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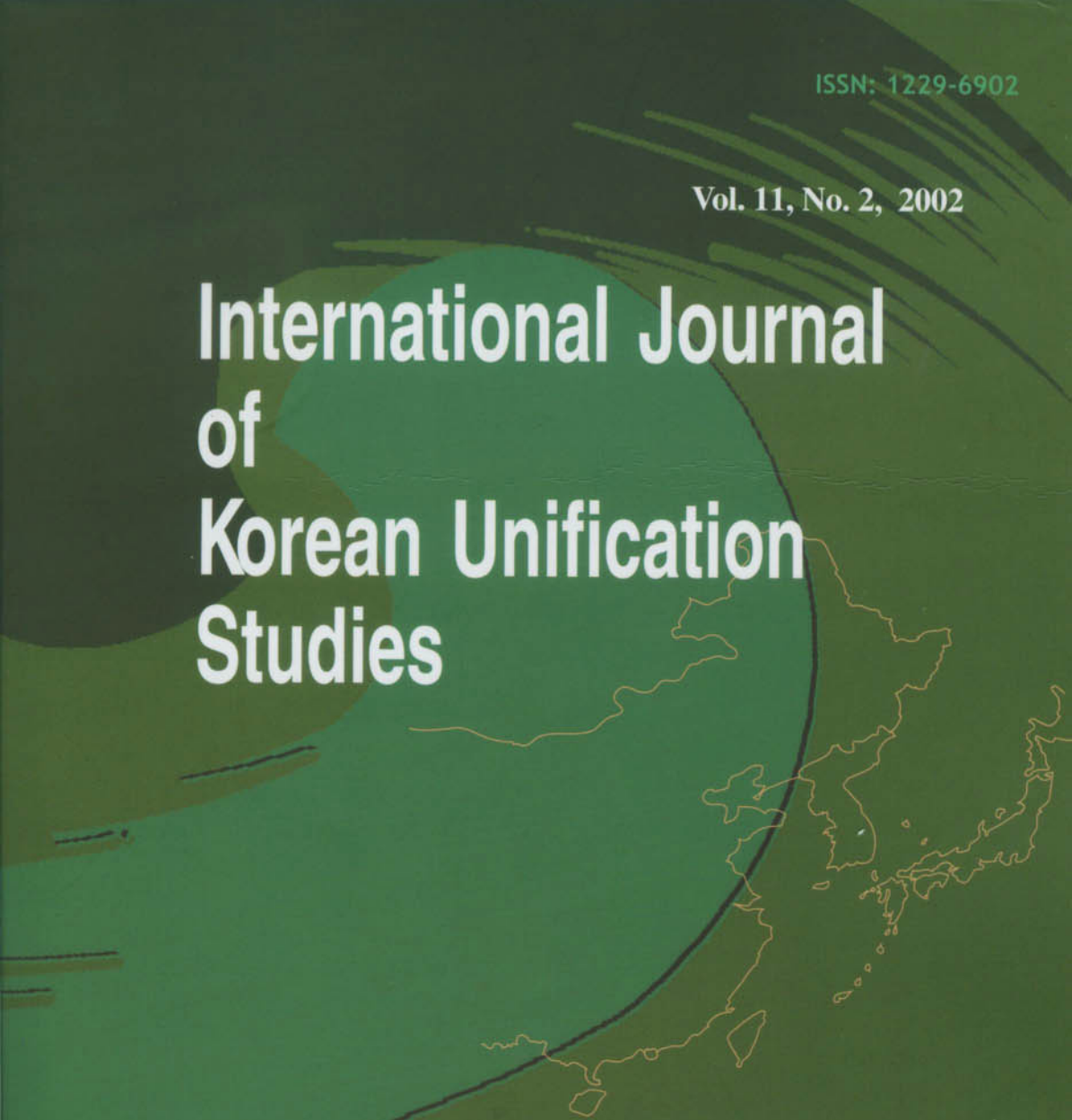

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TABLE OF CONTENTS

International Journal of Korean Unification Studies, Vol. 11, No. 2, 2002

THE NUCLEAR IMPASSE ON THE KOREAN PENINSULA: THE MORE THINGS CHANGE, THE MORE THEY STAY THE SAME

Dennis Florig

The revelation that North Korea has been secretly enriching uranium for nuclear weapons in violation of its international commitments has thrown the Korean peninsula into crisis. The sunshine policy of South Korean President Kim Dae Jung has been undermined, but the Bush administration's hard-line expressed in the "axis of evil" speech has also come in for criticism. At the root of the current crisis is the failure of all sides to face up to the fundamental security issues. Hard-liners in the U.S. and the South should reconsider their desires for rapid regime change in the North in light of its catastrophic consequences. The interaction between reform in the North and easing of its security situation needs to be more clearly recognized. Analysis of policy options to reverse the North's nuclear programs shows that use of military force is much too costly and damaging to regional security. And that isolation and sanctions alone will not stop the North from acquiring nuclear weapons. In the long run, the way to get the North to truly abandon its nuclear programs is not to isolate it further or try to buy it off only with economic aid, but to establish security cooperation in which all sides will have their security concerns addressed.

International Journal of Korean Unification Studies, Vol. 11, No. 2, 2002, pp. 1-24.

The New Nuclear Crisis

Not that long ago the Korean peninsula seemed on the verge of fundamental transformation. The dramatic first ever summit between South Korean President Kim Dae Jung and North Korean leader Kim Jong Il raised expectations that finally the two Koreas were on a path to reconciliation. The summit was the realization of a series of positive developments since the 1994 Agreed Framework. The Agreed Framework was negotiated in the first Korean nuclear crisis, when the North seemed on the verge of gaining nuclear weapons. The Agreed Framework promised to end North Korean development of nuclear weapons and regularize negotiations between North and South Korea in return for two new nuclear power plants that would be less suitable for weapons development and normalization of diplomatic relations between the U.S. and North Korea. In 1998 newly elected South Korean President Kim Dae Jung embarked a sustained "sunshine policy" designed to end half a century of hostility between North and South. Sunshine dovetailed well with the Clinton administration's engagement policy, as outlined in the Perry Report. Although formal U.S.-North Korean diplomatic relations did not begin as envisioned in the Agreed Framework, some of America's Cold War economic and political sanctions against the North were related and most of America's key European allies did normalize relations with the North. Work on the KEDO project to provide alternative nuclear energy began, although the project quickly fell behind schedule. While there were setbacks, most importantly, the test firing of a North Korean medium range missile over Japan, hopes were high that a new era was dawning. A freeze on North Korean missile development was negotiated. The North-South summit was followed by an unprecedented visit of North Korea's number two man Jo Ryong Mok to Washington to meet with President Clinton and a trip by U.S. Secretary of State Madeline Albright to Pyongyang.

But in the past two years the bloom has come off the rose. The newly elected Bush administration, suspicious of the North Korean regime and unhappy with the concessions of the Clinton engagement policy, suspended U.S. dialogue with the North while South-North talks have been off and on. Most of what was promised at the Pyongyang summit has not yet been implemented. A planned second summit in Seoul has not come off. The peninsula remains divided and highly militarized. Fears of conflict remain on both sides. North Korea is apprehensive about U.S. military superiority while the South and the U.S. are suspicious of the large conventional forces of the North. Angry rhetoric, which had been toned down, especially in the afterglow of the summit, has renewed. North Korea has accused the Bush administration of sabotaging relations while the Bush administration characterizes North Korea as part of its "axis of evil" and talks openly of regime change.

In October 2002, at the first high level visit of the Bush administration officials to Pyongyang, when confronted with hard evidence, North Korea admitted it has been pursuing a secret uranium enrichment program in a new effort to develop nuclear weapons. This shocking violation of the North Korea's commitments under the Nuclear Non-proliferation Treaty, the 1992 Declaration on a nuclear free Korean peninsula, and the Agreed Framework, the centerpiece of the engagement and sunshine policies, put any U.S.-North Korean cooperation in severe jeopardy. In November a broadcast on official North Korean radio suggested that North Korea actually already possesses some nuclear bombs, although it was not stated whether they were made from plutonium extracted before the Agreed Framework or from the later uranium enrichment. Doubts were then raised about whether the seeming revelation was actually just a misstatement of the broadcaster, since this important statement was not attributed to any North Korean official.

Sunshine vs. Axis of Evil: Trilateral Coordination, Division of Labor, or Asymmetries of Interest?

Events are moving quickly on the Korean peninsula. The Bush administration's response to these revelations was swift and unambiguous. All U.S. cooperation with the North has been severed until the uranium enrichment program is terminated. In addition, the United States has suspended oil shipments that it was providing as an alternative energy source under the Agreed Framework. U.S. demands for inspection of all of North Korea's nuclear facilities have intensified. The South Korean reaction has been more nuanced. While the Kim Dae Jung government has also called for the end of all North Korean nuclear weapons development, it has continued on-going talks with the North on inter-Korean issues. Japan, which was in the middle of normalization talks with the North when the revelations came, agreed to another round of those talks, but has made suspension of North Korean nuclear weapons development a precondition for diplomatic recognition.

By the time of publication, the immediate impasse over nuclear weapons may have broken or the situation may have worsened considerably. Nevertheless, it is worth examining the recent history of relations between North Korea, South Korea, the United States, and the other powers of Northeast Asia.

In recent years the U.S., South Korea, and Japan have attempted to harmonize their policies toward North Korea, holding regular trilateral coordination meetings. Yet in the past two years there has been growing distance between the Bush administration's hard-line and Kim Dae Jung's sunshine policy. While governments continue to call for greater policy coordination, neither is willing to change its basic approach to the North simply to achieve consensus. This difference became apparent once again in the new nuclear crisis. The Kim Dae Jung administration is keeping lines open to the North and trying to keep the KEDO project alive, while the U.S. is calling for suspension of KEDO and currently rejects negotiations until the North verifiably abandons its nuclear weapons programs.

While many decry this lack of uniformity in policy, others have compared the differing U.S. and South Korean approaches as a kind of "good cop, bad cop" routine where a tough U.S. threatens severe punishment while a sympathetic South Korea elicits cooperation through dialogue promising benefits. Certainly, in the current crisis some division of labor can be useful. There is some merit in the U.S. position that the North should not be "paid off" for violating a solemn agreement, and therefore there is nothing to talk about until the North backs off its nuclear weapons programs. But the situation is too dangerous to rely simply on external pressure. Thus, if the South keeps open channels of communication, possible solutions can be explored. While the U.S. stands outside applying pressure, South Korea can serve as a messenger, a catalyst or even an honest broker in the search for equitable solutions to the immediate crisis. As long as the U.S. South Korea, and Japan keep to a uniform message that the North will have to abandon its nuclear weapons programs before progress on any other issues is possible, differences in how to best convey this message are tolerable, and perhaps even more effective in getting the message through.

However, the differences in the approaches of the Bush and Kim Dae Jung administrations reflect a deeper asymmetry of perceptions and interests. It is often commented upon that the U.S. sees Korea primarily in light of security issues, while South Korea is increasingly focused on the task of political reconciliation between the North and South.[1]

But at a deeper level there is a growing difference in U.S. and South Korean concerns about the North Korean regime.[2] The U.S., South

1 John Kotch, "Korea's Multinational Diplomacy and US-Korea Relations," *The Journal of East Asian Affairs* and Victor Cha, "Balance, Parallelism, and Asymmetry: United States-Korea Relations," *Journal of East Asian Studies*, vol. 1, no. 2, February 2001.

Korea, and the other powers in Northeast Asia all agree that there must be fundamental change in the North Korean system. The differences lie in attitudes toward the method achieving that transition. South Korea, China, and Russia would all bear a heavy burden if the North Korean regime were to collapse precipitously, even if the danger of a second large-scale Korean War could be avoided. Not only would untold numbers of economic refugees come streaming across the borders, but conflict within the North between emerging factions could further devastate its failing economic infrastructure and even spark cross-border military conflict or require outside military intervention. The collapse of the North Korean regime is a nightmare scenario as seen from Seoul, Beijing, and Moscow.

But the U.S. would be geographically insulated from these heavy burdens. Thus it is relatively easy for hard-liners in the U.S. to call for rapid regime change in the North.

In addition, the U.S. is more unremittingly hostile to the regime in the North on ideological grounds because it clings to communism in the post-communist era, making regime change in the North a matter of doctrine—not just to the hard-liners in the Bush administration—but many others in Washington.

Political differences between the U.S. and the South may be moderated if, as expected, a conservative regains the Korean presidency in the December 2002 elections. But the fundamental gap between the South Korean and U.S. perceptions on engaging the North runs deeper than personalities, and therefore is unlikely to completely disappear.

2 Young-Ho Park, "U.S.-North Korea Relations and ROK-U.S. Policy Cooperation," *Korea and World Affairs,* vol. xxvi, no. 1, Spring 2002.

The Bush Administration Hard-line: Hawk Engagement or Malign Neglect?

Since it took office, the Bush administration has been sending conflicting signals about what it is trying to achieve in its policy toward North Korea. Is it deliberately trying to engineer a collapse of the regime in the Pyongyang or is it simply holding out for a better deal, with more concessions and greater reform? Various commentators have characterized the Bush hard-line as regime change, demand for reciprocity, greater reliance on sticks rather than carrots, return to containment, isolation, and/or punishment, benign neglect, or even hawk engagement.[3] Bush administration rhetoric has varied considerably, from the president's axis of evil depiction in the post 9/11 State of the Union to reassurances that the U.S will not invade the North during his visit to Seoul in February 2002.

Thus, those who try to intuit a Bush strategy from its various statements are on shaky ground. After all, since the attack on the Pentagon and the World Trade Center, the attention of the administration has been closely focused on the Islamic world—on its responses to terrorism, the war in Afghanistan, and the showdown with Iraq—diverting attention from Korea and Northeast Asia. It is probably more accurate to see the Bush administration's policies as stemming from a reflexive set of attitudes rather than a carefully thought-out strategy.

The Bush administration clearly carries a hostile attitude toward the Kim Jong Il government. Yet at least until now it has not been inclined to consider direct military action against North Korea, given South

3 Victor Cha, "Korea's Place in the Axis," *Foreign Affairs*, May/June 2002; Jongchul Park, "Inter-Korean Relations after the Summit Meeting," *Korea and World Affairs*, Summer 2001; Richard Armitage, "A Comprehensive Approach to North Korea," available at http://www.kimsoft.com/1997/armitag.htm; Yong-Sun Song, "Prospects of North Korea's Conventional Arms Control," *Korea and World Affairs*, Summer 2002.

Korean opposition and the huge geostrategic implications of military action in the backyard of China, Russia, and Japan. Perhaps the best characterization of the Bush policy toward North Korea is "malign neglect," a hostile attitude but an inability to act, a wish for regime change without a systematic plan for bringing it about.

The Bush doctrine of pre-emption of the development of weapons of mass destruction by so-called rogue regimes raises the possibility of direct military pressure on North Korea similar to that being brought on Iraq. The axis of evil speech certainly implies such an analogy. North Korea did sign the Nuclear Non-proliferation Treaty which gives the International Atomic Energy Commission the right to inspect North Korean nuclear facilities, so if the UN inspections program in Iraq is a success, it will increase pressure for the North to agree to some kind of inspections.

However, even the Bush administration admits there are important differences in the two cases. North Korea has not recently attacked its neighbors as Iraq has done twice in the past two decades. North Korea is located between other major powers-Japan, China, and Russia-none of which have the same elemental geostrategic interests in Iraq. While Northeast Asian powers share a basic interest in a nuclear free Korea, there is no UN resolution stating an international consensus and validating international action against North Korea. Nor is there likely to be such UN action anytime soon, since both China and Russia are more likely to exercise their Security Council veto power on UN action on the Korean peninsula.

The policy of malign neglect toward North Korea has largely flowed from the Bush administration's intense focus on the Islamic world. Tied down with on-going pacification in Afghanistan, global operations against Al Qaeda, the military build-up in the Persian Gulf, and forging a broad global coalition for disarming and perhaps acting militarily against Iraq, the last thing the Bush administration wants right now is a second theater of conflict in Northeast Asia. One of the

unintended side-effects of Bush's hard-line and malign neglect against North Korea has been promotion of North-South dialogue, as the North increasingly finds the South its most accommodating partner. Relations between the two Koreas, which ultimately will determine the fate of the Korean peninsula, have moved forward because the North has been stymied in its attempts to engage Washington.

The Unraveling of the Agreed Framework: Failure of Sunshine, Failure of the Hard-line, or Failure to Face Security Issues?

Events in Northeast Asia have not stood still while the Bush administration remains focused on the Islamic world and continues to search for a consistent strategy toward North Korea. The Agreed Framework, which has been the centerpiece of progress on security issues and nuclear non-proliferation on the Korean peninsula since 1994, has been unraveling for some time. The two light water nuclear power plants promised to North Korea as alternative energy sources by KEDO are years behind schedule, with each side blaming the other for delays. Not only has North Korea been enriching uranium in violation of its non-proliferation commitments, but it has also never accounted for small amounts of plutonium that may have been diverted for weapons production, and the agreed international inspections regime has not materialized. From the North Korean perspective, the complete end of U.S. economic sanctions and the normalization of U.S.-North Korean relations that was promised have not been realized.

Yet it would be a mistake to write off the Agreed Framework as a complete failure.[4] It has delayed the nuclearization of the Korean peninsula. It has indirectly contributed to normalization in North Korea's relations with major European nations. It has facilitated a

4 Daryl Kimball, Robert Gallucci, Marc Vogelaar, and Leon Sigal, "Progress and Challenges in Denuclearizing North Korea, *Arms Control Today*, May 2002.

partial opening of the North to the outside world.

But the Agreed Framework is increasingly obsolete. Even if the current impasse on North Korean nuclear weapons development could be resolved, more needs to be done than simply setting more realistic targets for completion of the KEDO project. A new framework for U.S, North Korean, and South Korean security relations is increasingly necessary.

However, before the problem of a new framework can be effectively addressed, there needs to be a post-mortem on the old Agreed Framework. Was the failure to fully implement the Agreed Framework the failure of the sunshine / engagement policy in conceding too much and not getting enough in return or the failure of the American hard-line to offer sufficient economic incentives to the North?

The hard-liners in the U.S. argue that sunshine / engagement has not worked because, despite the incentives, North Korea has not abandoned its pursuit of nuclear weapons. From their point of view, the U.S. and South Korea have been "giving without getting," granting major economic aid and trade and providing North Korea with crucial energy resources, concessions that have not been reciprocated. To hard-liners, the recently revealed violations simply demonstrate once again that the North cannot be trusted and that any concessions will be taken as a sign of weakness.

Yet the hard-liners in the North make a similar argument. From their point of view, the North has made all the important concessions, trading away their two hard bargaining chips, nuclear weapons and missile capabilities, yet not materially improving their basic security position. The North still remains vulnerable to superior U.S. forces, and it has not even been able to extract a non-aggression pact from the U.S. in return, much less normalization of relations. The Bush administration's suspension of talks with the North, its statements about an axis of evil, its threats to use military force to pre-empt rogue regimes, and speculation in Washington about collapse scenarios have only

confirmed fears of hard-liners in Pyongyang that the U.S. is more intent on eliminating the North Korean regime than working together with it.

In one sense the hard-liners on both sides are right about the outcome of nearly a decade of negotiations. Neither the North nor the U.S.-South Korean alliance has been able to significantly improve its security position despite nearly a decade of negotiations under the Agreed Framework.[5] That is the crux of the problem.

A chilling comparison can be drawn to the Palestinian-Israeli negotiations, the Oslo peace process. For nearly a decade the Palestinians and Israelis engaged in a long-term peace process, starting with routine economic and social matters then moving on to institutionalizing political relations, with the final goal of solving the security problem through the creation of a Palestinian state. Small, manageable issues were taken up first with the hope that building confidence and mutual respect that could eventually create a new climate in which the fundamental security issues could ultimately be resolved. There were ups and downs in the peace process, but many short-term, incremental steps were successfully undertaken.

Yet when Palestinian and Israeli leaders met in Washington at the end of the Clinton administration to discuss the outlines of a final security settlement, the process broke down. It was clear that the Palestinians expected the endgame to be a truly independent state, while Israel was unwilling to give up its military operations in the West Bank and political control of the settlements it had built on crucial locations there. All the step-by-step confidence building measures had not paved the way for a final settlement because the parties did not share a common vision for the final stage. By avoiding the crucial security issues, the "peace process" had not brought real peace, and today the bloodshed is worse than it was before the peace process began.

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5 Selig Harrison, *Korean Endgame*, Princeton University Press, 2002.

The analogy between the Palestinian-Israeli and the U.S.-South Korea-North Korea peace process is far from perfect. And certainly in both the Middle East and in Korea, the peace process had to begin with smaller, manageable tasks on which there were at least some possibility of reaching agreement and building confidence to tackle the more intractable problems. It is understandable that those caught up in the Herculean task of getting any serious negotiations moving forward at all chose to defer the thornier security issues. Serious discussion of security problems on the Korean peninsula raises vital questions about the role of American forces, the nature of the North Korean regime based on permanent total military mobilization, and on the dependency of the South on the U.S. There is no simple road map that indicates a straight path to a demilitarized Korean peninsula.

But one lesson seems clear from the Palestinian-Israeli experience-difficult security problems cannot be resolved simply by incremental approaches to lesser economic and political issues.

Back to Basics: Soft Landing or Regime Change?

So what should the U.S. and South Korea be seeking in relations with the North? What approach will truly meet the essential security requirements on the Korean peninsula? To answer these questions, we must return to the fundamental question of what endgame the U.S. and the South should be seeking.

There are really only four conceivable long-range outcomes on the Korean peninsula: 1) continued hostile division, 2) reunification through war, 3) reunification through regime collapse in the North and absorption of the North by the South, and 4) negotiated transition to a loose confederation of the two Koreas.

Of course war is the least desirable and least likely outcome, but the ever-looming possibility of war must inform consideration of all the other scenarios. No party on the Korean peninsula wants war, but war could be the unintended consequence of escalation of tensions and/or the badly managed or imminent collapse of the regime in the North.

Continued hostile division of the Korean peninsula is also undesirable, although more likely. The North Korean people suffer greatly under a regime that can neither feed its own people nor truly open up and reform its economic and political systems while under such a pressing external threat. Nor should the growing frustration of the people in the South with the plight of their northern cousins juxtaposed with the tantalizing promises of reconciliation be underestimated. But even more important, the hostile division of the peninsula is not stable. At any time war and/or the chaotic collapse of the North is possible. Even if the regime in the North were to continue to muddle through, in the absence of a negotiated peace regime, the security situation will only get worse, as the current nuclear crisis demonstrates. If the North acquires nuclear weapons, the South and possibly Japan could well follow.

Collapse of the regime in the North and absorption by the South, as West Germany absorbed East Germany, is appealing to ideological conservatives in the U.S. and the South, but ultimately much too dangerous and painful. At a minimum collapse of the regime in the North would result in millions of economic refugees fleeing not only south, but also north into China and Russia. Its already antiquated economic infrastructure would be further degraded. A succession struggle between different factions in the North could be bloody and protracted, and could well draw the South and possibly other regional powers into a quagmire. The terrible suffering of the North Koreans would only be intensified. And the possibility cannot be discounted that in the face of imminent collapse, either the regime itself, or hard-line factions, might launch a military conflict with the South.

