Cooperation under the Security Dilemma: Evolving Inter-Korean Relations in the Early 1990s

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Abstract

During the high-level talks period (1990–1992), the two Koreas showed their “good faith” to end antagonism and build the foundations of peaceful coexistence. Remarkable evidence of their “good faith” was the signing of the Basic Agreement in February 1992. In contrast, both Koreas posed “cynical” attitudes toward the other side’s strategic calculation that arose during the negotiations, which was aimed at taking advantage of the other’s weakness in either an economic or military capacity. This controversy arose from the fact that in inter-Korean relations there is the possibility of mutual armed aggression. This situation implies that the two Koreas are not always willing to guarantee the security of the other. This contradictory circumstance can be better understood through exploring neorealism and neoliberalism, and their propositions concerning inter-state cooperation under a security dilemma.
Anarchy and the security dilemma

How was inter-Korean cooperation possible under the security dilemma and why did it fail? This paper seeks to answer these questions by focusing on the causes of cooperation and conflict in inter-Korean relations in the post-Cold War era through applying the key concepts of neorealism and neoliberalism. The theoretical approaches to international politics can provide insights into the phenomenon of inter-Korean relations that has been vacillating between phases of high conflict with low cooperation, and low conflict with high cooperation in the post-Cold War period.

One might insist that defining a key concept of realism, an old and well-established theory, would be a simple task. However, realism is not a theory defined by an explicit set of assumptions and propositions. Rather, many commentators regarded it as a general orientation and a philosophical disposition. Nevertheless, a resemblance of recurrent concerns and conclusions can be found and regarded as the realist tradition. Realism emphasizes the constraints on politics imposed by human nature and the absence of international government. According to realists, the essence of humankind’s nature is egoistic passion and there is the tragic presence of evil in all political action. Realists also highlight the political necessities that flow from the absence of international government, in which the law of the jungle prevails. Realists regard this condition as “anarchy,” absence of rule and lack of government in international politics. In anarchy, no state can ever be certain another state will not use its offensive military capabilities.

In addition, realist characteristics of egoistic passions bring about a security dilemma where many of the means by which a state tries to increase its security, decreases the security of others. The interaction of egoism and anarchy requires the primacy in all political life of power and security. In terms of realists’ “security,” the notion means a somewhat less dangerous and less violent world rather than a safe, just, or peaceful one. That is, one state’s gain in security often unintentionally threatens others in international politics. Managing, rather than eliminating, conflict is thus considered to be the purpose of politics. By this, it is said that universal moral principles cannot be applied to the actions of states. In essence, realists stress that if egoistic passions are ineradicable, conflict is inevitable. This is a classic concept of the dilemma that makes inter-state cooperation less likely. Given this skepticism over moral concerns and cooperation, the obvious question is: If the realist tradition is a constant, how do we account for the greater cooperation in international relations throughout history?

Neoliberals try to solve the flaws of realist arguments on inter-state cooperation. According to them, anarchy is a lack of common government in international politics in which many international relationships continue over time and engender stable expectations about behavior. The lack of hierarchical order need not lead to a Hobbesian fear. The reason for this argument is that order in the international community is established horizontally rather than vertically through the interaction among states. Indeed, alliances, peace treaties, customs unions, and the United Nations Security Council are familiar examples of contractual international order. Nevertheless if states can’t escape from the Hobbesian state of war, can neo-liberalism get much of a handle on quasi-cooperation and inconsistency?

According to the proposition of neorealism, inter-state cooperation is likely to be inconsistent and unstable if a state is concerned with relative gains in conditions where armed aggression can be used against it.

3 Donnelly, Realism and International Relations, p. 9.
9 Donnelly, Realism and International Relations, p. 81.
The rationale of this proposition was due to the neorealists’ assumption of an anarchic situation where one state can be threatened by the success achieved by another state because of unequal abilities among the states.\textsuperscript{10} Under this condition, states consider not only the relative gains, but also the relative losses resulting from repeated inter-action when the possible use of force exists.\textsuperscript{11} On the basis of this, neorealists argue that even a temporary cooperative outcome caused by the recognition of mutual relative gains cannot be sustained in equilibrium.

In order to make clear explanations about the basic rules of the game theory, I will consider the Prisoner’s Dilemma (PD), which helps clarify some fundamental features of international conflict and cooperation. The Prisoner’s Dilemma, in its simplest form, involves two players. Each player is assumed to be an egoistic, self-reliant maximizer of his own utility, an assumption that clearly parallels the realist conception of sovereign states in international politics.\textsuperscript{12} Each player can move only once per game, and each faces a simple option: to cooperate or to defect. Under these conditions, each player can maximize his own reward by defecting, regardless of what the other chooses. In playing the game, if both choose defection, each receives a smaller reward than if they had cooperated.

This rule implies that the Prisoner’s Dilemma is the only two-player game with such a deficient equilibrium in which both players have dominant strategies. Due to the different strategies, it is not easy for them to move toward the collectively rational solution or to maintain it, were it ever achieved. For instance, if a good player were to attempt to cooperate, his counterpart would play him for an imbecile and obtain rewards by defecting rather than by reciprocating. According to the simple PD game, no player has any incentive to take the first step toward cooperation, and if it could be achieved, every player would have strong individual incentives to depart from it.\textsuperscript{13} Here the dilemma is that both players face inevitable failure to cooperate, despite the obvious possibility of common gains.

