

# The Two Koreas: Making Grand Strategy amid Changing Domestic Politics

Samuel S. Kim

## MAIN ARGUMENT

Despite their historical “shrimp among whales” identity, both Koreas have found new opportunities to take strategic initiatives that would not have been possible during the Cold War. South Korea is now a pivotal player in Northeast Asian economics, security, and culture, while North Korea has pursued a survival-centered strategy well despite increasing challenges on both domestic and external fronts. Upcoming leadership changes within both countries and the growing influence of domestic political forces on strategy formation suggest the Koreas’ strategic trajectories in the next five years will continue to evolve.

## POLICY IMPLICATIONS

- If the six-party process is allowed to continue, then there may be scope for Seoul’s two-legged grand strategy of globalization and engagement with the North to continue.
- If the U.S. continues to view North Korea through a Manichean lens and the sanctions regime continues, then Pyongyang could accelerate its survival tactics or even step up its nuclear program.
- If the U.S. cooperates with Beijing, Seoul, Tokyo, and Moscow to address the issue of common security, then the chances for long-term stability on the Korean Peninsula will be increased.



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## Korea by the Numbers

<b>The gulf between the two Koreas widens</b>		
<b>GDP per capita (PPP \$)</b>	<b>1990</b>	<b>2006</b>
South Korea	5,600	24,500
North Korea	1,390	1,800
<b>Population (m)</b>	<b>1990</b>	<b>2006</b>
South Korea	42.9	49.0
North Korea	20.0	23.0

  

<b>South Korea’s economy remains dynamic, but openness has limits</b>		
	<b>2005</b>	<b>2006</b>
GDP growth (%)	4.2	5.0
Exports (% GDP)	36.6	36.3
FDI (% GDP)	0.6	1.2
Imports (% GDP)	32.5	34.5

  

<b>North Korea remains a militarized, economically stagnant society</b>		
	<b>2005</b>	<b>2006</b>
GDP growth (%)	1.0	1.8
Exports (% GDP)	3.4	3.3
Armed forces (m, 2006)	1.1	
Military spending (% GDP, 2003)	25	

  

<b>China’s role grows on both ends of the peninsula</b>		
<b>South Korea</b>	<b>2000</b>	<b>2006</b>
Imports from (% trade)	7.4	14.8
Exports to (% trade)	9.5	21.8
<b>North Korea</b>		
Imports from (% trade)	5.2	42.0
Exports to (% trade)	26.7	35.0

NOTE: Data drawn from Strategic Asia database and other sources. See data source section for full details.