Thus, the only desirable outcome would be a negotiated transition to a reformed regime in the North, a new relationship between the

North and South, and a stable security architecture on the peninsula and in the region generally. The regime in the North is in fact as dangerous and as flawed as the Bush administration says. But since it is neither wise nor feasible to bring the regime down, it has to be dealt with and eventually neutralized exactly because it is so dangerous and so flawed. Negotiation with the North has been the agreed upon policy of the U.S., South Korea, and Japan. And key elements of both reform and a stable security regime have been acknowledged by the North, however grudgingly.

The North needs to truly accept that more substantial reform must come. But hard-liners in the U.S. and the South must also accept that a gradual reform of the North is preferable to sudden regime change and absorption by the South. Once collapse-absorption is recognized as neither desirable nor feasible, the reform dilemma the North faces also becomes salient. Hard-liners in the U.S. and the South are quick to point out that years of engagement have produced little fundamental change in the basic North Korean system. Certainly the regime in the North is still light years from a liberal, capitalist system, although the degree to which the North is willing to embark on a path that will force it to jettison its long-time goals of communizing the South is often underestimated. If Mao's China and the Vietnamese who fought for generations against the U.S. and the West can reform and open up, so can the North. The more the North opens up to the South and the global capitalist economy, the more the regime in the North will be changed. Realists in the North recognize U.S. military superiority and realize that the only way to reduce the U.S. threat to the North is to reduce the Northern threat to the South. The revolutionary slogans still spouted from hard-liners in the North will eventually be tempered and finally abandoned if the North becomes more enmeshed with the South and the global system. The experience not only in Russia and Eastern Europe, but also in China and Vietnam shows that seemingly highly ideological communist party leaders can be enticed to turn

themselves into state capitalists if they themselves can profit from the transition.

But the U.S. and the South should realize the tightrope the North Korean regime is walking. If it leans too far toward maintaining the existing system, the North will fall into oblivion. But if it leans too far toward rapid reform, the regime could quickly become as irrelevant as Gorbachev became in the Soviet Union, with the additional danger that prominent members could end up on trial for their lives like leaders of the former Yugoslavia. As Moon and Kim put it,

> For Pyongyang, the Soviet failure must be a negative path model that should be avoided at any price. The reason North Korea has yet to introduce and implement serious economic reforms is not because it doesn't want to change, but rather because its leadership is concerned about reforms slipping out of its control.[6]

While some hard-liners in the U.S. so ardently hope for such a day that they would pay any cost, they should be more careful what they wish for. Gradual reform and transition is a much less catastrophic method to defuse the ticking time bomb on the Korean peninsula.

The goals of reform, reconciliation, and a peace regime are tightly interrelated. Some reform in the North is necessary to assure the United States and South Korea that things have changed and the historic North Korean goal of reunification through communization has been abandoned. But North Korean reforms are likely to remain only incremental until the regime can be assured of its security and survival. The issues of reform and security are both / and, not either / or. But difficult questions remain about how to get from here to there.

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6 Chung-In Moon and Tae-Hwan Kim, "Sustaining Inter-Korean Reconciliation: North-South Korea Cooperation," *The Journal of East Asian Affairs*, vol. xv, no. 2, Fall / Winter 2001.

Sequence and Transition: Which Comes First, the Chicken or the Egg?

Most of the major players in the region share the goal of moving the Korean peninsula from hostile division to reconciliation, reform, and a peace regime. The obstacles lay in the sequence of the transition. The sunshine policy of the South has been based on deferring difficult security issues until confidence can be build up through successful negotiations over less contentious economic and social issues.[7] In contrast, hard-liners in the Bush administration want regime change in the North which they seem to assume will automatically solve the security issues.

Despite their obvious differences, both approaches rely primarily on economic incentives to leverage fundamental security concessions by the North. The South has been relying primarily on economic carrots to entice the North. The hard-liners in the Bush administration look to turn the withholding of existing carrots, such as heavy oil shipments and KEDO funding, into an effective stick to punish misbehavior by the North and perhaps even to starve the North into submission.

Neither approach has yet born the desired fruits, nor are they likely to do so. Surrender of the North Korean regime cannot be bought by the richer South or even the U.S. Despite the improvement in relations between the North and South over recent years, the current unraveling of the Agreed Framework demonstrates that measures primarily for confidence building must soon be supplemented by hard choices on basic security issues if a process of transition is to be sustained.

Reform of the North and easing of security tensions must go hand-in-hand. U.S. and South Korean concerns about the authenticity of changes in the North must be assuaged if there is to be real movement on security issues. But the regime in the North cannot really relax its

7 Chung-In Moon, "The Kim Dae-Jung Government and Changes in Inter-Korean Relations," *Korea and World Affairs*, vol. xxv, no.4, Winter 2001.

grip until it can be assured that it is not signing its own death warrant. Progress on reform is necessary for a true peace regime to emerge, but progress on security issues is also necessary before real reform can take hold.

Sequence is also at the heart of the current impasse over nuclear weapons. The U.S. demands a verifiable end to all North Korean nuclear weapons programs as a precondition to negotiation on any other issues. North Korea is only willing to talk about an end its uranium enrichment program and inspections of its weapons programs in the context of a package deal that ensures basic security and survival of the North Korean regime. Since the nuclear revelations the North has focused on demands for a non-aggression treaty as part of such a package deal.

This apparent deadlock is not insoluable. For example, concession from each side might be announced simultaneously without open admission that a deal had been struck. But that fig leaf might not be enough for hard-liners in the U.S.

The handling of the Cuban missile crisis provides one method of sequencing that might be appropriate to the current Korean nuclear crisis. When the Kennedy administration demanded that the Soviet missiles under construction in Cuba be withdrawn immediately, Khruschev responded by offering to do so if Kennedy withdrew U.S. missiles recently placed in Turkey. At first Kennedy refused to trade the missiles in Turkey for the missiles in Cuba. However, as tensions mounted, Kennedy offered a secret, sequenced deal. If the missiles were withdrawn from Cuba immediately, the U.S. would withdraw its missiles from Turkey six months later. The deal was conditioned on the Soviet Union never admitting publicly that such a deal had been made.

Such a finely nuanced deal between the U.S. and North Korea is unlikely. But a similar kind of sequencing might be possible. If North Korea were to back down on its nuclear weapons programs, the U.S. might secretly promise to address key North Korean security concerns

at a date certain. To assure North Korean suspicions that this promise might go the way of former promises to normalize relations, the beginning of any serious inspection regime might be made contingent on the U.S. following through on any secret commitments.

The Way out of the Current Impasse: Isolation and Punishment or Hard Bargaining?

Robert Gallucci, the lead U.S. negotiator of the Agreed Framework, has made the argument that there are only three basic ways of dealing with North Korea-the use of military force, the use of strong sanctions to isolate and punish the North, or negotiations.[8] Although these remarks were made prior to the current nuclear crisis, they still ring true today.

Gallucci further argued that the use of military force was much too dangerous. Even a so-called "surgical" strike on the North's nuclear facilities would likely trigger a larger conflict, if not all-out war. Not only could the Korean peninsula be devastated, but U.S. relations with China, Russia, and even Japan would be severely and adversely affected.

Gallucci also argued that sanctions alone would neither topple the North Korean regime nor stop North Korean nuclear development. Too many in Washington have been waiting for the regime in the North to have the good sense and manners to just disappear like the Soviets and their client states. But the fact is not only the North, but all of the communist regimes in Asia are still in place. The Chinese,

8 Robert Gallucci, "The Bush Administration's Policy towards Northeast Asia and North Korea," *The Korean Peninsula after the Summit*, Institute for Far Eastern Studies Conference, Seoul, Korea, May 23-24, 2002. See also "Bush's Deferral of Missile Negotiations with North Korea: A Missed Opportunity," *Arms Control Today*, April 2001.

Vietnamese, and North Korean communist governments were established by indigenous revolutions rather than imposed by the Soviet Red Army, and none has come close to falling. The North Korean people are suffering terribly, but terrible suffering alone has never been enough to bring down governments.

According to Gallucci, sanctions alone will not deter the North Korean regime from pursuing nuclear weapons. Despite strict sanctions, the North was well on its way to acquiring nuclear weapons before the Agreed Framework was negotiated. The expectation of improved relations with the U.S. and the promise of alternative energy sources delayed the North Korean nuclear program. But in the absence of restraints brought on by international agreements, the North will certainly attain nuclear weapons. Indeed, they may have already done so.

Gallucci concluded that the only effective means to stop North Korean nuclear development was through negotiations. Gallucci's remarks were made before the revelation of North Korea's uranium enrichment program. If the North continues down this road, it is difficult to see how the U.S. and other powers could reward the North's violation of solemn agreements by another pay-off for abandoning its obligations. But at least officially, the North Koreans remain eager to return to the negotiating table if a way can be found to allow them to do so.

It is important to distinguish isolation and punishment as a tactic until North Korea backs off from its provocative behavior versus isolation and punishment as an overall strategy for bringing about reform. A soft landing should be the goal. The stick of isolation may be necessary at times, but North Korean behavior will not be changed by sticks alone.

A prerequisite for success at reopening serious talks will be getting the message across that North Korea cannot have nuclear weapons and good relations with the U.S. or the South at the same time. But another

prerequisite of success is eventually assuring the North that it is not a target of the Bush administration, that any changes in the North will be gradual and orderly, and that as long as serious negotiations are in progress, military force will not be used.

Whether the North will see the light is unknowable given its opaque nature.[9] The North Koreans clearly have a different world-view and the difference in ideological assumptions make it difficult for outsiders to understand it. Hard-liners in the U.S. and the South argue the real nature of the regime in North has not changed, that Pyongyang only makes surface concessions and reforms in order to get large-scale aid and major concessions.[10] Others see the North as willing to deal and over time willing to change, pointing to the concessions the North has already made on their key strategic assets, nuclear weapons and missiles, improvement of inter-Korean relations, and the economic reforms the North has already undertaken.[11] Hard-liners see North Korean negotiating tactics as either irrational or dangerous brinkmanship or both. However Leon Sigal, author of the most comprehensive study of the Agreed Framework negotiations, argues the North Koreans actually practice a quite rational form of "tit for tat," matching U.S. bluster with bluster of their own but making concessions when the U.S. is also willing to make concessions.[12] Despite the apparently monolithic ideology of Kim Il Sung-ism, different North Korean actors probably

9 Kongdan Oh and Ralph Hassig, "Guessing Right and Guessing Wrong about Engagement," *The Journal of East Asian Affairs*, vol. xv, no. 1, 2001.

10 Nicholas Eberstadt, "If North Korea were Really "Reforming," How Could We Tell?," *Korea and World Affairs*, Spring 2002 and Suk-Ryul Yu, "Changing Environment and Outlook for Inter-Korean Relations," *Korean Observations on Foreign Relations*, vol. 4, no. 1, June 2002.

11 Moon, *op.cit* and Kimball, Gallucci, Vogelaar, and Sigal, *op. cit*.

12 Leon Sigal, "Bush Administration's Policy toward North Korea," *The Bush Administration's Policy toward North Korea*, Institute for Far Eastern Studies and Georgetown University conference, October 24, 2001. See also Leon Sigal, *Disarming Strangers*, Princeton University Press, 1998.

have different intentions. More importantly, any actor's intentions can change over time based on a learning process and a changing environment. If Mao's China and Ho Chi Min's Vietnam can change, given time and a new environment, so can North Korea.

On the other side, there is hope that the Bush administration will eventually adopt a more flexible stance if the current impasse can be broken. In the case of Iraq, hard-liners wanted immediate military action, but international pressure moved the Bush administration to work through the United Nations. Hard-line Republican presidents have changed their positions before. The confirmed anti-communist Nixon went to Beijing to toast with Mao Zedong, and then to Moscow to sign the first nuclear arms control treaty. Ronald Reagan revived the Cold War and denounced the "evil empire," but then became buddy-buddy with Gorbachev. The attacks on the Pentagon and the World Trade Center have hardened the Bush administration's view of the world, but the U.S. is still capable of learning and changing its policies.

However, the Bush administration currently is unable or unwilling to take a proactive stance, so by default the primary duty for moving things forward at this time has fallen to the South. Exactly because the South Koreans have a greater stake in avoiding either military conflict or chaotic collapse of the North, they are going to have to keep dialogue alive. The South Koreans can serve as messenger, not only to the North on why it must abandon its nuclear ambitions, but also to Washington, that the U.S. must be ready to reopen serious dialogue if the North complies. Other outside powers such as China, Russia, and Japan can play a similar role in both pressuring the North and persuading Washington to eventually respond to any North Korean concessions on the nuclear issue with a renewed commitment to taking up North Korea's security concerns.[13]

Hopefully, the current position of the Bush administration that a

13 Mel Gurtov, "Common Security in North Korea," *Asian Survey*, vol. xii, no. 3, May / June 2002.

strong inspections and verification regime must be in place before it makes any security concessions is a negotiating stance.[14] It is hard to imagine North Korea allowing outside weapons inspectors to move freely around its territory until the basic survival of the North Korean regime is assured, although less intrusive methods might be tolerated if broader talks were reopened. Success of an inspections regime in Iraq would put pressure on the North to allow similar inspections. But given the greater geo-strategic stakes in Northeast Asia, the U.S. is much less likely to be able to get China and Russia to agree to impose a coercive inspections regime on North Korea.

The fact is that both sides desperately want something from the other. The U.S. wants to end the North Korean nuclear weapons programs and to reduce North Korea's conventional forces. The North Koreans want an end to the threat to their regime posed by the superior U.S. forces combined with the seemingly hostile intent of the current administration. There are in fact quite important issues to discuss if the current crisis can be defused.

If Dialogue Can Be Resumed: What Next?

Even assuming the current crisis can be defused and negotiations resumed, the path forward on security and an eventual peace regime is not clear. There are crucial issues about how to sequence military redeployments and demilitarization of the Korean peninsula.[15] If the Bush administration wants to conclusively end the North's nuclear weapons

14 Hak-Soon Paik, "Continuity or Change? The New U.S. Policy toward North Korea, *East Asian Review*, vol. 13, no. 2, Summer 2001.

15 Yong-Sup Han, Paul Davis, and Richard Darilek, "Time for Conventional Arms Control on the Korean Peninsula," *Arms Control Today*, December 2000 and Joo-Suk Seo, "Prospects of Inter-Korean Military Relations and Peace Regime," *Korean Observations on Foreign Relations*, vol. 4, no. 1, June 2002.

programs and to begin redeployment and reduction of the North's conventional forces, and to verify these measures through intrusive inspections, in return it will eventually have to just as conclusively demonstrate its harbors no hostile intent toward the North Korean regime and to take up the deployment and role of U.S. forces in Korea.[16] This means abandoning not only the threat of the use of military force against the North, but also giving up hopes for rapid regime change in the North in favor of a gradual transition process.

The hard-liners in the Bush administration are reluctant to give up the option of using force against the North. But thoughtful analysis shows that the military option is an empty threat. The danger of escalation into a second Korean War with massive casualties and destruction in the South as well as the North is not the only problem with military action. Unlike in the case of Iraq, other major powers in the region, particularly China and Russia, would never agree to support such action. Unilateral U.S. military action would split public opinion in the South, leading not just radicals but many mainstream political forces to press for the immediate withdrawal of American forces. It would almost certainly chill relations with China, perhaps triggering a new cold war in East Asia. Japan would probably follow the U.S. lead at first, but serious new anti-U.S. sentiment would almost certainly surface there too. Even the gains of destroying North Korean nuclear capabilities or bringing down the North Korean regime by force would not justify such costs.

So what does keeping the military threat alive actually accomplish? It does scare the hell out of the North. Reinforcing North Korean paranoia about the outside world and their worst fears about U.S. intentions might at times leverage certain concessions. But in the long run it actually makes it more difficult to for the North to make security concessions or relax its grip on home front.

16 Harrison, *op. cit*.

American policymakers need to ask themselves, what would the U.S. lose by giving up the empty threat of military force compared to what could be gained if it did. Victor Cha argues in his provocative article on "hawk engagement" that the best strategy for hard-liners who want to effectively isolate North Korea would be to call its bluff. Only if the U.S. is willing to seriously engage and bargain with the North on any and all issues could it conclusively demonstrate North Korea's unchanged intentions to the South and other regional powers.[17] Cha seems to think that North Korea would fail the test of authenticity of its motives, and that then and only then an effective international coalition to successfully isolate the North could be created and maintained. The architects of the Agreed Framework and the sunshine policy would argue that North Korea would likely pass such a test and substantial new progress could be made. But so far the Bush administration has been unwilling to put the North to such a test.

17 Cha, "Korea's Place in the Axis," *op. cit*.

BEYOND COLLAPSE - CONTINUITY AND CHANGE IN NORTH KOREA

Kenneth Quinones

Kim Jong Il faces a politically complex dilemma - pursue change or see his regime collapse. His primary goal is regime survival. Toward this end, he appears to have initiated a program of carefully managed change. He must pursue his program within the context of *Juche* to avoid alienating Pyongyang's aging guardians of his father's legacy. Surprisingly, within this rigid dogma one finds the pragmatism that allows Kim to rationalize change in terms of building a "strong and prosperous nation." The August 1995 floods and food crisis gave Kim the opportunity to initiate "managed change." The July 2002 announcement of "economic reforms" suggests Kim Jong Il is less concerned about potential domestic resistance to his program, and more realistic about the extent to which he must pursue change to secure regime survival. But his goal is regime preservation, not its transformation. Democratization is not on his agenda. National defense still tops the regime's agenda, and dominates its economic priorities. To sustain the changes necessary for regime survival, Kim Jong Il has had to turn to the international community for the resources vital to his programs' success: money, technology and training. The more Pyongyang needs from the international community, the greater the international community's ability to influence North Korea's conduct,

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and the pace and direction of change inside North Korea. Pyongyang's October 2002 admission that it has acquired uranium enrichment equipment appears aimed at improving North Korea's access to scare resources vis a vis negotiations with Washington. The admission was a constructive step, but it cannot compensate for Pyongyang's breech of the US-DPRK Agreed Framework. Nor can North Korea's reversion to coercive diplomacy be condoned. Pyongyang's blunders place the regime's survival in doubt. Either continued refusal to discard its nuclear weapons program will convince the international community to deny Pyongyang the resources it needs for survival, or North Korea risks war with the United States and its allies.

Introduction

The Soviet Union's collapse released its former "satellites" to seek their own fate. For most of these small nations, the choice between persisting with discredited communism or pursuing the promising prospects of capitalism was obvious. North Korea, however, opted to preserve its form of "*Juche*" socialism, a decision which gave rise to two assumptions. First, North Korea's authoritarian regime was incapable of change and reform. Secondly, so long as it persisted with its "Stalinist" style economy, North Korea's communist regime would inevitably collapse like the Soviet Union.

Neither assumption has proven correct. North Korea today is showing clear signs of economic revival and durable political stability. It has survived twelve years of economic decline since the Soviet Union's demise, plus the politically traumatic death seven years ago of its original "Great Leader" Kim Il Sung. Equally surprising is North Korea's announcement in July 2002 of an extensive program of economic

reforms. To better understand these developments, we would do well to sit aside our assumptions and preconceptions. Instead, we would do well to look into the minds of North Korea's leadership to determine their priorities and policies.

Our purpose here is to explore the ideological and political context for recent changes in North Korea. We will look behind the recent headlines about North Korea's economic reform program. Instead, we will strive to better comprehend the motivation behind these reforms and prospects for actually altering North Korea's long established patterns of centralized political authority and economic planning.

North Korea's Dilemma

North Korea's leadership faces a seemingly simple, but politically complex dilemma - either pursue change or see their regime collapse. The smiling face of North Korea's deceased founding father, Kim Il Sung, beams from huge concrete billboards positioned at key intersections throughout the country. Each boldly proclaims, "Kim Il Sung is Forever With Us." The subliminal message is clear - Kim Jong Il's primary goal is regime survival. The younger Kim is determined to do whatever is necessary to perpetuate his father's legacy, even if this requires pursuing a carefully managed and quietly implemented program of change.

North Korea is changing. Kim Jong Il, in numerous essays since his father's death, has chastised "reformers" as traitors of socialism. He has condemned as "villains" the leaders of the former Soviet Union who advocated reform, and blamed such policies for the Communist bloc's demise. Yet at the same time, Kim has found in *Juche*, his father's interpretation of Marxism and Leninism, ample rationale to distinguish between "reform" and "change." Some would label the distinction merely rhetorical. But if we delve into Kim Jong Il's mind through his

writings, we can comprehend his distinction.

According to Kim Jong Il's essay "Socialism is a Science," human beings, not Hegel's mechanical forces of dialectical materialism or Marx's economic determinism, drive history. Survival requires that the human species adjust to the constant changes of its natural and social environments. Humans analyze the change around them and respond with adaptations. For Kim Jong Il, like his father, the adaptations must reflect the specific aspects of conditions in Korea, not the universalistic formulations dictated by the ideologies and political philosophies of any superpower. To Kim, change is inescapable, and humans must adapt to it.[1] So long as the changes or adaptations are formulated according to national conditions, rather than universal principles, change is acceptable. Kim rejects "reform" because it sacrifices nationalism for the sake of preserving Marxism or promoting capitalism. This also is to say that Kim is not striving to emulate any model, be it the so-called "Chinese model" or any other. The nationalistic Kim is seeking to synthesize various "changes" into a model that he can proclaim as his own.

Managed Change

North Korea appears destined to continue changing, but not in all aspects of its political, social and economic institutions. Authoritarianism has deep roots in Korean society, dating from ancient Korea's adoption of Confucianism. Japanese colonialism early in the 20th

1 Kim Jong Il, *Socialism is a Science*, Pyongyang: Foreign Languages Publishing House, 1994, pp. 6-9 & 11. This treatise was published in *Rodong Shinmun*, the official daily newspaper of the Korean Workers' Party Central Committee on November 1, 1994. Also see: Kim Jong Il, *On the Juche Idea*, Pyongyang: Foreign Languages Publishing House, 1982, pp. 11-14; and *The Juche Idea and Man's Destiny*, Pyongyang: Foreign Languages Publishing House, 1989.

Century reinforced this authoritarian tradition in both halves of Korea. In the south, democratization was achieved only after a half century of political turmoil. Kim Jong Il is not about to relinquish political power during his lifetime. Democratization certainly is not on his agenda. Nor should we expect him any time soon to discard collectivism as the core of social and economic activity. Again, collectivism has deep roots in Korea's history. Confucianism emphasized selflessness for the sake of promoting the common good. Koreans' traditional reverence for their ancestors and kinship ties strengthens their preference for group rather than individual action. Kim Jong Il is certain to continue favoring socialism's collectivism over capitalism's individual gain, at least for the multitude of his subjects.

Looking back, we can now see that the changing international environment around the Korean Peninsula has profoundly affected North Korea. Despite its leadership's best efforts, North Korea today is a far more accessible society to foreign ideas and foreigners than a decade ago. Its network of diplomatic and commercial relations extends around the globe. A process of hesitant reconciliation with South Korea is underway. Relations with most ASEAN and European Union members have been normalized. Kim Il Sung initiated this process, and his son Kim Jong Il has continued the process of engaging the international community.

Yet Kim Jong Il has yet to discard "coercive" diplomacy, or what some call "brinkmanship," as an option to promote national interests. North Korea's recent boasting that it has a clandestine uranium enrichment program was a two-fold blunder. North Korea's acquisition of such equipment undermined what little credibility and good will it had achieved after signing the 1994 US-DPRK Agreed Framework. At the same time, this misstep achieved the opposite of Pyongyang's goal. Rather than compelling Washington to engage in negotiations, its coercive diplomacy strengthened the influence of Washington's "hardliners" who favor pressing Pyongyang, even to the point of war, to

give up its nuclear weapons program.