Despite the non-cooperative PD game, a commonly accepted definition of cooperation seems to exist in the literature. They suggest concepts and a series of variables that might affect the emergence of cooperation among nations. Axelrod and Kohane in their Cooperation under Anarchy argue that cooperation may be more likely when nations pursue a strategy of reciprocity, because they know they will be punished for defecting and rewarded for cooperating. Here the key variables associated with reciprocity are sanctioning and iteration. According to game theorists, cooperation in the PD is possible when defectors can be punished, and the PD game should be repeated in order to punish the defectors. This condition implies that if the game is repeated indefinitely, the players’ expectations will be converged. In the process of convergence, states offer their partners “concessions” and they expect to receive equal “compensations” in return.\textsuperscript{14} The ultimate cost of concession (CD in the PD matrix) is loss of sovereignty. This cost can vary from state to state. The lower it is (for example, because the two nations have compatible ideologies, are ethnically similar, have a common culture, or because the citizens of the losing state expect economic benefits), the less the impact of the security dilemma.\textsuperscript{15} And when the cost is greater, the impact of the dilemma is also greater. This is another reason why incompatibility in values and ideologies foster international conflict.

Some scholars argue that communication between the players is an important part of the game. This is because it indicates what the payoff structures are and what cooperation means. Gowa and Jervis have pointed out that without a common understanding of these elements, nations are likely to end up in an escalating feud if they attempt to play tit-for-tat.\textsuperscript{16} In addition, the game theorists argue that states lacking a

\textsuperscript{13} Ibid., p. 62.
common authority cannot make credible threats or commitments to sanction a defector and cannot practice cooperation either. It implies that noncooperative games characterize domestic politics. Active debates on the tentative hypotheses of a theory of cooperation between neoliberalism and neorealism still remain. In section III and IV of this paper, not only the matrix of the PD game will be explored, but also assumptions and variables that might affect the likelihood of the emergence of cooperation among nations.

In the years immediately after the end of the Cold War, evidence of its demise in East Asia was not the same as it had been in Europe. What assessment should be made of the settlement at the end of the Cold War? This raises the question of when the Cold War ended. People tend to regard a peace settlement as being negotiated once the war is ended. Peace settlements, however, or at least those provisional aspects of them embodied in armistices, may also be preconditions that allow the fighting to come to a halt. The prospective terms of peace therefore can be seen as inducements for hostilities to end. Peace settlements can serve a dual function—prospectively in encouraging an end to the fighting—and retrospectively in institutionalizing it when the fighting has actually stopped. In this regard, negotiation between North and South Korea in the early 1990s did not advance the cause of peace settlements because neither side changed its basic position of rejecting the other side. As a result, the Armistice Agreement signed in 1953 remained intact.

Given the tensions that characterized inter-Korean relations (1950–2002), skeptics have argued that inter-Korean cooperation was vulnerable to the continuous antagonism between them. At the time of the conclusion of the Basic Agreement, in contrast, there was speculation that the two Koreas' great efforts to reach the first comprehensive accord was an essential factor and was therefore a possible forerunner to the institutionalization of the process of peaceful unification. In this view, the Basic Agreement was a symbol of inter-Korean conciliation—perhaps the most far-reaching cooperation—in terms of its significant consequences in highlighting both Koreas' common view of mutual economic benefits and peaceful coexistence.

**Empirical Analysis of the Inter-Korean Cooperation and Conflict**

**Why did the Two Koreas Cooperate? Economic Benefit and Easing of Tension**

The internal reason why the two Koreas made efforts to achieve cooperation can be examined by their calculations about the results of cooperation in economic and security areas. For South Korea, there was a national consensus that the Roh Tae-Woo government and private enterprises needed to feel the benefits of inter-Korean conciliation and cooperation. South Korea's economic advance was a key element in why Seoul was prepared to concede on inter-Korean economic cooperation through establishing a complementary structure in light-industry. The complementary structure depends on South Korean enterprises' demand for importing natural resources and cheap labor forces, which could be supplied by North Korea.

In addition, the unprecedented conciliatory strategy of South Korea reflected significant and constructive changes in its domestic politics. For instance, the weak powerbase of the Roh government...
leaders attempted to introduce new policy measures for international cooperation. The goal of their open-door policy was to resurrect North Korea’s economy from its chronic recession. With the change to its open-door policy, North Korea agreed to collaborate with South Korea on the Basic Agreement. In December 1991, North Korea agreed to conclude inter-Korean bilateral agreements on “non-aggression” and “denuclearization.” North Korea’s combined goals focused on resolving military confrontation by concluding a “non-aggression” pact with South Korea and achieving a “peace treaty” with the United States.25

Indeed, these two goals had been perceived by North Korea as the essential factor for completing the resolution of military conflict on the Korean peninsula since the 1970s. North Korea has claimed that the two goals needed to be solved simultaneously because they were the major military constraints holding back the easing of tension. After achieving the first goal, North Korea had to decide if it would implement the inter-Korean agreements, based on its calculations of the benefits of cooperation, or if it would pursue the conclusion of a peace treaty with the United States, which represented half of its security goals.

