Kim Dae-jung’s election as president of the ROK in 1997 marked the first time that South Korea had experienced a peaceful democratic transition from the ruling to the opposition party, and represented a dramatic transition in strategic thought toward North Korea and East Asia. This transition was catalyzed by a financial crisis that brought to its knees a rapidly growing Korean economy in the weeks before the December 1997 presidential elections, exposing serious weaknesses in government and corporate financial management and suddenly placing a South Korea that had proudly achieved Organization for Economic Cooperation and Development (OECD) status and a $10,000 per year per capita GDP at the mercy of international debt-holders and the IMF. The urgency of the crisis and the fiscal and corporate governance failures that it represented initially dominated all agendas and severely limited Kim Dae-jung’s strategic choices. Its resolution became a prerequisite for management of all other policy issues.

Beyond the financial crisis, the international and regional security environment when the Kim Dae-jung administration took power provided sufficient stability and convergence of views among major powers for him to pursue his long-standing strategic vision for inter-Korean reconciliation. The North Korean food crisis of 1996 had led to internal changes within the country that opened the way for possible economic reforms. The crisis had already changed South Korean perceptions of
the North from security threat to a poor, distant relation that faced extreme humanitarian need. Kim Jong-il’s public emergence as North Korea’s paramount leader following a three-year transition on the heels of Kim Il-sung’s death in 1994 satisfied concerns about North Korea’s near-term stability. A framework for stable U.S.-DPRK relations existed based on the Geneva Agreed Framework that had ended the first nuclear crisis in 1994. North Korea had reluctantly accepted provision of a South Korean-model light water reactor under the auspices of the Korean Peninsula Energy Development Organization (KEDO), although American intelligence about a suspected covert nuclear weapons development site at Gumchang-ri raised serious questions through 1998 about North Korea’s willingness to implement its commitments to forego nuclear weapons development.

The U.S.-China relationship during the second Clinton administration was on a more stable track under a policy focused on “engagement” and designed to deepen China’s integration into the international community, normalize Sino-U.S. trade relations, and most urgently, complete negotiations to bring China into the World Trade Organization (WTO). Steady growth in Sino-South Korean economic relations continued on the foundations of the 1992 normalization as China’s primary policy focus toward the Korean peninsula shifted from the objective of maintaining an equidistant relationship with the two sides to a focus on ensuring North Korean stability in the context of its food crisis while learning from South Korea’s model of economic development. There had been modest improvement in ROK-Japan contacts and nascent security cooperation with both Japan and the United States in dealing with the North Korean nuclear issue, despite longstanding disagreements over Japan’s handling of history-related issues. Russia was distant and preoccupied with its own economic difficulties as Kim Dae-jung took office early in 1998.

Kim Dae-jung provided critical leadership to overcome the financial crisis while holding to his vision for comprehensive inter-Korean reconciliation and the establishment of peace and prosperity in Northeast Asia. His core strategic choices were consistently articulated from the outset of his administration, despite the immediate challenges posed by South Korea’s financial crisis. Kim was helped in the implementation of his foreign policies by his positive international reputation and relationships forged as a leader of the antiauthoritarian democratization movement in South Korea for over three decades. Yet, Kim’s international reputation and his focus on inter-Korean reconciliation arguably distracted him from the need to address regional divisions within South