But change is not a one-way street. Unfortunately, many policy makers in Pyongyang and Washington cling to out dated perceptions of one another's priorities and policies. So-called "hardliners" in both capitals view their antagonists through the distorted prism of decade-old assessments and assumptions. They assume neither side has changed. Pyongyang's hardliners believe Washington's goal is to "strangle" North Korea.[2] Meanwhile, Washington's hardliners see North Korea as still determined to become a regional nuclear power. This clinging to past perceptions might help explain Pyongyang's recent reversion to coercive diplomacy, a practice it seemed to distance itself from with Kim Jong Il's expressions of regret to Seoul for the June 2002 West Sea clash and to Tokyo for North Korea's previous abduction of Japanese citizens. At the same time, however, when it with Washington since the advent of the Bush Administration, Pyongyang reverted to its previous preference for threats and the breaking of promises to pursue its goals. Washington's response has been equally predictable, as well as conventional. It, too, reverted to the previous preference for confrontation over diplomatic engagement.[3]

At the same time, the intensity of debate between advocates of a "hard" or "soft" landing for North Korea have deflected attention away from developments within North Korea. Advocates of a "hard" landing want to see the collapse or radical reform of the Kim Jong Il regime. They believe disengagement and confrontation will compel. Pyongyang either to radically and rapidly change itself for the sake of survival, or else collapse. Their antagonists, who prefer a "soft

2 DPR Korea Foreign Ministry Spokesman's Statement, January 31, 2002. See Korea Central News Agency, "DPRK Denounces Bush's Charges."

3 Colin Powell, U.S. Secretary of State, "Remarks at Asia Society Annual Dinner," New York City, June 10, 2002. John Bolton, Under Secretary of State for Arms Control and International Security, "North Korea: A Shared Challenge to the U.S. and the ROK," speech to the Korean-American Association in Seoul, Korea, August 29, 2002. Both speeches are available via the internet at: www.state.gov.

landing," believe intensifying engagement, diplomatic and commercial, of North Korea will promote the gradual but peaceful transformation of North Korea. Either way, North Korea must change. We need not attempt to resolve the continuing debate over "hard" or "soft" landing. Eventually, both schools of thought might prove correct. During the interim, we would do well to improve our understanding of the political philosophy and dynamics behind the changes now evident in North Korea. After all, doing so should improve our ability to influence the pace and direction of that change.

A Note of Caution: Any assessment of North Korea requires more effort and caution than for other societies. It is a land of illusions where we must look beyond the obvious. Pyongyang's obsession with secrecy severely obstructs the most earnest efforts to understand its inner dynamics. Since the Korean War, North Korea has sought to shield the outside world from the reality of its weaknesses while striving to project an image of strength, both military and economic. But since 1995, floods and droughts, food shortages and crisis in public health have compelled it to reveal itself as never before to a virtual flood of foreigners. Today we know it as a land of contrasts: depressing poverty, pervasive food and medicine shortages, and crushing manual labor. Defending this grim reality is frightful military might in the form of ballistic missiles, hordes of armored vehicles, long range artillery and one million soldiers.

The potential pitfalls hinted at above point to the shortcomings of any comparative approach. Some well-intended efforts in the late 1990s contrasted North Korea with small East European former communist states, and prematurely predicted its imminent collapse. Claims that Kim Jong Il is striving to emulate the "Chinese model" of change has yet to be established. The use of "model" compounds the analytical problems. The meaning of the "Chinese model" is usually assumed. Attempts to define it require the impossible compressing of China's

incredible diversity into a few brief paragraphs. On the other hand, some analysts are prone to assume the North Korean model can be quickly defined since it is a small, homogeneous society. Taken for granted is the accuracy of the limited information available about North Korea.

The approach here will be less ambitious. Conditions in North Korea today will be contrasted with those of its recent past to determine the degree, direction and pace of change. The analytical range will be limited to the leadership's priorities, philosophy of change and assessment of what has actually changed. Disciplined use of terminology will promote clarity and analytical consistency. The term "change" will refer to the process of human adaptation to circumstances altered by phenomena that are beyond a political leader's ability to alter, and his government to control. For example, the Soviet Union's demise was beyond Pyongyang's ability to prevent. The subsequent new circumstances compelled Pyongyang to "change" its international posture. The term "reform" means a rationally defined program of change which a government intentionally formulates and implements. In other words, when political leaders decide that past human activities and policies have produced undesirable consequences, they strive to rectify the results with a "reform" program. Maintaining this distinction between "change" and "reform" is essential to understanding how Kim Jong Il can reject "reform" while at the same time sanction change.

Kim Jong Il on Reform and Change:

Kim Jong Il until very recently has rigidly distinguished between "reform" and "change." His reasons are not merely philosophical. Since 1990, the foremost challenge for him and his father has been perpetuation of their dynasty. At a luncheon in New York City in September 1992, someone asked then North Korean Foreign Minister Kim Yong Nam how his homeland could expect to outlive the Soviet Union. Kim, a close confidant of now deceased North Korean leader Kim Il Sung, responded confidently that it would endure because of superior leadership and ideology.[4] At the time this seemed a hallow boast, but hindsight suggests Kim's confidence in North Korea's durability was not misplaced. Whether its survival is a consequence of leadership and ideology remains, however, quite debatable.

North Korean leaders' preoccupation with survival is reflected in the essays credited to Kim Jong Il and published by the Korean Workers Party (KWP) since 1991. Key recurrent themes are *Juche's* infallibility, and condemnation of "reformers" and "reform" as having been responsible for socialism's failure in Europe. Scorn is heaped upon the Soviet Union's last prime minister, Mikhail Gorbachev, and his reformers, as alluded to in the essay, "Socialism Is a Science." This is the first essay credited to Kim Jong Il after his father's death and appeared in the KWP's foremost newspaper, *Rodong Shinmun*, on November 1, 1994. The younger Kim declared that socialism, despite the claims of "imperialists and reactionaries," remains a science and has not failed. Conceding that socialism has crumbled in some countries, he counters that this is not a consequence of socialism's shortcomings, but of the "renegades of socialism," and their corruption and treason.[5]

Kim Jong Il was more specific in his December 25, 1996, essay, "Respecting the Forerunners of the Revolution is a Noble Moral Obligation of Revolutionaries." He defended his Korean predecessors, "True revolutionaries who fight for the people and for the victory of socialism must not forget their revolutionary forefathers; instead, they must defend and develop their achievements." The younger Kim placed his father above all others, "The communist morality of our people finds

4 The author, then the U.S. Department of State's North Korea Affairs Officer, attended the luncheon and sat at the same table with then Foreign Minister Kim Yong-nam.

5 *Socialism is a Science, op. cit.*, pp. 16-17.

its highest expression in their unqualified respect for and absolute allegiance to the great leader Comrade Kim Il Sung."[6]

Later Kim refers to "opportunists and socialist renegades," and accuses them of having, "emasculated the revolutionary principles of Marxism-Leninism to please the imperialists…" He labels them "traitors," and condemns them for having carried out "reform and restructuring for democracy and economic welfare." Kim concludes that the "renegades" program, an oblique reference to Gorbachev, "was nothing but a reactionary theory for destroying socialism and reviving capitalism."[7] Kim then links his rejection of reform to his premise that the Soviet Union's demise was a consequence of former Soviet leader Mikhail Gorbachev's reform program, *perestroika* (reconstruction or restructuring), and *glasnost* (openness). Gorbachev is condemned as a "traitor" to socialism and communism. To avoid falling into the same abyss, Kim and the KWP's ideologues have purged the word "reform" from their vocabulary. Instead, he repeatedly proclaims the infallibility of his father's *Juche* thought.

But Kim Jong Il's rejection of reform extends beyond ideology. For him, reform poses substantial political problems. Gorbachev could justify the need for reform by criticizing his predecessors' work while proclaiming his intent to forge a better future for socialism. Doing so strengthened Gorbachev's legitimacy. The same can be said of Deng Hsiao Ping's call for reform to rectify Mao Tse Tung's excesses. Again, he could do so, after Mao's death, without adversely affecting his legitimacy. But for Kim Jong Il, his legitimacy is genetically bound to his father. Without his ancestry, he lacks legitimacy.

Kim Jong Il and his followers have declared his father's reign a "golden" age when Korean socialism achieved its greatest accomplishments under the "Great Leader." Kim Il Sung is more than the nation's father. He is credited with having surpassed the philosophical and scientific sophistication of Marxism-Leninism by formulating *Juche*. The senior Kim is revered in North Korea for having driven the imperialists, Japanese and American, from the "fatherland." Under his leadership, according to the younger Kim, North Korea became a "workers paradise." Advocating reform would contest the perceived infallibility of Kim Il Sung's rule, and possibly tarnish the proclaimed brilliance of his accomplishments. The grand illusion of the Great Leader's superiority above all other communist leaders would be contradicted. Also, given North Korea's Confucian legacy, Kim Jong Il's filial piety would become suspect and his legitimacy gravely eroded.

Obviously, Kim Jong Il has little reason to pursue reform, yet ample evidence indicates he is comfortable with "change." To avoid any reference to "reform," North Korea's leaders and bureaucrats rely on an impressive array of synonyms to characterize their efforts to achieve change without reform. Thus Pyongyang makes frequent references to "modernization," "adaptation," "reinvigoration," "revitalization," "restoration," but not "reform." But seven years after his father's death, Kim Jong Il finally in the summer of 2002 sanctioned the use of the term "reform." The implication may be that he his "reforming" his own economic policies of the past seven years rather than those of his deceased father.

Kim's Formula for Change: *Juche* is a paradox. In North Korea's highly centralized, authoritarian and rigidly stratified political hierarchy, one would expect an ideology of similar features. After all, *Juche's* antecedent, Marxism, imposes an inflexible logic on its followers. *Juche*, however, is amazingly pragmatic. Political reality nevertheless negates any possibility of any "gray" area in one's political loyalties and thought. An individual either submits totally to the perceived "collective" good and reveres the "great leader" and his thought as infallible,

6 Kim Jong Il, *Respecting the Forerunners of the Revolution is a Noble Moral Obligation of Revolutionaries*, Pyongyang: Foreign Languages Publishing House, 1996, pp. 8, 9 and 13-15. This essay first appeared in the *Rodong Shinmun* on December 25, 1995.

7 *Ibid.*, p. 15.

or is expelled from society.[8] Yet *Juche* permits loyal followers to explore, experiment, and even to alter and adapt foreign practices and materials to North Korea's internal conditions. *Juche* encourages change only so long as it conforms to the "Supreme Commander's" dictates.[9]

Outsiders have long assumed North Korea's leaders were micro-managers. This illusion may be rooted in Kim Il Sung's practice of "on the spot guidance." During the Korean War and post-war reconstruction, he traveled frequently to the countryside and to factories to observe and comment on conditions. His visits were commemorated a red plaque that noted in gold letters the date of his visit. His son has continued the practice. Since his father's death, the younger Kim has concentrated on the military, possibly to accent his concern for defense.

Kim Jong Il's performance and writings suggest that he is more a realist than a romantic, and a person preoccupied with visionary planning rather than micro-managing his regime. Officials in Pyongyang talk with surprising candor about their ability to debate with one another how best to implement policy. As for determining policy, however, they agree that this is the exclusive preserve of "the highest level of their government," an allusion to Kim Jong Il and his small council of closest advisers. Party cadre, bureaucrats and military officers turn to the writings of the "Supreme Commander" for guidance on policy and the parameters for their debates about its implementation.

We should be cautious when drawing conclusions from Kim Jong Il's public thoughts. They could have the dual intent of encouraging self-confidence in his followers while also inciting fear in his foreign

8 Kim Jong Il, *Abuses of Socialism are Intolerable*, Pyongyang: Foreign Languages Publishing House, 1993, pp. 17-18. This discourse first appeared in Kulloja, official magazine of the Korean Workers' Party Central Committee on March 1, 1993.

9 Kim Jong Il, *The Workers' Party of Korea Organizes and guides all the Victories of Our People*, Pyongyang: Foreign Languages Publishing House, 1993, pp. 2-7. This collection of three essays was originally published on October 3, 1990.

audience. We can only guess at his true intentions. A reasonable possibility is that his public comments establish national priorities and set the parameters for discussion among the KWP rank and file about how best to achieve their leader's goals. Despite the inherent limitations, Kim's words remain our best avenue for peering into his thoughts.[10]

In 1982, Kim Jong Il wrote in his landmark thesis, "On the *Juche* Idea," "The Principles of *Juche*, independence, self-sufficiency and self-reliant defense are the guiding principles of realizing *Chajusong* (self-determination) in the spheres of ideology, politics, the economy and defense." Since then, the only substantive alteration of these goals has been the elevation of defense to the top priority, possibly as a consequence of the Soviet Union's collapse and normalization of relations with South Korea. Similar themes are echoed in Kim's June 19, 1997 essay, "On Preserving the *Juche* Character and National Character of the Revolution and Construction."[11]

Independence: In North Korea's political and ideological context, independence refers to the society's "inviolable" right to assert its sovereignty to protect itself from alleged imperialist exploitation and ideological subjugation. There is no room for individual independence or freedom. The individual is required to assimilate fully into society's collective whole and to submit to the common good. Ideological independence rejects Marxism's claim of infallible internationalism. Instead, it declares the superiority of Kim Il Sung's nationalistic interpretation of it, i.e. *Juche*. This declaration of independence from Marxism is the basis for the pragmatism of Kim Il Sung's thought. Unable to apply Marxism's urban industrial and capitalist-oriented criteria to Korea's essentially pre-capitalistic and agrarian society, Kim countered

10 *Op. cit.*, p. 36.

11 Kim Jong Il, *On Preserving the Juche Character and National Character of the Revolution and Construction*, Pyongyang: Foreign Languages Publishing House, 1997, pp. 1, 2, 6 and 27.

that he would guide Korea's struggle against imperialism according to conditions in his homeland. Those who criticized him were labeled "bigoted nationalists," "self-styled or bogus" Marxists, flunkeyists (those who allegedly revere foreign powers and their ideas more than those of their native land and people, specifically China) and "dogmatists" (theorists more faithful to Soviet Marxism than the teachings of the "Great Leader"). On the other hand, those who link their proposed solutions for North Korea's problems to the nation's indigenous conditions are lauded as heroes of the state.[12]

Self-Reliant Defense: Kim declared in the same essay, "Self reliance in defense is a fundamental principle of an independent state." "Imperialism," of course, is his key villain. The best defense against "the imperialist war of aggression" is perpetual preparedness to counter its violence with violence. Supreme Commander Kim Jong Il makes frequent references to this in his contemporary calls for North Koreans to work harder so their nation can be a "strong and prosperous" nation. Kim emphasizes that a "self-reliant defense" requires mobilization of the entire population to support the nation's defense forces. He reveals his realistic side by sanctioning the need to "receive aid in national defense from fraternal countries and friends." Kim concludes that the potency of one's defense capability depends primarily on the domestic economy, but foreign assistance must be fostered simultaneously.

Self Sufficient Economy: In 1982, Kim Jong Il could still speak confidently about a "self-sufficient economy." The nation's grain production was still yielding surpluses, exports of minerals were flowing steadily to the Communist bloc, and heavy industry was turning the

12 Kim Jong Il, *On the Juche Idea, op. cit*., Kim's treatise was prepared for the National Seminar on the *Juche* Idea held to mark the 70th birthday of Kim Il Sung, March 31, 1982. Concerning independence, see pp. 36-43, on defense, pp. 50-54.

North Korean army into a highly mechanized and mobile force. Kim proclaimed, "Building an independent national economy means building an economy free of dependence on others…" His "socialist independent economy" was to distinguish itself from capitalism by aiming "to meet the demands of the country and the people," not by generating personal profit. Heavy industry was to be the "pillar" of the economy. Light industry and agriculture were important, but less so probably because they did not contribute as directly to the production of arms and munitions.

Kim did not oppose learning and trading with the outside world. When he wrote his 1982 thesis, many outsiders still considered North Korea a closed and isolated society. It was closed, but mainly to the "Western" and non-socialist nations, but certainly not to the Communist and so-called "third world" or "emerging nations." Kim explained, "… self-reliance does not mean building an economy in isolation." His "self-reliant" economy should, in his view, avoid foreign domination, but "this does not rule out international economic cooperation."[13] Here he was referring to retaining access to the technical and material wealth of the "socialist countries and newly emerging nations." Kim clearly did not foresee the collapse of the Communist bloc and China's gradual economic transition into a hybrid of socialism and capitalism.

***Juche* Ante-Communism:** Subsequent developments - the Communist bloc's collapse and North Korea's economic decline - required that Kim adjust some of his views. In his 1997 essay "On Preserving the *Juche* Character…" he warns of a "sharp confrontation between socialism and imperialism."[14] Kim's response to this new situation is an affirmation of his confidence in the validity of *Juche*, "… we must maintain the *Juche* character of the revolutionary struggle…" He dismisses as a "shameless lie," "imperialists' allegations that socialism is inferior to

13 *Ibid*., p. 48.

14 *Op. cit*.

capitalism…." Again raising the banners of "self-sufficiency and self-reliant defense," he warns against tolerating "the capitalist 'Western' style in managing the state," a clear reference to decentralizing economic planning and replacing economic "collectivism" with "individual" incentives. North Koreans were still suffering from pervasive shortages of food and medicine when the essay appeared. Kim seems to make an oblique reference to his domain's woes, "The countries which are experiencing social problems, economic difficulties and disasters…" For him, the way out of this harsh reality was to more resolutely muster one's indigenous efforts through political training. He rejected "so-called prescription that the imperialists are propagating…." Given the broader context of his 1997 essay, he was probably referring to economic reforms.

Kim, apparently sensing growing ambivalence within his Korean Workers Party and bureaucracy toward imperialism, strikes out against it, "Aggression and plunder are the real nature of imperialism." The international community's food aid also seems to have had a positive impact on his subordinates. Apparently concerned, Kim strikes out against it as well, "Nothing is more foolish and dangerous than pinning hopes on imperialist 'aid'…" He terms the aid "a noose of plunder and subjugation…." He then dismisses South Korea's economic success as a consequence of its "flunkeyism," that is its perceived willingness to subordinate itself to the wishes of foreign powers in exchange for economic gain. He claims Seoul's "internationalization and globalization" are erasing its Korean qualities with a flood of American, Japanese and West European preferences in politics, the economy and culture.[15]

Kim concludes that change is acceptable, but only so long as it opposes imperialism, preserves *Juche* and the national character, and "strengthens international unity and cooperation among the progressive people of the world." This is an astonishing, almost unimaginable task for a tiny, lonely nation on the edge of economic collapse. But like his father, the Supreme Commander finds boundless pride and self-confidence in his sense of Korean nationalism. Having a million-man army certainly helps. Given Kim's demeaning attitude toward capitalism and blind faith in socialism, prospects would appear bleak that North Korea might adopt reforms aimed at a transition to capitalism, at least so long as Kim Jong Il rules.

15 *Op. cit*., pp. 27 and 29.

***Juche* Verse Marxism:** *Juche* is a faint echo of Marxism. Kim Il Sung rejected Marx's internationalism and the universal and urban brotherhood of workers. He emphasized nationalism, and his assessments were rooted in local conditions. He rejected Engel's mechanical interpretation of history. Evolution toward communism was inevitable, Engel had claimed, because of the innate tensions of class struggle. Kim retained the concept of class struggle, but more in keeping with Mao Tse Tung's clash between peasants and landowners. Instead of Lenin's vanguard of the proletariat, Kim put soldiers and teachers in the forefront of his revolution. Man himself, rather than the inanimate and unthinking forces of history, Kim Il Sung argued, propels change within society and moves mankind toward a higher level of existence.

Juche verges on being the antithesis of Marxism. Kim Il Sung's thought is human-centered, nationalistic and rejects universal precepts. Solutions to problems are to be found in analysis of indigenous circumstances and solutions are to be consistent with local conditions. Marx's theory minimized man's ability to determine his fate. Marx, like Kim, claimed universal validity and application for his views, but Kim rejected the idea that human activity must conform to a single ideology. According to Marx, urban workers were to unite behind the global outcry against capitalism's exploitation, and each state was to wither away as social classes dissolved.

But for Kim, the state is the encompassing and benevolent defender

of nationalism and the national character. Society is rigidly stratified so the leadership can better manage class struggle, allocate obligations to the state, and determine awards and punishments. Kim shares Marx's appreciation for "collectivism," but in a very different way. Marx's collectivism was to provide materialistic equality and social egalitarianism. Kim sees collectivism as much more than the sharing of material goods. It means all individuals have a shared, collective obligation to serve the state and to act in unison with their peers. Kim's collectivism demands selflessness and self-denial. In his utopia, the individual ceases to exist as a separate entity and merges into the totality of the state and society. But in the view of Marx, the collective action of the multitude empowered workers to destroy their capitalist overlords and to seize political power.

Kim Il Sung retained the broad outlines of Lenin's view of imperialism. This fit comfortably with Kim Il Sung's hatred of Japanese colonialism of Korea from 1910 to 1945, and remained valid after Korea's division in 1945 and subsequent occupation by the United States and the Soviet Union. But Kim broadened Lenin's definition of imperialism to encompass ideological and cultural imperialism, tendencies Kim perceived in the ambitions of his two benefactors, the Soviet Union and China. To temper these impulses, Kim countered their interpretations of Marxism with his own, and sought to exploit their rivalry.[16]

***Juche's* Advantages:** *Juche* concentrates all authority in the hands of the "Great Leader." Since man is perceived as the prime mover of reality, the younger Kim in his role as the "Supreme Commander" can

16 This comparative discussion is a composite of views presented in: Charles Van Doren, *A History of Knowledge*, New York: Ballantine Books, 1992, pp. 255-264 & 304-311. Seweryn Bialer, *Politics, Society and Nationality Inside Gorbachev's Russia*, Boulder and London: Westview Press, 1989, pp. 1-41. Kim Jong Il, *On Correctly Understanding the Originality of Kimilsungism*, Pyongyang: Foreign Language Publishing House, 1984. This speech was pressed to the Korean Workers' Party on October 2, 1976.

sanction or commission adaptations in the name of compensating for changing circumstances. He does not have to conform to Marxism's supra-human historical forces. Nor has his father's philosophy taught him to believe that his subjects' conduct is a consequence of economic determinism and materialism, another Marxist precept that limits a leader's authority. *Juche* empowers its foremost advocate to mold human activity through his example, instructions and political education. *Juche* also teaches Kim's followers to suppress their individual impulses, to merge their being with the collective whole of society, and to conform to his dictates. Hence Kim Jong Il can proclaim himself the *de facto* Supreme Commander in his society.[17]

For the younger Kim, linking his personal preference to his father's precedent is politically the safest way to propose "change," or to select one "adaptation" over another. For example, many foreign observers have misinterpreted the appearance in the mid 1990s of "farmers' markets," sometimes also referred to as "black markets," as evidence that a second, "underground capitalistic" economy was emerging in North Korea. Actually, Kim Il Sung condoned such "peasant" markets whenever domestic conditions required.[18] As we will see later, Kim Jong Il has relied extensively on his father's precedent in the areas of foreign and unification policy.