In January 1992, American acceptance of the U.S.-DPRK direct talks encouraged North Korea to consider the second option. As a result, North Korea held direct talks with the United States on security issues in January 1992. It was a primary motive that led North Korea to complete its second goal. In fact, Pyongyang disclosed its expectations, stating, “it has been the principle stance consistently maintained by the DPRK over the nuclear inspection problem to get the U.S. nuclear weapons completely withdrawn from South Korea and remove the very source of the nuclear threat to the DPRK.”26 This statement indicated that the removal of the U.S. nuclear threat to its security would be a main reason why Pyongyang cooperated with Seoul. North

(1988–1993) was a factor that encouraged the dismantling of the authoritarianism and the introduction of a pluralistic civil society.21 Roh received only 29.4 percent of the vote in the presidential election in 1987 and his party won only 25.5 percent of the vote in the general election the following April.22 Thus, in order to elevate Roh’s political popularity, the Roh government made a political slogan of “Unity of All Koreans” and made efforts to build a consensus on the highly emotional matter of reunification. Seoul’s policy of providing concessions in the North-South high-level talks could be understood in this context. Historically, South Korea’s dependence on U.S. military assistance functioned as a weak point in inter-Korean negotiation. In 1978, the Carter administration announced its unilateral decision on the withdrawal of U.S. troops from South Korea. This was on the grounds that Carter had promised the withdrawal of troops as a key pledge during the presidential election. Washington’s announcement provoked an increasing lack of confidence in the Park government about U.S.-ROK security ties.23 This was because Washington’s decision was not the result of U.S.-ROK consultation as the United States had promised. It led South Korea to recognize the benefits of inter-Korean security cooperation and as a result the South tried to establish a new framework that would discuss the two Koreas’ security policy. Thus, South Korea’s experience of the unreliability of the U.S. defense being able to guarantee South Korea’s safety during the Cold War period was an essential motive for why South Korea needed to seek a direct security framework through North-South collaboration.

For North Korea, despite the Pyongyang government’s intensive efforts to revitalize the economy, nothing could be done beyond slightly slowing the pace of decline.24 This was why Pyongyang’s political

24 Werner Gumpel, “Economic and Political Effects of Economic Reforms in the
Korea’s calculations implied that there was a complex interconnection between its relations with the United States and inter-Korean relations. This complexity meant that North Korea was practicing a double strategy in its foreign and unification policy: maturing a conciliatory mood with South Korea and at the same time promoting U.S.-DPRK relations.

Among external reasons for inter-Korean cooperation, Seoul’s “Northern Policy” of approaching the former communist countries and its normalization with Moscow and Beijing was a prime reason that led North Korea to improve its relations with Japan and the United States. Despite North Korea’s perception of isolation from the dissolution of the northern triangle (Moscow, Beijing, Pyongyang), it was overall a good international atmosphere that favored inter-Korean cooperation.

**Why did the Two Koreas Fail to Maintain Cooperation?**

**Incompatible Strategies and Security Concerns**

After signing the Basic Agreement, practical questions were soon raised as to whether both Koreas were fully ready to respect and accept the other’s influence over their own territory. For the two Koreas, showing their voluntary will to give up national sovereignty was an unacceptable matter. In particular, when there was a possibility of using armed aggression, the perception on both sides of their differences on ideology and capability gave rise to security fears that led to a subsequent deadlock in the cooperation. The emergence of security fears in inter-Korean relations was derived from their mutual distrust. During the Cold War era, for instance, both sides developed strategies and policies that aimed at taking advantage of the other’s economic or military weakness. Under the Cold War legacy, neither side had really intended to implement significant change in the high-level talks in the first place. Here the two Koreas’ irreconcilable strategies and policies were key variables that affected the change of inter-Korean cooperation after 1993.

South Korea’s political agenda focused on achieving direct inter-Korean trade and possible economic integration through exchanges and economic cooperation between North and South Korea. South Korea’s view of the need for a single economic system originated in part from Germany’s experience of unification in 1990. President Roh’s emphasis on the possibility of national unification in the near future was a source of growing speculation that South Korea planned the general development of conciliation through inter-Korean exchanges and economic cooperation in order to cause the eventual collapse of the Pyongyang regime. However, the problem with South Korea’s strategy was that it did not match with its policy of granting concessions on mutual benefits and peaceful coexistence in inter-Korean relations. It meant that there was a paradox in South Korea’s position on inter-Korean cooperation. This paradox was that South Korea’s basic strategy led North Korea to mistrust South Korea’s idea of exchanges and economic cooperation. Kim Il Sung claimed, “under the cloak of aid and cooperation South Korea was resorting to open intervention in other countries and overt moves to subjugate them.” Kim’s announcement implies that Pyongyang showed its skeptical response to Seoul’s economic initiative after 1990.

In addition to Seoul’s economic led-policy, another key variable that hindered cooperation was an issue-linkage strategy under the Kim Young-Sam administration (1993–1998). For example, President Kim made it clear that South Korea was determined to link North Korea’s nuclear status with South Korea’s economic ties with the North. Thus, Kim’s announcement that economic ties would be suspended was an economic sanction formed on the basis of his calculations about national security interests. The key motive for Seoul’s decision derived from its fear that Pyongyang’s economic benefits would threaten the South’s security. This was a reason why South Korea’s view of the policy of giving concessions in economic areas was inconsistent.

After concluding the Basic Agreement, North Korea implemented constitutional reforms that aimed to legitimize and strengthen

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Pyongyang’s policy reforms in the political and economic fields. The empowerment of the *Juche* (self-reliance) ideology in constitutional reform was an indication that Pyongyang’s political leaders would conduct the reform and openness of the country in line with maintaining a traditional strategy of “self-reliance.” However, Pyongyang’s overestimation of *Juche* was a problematic element that led to the controversy over North Korea’s commitment to the Basic Agreement. Concerning the cause of unification, particularly, Pyongyang posed a strategy of a national united front where every Korean, whether he or she lives in the North, in the South or abroad, must unite and fight against all political parties and social organizations from different strata in the South.31 In the “Manifesto of the Korean Workers’ Party (KWP) of 1980,” North Korea claimed that the KWP shall respect a *Juche*-oriented policy for reunification and make an effort to communitize the southern part of Korea by utilizing revolutionary methods. The existence of the traditional strategy implied that Pyongyang would maintain its revolutionary measures for unification in the post-Cold War period. It was incompatible with Pyongyang’s agreement on inter-Korean security cooperation. This controversy in North Korea’s basic strategy was a crucial variable in encouraging South Korea’s suspicion about Pyongyang’s willingness to implement the non-aggression part of the Basic Agreement.

