is said that the US will choose India as the next military cooperator in Asia [1]. If so, the US no longer need to cling on the North Korea's issues. At last, however, we have to add that it is not good to have an optimistic aspect to this problem. The reunification in Korea is related to the interests of all four countries: Japan,

China, South Korea, and the US (of course, the reunification will affect more or less on any other countries in the world, of course). Further analysis must be needed as the states of Asian affairs change.

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8. Summary

In this paper, Japan's existing problems with North Korea and their effects on Japan's economy are discussed. The reunification is the only way for Korean Peninsula to have stable situation; however, the reunification is involved with surrounding countries' national interests. And thus, even though there is the fact that reunification will bring the solutions to all Japan's existing problems with North Korea, the process of reunifying Korea is not so easy. The main purpose of this paper is to present the benefits on the Japan's economy as a result of the reunification. At the same time, this paper provides current Japan's North Korea policy and related problems in detail. Providing these problems and better understanding of the real internationally-involved problems with North Korea, we believe that we can find the way of reunification so that each country can minimize its risk.



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