Juche's pragmatism enables Kim Jong Il to experiment with an impressive range of new, even alien methods. It allows him to draw from any ideological and cultural tradition to address the underlying causes for problems at home, so long as the method is first tested and adapted to conditions within North Korea. Any one of these might be

17 Kim Jong Il, *On Enhancing the Party's Leading Role*, Pyongyang: Foreign Language Publishing House, 1992. This collection of speeches and essay's provides insight into Kim Jong Il's views on leadership and *Juche* between 1979 and 1990, the formative period of his rule.

18 Kim Il Sung, March 1, 1969 essay, "The Questions of the Peasant Market in a Socialist Society and of the Way to Abolish It," reprinted in: *Kim Il Sung on the Management of the Socialist Economy*, Pyongyang, 1992, pp. 290-94.

taken from a "capitalistic" society and contain traits of "capitalism." For *Juche*, the "capitalistic" characteristics are less a concern than the capacity to adapt to indigenous conditions without adversely affecting the "national character." Such reasoning enables Kim to consider diverse adaptations, even from "imperialists" in West Europe, North America and Japan.

Juche alone, however, cannot explain Kim Jong Il's ability to adapt his father's political and economic system to changing circumstances. Kim also has demonstrated impressive political acumen by focusing the blame for North Korea's woes on "the schemes of the imperialists nations to strangle socialism" and natural phenomena. North Korea's economic decline is not a consequence of shortcomings in its ideology and failings of its leadership, Kim Jong Il claims. Rather, it is a consequence of U.S. economic sanctions and the "betrayal of socialism" by Moscow's leadership. Flood and famine are not a consequence of incorrect past policies, such as the excessive use of chemical fertilizers to boost grain production and deforestation to allow for the planting of more corn on hillsides. Instead, Pyongyang blames nature for its food shortages.

Doing so has enabled Kim to avoid personalizing his rationale for change. Because of the hereditary basis of his power, he cannot contend that his father had misinterpreted *Juche*. By not having blamed his "elders" for his regime's problems, Kim has avoided one of the major pitfalls of the Soviet Union's reform program. The Soviet effort to assess blame splintered the Soviet Communist Party and the bureaucracy into warring factions. Kim's approach has preserved the cohesiveness of his primary bases of support, the Korean People's Army and the Korean Workers Party, his emphasis on blaming natural phenomena and "imperialist schemes" motivates his elite followers to accept his changes with minimal resistance.

Continuity

Kim Jong Il foremost preference is to perpetuate his father's legacy. Some minor adjustments have been made, such as Kim's formal title and institutional rearrangement within the bureaucracy. Otherwise, the essential structure of North Korea's self- proclaimed "*Juche* system" is being preserved much as it has existed for nearly half a century.

The Political System: The political system continues much as it did under Kim Il Sung. Kim Jong Il monopolizes political authority, regardless of the titles he confers on himself. Deferring to his father, the younger Kim has left the title "Great Leader" for his father and instead prefers to be called the Supreme Commander. Whether he is called president or secretary or whatever, he and his followers know he shares power with no one. In the eyes of the society's most powerful groups - Korean People's Army, the Workers Party, the bureaucracy - Kim Jong Il stands alone at the pinnacle of power. He monopolizes their energies and determines their fate, and that of the entire population. Despite rumors that circulated in the years immediately after Kim Il Sung's death, we are unaware of any concerted challenge or opposition to Kim Jong Il's authority. By the fall of 1998, he had consolidated his rule, and all indications point to his having the full support of the most powerful group in the society, the Korean People's Army (KPA). The same can be said for the even larger Workers' Party (KWP). As discussed earlier, *Juche* remains the state's uncontested and unaltered ideology.[19]

Key political practices continue largely unaltered. Some laws have

19 "Two-thirds of 10th Term Supreme People's Assembly Members are Newcomers," *Vantage Point*, XXI, No. 8 (August 1998) 11-14, *Ibid*., XXI. No. 9 (September 1998), pp. 1-2, Kim Gye-dong, "North Korea's Military-first Politics and Anti-south Strategy," *Ibid*., XXII, No. 1 (January 1999), pp. 30-39, "Military rule in full Swing," *Ibid*., XXII, No. 4 (April 1999), pp. 2-9.

been revised, but they remain essentially assertions of state power. There is no evidence of trends toward greater individual freedom or respect for human rights. Some of the content of the mass media has changed since 1994, but still the government dominates the mass media and uses it to educate the people for its own purposes. Some of the harsher labels assigned to the United States, Japan and South Korea have been moderated, but the duration of these changes has been brief and a reading of the back pages of the nation's leading newspaper, *Rodong Shinmun*, reveals persistent references to "American imperialists," etc. Museums, places devoted to educating the young and old alike about the regime's glorious accomplishments and the evil deeds of its foes, remain just as they were ten years ago. Images of Americans and Japanese remain disturbingly negative. Nor has the similarly changed content of school textbooks been changed.[20]

Defense: Defense remains the top priority. Kim Jong Il maintains a formidable conventional military force, much of it forward deployed just north of the Demilitarized Zone (DMZ). Backed by an awesome concentration of long-range artillery, this force could lunge toward Seoul on a moment's notice. Dozens of short- to middle-range ballistic missiles could wreck havoc on South Korea. The KPA's combat capability and sustainability, however, have suffered in recent years. The nation's economic decline, total dependence on imported oil, inability to upgrade some military technology, and persistent food shortages have taken their toll. Nevertheless, the KPA retains a fearsome ability to inflict terrible suffering on South Korea. North Korea also remains a potent threat to peace in the Middle East because of its ballistic missile exports and potential to develop nuclear weapons. Also unchanged are Pyongyang's foremost enemies: the United States, Japan and South Korea.[21]

20 This anecdotal information is based on the author's scanning of the daily press while visiting North Korea several times between 1992 and 2001.

A significant change since Kim Il Sung's death was the discontinuation of North Korea's plutonium based nuclear weapons program, a change Kim Il Sung sanctioned on the eve of his death. But North Korea's recent declaration that the U.S.-DPRK Agreed Framework is "nullified" and confirmation that it posses uranium enrichment equipment has rekindled grave international concern about Pyongyang's intentions regarding nuclear weapons.

Reunification: The June 2000 North-South Korean Summit in Pyongyang suggests there has been some significant movement toward co-existence and reconciliation. At least for the time being, forceful reunification no longer appears to be a priority option. Yet, in spite of appearances, Kim Jong Il has retained the essence of his father's reunification policy. Nothing accomplished at or since the Pyongyang Summit was unprecedented, except the meeting between the two men. All the accords leading to and after the summit continued a process that commenced in 1972, and that reiterate previous agreements. The Summit's June 15, 2000 accord, Article I, reiterates the July 4, 1972 accord; articles 2, 3, and 4 refer to items in the December 1991 Basic Agreement on Reconciliation, Peace, Social Exchange and Economic Cooperation. The June 2000 accord pledges Kim Jong will visit Seoul, a promise originally agreed to in principle in June 1994 by Kim Il Sung and his South Korean counterpart.[22]

Continuation of Kim Il Sung's unification policies is evident in his son's writings. Of particular interest are his August 4, 1997 essay, "Let

21 Unpublished paper, "Conventional Forces in Korea," Brookings Working Group Meeting, June 18, 2001. Anthony H. Cordesman (ed.), "U.S. Department of Defense Estimate of North Korean Actions and Intentions Involving Nuclear, Biological and Chemical Weapons," in: *The Global Nuclear Balance: A Quantitative and Arms Control Analysis*, Washington, D.C.: Center for Strategic and International Studies, revised January 22, 2002. Joseph Bermudez, Jr., *Shield of the Great Leader - the Armed Forces of North Korea*, Sydney: Allen and Unwin, 2001.

22 *Together as One - the Inter-Korean Summit Talk*, Seoul: Ministry of Unification, 2000.

Us Carry out the Great Leader Comrade Kim Il Sung's Instructions for National Reunification," and a 1998 essay, "Let Us Reunify the Country Independently and Peacefully Through the Great Unity of the Entire Nation." Kim Jong Il's deeds support these goals. In these essays, he begins by carefully linking his views to those of his father, "The *Juche*-oriented idea of great national unity elucidated by the respected Comrade Kim Il Sung…."[23] The younger Kim proclaims that his father formulated the "original idea" on this topic. He asserts that, "it is inconceivable to talk about national unity apart from the principle of national independence." Kim Jong Il urges that, "All the Koreans in the north, south and abroad must unite closely under the banner of patriotism." He claims, "successive south Korean authorities [i.e., previous presidential administrations in Seoul] have obstructed harmony between the north and the south with their anti-North confrontation policy…."[24] Kim Jong Il, like Kim Dae Jung, advocates coexistence of each side's "different ideologies and systems."

To confirm faithfulness to the "Great Leader," Kim Jong Il ties his views his father's essay, *The Ten Point Programme of the Great Unity of the Whole Nation for the Reunification of the Country*. This Kim Il Sung essay appeared in 1993 at the beginning of former South Korean President Kim Yong Sam's administration. At an October 1993 meeting with U.S. Congressman Ackerman, then the chairman of the U.S. Congress' House Foreign Affairs Committee Sub-committee on East Asian and Pacific Affairs, Kim Il Sung autographed a copy of the essay on reunification. He asked the congressman to deliver it to South Korean

23 Kim Jong Il, *Let Us Reunify the Country Independently and Peacefully Through the Great Unity of the Entire Nation*, Pyongyang: Foreign Languages Publishing House, 1998, p. 4. This thesis was delivered in the form of a letter, dated April 18, 1998, to the national symposium to Mark the 50th Anniversary of the Historic Joint Conference of Representatives of Political Parties and Public Organizations in North and South Korea.

24 *Op. cit*., p. 13. Also see: Kim Jong Il, *Let Us Carry Out the Great Leader Comrade Kim Il Sung's Instructions for National Reunification*, Pyongyang: Foreign Languages Publishing House, 1997, p. 13.

President Kim Yong Sam with the message that a North-South summit was in order. Unfortunately, Kim Yong Sam chose to ignore the invitation.[25] Not until the two Koreas were on the verge of war did Kim Yong Sam finally accept Kim Il Sung's offer. Former U.S. President Jimmy Carter conveyed the invitation to Kim Yong Sam as part of a deal to resolve the nuclear crisis, but Kim Il Sung died before the meeting could take place. When Kim Yong Sam publicly labeled the deceased Kim Il Sung a "war criminal," Kim Jong Il refused to meet the South Korean leader. Six years later, Kim Jong Il's summit with Kim Dae Jung fulfilled his father's wishes.

Change

At the same time, North Korea has made numerous impressive adjustments since Kim Il Sung's death. Particularly important are the changes to its external relations. Less apparent, but equally significant, are the changes in its agrarian sector, the preliminary economic reforms program announced in July 2002, and the continuing effort to improve and expand North Korea's linkage to the international market.

External Relations: As mentioned earlier, external forces began altering North Korea's foreign relations prior to Kim Jong Il's succession. The pace has been uneven, and North Korea remains uneasy with the growing number of foreigners within its borders. Also, Pyongyang's foreign policy persists in its vacillation between respect for international norms of diplomacy and commerce, and its more conventional reliance

25 The author accompanied Congressman Ackerman to Pyongyang, attended the meetings with Kim Il Sung and returned to Seoul and was with the Congressman when he delivered Kim Il Sung's message to South Korea's foreign minister Han Sung-joo in October 1993.

on coercive rhetoric and saber-rattling displays of military power to intimidate its antagonists.

Each spurt of diplomatic progress has succumbed to a period of severe tension.[26] The nuclear crisis of 1992-94 followed the North-South basic agreements of 1991-92. The U.S.-DPRK Agreed Framework of October 1994 initially prevented nuclear proliferation and reduced the risk of war. Yet armed clashes commenced shortly after the Agreed Framework took effect and have occurred intermittently ever since. The 2000 North-South Korea Summit in Pyongyang inflated expectations of rapid progress toward reconciliation only to be deflated by Kim Jong Il's continuing reluctance to visit Seoul. Most recently, Kim Jong Il's expression of regret to Seoul over the June 2002 West Sea clash was followed by progress on joint North-South Korean reconciliation projects. Then came the duel surprises of September 2002 when Japanese Prime Minister Koizumi visited Pyongyang and Kim Jong Il apologized to Japan for North Korea's previous abduction of Japanese citizens. Within days, however, the brightening prospects for peace on the Korean Peninsula were dashed by North Korea's affirmation that it possesses equipment to produce enriched uranium for possible use in nuclear weapons.[27]

Nevertheless, the equation of power in Northeast Asia is fundamentally different now compared to that of 1990. Today, Beijing and Moscow have much more in common with Seoul and even Tokyo and Washington. All are agreed that the Korean Peninsula must remain free of nuclear weapons. They also agree upon the need for the International Atomic Energy Agency's (IAEA) to continue its monitoring of Pyongyang's nuclear activities. Also, Russia's and China's normalization of relations with Seoul severely undercut Pyongyang's confidence in its traditional supporters. Russia's economic crisis halted its once considerable economic and military aid to North Korea. Moscow further diluted its military commitment to Pyongyang's defense by requiring cash payment for all arms purchases and by revising its defense treaty. No longer is Russia committed unconditionally to North Korea's defense. Instead, I will assist only in the event of aggression against North Korea.

North Korea's relations with China have undergone significant change. Gone are the days when Pyongyang could maximize gains from its two socialist partners by playing one off against the other. China's economic engagement of Seoul and preoccupation with its own economic development severely strained Beijing's relations with Pyongyang during the mid 1990s. Beijing-Pyongyang relations have warmed considerably since 1998, but no longer can North Korea take Beijing for granted. China now expects its small ally to provide something in return for food aid and economic assistance.

North Korea has attempted to compensate for these changes by expanding relations with its former enemies. When its efforts directed at Japan and the United States faltered, Pyongyang shifted its focus to the member states of ASEAN and the European Union (EU). Success in expanding its network of diplomatic relations with ASEAN and EU, however, simultaneously increased its dependence on these nations for access to the resources North Korea needs to revitalize its economy. The sum result of the realignment of North Korea's external relations has been greatly increased engagement of the international community and dependence upon it for what the Kim Jong Il regime needs for its survival. These external changes have necessitated a wide array of internal adjustments inside North Korea.

Engagement: Never before has North Korea been so accessible to foreigners from "capitalist" nations. Until 1995, visits were carefully

26 C. Kenneth Quinones, "South Korea's Approaches to North Korea: A Glacial Process," in: Park Yung-ae and Dalchoong Kim (eds.), *Korean Security Dynamics in Transition*, New York: Palgrave, 2001, pp. 19-48.

27 C. Kenneth Quinones, "Bush's Unilateralism verse Kim Jong Il's Brinkmanship," *Shin dong-a Magazine* (Seoul, in Korean), January 2003.

managed political events, crafted to accent North Korea's positive aspects and to veil its shortcomings. Now a growing number of foreigners visit and reside in North Korea. They include businessmen, engineers, technicians and even diplomats from most of the European nations, South and Southeast Asia, Australia, and North and South America. Resident representatives of UN humanitarian agencies represent: the United Nations Development Program (UNDP), Food and Agriculture Organization (FAO), World Food Program (WFP), UNICEF, and International Atomic Energy Agency (IAEA). Other residents are foreigners affiliated with KEDO, a small number of German, Swiss, Swedish, Italian and Japanese business representatives, plus the U.S. Army Joint Recovery Team. WFP monitors are assigned to all of North Korea's provinces. Temporary foreign visitors have been able to visit all the provinces. Even the U.S. Army is permitted access to the nation's northern provinces to seek out and recover the remains of hundreds of American soldiers who died there during the Korean War. Some areas of the nation remain closed, primarily because of military related concerns, but never before have so many foreigners been allowed such extensive access inside this once closed society.[28]

Old habits die slowly, especially in North Korea. Ample restrictions remain on travel inside and outside Pyongyang for both foreigners and natives. Visiting Pyongyang is not a simple matter. Non-residents of Pyongyang still must obtain a travel permit to visit their capital. Foreigners must have a sponsor, and must fulfill other sometimes rather arbitrary requirements before they can receive a visa. Once in Pyongyang, so-called "guides," usually young men eager to prove their loyalty to the Korean Workers Party and who speak any one of several foreign languages, still accompany most foreign visitors everywhere in Pyongyang and beyond. Going anywhere, even shopping in

28 C. Kenneth Quinones, "The American NGO Experience in North Korea," in: *Embracing the Other: The Interaction of Korean and Foreign Cultures* (Seoul: Academy of Korean Studies), 2002, pp. 1008-1025.

a department store, still requires an advance request.

Some surprising new practices contrast starkly with old ones. More and more North Koreans are willing to acknowledge foreigners in public. Occasionally there are exchanges of smiles and hand waves, pleasantries and social chitchat, even on the street. Taken singly, these small changes of personal conduct hint at a gradually changing view of the outside world. Relative to 1994, they are significant steps for North Koreans who were raised to despise foreigners, especially Americans. Twice in 2000, when landing at Pyongyang International Airport aboard an American Boeing 747 cargo plane, which proudly displayed an American flag over its forward door, sentries jumped to attention and saluted. Children bowed and adults waved enthusiastically as humanitarian relief workers rumble through the countryside in imported vehicles. In Pyongyang, children in the street boldly walked up to me, bowed and asked if I were an American. In hotels and stores, the staff was friendly and helpful. The welcome on farms has been equally hospitable. All of this is a far cry from just five years ago when no one wanted to be seen talking to a foreigner.

Likewise, North Korean officials from increasingly diverse sectors of the bureaucracy are venturing abroad in growing numbers. Until 1998, most delegations to foreign lands were dispatched to engage in diplomatic representation and negotiations, or to advocate North Korea's ideology and policy point of view. These remain the reasons for most official foreign travel, but a growing number of experts are going abroad to learn. Particular areas of interest are agriculture, business and international trade. A few young North Koreans are even allowed to enroll in year-long academic programs abroad. China still attracts the largest number of students, but small groups are currently enrolled in universities in Australia, Germany, Sweden, the Netherlands and Italy. Short-term study programs in various areas of agriculture, law and international business have been conducted in the United States. In 2000, there were at least four agricultural study tours to the

United States. Despite the still small numbers, each returning group has a substantial impact on its peers and family members because of the ripple effect of their stories, the gifts they distribute and the photographs they share.[29]

The Economy: Kim Jong Il's confidence in *Juche* rules out his conversion to capitalism, at least in the foreseeable future. Since his father's death, particularly 1995-97, Kim has appeared aloof while his subjects suffered chronic shortages of food and medicine. His utterances about the economy denied any sense of urgency despite the incredible suffering around him. But looking back, we can now appreciate the profoundness of the steps he took in the winter of 1995-96 when he did as his father had never done - sought aid from the international community.

Despite North Korea's claims of "self reliance," acceptance of foreign aid does not contradict Kim Il Sung's teachings. He commented in his 1962 essay, "On Further Developing the Taean Work System," that: "Self-reliance does not mean refusing to use machinery made by others. Nor does it mean opposition to learning from others, nor total rejection of foreign aid. The point is that self-reliance should be the basic principle guiding our activities…."[30] Significantly, this passage is highlighted in "Second Thematic Roundtable on Agricultural Recovery

29 Many of these observations are based on the author's first hand experiences during twenty visits to North Korea between 1992 and 2001 during which he lived and worked in Pyongyang and the Yongbyon Nuclear Research Center for several months, worked with North Koreans in the Ministries of Foreign Affairs, People's Army, Trade, Atomic Energy, and Agriculture, plus Workers Party officials, collective farm managers, store clerks in department stores, Koryo Hotel staff, scientists, technicians, college and high school students, soldiers and farmers. I also met and interviewed more than 100 North Korean refugees in the area of Yanji in China between 1998 and 2001.

30 Kim Il Sung, "On Further Developing the Taean Work System," (written November 9, 1962) in: Kim Il Sung, *On the Management of the Socialist Economy*, Pyongyang: Foreign Languages Publishing House, 1992, p. 173.

and Environmental Projection in the DPR Korea," jointly authored by representatives of the North Korean government and the UNDP in June 2000. Kim's son and heir used the disaster to open his country as never before, not just to foreigner visitors, but also to a range of information and concepts previously unknown in North Korea's history. As with North-South dialogue, the process of opening remains slow with uneven progress, but it is continuing.

Changes in North Korea's economic posture have yet to impress most economists. A program of economic "reforms" was initiated in July 2002. Most noticeable of these is the shift away from the government's payment of official salaries with goods and services, including food grain and subsidized housing, transportation and other daily necessities. Under the new reforms, officials (party, civil and military) resident in Pyongyang will receive greatly increased salaries but have to pay equally increased prices for food, housing, utilities and transportation. Foreign currency, specifically United States dollars and Japanese yen, has replaced the North Korean currency that was once reserved for use by government officials and foreign visitors.[31]

These reforms' purpose, durability and ultimate consequences remain unclear. Meanwhile, the economy continues to operate under centralized management, private ownership of property remains unknown, and no system of taxation has been initiated. Despite the reforms, Kim Jong Il still appears more intent upon preserving socialism than promoting capitalism. Nevertheless, limited economic reforms may set in motion a process of change that he eventually may find impossible to control. Where this to happen, the pillars of the current economic order - central control of the economy and collective ownership of property - could be eroded.

Agriculture: Some changes in the economy are not readily apparent

31 July 2002 discussion with the editor of Tokyo's pro-North Korean, Chosen soren sponsored daily newspaper *Chosen shimpo.*

to outside observers, but the economy's focus is shifting. North Korea's economic planners have moved away from the Soviet example. The debris of this failed system still clutters North Korea's economy, but finally it is being cleared. Simultaneously, as mentioned above, a variety of specialists are traveling the world to assess alternative economic practices. Agricultural revitalization and light industrial production have taken the lead over heavy industry. The agricultural system is in transition. Unorthodox farming methods have been introduced. Foreign advice and technical assistance are eagerly sought from UN agencies and non-governmental organizations from around the world.

In the agricultural sector, the essence of collectivism has been retained in the form of state ownership of all land and group effort, but with increasing accent on individual incentives to enhance production. Centralized supervision of all farming activity, however, has been loosened. Local and middle-level managers, those who supervise the nation's 3,000 collective farms, are shouldering more responsibility to determine the kind and distribution of crops in accordance with their assessment of local conditions and needs. No longer does Pyongyang's bureaucracy dictate these decisions. The same is true for the increasing diversification of livestock. Rabbit and poultry farming techniques have been introduced from Italy, aqua culture from Thailand and Malaysia, and geese and duck raising from China. Collective farms are able to retain any produce in excess of quotas established by Pyongyang. When available, work teams allocate any surplus to members according to the amount of time they invested in cultivating crops.[32]

The entire process, however, has been somewhat disruptive. No longer can the collective farm managers reply on the Ministry of Agriculture to supply agricultural inputs - fertilizer, pesticides, seeds and fuel. They must use surplus farm production to purchase or barter trade for these essentials. Individual collective farms must find their

32 United Nations Development Program, *Second Thematic Roundtable on Agricultural Recovery and Environmental Protection in DPR Korea*, Geneva: United Nations, 2000.

own means to transport surplus food to urban and foreign markets, particularly the so-called farmers markets in major urban areas and in northeast China. Nevertheless, farm productivity has been increasing gradually. Adoption of double cropping, efforts to replenish the soil's nutrients naturally through crop selection and rotation, increasing access to fertilizers, particularly from South Korea, and reduction of land erosion have helped.