**The Great Powers’ Role over the Evolving Inter-Korean Cooperation (1990-1994)**

As there have never been formal arms reduction agreements in this region and as a response to increasing regional insecurity since the end of the Cold War, military expenditures by all parties concerned have continued to soar.32 These trends have reflected the great powers’ conservative reaction to the regional implications of the Cold War’s demise, as the Bush administration continued to emphasize that the Cold War has not ended on the Korean peninsula and that strong security arrangements were required.33 Washington’s emphasis on security arrangements meant that on the one hand it would use force to protect the U.S. and its allies’ interests, and on the other hand, the U.S. post-Cold War strategy relied on the order during the Cold War. Indeed, the Clinton administration halted the withdrawal of U.S. troops from South Korea in 1993 even though the new U.S. strategy focused on eliminating its entire worldwide inventory of non-strategic or theater nuclear weapons.34 The implication of Washington’s regional security strategy with respect to the Korean conflict showed that the Clinton administration continued to rely on the traditional strategy of “containment” or “resistance to communism,” both Cold War metaphors. The U.S. preference for this strategy was closely associated with the strategic objective that aimed at maintaining stability with the status quo Armistice Agreement of 1953. Washington’s willingness to maintain security interests served as a key factor that impacted the continuity of Beijing’s military assistance to North Korea.

China’s strategic goal was to embrace North Korea as a ‘buffer zone’ and to protect its security against the Western countries. This situation evinced that there was strong political and military solidarity by the great powers in Northeast Asia and the Korean peninsula. By strengthening their solidarity of maintaining a “buffer zone” of sorts, the great powers pursued their respective “national interests” by balancing power among them through mediations on the inter-Korean conflict. This has been the most salient feature of the great powers’ strategies for regional security and Korean unification issues after the Korean War. For the sake of pursuing their own national interests, the reluctance of the United States and China’s to reform the Armistice system necessarily implied that China and the United States would not

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Neo-liberalism and its Application to Inter-Korean Relations

Propositions and Assumptions for Inter-state Cooperation

One of the central propositions in the neo-liberal literature is that international cooperation is conducted on the basis of economic and security issues to realize mutual gains. Neo-liberals argue that a state’s absolute gains encourage mutual benefits that lead into increasing cooperation. Neo-liberals’ mutual benefits argument could, in principle, explain the efforts of both Koreas in exchanges and economic cooperation since the early 1990s. However, the cooperative element of the neo-liberal mutual benefits concept is inadequate in explaining the inconsistency in inter-Korean cooperation, which is caused by security fears, derived from their differences over the verification process of denuclearization. In order to delineate a model of cooperation based on the calculations of cost and benefit, Powell provides a logical condition for a modified PD model.

- The neo-liberals’ model is a three-by-three game that is played twice. The participants, or actors, will try to maximize their absolute gains throughout their first and second period payoffs.
- The second round of the game has a bearing on the first round. As the game is only played twice, such considerations are not factored in to the second round of the game.
- Cooperation becomes more likely in the first period due to the bearing that the second round of the game has on the first round. The three-by-three game, which is played twice, is derived from the Prisoner’s Dilemma, a two-by-two PD, with the addition of a third strategy to the game. In short, there are two states, S1 and S2, in this game, and each state has three strategies: F (free trade policies), T (imposition of the optimal tariff), and C (closure of the economy).

As Figure 1 shows, the four cells at the upper left form a simple PD model of neo-realism in which a state strictly prefers playing T to F regardless of whether or not the other state is playing T or F. This extremely simplified game represents the case in which a state gains if it is the only state to impose a tariff, but both states lose if they both impose tariffs. Under these conditions the outcome in which both states impose tariffs (T, T) leaves both states worse off than the free trade outcome (F, F).

In Powell’s analysis, moreover, a state’s third choice of C in the three-by-three PD model results in payoffs of zero. Here we can see that the pay-off in the case of (T, T) is more than in (C, C) where (C, C)

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means both states close their economies and effectively embargo one another by playing C which is equivalent to D (defection) in the realists’ terminology.

In this respect, neo-liberalism assumes that the modified PD has been explicitly designed to explain the possibility of cooperation in the first play of the game through \((F, F)\). Indeed, the free trade outcome \((F, F)\) as well as the outcomes in which one state imposes a tariff, \((T, F)\) and \((F, T)\), can occur in equilibrium. Powell describes this as the states’ equilibrium strategies. In his analysis of the strategies, the reasons for a states’ choice of \(T\) and \(C\) are demonstrated. For example, the equilibrium strategies that lead to \((F, F)\) in the first period are for \(S_1\) to play \(F\) in the first period and \(T\) in the second period, if \((F, F)\) is the first-period outcome of the strategies, and \(C\) if not. Similarly, for \(S_2\) to play \(F\) in the first period and \(T\) in the second period, if \((F, F)\) is the first-period outcome, and \(C\) if not. The key point in equilibrium strategies is that the state which remained faithful to free trade during the first play by choosing \(F\) can punish the defector in the second play by imposing an embargo with a third choice of \(C\). Additionally, Powell suggests that these strategies also constitute equilibrium if neither state can improve its payoff by deviating from its strategy, given that the other player is following its strategy. If \(S_1\) and \(S_2\) follow these strategies, each receives three in the first play of \((3, 3)\) and two in the second play of \((2, 2)\) for a total of five.