An ambitious program is underway to improve the agricultural infrastructure. Reconfiguration of all rice paddy land began in 1999 and will continue at the pace of one province per year until completed across the nation. This requires taking large tracts of land out of production so the paddies can be graded into regularly shaped rectangles using heavy machinery. Roads, electricity and communication lines, and irrigation ditches also must be realigned. The work has been completed in Kangwon and North Pyongan Provinces, and is showing multiple benefits. Productivity will rise while reliance on electricity will decline. The larger paddies will more readily accommodate modern tractors, planters and harvesting equipment. More efficient use of farm labor will increase the capacity to double crop more land. Double cropping is now limited by the fact that most farming is done by hand. The reconfigured irrigation system will rely on gravity to channel water into fields instead of the electricity-dependent pumping system built under Soviet tutelage in the 1960s. Additionally, a new system of gravity-fed irrigation ditches is under construction in South Pyongan Province. The project, now in its second year, relies on gravity instead of electric pumps to distribute water to rice paddies north and west of Pyongyang. The International Fund for Agricultural Development (IFAD) is providing the funding.[33]

None of these changes can make North Korea self sufficient in food production. Actually, such a goal is unrealistic given conditions on the

33 See the United Nations World Food Program's monthly report on conditions in North Korea, available via on the UNWFP's web site.

Korean Peninsula and the size of the population that inhabits North Korea. Adverse weather conditions, plus chronic shortages of fuel, machines, and agricultural inputs such as fertilizers and pesticides, will perpetuate the nation's dependence on external supplies of grain. Since 1992, North Korea has imported at least 20 to 25 percent of its food grain needs either as commercial purchases or, since 1995, as food aid. Like South Korea, it will have to purchase increasing amounts of food from the international market as its population grows. The only way to pay for these food imports is for North Korea to become a producer and exporter of internationally competitive light industrial goods just as South Korea did in the 1970s and 1980s.

Commerce and Industry: Kim Jong Il has recognized the need to link his domestic economy to the international market place. This process has been underway since the early 1980s. Progress has been sporadic, but the pace appears to have quickened since 1998. Here too Kim seems to have a plan in mind-induce Koreans outside his domain to invest in North Korea's light industry. Initially, North Korea hoped Koreans resident in Japan would turn the northeast port area of Najin-Sonbong into an enclave of capitalism. Japanese currency would be converted into factories to produce and export textiles and house wares to Japan and China. The effort faltered and has yet to match expectations. Since 1997, Kim Jong Il has shifted the focus to attracting investment from Koreans living in northeast China and South Koreans. Some Korean Chinese have invested in small-scale textile and food processing joint ventures. But North Korea can hardly compete with the booming economic conditions that have prevailed in northeast China for the past five years.

South Korean interest has waxed and waned since 1990, but President Kim Dae Jung's June 2000 summit with Kim Jong Il energized the reconciliation process. Since the summer of 1998, South Korean investment in North Korea has boomed. Hyundai multinational corporation founder Chung Ju Hyong led the way with 1,000 cattle and 500 trucks in June 1998. He followed with a massive investment in developing tourism for South Koreans in the Kumgang or Diamond Mountains, a spectacularly rugged mountain area at the eastern end of the Demilitarized Zone (DMZ). In addition to an up front cash payment of $972,000,000, North Korea earns $300.00 for each tourist who visits the area from South Korea.[34]

So-called "enclave-capitalism" is occurring in at least two other areas of North Korea. Hyundai is preparing to develop a major industrial park at Kaesong, a provincial city in North Korea located about thirty miles due north of South Korea's capital. A similar enclave has been established near the northwest China-Korea border city of Sinuiju. South Korea's electronics giant Samsung is investing in computer and color television production facilities west of Pyongyang. With the South Korean government's strong encouragement, several South Korean small and medium industries hope to set up shop in Kangso, an industrial town southwest of Pyongyang.[35] None of these ventures will convert North Korea into a capitalist economy. Yet in combination they will significantly enhance North Korea's capacity to earn hard currency from tourism and the production and export of light industrial goods. North Korea's government subsequently will have to sanction increasing interdependence with the outside world in all areas of endeavor, further propelling the process of change.

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34 Chin Yong-san, "1990 nyondae irae Chungguk-Choson muyok kwangye mit kuga Choson sahoe saenghwal e mich in yongyang," and Nam Song-ok, "Pukhan ui kyongje hoebok uluihan kukche sahoe ui yokhal," in Academy of Korean Studies, *op. cit*., pp. 972-81 and pp. 987-1009.

35 See monthly issues of: Yonhap News Agency, *Vantage Point*. This monthly publication provides timely and balanced insight into developments in North Korea and between North and South Korea.

Conclusion

Kim Jong Il's goal is to preserve his regime, not to transform it. Essential to his regime are his monopoly on political authority, control of the centralize bureaucracy and all means of production. The *Juche* interpretation of Marxism-Leninism rationalizes his supreme power in the name of nationalism and his ancestry. Defense of the nation's sovereignty, i.e. preservation of his regime, is Kim Jong Il's foremost goal. Attainment of this goal requires economic revitalization, which necessitates considerable adjustment or change.

Kim Jong Il found in *Juche* the ideological flexibility needed to convince his father's politically potent supporters that a program of carefully managed change was essential to preserve his father's legacy. To avoid confusion with the changes that North Koreans believe undermined the Soviet Union, he avowed his opposition to "reform." He then appears to have used the floods and crop failures of 1995 and 1996 as pretexts to initiate a program of "managed change." Most affected have been North Korea's external relations and its agrarian economic sector. Since 1997, his program of change appears to have gained momentum and widened acceptance among the regime's political elite, party cadre and bureaucrats. His recent willingness to use the term "reform" could suggest declining internal resistance to "change," particularly by the regime's most powerful entity, the Korean People's Army. After all, it is this group that is to be the primary beneficiary of Kim Jong Il's program of change.

Kim Jong Il's preferred outcome, however, is not inevitable. The pace of change, and its direction, could exceed his ability to control it. In fact, our interests would seem best served by ensuring that the pace, extent and direction of change in North Korea exceeds his ability to manage it. If accelerated beyond his control, the process of change could eventually transform North Korea more along the lines the international community prefers.

Alas, policies favored in Washington tend to play into the hands of those in Pyongyang who favor using change to sustain North Korea's military might as the primary counter to foreign threats. Undoubtedly, the Korean People's Army uses these perceived, and sometimes audible threats to justify its continuing quest for weapons of mass destruction and investment of the nation's scarce resources in enhancing North Korea's military capabilities. The Bush Administration's recent calls to isolate North Korea economically only reinforce the consensus in Pyongyang that favors putting defense before all else. Consequently, the nation's civilian economic sector remains starved for resources needed to prepare to engage in international trade.

At the same time, those who advocate North Korea's economic and diplomatic isolation ignore a key consequence of Kim Jong Il's program of managed change. North Korea today is increasing dependent on the international community for food, fuel, technology and the skills vital to its economic revitalization. This growing economic interdependence has greatly enhanced our negotiating leverage vis a vis Pyongyang. This, combined with Pyongyang's willingness to engage the international community, suggests the wiser and less costly course of action for dealing with North Korea would favor engagement and negotiation over isolation and confrontation.

There is a precedence for this. The former Bush Administration in 1990 decided to intensify its diplomatic and commercial engagement of China in the wake of the Tienan Massacre. The outcome has been China's radical transformation. Political power in Beijing remains in the hands of the authoritarian communist party. But the economy has been thoroughly altered and the nation has been opened to an unprecedented degrees. Many of China's generals have discarded their uniforms in favor of business suits. China retains a huge army and mighty arsenal of nuclear tipped ballistic missiles. But its political leaders prefer negotiation and commerce to saber rattling and confrontation. China's transformation from a powerful threat to world

peace into a generally benevolent economic giant would not have been possible without the former Bush Administration's intensive program of engagement to induce greater Chinese eagerness to shift resources from military to civilian commercial endeavors. Given Kim Jong Il's willingness to pursue change, a similar effort vis a vis North Korea could pay similar dividends.

BENIGN NEGLECT AGAIN? U.S. POLICY TOWARD NORTH KOREA AFTER KIM DAE-JUNG

Timothy Savage

Behind the arguments between Seoul and Washington over the proper strategy for dealing with North Korea lies a nascent but growing gap in the long-term interests of the United States and South Korea. While both countries want to prevent North Korea from obtaining weapons of mass destruction or launching a war, their larger strategic goals are no longer fully allied. While South Korea seeks reconciliation and eventual reunification to enhance its long-term security and economic prospects, the United States, particularly since President George W. Bush came to power, is concerned with maintaining its global military dominance. These differences not only complicate joint efforts to solve the DPRK problem, but in the long run could also signal difficulties for the continuation of America's strategic role in Northeast Asia. Given that a military response is not realistic, the only options for dealing with North Korea are either containment or engagement. Should the U.S. pursue the former while South Korea chooses the latter, the U.S. ability to direct events will be seriously challenged.

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The tenure of President Kim Dae-Jung draws to a close with ROK-U.S. relations having reached their lowest ebb since the ill-fated attempt of Jimmy Carter to withdraw U.S. troops from South Korea. The heart of the dispute is a fundamental and almost irreconcilable disagreement over how to deal with the threat posed by North Korea. The latest revelations regarding North Korea's uranium enrichment program have bolstered the position of those on both sides of the Pacific who maintain that trying to reform the "evil" regime in Pyongyang by offering it economic aid and recognition are at best naive and at worst highly dangerous. Douglas Feith, U.S. Undersecretary of Defense for Policy, summed up the disagreement when he stated during a visit to South Korea that "there should be a penalty, not a reward" for the DPRK's pursuit of uranium enrichment.[1]

Beyond the somewhat simplistic arguments about carrots versus sticks, however, there lies a nascent but growing gap in the long-term interests of the United States and South Korea. While both countries want to prevent North Korea from obtaining weapons of mass destruction or launching a war, their larger strategic goals are no longer fully allied. While South Korea seeks reconciliation and eventual reunification to enhance its long-term security and economic prospects, the United States, particularly since President George W. Bush came to power, is concerned with maintaining its global military dominance. These differences not only complicate joint efforts to solve the DPRK problem, but in the long run could also signal difficulties for the continuation of America's strategic role in Northeast Asia.

1 Don Kirk, "U.S. and Seoul Air Differences," *International Herald Tribune,* 11/08/02, p. 5.

The Roots of Sunshine: The US-ROK-DPRK Triangle in Previous Administrations

During the Cold War, the main foreign policy challenges of both Koreas was to ensure that their great power sponsor maintained its staunch support to prevent the balance of power on the peninsula from tipping the other way. President Park Chung-Hee (1961-1979) used his own combination of carrots (sending ROK troops to support the United States in the Vietnam War) and sticks (threatening to build nuclear weapons) to keep U.S. troops stationed in Seoul. For its part, North Korea deftly exploited the Sino-Soviet rift to induce both communist giants to continue their support of Pyongyang. The refusal of any members of the communist bloc other than Cuba to honor the DPRK boycott of the 1988 Seoul Olympics, however, signaled that the old alignment of China, the Soviet Union, and North Korea against the United States, Japan, and South Korea was coming to an end. President Roh Tae-Woo seized on this historical moment to push forward a series of initiatives collectively known as "Nordpolitik," echoing the West German "Ostpolitik" opening toward East Germany that had begun a decade earlier. At the heart of this policy was a recognition that continuing the decades-old battle for legitimacy hindered any possibility of true rapprochement on the Peninsula. With this understanding, the two Koreas were jointly admitted to the United Nations in September of 1991.

Roh also sought to tackle concerns over DPRK nuclear weapons production. Although North Korea signed the Non-Proliferation Treaty (NPT) in 1985, it resisted signing a safeguards agreement and allowing the International Atomic Energy Agency (IAEA) to inspect its facilities on the grounds that the United States was keeping nuclear weapons in South Korea.[2] With the collapse of the Soviet Union, the

2 For a study of U.S. nuclear posture in Korea, see Peter Hayes, *Pacific Powderkeg:*

U.S. policy of maintaining large, forward deployed tactical nuclear weapons to save Western forces from being overwhelmed by the superior numbers of the communist bloc became obsolete. The administration of George Herbert Walker Bush thus decided to fall back upon a more cost-effective strategic nuclear force. This change in U.S. policy allowed South Korea to enter into negotiations with North Korea on a denuclearization agreement. To encourage this process, when President Bush ordered a worldwide withdrawal of tactical nuclear weapons, priority was given to the removal of those nuclear weapons that had been stationed in South Korea.[3] This allowed the two Koreas to sign the "Joint Declaration of the Denuclearization of the Korean Peninsula" on January 20, 1992. The text of the agreement included a provision banning either country from possessing reprocessing or uranium enrichment facilities.[4]

This new agreement failed to usher in an era of peace and cooperation on the Korean Peninsula, however, largely due to the increasingly precarious political and economic situation in the North. While South Korea's experienced continued economic growth in the 1990s, reaching the status of a member of the Organization of Economic Cooperation and Development, North Korea, deprived of the support of the Soviet Union, suffered a devastating economic collapse. On the political front, the ROK opening of diplomatic relations with China and Russia left North Korea, which still did not have relations with the United States or Japan, increasingly isolated. Fearing to suffer the fate of the Eastern European states, North Korea was unwilling to fully embrace opening to the outside world. Instead, it tried to hold onto its nuclear option by

American Nuclear Dilemmas in Korea (Free Press, New York, 1990; Han-ul Press, Seoul, 1991).

3 United States Commander-in-Chief, *Pacific (CINCPAC) Command History 1991*, Vol. 1, pp. 90-93. Obtained under the Freedom of Information Act by the Nautilus Institute and available online at http://lw3fd.law3.hotmail.msn.com/cgi-bin/premail/1826.

4 The text of the agreement is available online at http://www.ceip.org/files/projects/npp/resources/koreadenuclearization.htm.

attempting to fool IAEA inspectors regarding its past nuclear activities. Whether or not North Korea actually built any nuclear weapons, the evidence that it attempted to stockpile some fissile material is overwhelming. Caught red-handed, North Korea announced that it was invoking the "supreme national interest" clause in the NPT to withdraw from the treaty, sparking the showdown with the United States that was resolved with the signing of the Agreed Framework in Geneva in October 1994.[5]

The negotiation of the Agreed Framework revealed tensions between the ROK administration of Kim Young-Sam and the U.S. administration of Bill Clinton.[6] Many ROK observers felt that Washington was dominating the agenda with Pyongyang, forcing agreements on a reluctant Seoul. The Clinton administration tried to counter these criticisms by offering South Korea the leading role in the Light-Water Reactor construction project, although at the same time requiring it to finance the bulk of the project. The two allies finally found common ground when Kim and Clinton held a summit meeting at Cheju-do and called on North Korea and China to join them in four-party talks aimed at replacing the 1953 Armistice Agreement with a peace treaty. The four-party talks were designed to alleviate ROK concerns that the United States would cave into DPRK demands that any peace treaty must be directly between Washington and Pyongyang, on the grounds that South Korea had not been a signatory to the Armistice.[7] Although

5 The process leading up to the signing of the Agreed Framework is by now familiar to most readers. Comprehensive accounts can be found in Don Oberdorfer, *The Two Koreas: A Contemporary History* (Basic, Revised edition 2002) and Leon V. Sigal, *Disarming Strangers: Nuclear Diplomacy with North Korea* (Princeton, 1997).

6 See, for example, *the New York Times*, "South Korea President Lashes Out at US," Seoul, A3, Oct. 8, 1994, summarized in the Northeast Asia Peace and Security Network Daily Report, http://ftp.nautilus.org/napsnet/daily_reports/1994/10-94_Oct/OCT11.

7 Although then ROK President Syngman Rhee refused to sign the Armistice for fear it would make the division of the peninsula permanent, subsequent ROK

the talks did not result in any substantial agreements, it did set two important precedents. In the first place, it institutionalized the process of dialogue with North Korea, which previously had been an intermittent occurrence. Secondly, it established the importance of China as a dialogue partner on Korean Peninsula security issues. China's sincere national interest in preventing a military crisis on the peninsula and its traditional alliance with North Korea put it in a unique position to pay the role of honest broker between North Korea and the US-ROK-Japan triad. These beginnings, small though they were, helped set the stage for the more aggressive engagement policy pursued by President Kim Dae-Jung.

The Emergence of Sunshine under Kim Dae-Jung

The process of engaging North Korea through dialogue had thus already begun long before Kim Dae-Jung took office in January 1998. In particular, Kim codified Roh's earlier tentative steps to put an end to the traditional battle between North and South to determine which side should be considered the legitimate ruler of the Korean Peninsula. Whereas previous administrations had often vacillated on this concept, seemingly unable to break from the tendency to treat North-South issues as a zero sum game, Kim Dae-Jung made it a central tenet of his policy by vowing not to seek reunification through absorption of the North. Kim believed that North Korea's "rogue" activities stemmed from its isolation from the international system, and that therefore the best way to moderate DPRK behavior was to encourage it to open up

governments have maintained that South Korea is a virtual signatory, on the grounds that the United States signed the agreement on behalf of UN forces, which included South Korea. For a discussion of the legal aspects of the Armistice, see Patrick Norton, "Ebbbnding the Korean Armistice Agreement: The Legal Issues," at http://www.nautilus.org/fora/security/2a_armisticelegal_norton.html.

by offering the benefits of economic development. In this as well Kim had some precedent to work with, as the onset of famine in North Korea in the mid 1990s had led Pyongyang to allow foreign aid workers unprecedented, albeit still quite limited, access to the population. South Korea decided to further reduce DPRK isolation by encouraging European Union nations, beginning with Italy, to normalize relations with North Korea, as well as other Western nations such as Canada and Australia. By widening the DPRK's diplomatic contacts, Seoul hoped that Pyongyang would begin feeling less threatened and thus more apt to respond to overtures by South Korea, the United States, and Japan.

The sunshine policy came as a welcome relief to the Clinton administration, whose own policy of limited engagement with North Korea had come under fire from conservatives almost as soon as the ink was dry on the Agreed Framework. The Republican sweep of the 1994 Congressional elections less than a month afterwards had placed new constraints on Clinton's ability, or indeed willingness, to improve relations with Pyongyang. Unlike in the case of China, where anti-engagement forces are balanced by strong economic interests in favor of good relations, there is no "North Korea lobby" in the United States pushing for engagement with Pyongyang. The Clinton administration was thus all too eager to let Seoul take the lead in dealing with North Korea. Politically, it was an easy position to take. The U.S. has always justified its presence on the Korean Peninsula as necessary to defend South Korea, so deferring to ROK regarding North Korea fits in with that obligation. Kim Dae-Jung's status as a former pro-democracy fighter and his unflinching pro-Americanism also helped. Immediately following Kim's election, former officials from the Bush and Clinton administrations were found competing on the op-ed pages of the nation's leading newspapers to take credit for saving Kim's life after he'd been condemned to death by then ROK President Chun Doo-Hwan. While Clinton had long been a bete noire for Republicans, who attacked his foreign policy with the same verve as they did his sexual

peccadilloes, U.S. hawks were more reluctant, at least initially, to criticize the leader of an allied country with Kim's credentials.

North Korea has a way of asserting itself when it feels ignored, however, and the Clinton administration's hopes of fading into the background on Korean Peninsula issues were dashed on August 31, 1998, when North Korea set off a two-stage rocket that overflew Japan and landed in the Pacific Ocean. The event heightened fears in both Japan and the United States that North Korea would be able to carry out a nuclear attack against their territories. It also increased criticism that the U.S. government had ignored the missile issue in engaging North Korea. Responding to pressure, Clinton appointed former Secretary of Defense William Perry to conduct a fundamental review of policy toward North Korea. Concluding, "We must deal with North Korea as it is, not as we want it to be," Perry recommended a two-track strategy. In the first track, if North Korea agreed to give up its weapons in a verifiable manner, the United States and its allies would take comprehensive steps to "reduce pressures on the DPRK that it perceives as threatening."[8] The second path, should the DPRK reject such overtures, would be to take firm steps to contain North Korea, while attempting to avoid direct conflict if possible.

In the meantime, Kim Dae-Jung moved forward vigorously with his attempts at engaging North Korea. His important ally in this effort was Chung Ju-Yung, the octogenarian founder of the Hyundai Group. Chung, a native of the northern part of the Peninsula, was determined to make his own contribution to the improvement of North-South relations before he died, and so made a dramatic trip to North Korea bearing a gift of 1,000 cows, which he claimed was payback for a cow he had stolen from his father when he went south decades earlier. The result of this trip was an agreement to open the DPRK's famed Mt. Kumgang (Diamond Mountain) to foreign tourism, with Hyundai

8 William J. Perry, "*Review of United States Policy Toward North Korea: Findings and Recommendations*," October 12, 1999.

running the operations in exchange for a large payment to North Korea. Economically, it was not a sound arrangement, as the payment was not linked to the number of tourists who signed up for the trips, and Hyundai overestimated the amount of revenue that would be generated. Opposition politicians criticized the deal as a bribe to North Korea for the sake of the sunshine policy, and accusations have surfaced recently that Hyundai laundered a large sum of money on behalf of the Kim Dae-Jung administration in exchange for Pyongyang agreeing to the June 2000 summit meeting. While Hyundai has lost a large amount of money on the deal, the project may still end up playing an important role in the long run in promoting North-South reconciliation. The Mt. Kumgang tourist resort has become a meeting-place both for working-level talks between officials from the two Koreas and for separated family members. A permanent reunion center is planned for next year, and the two Koreas have also begun preliminary work toward building a road connecting South Korea to the resort. Work is also scheduled to begin next month on an industrial complex in Kaesong, another project agreed to during Chung's visit to North Korea. The Mt. Kumgang project has thus opened up opportunity for rapprochement on a number of fronts, although future economic cooperation ventures will need to be based on sounder economic principles.

The most dramatic achievement of the sunshine policy was Kim Dae-Jung's visit to Pyongyang in June 2000. The enthusiastic embrace he received at the airport from Kim Jong-Il appeared to signal that the battle over legitimacy had finally come to an end and that the two sides were at last ready to accept the principle of peaceful coexistence. I recall visiting Seoul the following week and seeing the downtown area festooned with banners declaring the summit to be "the first step toward reunification." The Nobel Committee recognized the event by awarding Kim Dae-Jung the Peace Prize. Critics, however, soon began deriding the meeting as all symbol and no substance. Economic coop-

eration projects lagged, and military tensions showed little sign of dissipating. Meanwhile, the Clinton administration was having its own difficulties in working out an agreement with North Korea to end its missile program. Although Secretary of State Madeleine Albright during her visit to Pyongyang was able to extract a promise from Kim Jong-Il not to test any more ballistic missiles until 2003, a comprehensive deal to end sales and production could not be worked out before President Clinton left office in January 2001.

The Bush Administration and the Sunshine Policy

Congressional Republicans had long been vocal critics of the Clinton administration's policy toward North Korea. A group of Representatives led by Christopher Cox of California and Benjamin Gilman of Ohio formed a partisan "North Korea Advisory Group" that presented a report to Speaker of the House Thomas Hastert in November, 1999. The report argued that Clinton's policy toward North Korea had done nothing to decrease the DPRK's military threat or encourage reforms, while U.S. help in the form of food aid and fuel transfers under the Agreed Framework were helping to prop up the Kim Jong-Il government.[9] Congress also passed a law requiring the president to certify that North Korea was in compliance with its obligations under the Agreed Framework before it would release funds to pay for heavy fuel oil (HFO) deliveries, although to get around a potential constitutional clash over the president's right to conduct foreign policy, and to avoid tying the hands of a future Republican president, it included a provision allowing the president to waive the certification requirement. The policy preference indicated by this process was "benign neglect":

9 North Korean Advisory Group, "Report to the Speaker, U.S. House of Representatives," November, 1999, at http://www.house.gov/international_relations/nkag/report.htm.

strengthening U.S. and allied defense while halting all interaction with the evil Pyongyang regime in the hopes that it would eventually collapse under its own weight.

The election of George W. Bush was naturally welcome by critics of the Clinton administration policy, but it was not immediately clear what track the government would follow. Bush's appointments included several experts with long experience in East Asia who were sympathetic to some form of engagement of North Korea, such as Deputy Secretary of State Richard Armitage and Assistant Secretary of State for East Asian and Pacific Affairs Jim Kelly. On the other side were those who favored a universal hard-line approach to non-proliferation problems, such as Secretary of Defense Donald Rumsfeld, Deputy Defense Secretary Paul Wolfowitz, and Under Secretary of State for Arms Control and International Security John Bolton. Their preferred method was a good deal more pro-active than the benign neglect formula. It was summed up in a September 2000 report for the New American Century written by a group of prominent Washington conservatives, including Wolfowitz, who have since come to exercise a great deal of influence on Bush's thinking. The vision of U.S. security policy outlined in this report is that of a Pax Americana based on U.S. military dominance. The authors argued that the U.S. should seize the historic opportunity created by its unchallenged global pre-eminence to remake the international order along pro-American lines. In particular, the report warned,

> … the United States … must counteract the effects of the proliferation of ballistic missiles and weapons of mass destruction that *may allow lesser states to deter U.S. military action* by threatening U.S. allies and the American homeland itself. Of all the new and current missions for U.S. armed forces, this must have priority.[10]

10 *Rebuilding America's Defenses: Strategy, Forces and Responses for a New Century*, p. 6, emphasis added. Available at http://www.newamericancentury.org/RebuildingAmericasDefenses.pdf.

Publicly, Bush administration officials have argued that deterrence cannot be counted on to prevent so-called "rogue" states from using weapons of mass destruction because it assumes that the adversary is a rational actor, whereas countries like North Korea and Iraq are run by unpredictable tyrants who are driven by ideological factors. History shows, however, that this is not the case, as even ideological enemies have been deterred by targeting their most valued assets. Indeed, North Korea for decades has been and continues to be deterred by the superior strength of the U.S.-ROK alliance from pursuit of its alleged goal of communizing the entire Korean Peninsula. In any case, this report lays out in stark terms the real problem with nuclear proliferation from a U.S. policy standpoint—that it levels the playing field, and allows the adversary to deter the United States from the military pursuit of its objectives. In the policy vision set forth in this document, unchallenged U.S military dominance is an end as well as a means. The ability of the United States to act unilaterally must therefore not be restrained by allowing otherwise weak foes like North Korea to possess nuclear weapons.

The document also lays out a particular future for Northeast Asia: that of a U.S. dominated military-political bloc stretching from the Sea of Japan to the Indian Ocean, designed to contain the influence of a rising China. This is a vision straight out of the Cold War, with U.S. military bases in Southeast Asia added to those in South Korea and Japan. As the report states:

> By guaranteeing the security of our current allies and newly democratic nations in East Asia, the United States can help ensure that the rise of China is a peaceful one. Indeed, in time, American and allied power in the region may provide a spur to the process of democratization within China itself.[11]

The United States may have lost the Vietnam War, but the political

11 "*Rebuilding America's Defenses*," p. 19.

developments of the last decade now afford it the opportunity to revive the old vision of a NATO-like security arrangement for Asia. This new arrangement would allow the United States to "manage" the rise of China to prevent that nation from mounting a serious challenge to U.S. predominance. Not only would China be contained, but allies such as Japan and South Korea would be retained within the U.S. orbit.

Where is North Korea in this picture? The document mentions several times the need to retain U.S. troops in Korea after reunification. It also says that the troops might be needed to "stabilize" the situation in North Korea.[12] There is an implicit assumption here that North Korea is going to end suddenly and that unification of the Korean Peninsula will be accomplished through absorption of South Korea by North Korea. This position fundamentally contradicts one of the major premises behind the sunshine policy: that South Korea neither desires nor can afford to absorb the North. A policymaker who subscribes to this position is going to have little interest in attempting to engage North Korea and in the process risk extending the life of the regime. Nor can North Korea feel very comfortable about negotiating with people who expect, and indeed desire, its ultimate demise. Both engagement and containment rest on the principle that if one's adversary refrains from undesirable actions (or takes desirable ones, as the case may be) he will gain additional security for himself. A policy that has "regime change" as its implicit or explicit goal is not going to generate cooperation from one's foe.

The competing U.S. policy options toward North Korea mirror the dominant currents of U.S. foreign policy throughout the Cold War—engagement, containment (benign neglect), or rollback (regime change).[13] Which policy would prevail was unclear when George W. Bush took office in January 2001. The new administration quickly

12 Insert reference.

13 For a discussion of how these options were applied to Korea, see Bruce Cumings, *Origins of the Korean War*, Vol. 2.

announced that it would conduct a thorough review of U.S. policy toward North Korea before making a decision on how to proceed. Kim Dae-Jung, apparently feeling that his personal clout as a Nobel Prize winner could help persuade Bush to follow the softer path, made a hasty visit to Washington for a summit meeting with the new president. He received a rude awakening. Bush was uninterested in listening to Kim's views, and made it clear that the U.S. was in no hurry to improve relations with North Korea. The meeting also revealed the divisions within the Bush administration, when Secretary of State Colin Powell came out of the meeting to tell reporters that the United States would be re-opening dialogue with North Korea, only to be forced by Bush to retract the statement moments later.

If proponents of engagement were already at a disadvantage when Bush took office, the events of September 11 made their position almost untenable. The American public, shocked by the unprecedented attack on U.S. soil, was much more inclined to believe that the world was as dangerous a place as the hawks in the administration claimed, and to accept the idea that tough action was needed to defeat foreign enemies. Bush's subsequent State of the Union address, in which he lumped North Korea together with Iran and Iraq in an "axis of evil," shifted the focus of the "war on terrorism" away from the non-state actors who had perpetrated the attack and onto the traditional state enemies of the United States, none of whom had been credibly implicated in the events of September 11. Bush argued that "rogue" nations like North Korea or Iraq that pursue weapons of mass destruction represent an inherent danger to U.S. interests, as their implacable hostility to the United States and general disregard for international norms could easily lead them to provide such weapons to terrorists groups who seek to attack the U.S. or its allies. Bush then went a step further in a West Point graduation ceremony, when he declared that the United States retained a right to take pre-emptive action to prevent potential threats from becoming reality. In these two speeches, Bush used September 11

as the justification to articulate a doctrine of rollback that had long been pushed by many of his senior advisors.

North Korea's Nuclear Revelation: Playing a Weak Hand Well

North Korea's own actions suggest that Pyongyang itself was trying to take a two-track approach toward dealing with its enemies. On the one hand, North Korea recognized that its isolation from the world community was the root cause of its ongoing economic crisis, and that therefore it needed to pursue at least a cautious opening. North Korea has focused its efforts on training to bring it up to modern standards, sending numerous officials and technocrats abroad for training in everything from business to energy and even human rights. It recently carried out wage and price reforms designed to open the path for switching to a market economic system, although the success of these measures remains to be seen. Although the attempt to open a Special Economic Zone in Sinuiju was derailed when China arrested the designated chief of the zone, Yang Bin, on charges of tax evasion, plans are moving forward to open a similar zone in Kaesong, just across the Demilitarized Zone from South Korea. Perhaps most surprisingly of all, in hopes of getting financial aid from Japan, Kim Jong-Il held a summit meeting with Japanese Prime Minister Junichiro Koizumi, shocking his guest by admitting to and apologizing for DPRK kidnapping of Japanese citizens.

On the other hand, North Korea has failed to live up to its obligations to end its nuclear weapons program, as indicated by its recent admission of a secret uranium enrichment program. To some extent, this may reflect an internal struggle within the DPRK leadership between proponents of opening and those who fear that doing so will lead to an East German-style collapse. Almost certainly, it also reflects a distrust of Washington's willingness to improve relations

with Pyongyang. North Korea sees nuclear weapons as a way to level the playing field against a much stronger U.S.-ROK-Japan alliance, to make the United States think twice about launching an attack or otherwise pressuring Pyongyang. Indeed, the North Koreans have made this point quite explicitly. The Associated Press quoted an unnamed DPRK official as saying,

> U.S. imperialism looks down upon those countries weak in military power, forces them to accept its brigandish demands and makes them a target of its military intervention and aggression. As a stick is the best to beat a wolf, so are arms to fight with the imperialists.[14]

North Korea has also made it quite clear what it would require to give up its nuclear weapons program.

> If the US truly wants the settlement of the nuclear issue on the Korean Peninsula, it should adopt practical measures to do away with threat to the DPRK, including the conclusion of the non-aggression treaty between the DPRK and the US If the US gives legal assurances of non-aggression including the nonuse of nukes against the DPRK through the non-aggression treaty, the DPRK will be ready to clear the U.S. of its security concerns.[15]

In the face of the evidence presented by Jim Kelly, North Korea apparently chose to lay its cards on the table to try to force a U.S. response. In doing so, North Korea was gambling that the constraints that the United States is operating under would prevent a precipitous military response.

U.S. options for dealing with the DPRK nuclear program, as the Clinton administration discovered in 1994, are limited. Targeted air

14 *The Associated Press*, "Nukes Defended As Check To 'U.S. Imperialists,'" Seoul, Oct. 28, 2002, summarized in the Northeast Asian Peace and Security Daily Report, http://www.nautilus.org/napsnet/dr/0210/OCT28.html#item2.

15 *Korean Central News Agency*, "Best Settlement Of Nuclear Issue," Pyongyang, Oct. 28, 2002, summarized in *Ibid*.

strikes against DPRK nuclear facilities, including the Academy of Sciences, which is suspected of housing the uranium enrichment program, risk a deadly counterattack on Seoul. Regardless of who wins December's presidential election in South Korea, no ROK government is likely to support the launching of a war that would cost millions of South Korean lives and put an end to the ROK's successful economic recovery. Nor would any U.S. government, however unilateralist, find it politically feasible to impose a war on an unwilling ally. In the case of Iraq, the problem that the United States faces is a logistical one: how to mount an invasion of a landlocked nation without being allowed to utilize military bases in the surrounding countries. The United States is perfectly willing to go ahead with its plans in the absence of political support from the Arab states—indeed, some conservative think tanks in Washington believe that regime change in Iraq will serve as an object lesson for countries like Saudi Arabia, Syria, and Jordan.[16] In Northeast Asia, in contrast, the United States has decades-old intimate alliances with both South Korea and Japan, and needs their full backing before contemplating any military action. These constraints account for the restrained initial U.S. response, which emphasized the need to settle the issue through peaceful means.

Nor do sanctions present a real option for the United States. Even if the Bush administration could convince both South Korea and Japan to end their nascent cooperation with North Korea, which might be possible depending on who wins the ROK election and the success of Japan-DPRK bilateral discussions, the United States has no control over the DPRK's northern borders with China and Russia. To be truly effective, any sanctions would have to be supported by both these nations, and since both are permanent members of the UN Security Council, sanctions could only be carried out in a UN framework. Here again, the dynamic would be very different than the current council

16 For an example of this line of thought, see Victor Davis Hanson, "Our Enemies, the Saudis," *Commentary*, Vol. 114, Issue 1, Jul/Aug 2002, p. 23.

debate over Iraq. In the case of Iraq, the willingness of the five permanent members to reach some sort of compromise with Washington is at least partially predicated on the understanding that the United States is likely to move forward with military action even if it does not receive UN approval, an unrealistic prospect in regards to North Korea. Furthermore, both China and Russia have far more fundamental interests at stake in North Korea than in Iraq, as any destabilization of a neighboring country will have a direct effect on their own security and economic growth.

Getting regional support for isolating North Korea—the administration's current focus—will not be an easy task. The surrounding nations do not want to see North Korea gain possession of nuclear weapons. Such weapons would pose a direct threat to South Korea and Japan, and may induce them to seek their own nuclear capability in response, which would alarm China and Russia. At the same time, none of those countries want to see North Korea destabilized through sanctions, given the uncertain effects of such destabilization. The Bush administration will get the support of other countries for isolating North Korea only if it can convince them that a negotiated solution is impossible. It can attempt to do this by demonstrating North Korea's perfidy and untrustworthiness, or by itself refusing to take part in negotiations. The latter tactic, however, is likely to increase anti-Americanism in friend and foe alike, and undermine Washington's moral authority with regards to nuclear issues.

Where Do We Go From Here? U.S. Policy toward North Korea, 2003-2004

For the past decade, U.S.-DPRK relations have been characterized by half-heartedness and mutual distrust. The United States made just enough efforts at engagement to prevent the situation from imploding,

while biding time in the expectation of an eventual DPRK collapse. For its part, North Korea expressed an interest in opening up, but at the same time continued its nuclear weapons program to preserve a deterrence option against the United States. Since Kelly's visit to Pyongyang, such hedging strategies are no longer an option. North Korea has to decide whether it wants nuclear weapons or economic development—it will not be allowed both. For its part, the United States must decide which is more important: gaining a verified end to the DPRK nuclear weapons program, or promoting a policy based on U.S. pre-eminence and reliance on preventive war over diplomatic solutions.

The immediate question that arises is what will happen to the KEDO light-water reactor project. Statements coming out of Washington suggest that the U.S. government already considers the deal to be nullified. At the most recent meeting of the KEDO executive board, the United States, apparently with support from the European Union, managed to push through a halt to any further HFO shipments pending "concrete and credible actions to dismantle completely its highly-enriched uranium program."[17] In acquiescing to the U.S. position in this case, the other board members—South Korea and Japan—were recognizing that they had little choice in the matter, as the Republican-led Congress is not going to appropriate any further funding for the HFO without new evidence that North Korea is abiding by its obligations to dismantle its nuclear program. Halting the reactor construction itself may be a different story however. Ending the reactor construction would give North Korea the green light to complete its withdrawal from the NPT and begin extracting plutonium from the spent fuel from the Yongbyon reactor that was canned according to the Agreed Framework. Such a move would greatly accelerate the DPRK's ability to build up a nuclear weapons at a more rapid pace than could be

17 "*KEDO Executive Board Meeting Concludes*," Nov. 14, 2002, at http://www.kedo.org/news_detail.asp?NewsID=10.

achieved through uranium enrichment.[18] Furthermore, South Korea and Japan provide the bulk of the funding for reactor construction. As both have already invested quite a bit both politically and financially in the project, it seems unlikely they would go along with its suspension, at least not while other options remained open. Ultimately, of course, the transfer of nuclear components will ultimately depend on the DPRK's ability to satisfy both the IAEA and the U.S. government that it has in fact dismantled its nuclear weapons program, but in the interim the ROK and Japan have a great deal of say in whether or not the project continues.

For its part, North Korea's responses are also somewhat constrained. It could react to the cut off of HFO deliveries by declaring the Agreed Framework dead and unfreezing its nuclear activities at Yongbyon, but doing so would risk all the progress it has made in economic cooperation with the outside world. It has threatened to carry out another missile test, although doing so would seem likely to accomplish little except to strengthen the position of hardliners in both Washington and Tokyo. The U.S. government is determined not to be seen as "rewarding bad behavior" by making any new concessions to Pyongyang, and has made the dismantlement of the DPRK nuclear program a precondition to even beginning negotiations. Further belligerent actions by North Korea at this point will not help soften this stance. Certainly, North Korea can expect to get no new "carrots" from the United States until it has made some significant progress in meeting U.S. concerns.

Given the limited options on both sides, the likely scenario over the short-term is a continuation of the current staring contest, with both sides waiting for the other to blink first. As long as neither attempts to force a showdown in the interim, eventually a solution may be found whereby the United States will provide some assurances that it will not

18 *Washington Post*, Doug Struck, "Crisis Could Push N. Korea to Expel Nuclear Inspectors," Tokyo, Nov. 14, 2002, A22.b.

seek a military solution as long as North Korea begins the formal process of inspections to verify that the DPRK is not building nuclear weapons, a process that will last for at least the remainder of Bush's first term. North Korea can continue to seek economic cooperation from other sources, although its success in this will largely depend on the results of the upcoming ROK presidential election and Pyongyang's ability to appease Japanese public opinion, which has taken a decidedly negative turn against North Korea since the abduction revelations. Down the road, North Korea can hope that a future U.S. government, or even a second-term Bush administration, may prove more accommodating. In the meantime, however, the United States will likely fall back into a policy of "benign neglect" in the hopes that, deprived of Washington's economic support meager though it was, the long looked-for collapse of North Korea finally becomes reality.

Such a strategy could, however, end up undermining long-term U.S. interests in the region. The United States' policy for Northeast Asia, as discussed above, is to maintain (and possibly expand) forward-basing of the U.S. military to ensure the continued U.S. dominance in the region and manage competition from a rising China. An alternative, continental vision has emerged within Northeast Asia itself, however. In this version of the future, the peaceful integration of North Korea into the international community allows the flourishing of greater regional cooperation in a number of spheres, including economy, energy, and even security. Kim Dae-Jung has been the most vocal proponent of this vision in his push for an "Iron Silk Road" railway linking Asia to Europe[19] and his government's long-term plan to turn the country into an East Asian "hub." Russia looks on regional cooperation as perhaps the only means to promote economic develop-

19 "'Iron Silk Road' to Directly Link Korea to Europe," remarks made by President Kim Dae-jung at the opening of the Asia-Europe Meeting (ASEM) 4 in Copenhagen, Denmark, Sept. 23, 2000, available at http://www.hankooki.com/kt_special/200209/t20020923194137491l0.htm.

ment of its depressed Far Eastern provinces, which it otherwise fears it will lose to Chinese encroachment. Russia is particularly interested in projects in the energy field, such as pipeline construction or electrical power trading, given its surplus of energy resources and the increasing energy demand of its neighbors.[20] Japan, which has suffered through a decade of economic morass, appears to be coming around to the idea that closer ties with continental Eurasia may be the way out of its dilemma, as shown by Koizumi's unexpected visit to Pyongyang, which appears to have taken place without U.S. approval.[21]

These two alternative visions are not necessarily mutually exclusive, but without a change in U.S. posture, its relations with its Northeast Asian allies could well suffer. The ROK-US alliance has until now been designed almost exclusively for the containment of North Korea. If North-South rapprochement is successful, the ROK's continental vision could come into conflict with its continuance within a U.S.-Japan security alliance that is focused on containing China. This issue would undoubtedly set off a major domestic debate in South Korea, the outcome of which is impossible to determine at this time. As the generation that fought in the Korean War is passing, the United States cannot count on its historical affinity with a long-time ally to carry the day. If the United States were forced off the Korean Peninsula, it would be impossible for Washington to maintain its desired troop level in the region (100,000 without an expansion into Southeast Asia). It would also put further strains on the U.S.- Japan military alliance due to the inability of Japan to absorb all the requirements of American basing, and likely domestic opposition to being the only U.S. military ally in

20 See Sergei Podkovalnikov, "Study for Russia, Democratic People Republic of Korea, Republic of Korea and China Power Interconnection: Analysis of Current Status," available at http://www.nautilus.org/energy/grid/2002Workshop/Podkovalnikov_020617.PDF.

21 Oh Young-jin, "Koizumi's NK Visit May Clear Clouds Over `Sunshine Policy'," September 1, 2001.

the region.

As the Irish poet William Butler Yeats famously noted, "the center cannot hold." Historical change is inevitable, and after fifty years of Cold War standoffs, Northeast Asia is an area ripe for political change. The United States has played a key role in the region not only through its military muscle, but by judicial use of its "soft power" capabilities—promoting economic development, facilitating (albeit sometimes belatedly) democratization, and pursuing diplomatic openings to both Russia and China. The posture of the current administration, however, risks squandering U.S. soft power in the name of jealously guarding its hard power (i.e. military) capabilities. U.S. policies that appear to force allies to go against their own national interests risk unleashing anti-American currents that could ultimately force U.S. disengagement regardless of Washington's preference. Northeast Asia will change over the coming years, and the ultimate disposition of North Korea will be a key factor in determining the direction of that change. The United States would be well advised to focus on steering the ship in the direction it wants to go, rather than trying to take up arms to stop the incoming tide.

EU-NORTH KOREAN RELATIONS: NO EFFORT WITHOUT REASON*

Ruediger Frank

The article reviews the achievements in economic and political relations between the EU and the DPRK so far. It analyzes the interests of both sides, pinpoints controversial and inconsistent issues and provides an outlook on possible future developments and implications. The European engagement in (North) Korea is quantified by using a comparative perspective based on data on the North Korean activities of South Korea and international organizations, leading to an explanation for the pace and scope of Europe's involvement. In particular, aid and humanitarian assistance, trade and political exchange are analyzed. It becomes obvious - and this is the major finding of the paper - that there is a strong contrast between private European activities, which do not appear to be above average, and state-coordinated and state activities. The latter are remarkably

* The author would like to thank the faculty members at Columbia University's East Asian Institute for their valuable comments on an earlier version of this paper as presented on October 31, 2002, especially Kim Young-Mok and Robert M. Immerman. Helpful information has been provided off the record by a number of representatives of various EU institutions, including the European Parliament, the European Commission and the European Institute of Asian Studies during a high-level seminar on future EU-DPRK relations at the European Parliament in Brussels in October 2002. The comments by an anonymous reviewer of this article are also highly appreciated.

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substantial if compared to other countries and the overall European interest in (North) Korea. This contradiction can partially be explained by a dominance of internal over external concerns in current EU policy on one hand and the latter's role in a global tripartite partnership with the USA and Japan on the other.

Introduction

Even though the "triad" (USA, Europe, Asia) clearly dominates geostrategic considerations of the late 20th and early 21st centuries, attention is mostly paid to either transatlantic or transpacific relations. Asia-Europe affairs, the "third leg of the triad" (JACQUET 1996), remain mostly undervalued, if not ignored completely, which is especially true for political efforts going beyond trade and investment.

The Korean peninsula is doubtlessly one of the hotspots of international relations. In addition to the very existence of one of the last pseudo-communist states, there is the unresolved question of a peace treaty that would formally end the Korean War (1950-1953), the pending issue of rapprochement and an eventual unification of North and South Korea. There are also the recently reemerging serious concerns about a possible nuclear weapons capability on the part of North Korea. All this creates a tremendous degree of different dynamics in the region, since all neighbors are heavily involved and have strong interests in one or some development of these events in Korea. In addition, the world's only remaining superpower, the United States, is committed to Korea in connection with overall North East Asian security as well as the balance-of-power considerations of the policy-makers in Washington. Furthermore, the United States is directly engaged with the presence of 37,000 troops in South Korea and repeated policy initiatives towards P'yòngyang.

Therefore, it is no surprise that Europe, though neither a regional power nor a global hegemony, pays some diplomatic attention to the peninsula. In addition, the EU and its member countries have solid, yet not overly crucial economic ties to South Korea, of both trade and FDI, which adds to a certain concern about security in the region.

However, the events of the last few years created a remarkable political interest of the EU in Korea, especially in the Northern part, in an engagement that goes well beyond what could have been expected from the rather general set of interests as outlined above. The DPRK, too, has embarked on a powerful and unprecedented diplomatic offensive that has recently been supported by what appears to be economic reforms and a desperate dedication to seeking economic cooperation with the outside world. A glance at some numbers will show that the strength and nature of both side's motivation to engage in this relationship are substantially different and, in the EU's case, not consistent and even sometimes contradictory.