However, if a state deviates in the first play by choosing \(T\), it will do better in that play by realizing a payoff of four \([(4, 1)\) or \((1, 4)\)]. But given the other state’s strategy of imposing an embargo in the second play by choosing \(C\) if \((F, F)\) was not the first-period outcome, the gains that a defector can get is a second-period payoff of zero. This results in a total payoff of four. In this case, it can be said that the future cost of defection, which is to attain zero rather than two in the second play of the game, outweighs the immediate gain to defecting, which is four rather than three in the first play. Thus, in this model, the threats of states to punish with a third strategy \(C\) (closing market) lead them into maintaining cooperation by pursuing the equal benefits of \((3, 3)\).

between economic and security issues, Lipson emphasizes actors’ linkage strategy in security and economic issues, assuming that reducing security fears might present the opportunity for significant mutual gains in economic issues, or at least the prevention of joint losses in security issues. This is because security issues share significant common features with economic issues.

**What Makes Inter-Korean Cooperation More Likely?**

**Perception on Mutual benefit and tit-for-tat**

When we apply these neo-liberal propositions to inter-Korean relations, they provide some basis for understanding the mechanisms for building cooperation, and the reasons why the two Koreas wanted cooperation through, and in, the aftermath of the high-level talks (1990–1992). A key element of cooperation that led the two Koreas into cooperating was the calculation of mutual benefits for both their economic and security strategies. To enhance cooperation, in addition, both sides adopted cooperative strategies. For example, in the process of carrying out high-level talks, North and South Korea adopted a tit-for-tat strategy to promote comprehensive cooperation.

![Figure 2. Two-Tier Model Cooperation](image)

The way this strategy worked is described by Figure 2: North Korea’s initial concession on political recognition provided the motivation for cooperation by South Korea, and collaboration could be attained by agreement from both parties. As Figure 2 shows, after collaboration was achieved on one issue, South Korea also offered an initial concession over North Korea’s idea of non-aggression as a reward for another issue. This tit-for-tat strategy was a key element that could explain the two Koreas’ moves toward economic and security cooperation, such as in exchanges and the non-aggression agreement. In this regard, the major elements of the inter-Korean cooperation in the tit-for-tat strategy were the initial concession and payoff. The processes and mechanisms of inter-Korean cooperation could be mapped out during the high-level talks.

**The Emergence of Political Concessions and Cooperation in October 1990**

The first sign of concession-making and cooperation occurred over the issue of “mutual recognition,” in October 1990. During the first-round talks, Seoul proposed that the South and North should recognize and respect each other’s political and social systems until such time as unification is achieved. The North’s premier, Yeon Hyung-Muk, opposed Seoul’s idea at that time. This was because Pyongyang believed that Seoul’s main aim was to prolong the current state of division. However, North Korea changed its inflexible policy and agreed on Seoul’s proposal for mutual recognition during the second round talks. Pyongyang’s move toward Seoul’s idea of mutual recognition was an initial concession to one of Seoul’s key priorities in its strategy during the first talks. In fact, Pyongyang included Seoul’s proposal for political recognition in its proposal for a “Draft North-South Non-Aggression Declaration” by referring to “respecting the other side’s polity.” The agreement of both sides over “mutual recognition” meant recognizing the other system that had substantial consequences for the high-level talks and the future of inter-Korean relations.

This agreement over mutual recognition had three main consequences. First, their recognition over the differences implied that they would cooperate to increase the possibility of agreement on easing tension and achieving peaceful coexistence. Indeed, both sides declared their commitment to establishing a peace system. The North Korean Prime Minister, Yeon Hyung-Muk, emphasized that Pyongyang would

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43 Powell, “Absolute and Relative Gains in International Relations Theory,” p. 228.

make it the nation’s top priority to find a solution both for avoiding political and military confrontation. His Southern counterpart, Kang Yong-Hoon, intentionally emphasized the need to implement the exchange program in non-political and economic areas. As an alternative measure for achieving peaceful coexistence, in August 1991, the two Koreas applied for UN membership through the Security Council. Their UN entry meant that the application of the Hallstein Doctrine for the two Koreas’ foreign policies would be ended. It implied an important departure from each state’s previous claims that it alone had represented the entire Korean people for the past four decades.

Second, North Korea’s concession was a significant move toward Seoul’s policy, which supported South Korea’s determination to enhance its independent status in regard to Korean unification issues. By underlining the need for a communication channel, the Roh government intended to establish its independent and equal status as a counterpart to North Korea. The reason behind Seoul’s hope for equal status can be traced to North Korea’s attitude toward the role of its opposite number in security and military issues. For example, the North Korean leader, Kim Il Sung, regarded the Seoul government as a crony of the United States due to South Korea’s reliance on the U.S. military assistance. The change in Pyongyang’s policy indicated that South Korea was now on an equal footing with North Korea. This in turn created the possibility of an end to the ideological and political confrontation, greater cooperation, and the restoration and development of a single national community.

Third, there was a strategic calculation in the North Korean policy that its concession would lead to South Korea rewarding Pyongyang’s proposal for a non-aggression pact in the first round of talks. Indeed, Seoul enunciated that it would make a concession on Pyongyang’s idea of non-aggression if Pyongyang made concessions on Seoul’s desire for “equal status,” in terms of recognizing South Korea as a political entity. This showed that the initial concession was important, as it functioned as a vital element in fostering compromises in the inter-Korean negotiations. Both Koreas were exercising the strategy of “tit-for-tat” as a key element in the processes of encouraging cooperation.