This article reviews the achievements in economic and political terms so far, analyzes the interests of the EU and North Korea, pinpoints some controversial and inconsistent issues and provides an outlook on possible future developments and implications. It will try to quantify the European engagement in (North) Korea by using a comparative perspective, and to find an explanation for the pace and scope of this involvement. The EU in this context will be understood as a supranational institution, not necessarily as the aggregate of the individual actions of its single members (with the exception of trade), even though such an approach would surely wield interesting results. This is particularly true for the political side of the relationship and also for technical and humanitarian assistance.

History of EU-North Korean Relations

In International Relations, things that do NOT happen are sometimes as important as actual events. Concerning the relations between Europe and North Korea, a great asset is the absence of any unpleasant past like Colonialism or War, which do substantially - though qualitatively and quantitatively differently - shape the present relations between both parts of Korea with Japan on one side and with the United States on the other. On the contrary: Among the less well-known chapters of history is the economically and psychologically significant support Eastern European countries rendered towards North Korea during and after the Korean War. This includes the reconstruction of the totally destroyed city of Hamhùng, provincial capital of South Hamgyòng and center of chemical industry, by Eastern Germany between 1965 and 1972 (see FRANK 1996), and similar, though smaller projects by Poland, Czechoslovakia, and Hungary. If we go back in history even further, there are Paul Georg von Moellendorff who served as a Vice Minister to King Kojong from 1882-1885; Antoinette Sontag who advised the King on Western ceremonial matters and etiquette; Franz Eckert, who composed the first official National Anthem of Korea in 1902; and Richard Wunsch who served as court physician and treated poor patients for free from 1901 to 1905, to mention only the German citizens who were involved with Korea in the past (LEUTERITZ 1990).

The actual relevance of these and other singular and partially forgotten encounters is surely debatable; however, we could think of worse legacies. Considering the fact that with the Irish vote in October 2002, the Eastern expansion of the EU according to the Nice Treaty finally was ratified by all 15 EU members, the past ties between Eastern Europe and the DPRK will to a certain degree have potential to shape future EU-DPRK relations.

Aid and other assistance

Of much more and direct significance for the latter's current and future development are the events after the signing of the 1994 Agreed Framework and especially the diplomatic normalization that started with a political dialogue meeting in December 1998. The EU has been providing humanitarian support to the DPRK since the floods in 1995 and the subsequent North Korean appeal for international aid. By 2000, 38 million Euros had been provided mainly for medicines, water, sanitation, winter clothes and hygiene. Food aid began in 1997, initially centered on delivering food but increasingly becoming oriented towards agricultural rehabilitation and production. Assistance has been provided bilaterally (106.7 million Euro), via the WFP (50 million Euro) and via European NGOs[1] (11 million Euro), amounting to approximately 168 million Euro between 1997 and 2001 (EU 2002b: 13-14). In the latest instance of aid so far, the European Commission has provided 300,000 Euros in flood relief on September 27, 2002 (EU 2002c).

On Sept. 19, 1997, the EU, represented by the European Atomic Energy Community,[2] entered KEDO as an Executive Board Member to join the USA, Japan and South Korea (KEDO 1997). The EU's contribution amounted to 15 million Euro annually, mainly for fuel oil, plus bilateral contributions of EU member states (EU 2002b: 14).

To sum it up, the various kinds of donor assistance of the EU to North Korea from 1995 to 2000 amount to about 280 million Euro:

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1 CESVI, Concern, Children's Aid Direct, Action Contra La Faim, German Agro Action, Medecins Sans Frontières, Triangle.

2 The European Atomic Energy Community is an international organization established in 1958 to form a common European market for the development of peaceful applications of atomic energy. Its membership includes all 15 European Union member countries.

Table 1. Donor Assistance of the EU to the DPRK (1995-2000)

(Million Euro)

Food Aid	156
Agricultural Rehabilitation	11
Humanitarian Assistance	38
Energy including KEDO	75
TOTAL	280

Source: EU 2002b: 25.

In 2001, the EU's contributions to KEDO increased to 95 million Euro; the latest figure as of September 2002 is an overall amount of 108 million Euro. The future of this project remains unclear after the announcement of a secret North Korean nuclear program in violation of the Agreed Framework in October 2002; however, it is at least planned to provide further 20 million Euro per year until 2005. Food and humanitarian aid for 2001 amounted to 39 million Euro, bringing the total amount of donor assistance of the EU to the DPRK to 359 million Euro from 1995 to 2001 (EU 2002d).

Trade

Several member states of the EU have a long history of trade with the DPRK. The major export items of the EU to the DPRK are agricultural machinery, cars, steel, electronics and electric supplies, measuring instruments, medical supplies and rough diamonds. The major import items of the EU from the DPRK are clothes, electronic and electric products, jewelry, machinery, plastic products and salt.

Table 2. The EU's Trade with North Korea (1996-2000)

(1,000 US$)

	1996	1997	1998	1999	2000
Import	56,057	108,215	105,117	58,401	111,867
Export	220,168	227,466	245,292	132,860	158,083
TOTAL	276,225	335,681	350,409	191,261	269,950

Source: KIM 2001; NAM 2002.

The EU as an aggregate of its 15 members would occupy third place among North Korea's trading partners:

Table 3. North Korea's Six Major Trading Partners and the EU in 2001

(1,000 US$)

	Export	Import	Total	%
China	166,727	573,131	739,858	32.6
Japan	225,618	249,077	474,695	20.9
India	3,060	154,793	157,853	7.0
Thailand	24,922	109,586	134,508	5.9
Singapore	3,050	112,298	115,348	5.1
Germany	22,756	82,077	104,833	4.6
EU	80,305	231,109	311,414	13.7

Source: NAM 2002.

Within the EU, Germany clearly has the strongest economic ties with the DPRK, distantly followed by France, Spain and the UK.

The major North Korean concerns in economic terms are development of the country's mineral resources, the construction of infrastructure, import of power generating equipment and other machinery, plus, among other things, the improvement of agricultural technology (KIM 2001).

There seems to be a broad international interest in North Korea,

Table 4. EU-DPRK Trade: Eight Major Countries (Year 2000)

(1,000 US$)

	Import	Export	Total
Germany	24,733	53,175	77,908
France	26,323	8,658	34,981
Spain	12,693	15,312	28,005
UK	1,305	25,338	26,643
Netherlands	8,910	10,179	19,089
Austria	1,979	16,454	18,433
Italy	4,576	12,510	17,086
Belgium	5,163	11,018	16,181
TOTAL	85,682	152,644	238,326

Source: KIM 2001.

including such countries as Australia, Singapore, Hong Kong, the USA, the Netherlands, Italy, Russia, Japan and Taiwan. This interest is reflected in the unexpected success of the May 2001 P'yòngyang Foreign Trade Fair, which "has been bombarded with visits from foreign economic missions" (HA 2001). At the center of interest are several IT-related industries. In this respect, the labor-intensive software industry could play the same role that South Korea's textile industry played in the latter country's economic development several decades ago. However, currently textiles are the main source of exports of the DPRK to the EU, hence the importance of a relaxation concerning textile imports from North Korea in 2001. It allows for additional imports of about 7 million Euros, an amount described as "very modest" by the authors of the EU's DPRK Country Strategy Paper (EU 2002b: 19).

Political Dialogue

Since December 2, 1998, a total of four rounds of political dialogue

with the DPRK at the level of senior officials (Regional Directors) were held: November 24, 1999; November 25-28, 2000; and the last in October 2001 in Pyongyang (JUNG 2001). In two Council Conclusions of October 9 and November 20, 1999, a more coordinated approach towards the Korean peninsula was decided upon. This included the expansion of the EU's assistance efforts in a measured way, linked to North Korea's response to international concerns in regard to progress in inter-Korean reconciliation, non-proliferation issues, respect for human rights and economic structural reform in the DPRK (EU 2002a).

Table 5. Highlights of EU-DPRK Relations

1963, July	diplomatic relations with ROK established
1989, Nov.	establishment of EU delegation to Seoul
1995	w humanitarian support starts (floods)
1996, Oct.	Framework Agreement on Trade and Cooperation between EU and ROK signed
1997	◆ food aid starts
1997, Sept.	◆ EU enters KEDO 's Executive Board
1998, Dec. 02	◆ 1st round of political dialogue
1998, Dec. 07-12	◆ 1st delegation of EU parliament visits North Korea
1999, Jan. 22-25	◆ 2nd delegation of EU parliament visits North Korea
1999, Oct. 09 + Nov. 20	◆ Council Conclusions on cooperation with North Korea
1999, Nov. 24	◆ 2nd round of political dialogue
2000, Oct. 31 - Nov. 04	◆ 3rd delegation of EU parliament visits North Korea
2000, Nov. 25-28	◆ 3rd round of political dialogue
2001, Feb. 06-20	◆ 4th delegation of EU parliament visits North Korea
2001, March 23-24	◆ Stockholm European Council ◆ enhances the role of the EU on the Korean Peninsula
2001, April	Framework Agreement on Trade and Co-Operation between EU and ROK enters into force

2001, May 02-04	◆ Top-Level EU delegation to North Korea (Persson, Patten, Solana)
2001, May 14	◆ EU decides to establish diplomatic relations with the DPRK
2001, June 13	◆ explanatory talks on human rights
2001, Oct. 27-30	◆ 4th round of political dialogue
2002, March 04-16	◆ North Korean delegation headed by Foreign Trade Minister Ri Gwan Gun visits Brussels, Rome, Stockholm and London ◆ goal: study European economic policy models
2002, Sept. 22-24	◆ 4th ASEM summit in Copenhagen ◆ Political Declaration on Peace for the Korean Peninsula

EU-ROK Relations in Italics.

Delegations of the European Parliament visited North Korea from December 7-12, 1998; January 22-25, 1999; October 31 - November 4, 2000; and February 6-20, 2001 (JUNG 2001). The latter case is particularly remarkable, since it covers the birthday of Chairman Kim Jong-il (Feb. 16th), a date official delegations from the West usually try to circumvent in order to avoid a certain type of media coverage in the DPRK (the same is true for April 15, late President Kim Il-sung's birthday, and to a lesser extent for October 10, founding day of the Korean Workers Party). It can not be excluded that the time for the fourth EP visit was chosen deliberately to show some good will to the North Korean side, indicating a certain level of development in the bilateral relations.

The basic approach of the EU is to provide (1) technical assistance and (2) additional market access possibilities to the DPRK (EU 2002b: 18). The future of the third pillar of cooperation, KEDO, remains unclear after the revelations about another secret nuclear program on October 16, 2002. The Stockholm European Council of March 23-24, 2001, agreed to enhance the role of the EU in support of peace, security, and freedom on the Korean Peninsula by deciding on what can be seen as the indisputable highlight of EU-DPRK relations so far: The visit of a high-ranking EU delegation to P'yòngyang from May 02-04, 2001, including Prime Minister Persson, Commissioner Patten and HR Solana. This took place at a time when the U.S. was still in the process of formulating their position towards the DPRK and can be interpreted as a sign of an independent EU foreign policy.

The European Commission, in consultation with Member States, had decided on May 14, 2001, to establish diplomatic relations with the DPRK "to facilitate the European Community's efforts in support of reconciliation on the Korean Peninsula, and in particular in support of economic reform and easing of the acute food and health problems in the DPRK" (EU 2002a). Subsequently, the first explanatory talks between the DPRK and the EU on human rights started on June 13, 2001. In the latest official political document, the participants of the Fourth Asia-Europe-Meeting (ASEM) on their summit in Copenhagen from September 22 to 24 adopted a Political Declaration for Peace on the Korean Peninsula,[3] supporting a second inter-Korean summit, and welcoming the progress in the railway-project and Japanese PM Koizumi's visit.

This is an impressive record, especially for the last years. If we look at the EU's relations with South Korea, after the establishment of diplomatic relations in July 1963, about 20 years passed, until in March 1983 the first regular annual Ministerial meeting took place as the first major bilateral event. It took until November 1989 for the establishment of the Delegation of the European Commission in Seoul (EU 2002e). As late as in October 1996, one year after the first EU humanitarian support to North Korea and one year before the EU's KEDO membership and the first food aid, the Framework Agreement on

3 For the full text, see http://europa.eu.int/comm/external_relations/asem/asem_summits/asem4/3.htm.

Trade and Co-Operation between the EU and the Republic of Korea was signed[4]; it entered into force in April 2001. Against this background, not only some cautiousness should be called upon concerning the anticipated pace of further developments; it also appears that diplomatic cooperation between the EU and South Korea was connected to the North Korean question and gained momentum as the latter started receiving some interest in Europe. Another possible interpretation is that EU-Korean relations as a whole are in an early stage of development. In this context, cooperation with North Korea has to be seen at least in a larger Korean, if not North East Asian context.

Technical Assistance and Pilot Projects

A first fact-finding mission was sent to North Korea in February 2001 "to assess technical assistance needs and identify areas in which the Commission could … launch pilot projects" (EU 2002b: 20). It presented its results at a meeting of donors consisting of EU Member-states, International Financial Institutions, the USA, Japan, South Korea and others in Brussels in March 2001 with participation of officials from North Korea. As a result, it appeared that the EU would be "the only substantial donor of technical assistance to the DPRK for the time being" (ibid., p. 21). North Korea's priority needs were defined as (1) training in regard to institutional building, (2) basic technical advice on the energy system, (3) rural development, and (4) transport (EU 2002b: 21).

The first two points are considered to be essential. Efforts are being made to initiate a training program for officials from key ministries, such as Foreign Affairs, Finance, and Foreign Trade. A North Korean delegation headed by Foreign Trade Minister Ri Gwan Gun visited Brussels, Rome, Stockholm and London between March 4 to 16, 2002,

4 For the full text of the Agreement, see http://europa.eu.int/eur-lex/pri/en/oj/dat/2001/l_090/l_09020010330en00460058.pdf.

with the declared goal of becoming acquainted with EU economic policy models.[5] It is attributable to this and similar missions, that North Korea could define its priority needs for preferred training areas and identify the following:

Table 6. Training Needs as Expressed by DPRK Authorities (selection)

Suggesting Institutions	Summary of Suggested Training Subjects	
• Ministry of Foreign Affairs	• principles of international trade	• international law
• Ministry of Finance	• settlement of trade disputes	• EU institutions
• Ministry of Foreign Trade	• multi- and bilateral treaties	• FDI promotion
• Foreign Trade Bank	• economic and social structures of EU economies	• marketing
• University of National Economy	• international financial institutions	• commercial contacts
• Kim Il Sung University, Faculty of Political Economy	• free market economy principles	• intellectual property
	• international accounting standards	• standards
	• international debt management	• finance
	• corporate management training	• export credit insurance
	• trade information research	• letters of credit
	• loans, credits and clearing systems	• fx dealing
	• sovereign credit rating	• e-commerce
	• sovereign risk management	• principles of taxation
	• insurance and re-insurance	• corporate governance
	• relationship between government and private sector	• stock market operations
		• double entry bookkeeping

Base data compiled from various consulting reports, internal EU documents.

The overall available budget for such cooperation (points 1 through 4) is, however, very limited and amounts to 5 million Euro per year, including a pilot project with a budget of 1 million Euro. A pilot project of the same size is proposed for the energy sector and natural resources

5 For details of the visit, see KIM SANG-SIK (2002). The South Korean trade and investment promotion agency's (KOTRA) website www.kotra.or.kr is one of the most remarkable sources of factual information about North Korea, especially on its economy.

management. At the core of the latter stands fact-finding (EU 2002b: 22), reflecting the basic problem in dealing with North Korea - a lack of reliable data.

In addition to a Food Security project (EuropeAid / 111423 / C / S / KP) covering the supply of agricultural machinery, tools and inputs including spare parts (EUROPEAID 2000), there are currently two projects being planned by EuropeAid[6] for North Korea. The first is a one-year Pilot Project in Training Institutional Support (EuropeAid / 113411 / C / SV / KP) with a proposed budget of 940,000 Euro starting in February 2003. According to the contract specification, the project will provide institutional support and capacity building in key government ministries and other agencies through a series of training courses to be held in the DPRK. In broad terms, the training activities will focus on international trade and market economy principles. The exact content of the training will be determined on the basis of a diagnostic appraisal / training needs analysis of institutions and staff at the start of the project. The contract also covers the organization of a study tour to the EU for a small number of selected officials towards the end of the project, as well as assistance in the identification and preparation of a possible EC-financed follow-up project (EUROPEAID 2002b). Overall, training for about 150-200 North Korean government officials, academics and other policy-makers will be provided.

6 The EuropeAid Co-operation Office was formally set up on January 1, 2001. Its mission is to implement the external aid instruments of the European Commission, which are funded by the European Community budget and the European Development Fund. The Office is responsible for all phases of the project cycle (identification and appraisal of projects and programs, preparation of financing decisions, implementation and monitoring, evaluation of projects and programs), which ensures the achievement of the objectives of the programs established by the Directorates-General for External Relations and Development and approved by the Commission. It is also involved in initiatives to improve programming systems and their content, to establish policy evaluation programs and to develop mechanisms for feeding back evaluation results (EUROPEAID 2002a).

Further, there is a Pilot Project in the Energy Sector with a proposed budget of 876,100 Euro (EuropeAid / 113562 / C / SV / KP). For the latter, the tender procedure had been cancelled “due to substantial modifications in the budget and Terms of Reference” (EUROPEAID 2002c) and renewed under the reference number EuropeAid / 114457 / C / SV / KP (EUROPEAID 2002d).

Table 7. Activities to be carried out under the EU-DPRK Pilot Project in the Energy Sector

- The creation of an energy plan for the country, including the outline for a national energy balance and, to the extent possible, potential energy savings per sector
- An assessment of the energy supply systems (production, transport, distribution), including the obstacles for efficient operation, with an estimate of the costs of rehabilitation
- The creation of a centralized data network based National Energy Information System within the MEPCI so as to include the coal sector
- A feasibility study to rehabilitate a mining site (most likely Chick Dong coal mine) and establishment of a program to implement a few initial rehabilitation actions. This includes the preparation of the technical specifications and the procurement of material / equipment for coal mines according to EC rules, as well as the supervision of its installation in the DPRK
- The organization of seminars and training sessions focusing mostly on short-term efficiency gains in the transmission and use of energy
- The organization of a study tour to the EU for a small number of selected officials towards the end of the project
- The provision of assistance in the identification and preparation of a possible EC-financed follow-up project
- Subject to this remaining a priority (to be decided at the inception report stage): a review of the local conditions for setting up micro / mini power stations based on the use of indigenous energy resources, and the connection of such stations to the national electricity grid

EUROPEAID 2002c.

It will very much depend on the performance of these and similar projects whether the EU will expand and, if we look at the relatively mediocre amounts, extend its related measures. There are a number of problems that need to be solved; first, it will be difficult to find people to run these projects since European universities have largely failed to produce a sufficient number of experts on Modern Korea, not to speak of North Korea. Further, as the history of past bilateral relations with the DPRK tells us, one needs to apply a long-term perspective with enough "political liquidity" to survive periods of draught in cooperation. The success of the above mentioned projects would be highly desirable, but it is far away from being secure given the unstable external political situation and resulting repercussions. The obviously very cautious approach the EU is currently undertaking can be interpreted as a reflection of an awareness of these factors.

North Korea: What do they want?

In lieu of detailed information about the policy objectives beyond the few official statements, we have to rely strongly on deduction here. Naturally, political interests are at the core of North Korea's preferences since the country, contrary to Europe which is at least divided into state and private actors, can be seen as a single player on the international scene which incorporates all kinds of interests. Among these, the most prominent is regime security. The latter is perceived to be threatened externally by the USA and internally by a too strong deterioration of living conditions. Hence, there is a strong interest in both diplomatic and economic ties with Europe.

Trade is not the only issue. Even though neither the global term "technology transfer" nor the South-Korean catchword "knowledge-based society" is used explicitly, an initiative in IT and software development seems to be the cure the DPRK leadership envisions for the

Table 8. EU-DPRK Trade and its Relevance for North Korea

(1,000 US$)

	1996	1997	1998	1999	2000
Import	56,057	108,215	105,117	58,401	111,867
Export	220,168	227,466	245,292	132,860	158,083
TOTAL	276,225	335,681	350,409	191,261	269,950
Total North Korean trade	1,976,000 (14%)	2,177,000 (15.4%)	1,442,000 (24.3%)	1,480,000 (12.9%)	1,972,000 (13.7%)

Data from KIM 2001; NAM 2002; EUROSTAT 2001; calculations R. Frank.

country's economic stalemate. There is an increasing interest by North Korea to learn from the experience of other countries concerning their economic development and economic policies. The mentioned pilot projects and the respective requests by North Korean institutions (Table 6) strongly support this notion, as do several official statements by Kim Jong-il and editorials in the Rodong Sinmun. As noted in a report on economic missions to and from North Korea, the number of such visits has significantly increased in 2001 if compared to 2000 (HA 2001). The EU's activities have to be seen in this broader context.

Europe: Really interested?

Following the basic notions of (neo) realism, actions of states as power-maximizers are determined by a unique set of interests and the determination to behave in a rational manner to achieve these objectives. As Dent (1999: 5f.) suggests, this is to a certain extent true both for the relationship between the EU and the DPRK, but also for the power struggle or inter-state bargaining within the EU which substantially shapes the direction of the Union's foreign and economic policy. The participation of the EU in international forums and organizations to

deal with Asia can be seen from a neo-liberal, institutionalist perspective, reflecting the increased need for transnational and transgovernmental thinking and action.

A simple and surely not always accurate way to measure the relative value of an abstract good is determining the specific player's readiness to pay for it. From this perspective the EU, with a donor assistance input of about 280 million Euro between 1995 and 2000 (see Table 1) appears to be seriously interested in developing its relations with North Korea. If compared to South Korea's official data for governmental (379.6 million US$) and private (97 million US$) assistance to the DPRK of about 476.6 million US$ during the same period, the record is not unimpressive, even though South Korea's KEDO contributions of 288.8 million US$ as of December 2000 are not included.

Table 9. South Korean Aid to North Korea 1995-2000

(Million US$)

	government	private	government + private
1995	232.00	0.25	232.25
1996	3.05	1.55	4.6
1997	26.67	20.56	47.23
1998	11.00	20.85	31.85
1999	28.25	18.63	46.88
2000	78.63	35.13	113.76
Total	379.6	96.97	476.57

Source: MOU 2002.

The intense political dialogue and the various programs of technical assistance add to this assessment. The EU's trade volume with North Korea in 2000 stood at about 270 million Euro, not small if compared to intra-Korean trade which in the same year amounted to about 427 million US$ (KOTRA 2002). These are striking facts if we again consider that the EU is neither geographically nor strategically bound to North East Asia. From this point of view, it is truly remarkable that taxpayer's money is used in such a remote and obviously economically and politically place of less importance.

However, following the same logic, there is some other evidence showing that Korea as a whole and North Korea in particular are of lesser importance to Europe. South Korea accounted for only 1.8% of the EU's overall foreign trade in 2001. For North Korea, the proportion is even smaller: only 0.015% in 2000. The relatively high country risk for both parts of Korea as a result of the still very tense security situation could probably be made partially, though not exclusively responsible for this.

Naturally, given the different sizes of the affected economies, EU-DPRK trade is of much greater relevance for P'yongyang than for its European partners - roughly 1000 times higher based on trade volume (see Table 10).