The Emergence of Security Concessions and Cooperation in December 1990

After their first accord on mutual recognition, the two Koreas shared a common principle of non-aggression that there should be no use of armed forces against one another under any circumstances. The South Korean Prime Minister Kang proposed a draft non-aggression arrangement for the first time since the high-level talks had begun. This South Korean concession—given its lower priority on military issues—was in clear contrast to the position it had taken at the first and second round talks. Seoul’s tactical policy change indicated that Seoul intended to negotiate a non-aggression pact with Pyongyang, which confirmed there would be no threat of “northward invasion” or “southward invasion.” The concessions by the two Koreas on military and security areas implied that the mechanisms to increase conciliation were working and resulted in part from each state’s calculations about the benefits of cooperation.

The strategic calculation behind South Korea’s concession was linked to its own policy for non-aggression, the “international guarantees of non-aggression” that South Korea added as another suggestion for a non-aggression pact. This was accepted by North Korea during

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47 United Nations Security Council adopted “Resolution 702 of 8 August 1991” without vote at the 3001st meeting, stating that “The application of DPRK and ROK have been considered and unanimously approved by the Council. The aspirations of the peoples and Governments of DPRK and ROK have harmoniously coincided. That is why the Council decided to consider and take a simultaneous decision on the admission of both parts of the Korean peninsula to membership in the world organisation,” Quoted from *Security Council Resolutions-1991* (New York: United Nations Security Council, 1991), p. 46.
The Emergence of Economic Concessions and Cooperation in December 1990

The third agreement of the talks was initiated by North Korea’s concession on Seoul’s proposals for economic and humanitarian issues. North Korean Premier Yeon applied Seoul’s ideas to the last section of his draft Ten-Point Declaration on Non-aggression, Reconciliation and Cooperation, stating that both sides should ensure free travel and contacts from all walks of life between the two Koreas. According to Pyongyang’s comprehensive proposal, economic cooperation and material exchanges between the two Koreas meant that there would be a more dramatic concession in Pyongyang’s policy over non-political and non-military issues.

In addition, North Korea’s concession on economic issues implied that there would be a calculation for Pyongyang to consider cooperation in order to solve economic problems using inter-Korean economic cooperation. For example, Premier Yeon expressed North Korea’s willingness for new economic relations with South Korea, saying that Pyongyang would cooperate with Seoul if common national interests were observed. On the basis of this expectation, the Roh government suggested joint efforts to complete denuclearization on the Korean peninsula. In November 1991, for example, the South Korean president, Roh Tae-woo, took steps corresponding to Pyongyang’s proposal for a declaration on the Nuclear Weapons Free Zone. Here South Korea’s goal was to implement mutual inspections on nuclear facilities in North Korea. The nuclear policies of both sides indicated that their concessions on security and military issues were derived from their calculations regarding security benefits. South Korea’s concessions regarding Pyongyang’s proposal for denuclearization opened up the possibility of a spillover effect into Seoul’s other areas of preference, such as mutual visits between dispersed families and economic exchanges.

54 Korea Herald, Sept. 6, 1990, p. 2.
57 Korea Times, Sept. 6, 1990, p. 2.
that they were not sure whether their cooperation would mean a change in basic attitude toward each other. For example, South Korea proposed a “Ten-Article Draft of a Basic Agreement” and the “Non-aggression Pact” whereas North Korea suggested adopting a “Ten-Point Draft on the Non-aggression, Reconciliation and Cooperation.” According to both sides’ proposals, even though both Koreas shared common ideas on some points, the differences in their basic positions largely centered on the different priorities that remained. This situation indicates that the strategies in the talks of both sides had a dual approach to the negotiations, in that they separated the issue they were conceding from the issue they expected the other to concede.

Under their calculation of cooperation, both sides concluded an “Agreement on Reconciliation, Non-aggression, and Exchanges and Cooperation between North and South Korea” (the Basic Agreement) in February 1992. Both sides agreed on a total of 23 articles in three sections: reconciliation (articles 1–8), non-aggression (articles 9–14), and exchanges and cooperation (articles 15–23). This structure indicates that the strategy, objective and interests of the two Koreas that arose during the talks were intermingled with their concession-making for the Basic Agreement. It was a significant agreement that inter-Korean cooperation would grow due to the institutional arrangement between the two Koreas, in which they had expectations of deriving mutual benefits in economic and security areas.

The approach of both Koreas to their relations, based upon the idea of neo-liberal cooperative elements meant that they could accomplish substantive progress on the various issues, including even military and security matters. This multilateral cooperation between the Koreas seemed to illustrate the neo-liberal assumption that cooperation, even in anarchy, is possible. However, the complicated circumstances surrounding the Korean peninsula after September 1992 caused security fears, and this increased both Koreas’ concerns for the anticipation of their respective losses. Indeed, they both faced crucial problems during the stage of implementing their agreements in November 1992, in particular, for arms reduction and denuclearization. Here the notion of mutual benefits cannot be expiated by the simple neo-liberal analysis of the PD model. Despite the neo-liberal attempt to emphasize the possibility of cooperation, there still remained an element that inhibited extensive cooperation. In short, neo-liberal propositions were limited in explaining the extremely antagonistic stance on security issues between the two Koreas.

**Neo-realism and Its Application to Inter-Korean Relations**

**Propositions and Assumptions for Inter-state Non-cooperation**

The neo-realists’ central proposition is that a state prefers to choose non-cooperation rather than provide unilateral concession(s) to the other. A second proposition of neo-realism is that inter-state cooperation is feasible even though it is unstable and temporary. The main logic of these propositions is that under the condition of international anarchy the basic aim of states in any relationship is to prevent others from achieving advances in their relative capabilities. It is said that the more states are concerned with relative gains, the more a gain for one state will tend to be seen as a loss by another, and the more difficult, it seems, cooperation will be. A state’s relative gains concern was an idea that could explain not only both Koreas’ calculations of cooperation in military and security matters, but also their perceived fears about national security.

We can see how neo-realists come to this conclusion by analyzing a PD model. Jervis attempts to analyze the intersection between realism and game theory. He begins with the assumption that states are actors possessing asymmetrical powers. A second assumption is that the motivation for the behaviors of states is self-interest. Lipson applies these two assumptions to a simple theoretical game model based on the “two-by-two” hypothesis repeated the Prisoner’s Dilemma. In the model, each of the actors has only two choices: cooperation or defection. According to Jervis, an actor’s best choice is likely to take the following

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order: (D.C) → (C.C) → (D.D) → (C.D).

Neo-realists assume that actors prefer to choose D (defection) rather than C (cooperation) because actors expect relative gains caused by defection when the possible use of force is at issue. Even temporary cooperative outcomes that offer asymmetrical gains cannot be sustained in this model because a state can achieve a relative gain by defecting from an agreement. This is because actors have the option of implementing a policy to regain their relative losses from the previous round. Thus, if a game repeats, the outcome will move from (C.C) to (D.D). It signifies that the aim of the actors’ defection strategies is to defend their security by protecting relative gains.

### Prisoner’s Dilemma Game Model

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In analyzing the theoretical PD game model, Snidal argues that asymmetrical gain concern is a factor that dissuades states from cooperating and results in the problems of collaboration. The key motivation for the non-cooperation of a state is the fear of strengthening the other. Because of this motivation, Grieco suggests a proposition relating to the effects of issue-linkage on cooperation: in the issue-areas where cooperation would result in asymmetrical gains, cooperative agreement is not undertaken. That is, he concludes that “issue-linkage” functions as an inhibiting element rather than a facilitating element of cooperation.

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65 Jervis, “Realism, Game Theory, and Cooperation,” p. 349.
66 Ibid., p. 326.
became a key element of the non-cooperation that led them to treat the other’s exploitation of relative gains as a fatal threat to their own national security. The prime motive of both states non-cooperative strategies rested on their recognition that even though they had agreed upon a non-aggression pact, there was a divergence about the concrete measures needed to implement the agreement that focused on the non-use of force. In fact, both Koreas demonstrated different perspectives over several sensitive issues, such as the mutual inspections of nuclear facilities, and Pyongyang’s nuclear development program. This reflected the continuity of the antagonistic features of Korean relations as military and security constraints fueled their respective non-cooperative stances.

Divergence on Mutual and Balanced Force Reduction Talks

In Article 12 of the Basic Agreement, both Koreas agreed to assurance of non-aggression through the implementation of a North-South Joint Military Commission, which would discuss and proceed toward building military confidence and arms reduction. In the article, both sides specified the forms that joint cooperation would take, such as control of major movements of military units and major military exercises, exchanges of military personnel and information, and the elimination of weapons of mass destruction and attack capabilities. After the agreement, however, both sides failed to deliver concrete measures for arms reduction. In September 1992, the supplementary protocol for non-aggression only identified the measures for the peaceful settlement of disputes and the prevention of accidental armed clashes. This situation implies that both sides failed to reach agreement on creating joint measures that would continue to prevent an aggressor from using armed force.

In terms of their failure to implement the agreement, the different approaches of both Koreas to arms reduction that arose during the high-level talks was a key factor bringing about their retreat from their previous detailed measures for arms reduction. South Korea’s idea of the measures needed for arms reduction were one-sided, in that it wanted both sides to possess the same number of troops and weapons in order that the balance of military power might be maintained. Under the terms of Seoul’s proposal, North Korea’s larger armed forces (approximately 1.3 million personnel) should be reduced to the level of the South (approximately 650,000 personnel) to achieve equilibrium. This meant that North Korea needed to follow a one-sided arms reduction strategy—Pyongyang would not accept this idea.

In contrast, North Korea proposed that both sides should reduce their military power step by step to achieve similar levels. Pyongyang suggested that each side should reduce its military forces to 300,000 in the initial stage, 200,000 during the second stage, and then 100,000 by the end of the third stage. Here, a key factor for implementing arms reduction rested on the future of the U.S. military troops based in South Korea. According to North Korea’s basic strategy, the withdrawal of the U.S. military forces is essential to ending military conflict on the Korean peninsula. From the two proposals, it can be seen that irreconcilable differences between the two Koreas could not be resolved in the short-term. The reason for their divergence was the fear that following arms reduction measures made by the other might threaten each other’s security. Given these security fears, the possibilities of an alternative security policy were discussed during the talks with more and more determination. This is why both Koreas made concessions and compromises with an eye to the conclusion of a non-aggression pact in the Basic Agreement. The primary purpose of their efforts for cooperation was to create the necessary political climate in order to fulfill its promises on other issues.

However, the point to be made here is that the two Koreas never experienced consistent and sustained cooperation even though they

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67 The Supreme Commander of the People’s Army issued “Order No. 0034” to place North Korea in a state of semi-war in March 1993 and The Kim Young-sam government called for a military alert against possible armed aggression by North Korea.


69 Korea Herald, Sept. 6, 1990, p. 2.

70 Han Yong-Sup, Arms Control and Peace in the Korean Peninsula (Seoul: Pakyoungsa, 2005), p. 431.

Along with their common goal of denuclearization, there were perceived benefits expected by both sides, which actually led to their efforts to strengthen the cooperation. For South Korea, its calculation focused on establishing a security framework between the two Koreas that would be able to guarantee the transparency of the North Korean nuclear program. For North Korea, the removal of its fear of armed aggression by the withdrawal of U.S. tactical nuclear weapons from South Korea and the suspension of the “Team Spirit” military exercise was the ultimate goal of the cooperation. North Korea’s agreement on JNCC meant that it would respect the organization as a main channel for handling nuclear issues through inter-Korean talks. On the basis of these calculations of cooperation, both sides negotiated over the detailed measures for verification and reached an accord on implementing mutual inspections of nuclear facilities in both countries.

However, soon after signing the JNCC, an argument arose about the issue of whether military bases on both sides needed to be included in the mutual inspections. Here, North Korea insisted that inspection of the U.S. bases was essential. North Korea’s suggestion followed President Roh’s previous announcement that there were no nuclear weapons on South Korean soil and his offer to open up all of the South’s civilian and military installations, including U.S. facilities, to the mutual inspections between North and South Korea. In return, South Korea also required that the mutual inspection had to include military bases in North Korea. The rationale for South Korea’s proposal stemmed from its nuclear policy of implementing “reciprocity” through direct talks between the two Koreas as shown in the JNCC. In their different suggestions, it is clear that there were two core elements to their disagreement. The first was about the inspection of the U.S. bases in South Korea. The second was the South Korean inspection of North Korea’s military bases. These two points were vital because they were closely interconnected with the reasons for the subsequent deadlock in inter-Korean security cooperation.

With regard to mutual inspection, North Korea’s suggestion indi-

viewpoint, a question to be raised was, if military sites of North Korea and the United States were primary targets, why it had to negotiate with South Korea. Indeed, North Korea prevented Seoul from holding meaningful talks through the Joint Nuclear Control Commission (JNCC) after 1992. This was because North Korea regarded Seoul’s policy of reciprocity as one-sided. This argument rested on North Korea’s fear that if its military bases were opened up to South Korea, it would greatly suffer by releasing vital information about its nuclear facilities and technology. North Korea’s fear of relative losses meant that it was more likely that Pyongyang would change its nuclear policy, moving from good faith to cynical negotiations at the JNCC.

Conclusion

At the beginning of this paper, the questions were asked: How was inter-Korean cooperation possible under the security dilemma, and why did it fail? As examined above, some elements of cooperation and non-cooperation could be deduced to be logical outcomes of the evolving pattern of inter-Korean relations. As the continuing debate between neo-realism and neo-liberalism shows, it is quite difficult to segregate the different elements of the neorealist and neoliberal propositions. In fact, between 1990-1994 inter-Korean relations showed a radical shift from cooperation to non-cooperation. In terms of this change, neorealism had difficulty in characterizing the cooperative phase, and neoliberalism was limited in its understanding of the non-cooperative phase. Nevertheless, the neorealist approach does provide insights into the problematic repetition of conflict and cooperation in inter-Korean relations. The various findings can be summarized in some main observations.

First, both Koreas’ perceptions of mutual benefit escalated cooperation during a situation where each side had ruled out the use of armed aggression. These perceptions can be explained by the propositions relating to absolute gains that are developed in neo-liberal theory. Second, both Koreas embraced the policy of defending the status quo in the immediate post-Cold War era because they believed that a strong
defense had the advantage. Ultimately, the collapse of communist countries facilitated the isolation of North Korea and led to its participation in inter-Korean cooperation.

Third, inter-Korean relations face a subsequent deadlock when there is fear that their cooperation is being exploited. Both sides’ concerns about security risks means that they start to calculate the relative losses from inter-Korean cooperation. There is no punishment or sanction for defection even if inter-Korean agreements break down. The cessation of cooperation can be analyzed using the propositions about relative gains as a factor of non-cooperation developed in neorealist theory. Fourth, due to the continued adherence to the armistice, and both Koreas’ prioritizing security above all else, they are likely to both be sensitive to even minimal threats and to demand high levels of arms. Fifth, both Koreas’ perception of the other side as an adversary is the security dilemma’s strongest driving force and makes cooperation more difficult. Sixth, the two Koreas’ unequal military capability is likely to make it more attractive to attack rather than to wait for the other side to strike. Military conflict between the two Koreas in the Yellow Sea (1999 and 2002) could be evidence of armed aggression. This situation implies that when offense has the advantage, a state’s response to military tension will increase the chances of war on the Korean peninsula. Seventh, North Korea’s nuclear development program was an issue that could not only change the country’s status quo policy but also decrease South Korean security. Eighth, the PD model of the neorealist argument is the most persuasive one that can be applied to the semblance of cooperation between the two Koreas under the security dilemma. Their strategies for increasing mutual cooperation weakened when they both developed security fears as a result of disagreements over the mutual inspection of nuclear facilities in both countries. The inter-Korean confrontation relied on the strategic calculation, made on both sides, that defection from cooperation would be the best choice because the prospective of a payoff would be low even though immediate gains from cooperating were high.

In short, since the two Koreas exploit cooperation to decrease the other side’s security as well as to preserve the forces, there would be no way for them to increase their security dilemma simultaneously. The existence of the security dilemma shows the reason why inter-Korean conciliation failed in the early 1990s. In order to overcome the danger in their relations, both Koreas should eliminate the possibility of armed aggression and operate institutions for arms control in the post-Cold War era.