Table 10. The Relevance of the EU-DPRK Trade

(1,000 US$)

	1998	2000
Total trade EU-DPRK	350,409	269,950
Total North Korean trade percentage of EU-DPRK trade (A)	1,442,000 (24.3%)	1,972,000 (13.7%)
Total EU trade percentage of EU-DPRK trade (B)	1,615,200,000 (0.022%)	1,811,000,000 (0.015%)
Relative importance for North Korea (A : B)	1105 (times)	913 (times)

calculations: R. Frank, data: KIM 2001; NAM 2002; EUROSTAT 2001.

Returning to donor assistance, it appears that only official contributions are in fact substantial. The total of 205 million Euro (see Table 1, less KEDO contributions) breaks down to a yearly average of 34.2 million from 1995 to 2000. If compared to the 2001 EU budget, this

yearly figure represents 3.8% of the total expenditure on Food Aid and Humanitarian Aid (subsection B7-2), which was 928 million Euro in 2001 and 896.8 million Euro in 2002 (EU 2002f: 8). However, according to statistics of ECHO, the European Union Humanitarian Aid Office coordinating private assistance, North Korea is just one out of many countries to which the EU extends help:

Table 11. ECHO Contracts 1999 (selection)

country	contracts (in ECU)
Azerbaijan	3,900,000
Burundi	3,865,195
Indonesia	6,880,000
North Korea	(0.49%) 3,950,000
Nicaragua	5,500,000
Sudan	12,875,000
Tajikistan	18,555,000
all ECHO Contacts	812,911,000

ECHO 2000.

The year 1999 is, other than 1997, no exception. In general, ECHO assistance to the DPRK has been well below 1% of total.

Table 12. ECHO Contracts to North Korea 1995-1999

1995	290,000 ECU (0.04%)
1996	500,000 ECU (0.08%)
1997	19,827,703 ECU (4.49%)
1998	4,545,000 ECU (0.88%)
1999	3,950,000 ECU (0.49%)

ECHO 1999a-d.

This seems to be an international trend. The United Nations International Development Organization (UNIDO) has started financing

projects in North Korea in 1986 with three projects worth 751,551 US$ (Furniture Plant), 961,837 US$ (Transformer Production) and 823,778 US$ (Electrical Power Distribution). Between 1986 and 1999, 36 projects worth 11,660,857 US$ were completed, resulting in an average spending of 0.83 million US$ per year. Between 1995 and 1999, 15 UNIDO projects worth 3,706,617 were completed in North Korea (UNIDO 2002). This means an average spending of 0.74 million US$ per year or about 0.84% of total annual spending of UNIDO on similar projects.

Finally, even though the EU is an Executive Board Member of KEDO, its contributions amount to only 2%. These stand in contrast to 90% of the total finance of about 5.0 billion US$ covered by South Korea and Japan, as well as 55 million US$ in regular annual contributions by the USA (EU 2002b: 14).

To sum these numbers up, we receive the following list of obviously contradictory evidence:

Table 13. Contradictory Evidence on EU-DPRK Relations

• EU is Executive Board Member of KEDO together with USA, Japan and South Korea.
• EU contributes (only) 2% of total KEDO financing.
• Technical assistance is given top priority in the EU policy towards the DPRK.
• (only) 1 million Euro assigned for each of the two EuropeAid pilot projects.
• the yearly average of EU aid and humanitarian assistance to NK amounts to 3.8%.
• ECHO contracts with NK are usually less than 1% of total.
• EU's trade with NK accounts for 0.015% of total for 2000.
• UNIDO's contracts for North Korea are below 1% of total.

What becomes evident is a gap between European *state* interests, which are mostly of a political nature, and European *private* interests, tending to be more economically shaped. At this point, it appears fair to say that in spite of the many possible arguments in favor of a strong European business commitment in North Korea, including cheap and

well-trained labor, rich natural resources etc., the firms are rather reluctant to explore these possibilities. This might be in part due to security considerations, but also simply to the existence of better alternatives. The perceived need for humanitarian assistance in North Korea by private European donor organizations is not much above their average; it is rather below, reflecting the natural inclination to act in geographically closer locations. This also corresponds with international donor behavior. Even the state actors seem to be hesitant, if we look at the small amounts poured into the above-mentioned pilot projects.

What remains is the commitment itself, the KEDO membership and the substantial amount of official EU aid if compared to South Korea and to the total respective EU budget position. There is, quite obviously, some serious official political reason behind the EU's engagement in North Korea, even though private and economic interests fall far behind. The question now is: What political interest could the EU have in this country? Here are some hypotheses:

One possible solution to this puzzle would be the assumption of a more independent international policy of the EU as a reaction to growing concerns about U.S. unilateralism, especially, but not exclusively, after September 11. There were some serious disagreements in the past concerning environmental issues and the treatment of war criminals, not to mention the regular trade conflicts. After the fading of the Soviet Union the international balance of power is seriously shaken and requires a new lineup to return to stability. Many observers argue that the only available natural challenger of the USA so far is Europe, acknowledging the fact that China still needs more time to consolidate its position.

In that case, we could regard Korea as a test field for a Europe that would plan to assume a more active role in international politics. There is some evidence supporting this hypothesis. As a recent survey by The German Marshal Fund of the United States and The Chicago Council on Foreign Relations indicates, 65% of Europeans believe the EU should become a superpower like the United States, with only 14% in favor of the latter remaining as the only superpower.

Table 14. Roles of the U.S. and Europe as Superpowers

	UK	FR	GER	NL	IT	PL	Europe	USA
USA should remain the only superpower	20%	3%	22%	11%	7%	12%	14%	52%
EU should become a superpower like USA	56%	91%	48%	59%	76%	63%	65%	33%

Source: The German Marshal Fund of the United States and The Chicago Council on Foreign Relations, in: Worldviews 2002.

However, there is other evidence, too. Quite obviously, even though the distribution of commitment among the member states is surely not even, in general the EU is neither ready nor willing to challenge the U.S. as the global hegemon. This is understandable since the EU is heavily concerned with internal matters. These include the integration of 10 new member states by 2004, the adaptation or even recreation of the institutional structure of the EU, including a European Constitution. For the latter, a number of different proposals are on the table, the recent one introduced by the European Convention on October 28, 2002, under the presidency of France's Valery Giscard d'Estaign (EUROPEAN CONVENTION 2002). A Common Foreign and Security Policy is virtually nonexistent, as the hesitant action in former Yugoslavia and the recent debate around the upcoming war in Iraq have shown. A brief glance at the EU's budget for 2002 shows that the Common Foreign and Security Policy (subsection B8) plays a minor role. Out of the total budget of about 98.6 billion Euro, the mediocre amount of 30 million Euro or 0.03% are appropriated for this purpose, even 6 million Euro less than in 2001 (EU 2002f: 12). The reason for this lack of readiness to work on a distinctive external profile is most

probably the current need for more coherence within the Union. The admission of the new members will add to the already overwhelming number of minor and major problems concerning technical matters and more basic issues, like the proper organization of the EU's institutions, the democratic legitimization of their actions, the overall balance of power within the Union, the agricultural policy and so forth. Even though it can not be excluded in the long run, by now challenging the U.S. by attempting to develop an independent foreign policy to vital regions and subjects is very unlikely to be the motivation for the strong political commitment of the EU in Korea. It is certainly not the time to start such a policy, and Korea probably not the place. The latter would be a region which is closer to Europe and therefore more vital to its interests.

A second hypothesis, based on the assumption that the EU's formation is far from being over and that the pursuit of a Common Foreign and Security Policy is problematic, is that the interests of single countries dominate the EU's actions. This could be the case either due to the absolute strength of some countries within the EU or due to the uneven distribution of interest in Korea among the member states, resulting in a relatively higher weight of those states with a clearly defined Korea policy. Strong candidates for the first option would be the UK, France and Germany. In fact, as the trade data suggest, Germany takes a leading role in this respect. However, there is no evidence showing an extraordinary political interest in Korea, except for an affinity based on the common history as divided nations. In a policy paper of the German Foreign Ministry on the country's foreign policy objectives in East Asia, Korea plays a minor role (AUSWAERTIGES AMT 2002). And since memories of the recent history are still very much alive in Europe, it would be highly risky for Germany to impose its own political concepts on other EU members. Table 14 shows the relative reluctance of Germans to take over more international responsibility. France is much more in favor of an independent Europe on the international

scene, but, according to sources from the EU, among the most reluctant members when it comes to improving relations with the DPRK unless humanitarian issues are resolved. This is the reason why France so far has not established bilateral diplomatic relations with P'yongyang. The UK shows stronger signs of a willingness to integrate itself into the EU than ever before, but nevertheless, there is the "special relationship" between London and Washington which would effectively prevent any support, not to speak of an initiative, of a European political challenge of the USA. Other countries are not likely to possess the weight to exert a significant influence on the Union's foreign policy. An alliance of member states probably could do so, but so far, nothing is known about such a group. Single country domination as the reason for the EU's political engagement in North Korea can therefore also be excluded.

It appears that neither a European initiative to elevate its role in international relations nor the ambition of single members stand behind the phenomenon. In combination with the facts that no immediate EU interests are touched and given the relatively low economic significance of Korea for Europe, we may even exclude the existence of any direct European interest in Korea whatsoever. What, then, is the reason for the shown engagement?

The answer lies outside of Europe and leads us back to the very beginning of this article: The U.S.-Japan-Europe triad. Without much doubt, North Korea touches the interests of Japan and the United Sates. If we now see the EU with Western Europe as its core as a part of a global fire insurance company, everything suddenly makes sense. Remember: In medieval European cities, fires were a common plaque and usually hit unexpectedly, but rarely destroyed the whole city. Citizens decided that it would be a good choice to share the risk and preferred to lose a limited, calculable amount of money instead of being hit by a total loss in case the fire affected their own houses. This is how the idea of an insurance was born, with premiums based on

experience and the idea of mutually beneficial risk-sharing in a community. What happens in today's world is not very much different from this example. Fires break out, and it often goes beyond the capacity of a single country to extinguish them. The First Gulf War, the former Yugoslavia, the Asian Financial Crisis, and the stabilization of Central and Eastern Europe were such fires. It can be argued that there is a certain agreement between the triad members that each can be called upon in case of need. As long as this arrangement is mutually beneficial and balanced, it will work and in fact help stabilize global relations.

If this assumption is true and the EU's engagement in North Korea has to be seen in the context of a global alliance between the USA, Japan and the EU, the implications are manifold. First, the case would prove the opposite of the first hypothesis (challenge of the U.S.). It rather shows that the EU is indeed ready to play its role in a cooperative alliance with Washington, even under the current extraordinary conditions. It could further be interpreted as a will for close political cooperation with Japan. In fact, it is not necessarily the case that the three bilateral relationships within the triad are equally strong and constant over time and issue. The United States under President Clinton had a much different attitude towards Korea if compared to the Bush administration. This will shape the triad relationship with respect to the Korean peninsula quantitatively, giving more weight to the ties between Japan and Europe, but will most likely not affect the arrangement itself. We could even think of the EU's role as a hidden trump card for American foreign policy, the carrot in the presence of a strong stick, and a factor granting an enormous degree of flexibility to a foreign policy that otherwise seems to be greatly stuck with its hardline attitude.

As a side effect to this greater picture, Korea, as was indicated in several off-the-record talks the writer had with EU officials, could be a good testing ground for a European Common Foreign and Security Policy (CFSP), a much-touted but less practiced catchword. Here, as it has happened so often in Korea's history, the country might again serve as an end to a means that is not whatsoever linked to Korea itself. The consequences will surely not be as grave as the colonization or the Korean War; however, it should be clear for policy makers in South and North Korea that Europe can be counted upon on the micro-level of specific projects and in the very general sphere of supporting initiatives to maintain peace, to improve human rights and to relieve hardships created by natural and other disasters. What the EU will not be able to show, at least in the short- and mid-term, is a strong commitment to creative, far-reaching and radical policies in Korea. It will rather cautiously support existing strategies than to create new ones. From this perspective, engagement in Korea would at least partially aim at curing a European disease, not solving the Korea question.

The Future of EU-DPRK Relations

First and foremost, the EU is already very much concerned with internal matters, which substantially reduces the Union's overall foreign activities. These include agricultural subsidies, the conflict between Greece and Turkey, and all the technical and other internal issues mentioned before. The catch-22 provided by the demand for quasi-governmental action from Brussels and the reality of independent nation-states results in a slow process of decision-making and usually ends up reaching the smallest common denominator. This is not an environment that is prepared to produce timely decisions and a strong policy concerning such a controversial spot like North Korea. To make matters worse, the already highly complicated administrative structure of the EU will be substantially worsened - some observers say it might be overstretched and break - after ten new members from Eastern and Central Europe join the EU in 2004. As of October 2002, 20

proposals for a new EU constitution are on the table (CAP 2002). They will be refined, integrated etc. to serve as a base for a discussion that could last for a very long time, without any positive result being necessarily within reach.

Currently, due to the apparently low priority of the Korea question for most EU member states and their representatives to Brussels or the Commission meetings, the number of involved interest groups is small, as is the number of interests to be harmonized. However, as soon as - due to the success of this policy - the Korean peninsula would come to the attention of a larger group within Europe, progress would be much more difficult to achieve. Therefore, if the basic institutional problems of the EU are not solved, further success in its Korea policy may, quite ironically become a source of the same policy's failure.

This will surely shape North Korea's approach towards the EU. As the very persistence of this country against an enormous amount of odds proves, at least a part of its leadership seems to possess a fairly realistic picture of international relations. Policymakers in P'yongyang will not overestimate the role that Europe can play. They will tend to extract as much support from the EU as possible, from time to time also trying to play Europe against other Western power groups like the USA, but all this on an ad-hoc basis and without expecting too much success. The EU would be well advised to create as much interdependence as possible to induce a long-term commitment by the DPRK. This requires a well-planned policy with strong support from the relevant EU institutions. Examples would be technical assistance and an eventual choice of European technical standards in key industries by North Korea, stronger real trade (as opposed to aid) and an according outline of the export industry towards the needs of their European partners - something hard to reverse without greater losses.

Things tend to be dynamic in a dynamic world; changes to these assessments will have to be made after the EU has finalized its expansion, consolidated its structure and succeeded in the process of political

integration. Simultaneously, the future direction of the U.S. foreign policy will play a significant, if not decisive role in either forcing the EU to adapt its own strategies or allowing it to continue and further develop a close alliance. In this respect, it will be interesting to see whether and how long the current signs of unilateralism prevail, which results this policy will create and to which extent other major players will (re)emerge and act on the international scene. The three candidates for the latter - China, Russia and Japan - do have direct interests in Korea and would substantially reshape the current balance of interests and power.

Finally, among the few things Korea can learn from the German case is the lesson that events can be set into unstoppable motion, ending up in radical changes within a brief period of time. As a consequence, it remains to be seen how the undisputable economic reforms in North Korea will be accompanied or followed by others, eventually leading to changes in the ideology and politics, and whether these events will remain under control by their initiators. A dramatically dynamic development in the DPRK would render most thoughts as presented in this and other papers useless; however, it would be premature to give up any hope for chance of a balanced and gradual pace of change on the Korean peninsula. Europe can definitely contribute its share, even though its role will most probably be limited and driven by indirect global motives.

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THE PUTIN ADMINISTRATION'S NORTH KOREAN POLICY

Sangtu Ko

At the onset of the new Millennium, Putin took over the position of President of Russia. The rationale behind Putin's political success is that Russians are looking for energetic and decisive leadership and that he was regarded as a political leader who could bring law and order back to Russia. As such, Putin has inherited from Yeltsin the task of not only remedying the domestic situation, especially the economic situation, but also of implementing major changes in foreign policy. This paper begins with a discussion of Putin's new foreign policy goals and principles and then examines the process of the normalization of DPRK-Russian relations. Furthermore, this paper argues that Russia, with regards to its approach to North Korea, is presently concerned with two issues: first, it has tried to play an active mediator role with regards to the security problems on the Korean peninsula and second Russia has recently discovered that North Korea has a certain economic as well as security value. In its conclusion, this paper discusses the rationale and the framework for this exchange of interests between the two countries.

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Introduction

At the onset of the new Millennium, the then President of Russia, Boris Yeltsin, ceded power to the young and healthy Vladimir Putin despite his having six months left before his term expired.[1]

Three months later, following his outright victory in the presidential election, Putin officially took over the position of President of Russia. Having previously occupied several high positions, such as Director of the Federal Security Bureau, Secretary of National Security Council, and Prime Minister, Putin has long been involved in the Russian foreign and security policy decision-making process and has demonstrated his crisis management ability during the Chechen war.[2]

The rationale behind Putin's political success is that Russians are looking for energetic and decisive leadership and that he was regarded as a political leader who could bring law and order back to Russia. As such, Putin has inherited from Yeltsin the task of not only remedying the domestic situation, especially the economic situation, but also of implementing major changes in foreign policy.

In carrying out his reform policies, Putin has relied heavily on state institutions, namely the bureaucracy and the military/security establishment.[3] It now appears that the acquiescence of the military played a significant role in Putin's rise to power. In fact it has been reported that military commanders were summoned to a meeting in Moscow on 30 December 1999; one day before Yeltsin announced via a nationally broadcast speech that he would step down and turn over power to Vladimir Putin.

1 Hanjong. Lee, "Russian New Regime and Security Policy," *Review of Politics*, Vol. 19, 2000, p. 76.

2 Dongju Suh and Hyunsik Yon, "Russian Security Policy Course under Putin," *Review of Security*, Vol. 11, No. 1, 2000, p. 107.

3 Ian Bremmer and Alexander Zaslavsky, "Bush and Putin's Tentative Embrace," *World Policy Journal*, Vol. 18, No. 4, 2001, p. 14.

As Putin's overtly tough stance on the problems facing Russia had made him extremely popular with many members of the military, the military brass attending the meeting readily gave their consent to the proposed transfer of power.[4] As a result of the above, military affairs have played a significant role in the decision making process of the Putin administration.

Shortly after taking office, Putin embarked on a number of diplomatic initiatives toward North Korea. Two historic events took place in 2000: the signing of a new friendship treaty replacing the 1961 military alliance pact as well as the first ever summit meeting held between the two countries. All in all, Putin's diplomatic efforts have been part of Russia's attempts to normalize its estranged relations with Pyongyang.

These diplomatic initiatives are part and parcel of the new foreign policy course taken by President Putin from 2000 onwards. Putin's Korea policy has been formulated based on the changes in Russia's global strategy and in its Northeast Asia policy.

The recent normalization of relations between Russia and North Korea coincided with the change of leadership in both countries, and especially with the arrival of Putin as the new Russian leader. As part of its efforts to break out of its international isolation North Korean leader Kim Jong-il had attempted to improve relations with major powers such as the United States, Japan, and the European Union. Kim Jong-il, who had taken a wait and see approach to the reestablishment of relations with Russia, saw Putin's initiative as a welcomed opportunity.

The rise of a new leader in the Kremlin marks an important turning point in the process of DPRK-Russian rapprochement. Under Putin, Russian foreign and security policy has experienced considerable changes. The purpose of this paper is to examine the new Russian policy toward North Korea following the leadership change in Russia, by

4 Tom Wuchte, "Northeast Asia's Forgotten Worry: Russia's Far East," *Pacific Focus*, Vol. 16, No. 2 (Fall, 2001), p. 48.

focusing on the summit talks between the two leaders and the conclusion of the New Friendship Treaty.

This paper begins with a discussion of Putin's new foreign policy goals and principles and then examines the process of the normalization of DPRK-Russian relations. Furthermore, this paper argues that Russia, with regards to its approach to North Korea, is presently concerned with two issues: first, it has tried to play an active mediator role with regards to the security problems on the Korean peninsula and second Russia has recently discovered that North Korea has a certain economic as well as security value. In its conclusion, this paper discusses the rationale and the framework for this exchange of interests between the two countries.

Putin's New Foreign Policy Course

After the implosion of the Soviet Union in 1992 Kozyrev, the first Foreign Minister of Russia, advocated close cooperation with the West. His non-doctrinal approach to foreign policy was based on the expectation of Western assistance during the transition to democracy and a market economy. In addition, Russia expected that the West was ready to fully embrace Russia as an equal partner and believed that Russia's security would best be ensured by its integration with the Western world.

To Russia's disappointment, a "Marshall Plan" never materialized and as a result many Russians could not help but feel that they had been left to fend for themselves after the dismantlement of the USSR and their withdrawal from Eastern Europe. Despite all the calls for 'shock therapy,' Western investment proved scarce. Western support for Russia's transition toward a market economy and democracy was limited to a trifle of IMF loans worth a few billion dollars; an amount that did not even cover the funds needed to deal with Russia's decrepit

infrastructure and its dramatic social problems.

Despite its implementation of neo-liberal economic reforms, Russia has not managed unlike Poland, Hungary and the Czech Republic, to overcome its economic difficulties. In order to rationalize their mismanagement and deep involvement in corruption, many Russian elites have developed various anti-Western images. First, they maintained that the West has always been deeply hostile toward Russia. Moreover, these elites stressed that the bombardment of Yugoslavia was a direct threat to Russia. In addition, some members of the ruling elite argued that the advice of Western experts on market reforms was designed to destroy the Russian economy.[5]

In this context Russia's pro-Western foreign policy was criticized as being a "romantic" policy by its opponents. By the mid 1990s Russia appeared to have adjusted its foreign policy course from its idealistic and pro-Western path toward a more pragmatic and independent one. Yevgeni Primakov's appointment as Russian Foreign Minister in January 1996 represented unmistakable evidence that Russian foreign policy has drastically altered its course. Russian hostility toward the United States reached its zenith in the late 1990s when Prime Minister Yevgeni Primakov had his plane made a U-turn over the Atlantic in March 1999 in protest over the bombing of Yugoslavia.[6]

After having succeeded Yeltsin in 2000, President Putin initiated a new foreign policy course that focused on realism, pragmatism, and the protection of Russia's national interests. Russian foreign policy increasingly derived its guiding principle from a balanced Eurasian approach that valued Europe and Asia equally.

Under Putin, the primary goals of Russian foreign policy have remained the same, i.e., to ensure favorable external conditions so as to assure the continuation of domestic reforms. However, the main differ-

5 Vladimir Shlapentokh, "Russian Attitude toward America: A Split between the Ruling Class and the Masses," *World Affairs*, Vol. 164, No. 1, 2001, p. 21.

6 Ian Bremmer and Alexander Zaslavsky, *op. cit*., p. 12.

ence between Yeltsin's and Putin's foreign policy is that the latter has been more determined in his vigorous pursuit of more realistic policies. The adoption of this new pragmatic foreign policy direction has been the result of the arrival of a new and young leader in the Kremlin, one who has critically reviewed Yeltsin's foreign policy.[7]

Changing Russia's Korean Policy

There have been two major revisions to Russia's foreign policy toward Korea over the last ten years. The first was Russia's monumental decision in 1990 to normalize relations with the Republic of Korea and begin to dismantle the Cold War Structure on the Korean peninsula. In addition, from 1991 to 1995 Russia reduced its political and economic relations with the DPRK to a bare minimum.

However, as the Russian political leaders eventually came to the conclusion that a further deterioration of relations with Pyongyang did not correspond with Russian interests in the region, Moscow has tried to carry out a more balanced policy toward the Korean peninsula since 1996.[8]

These Russian efforts to reestablish normal relations with North Korea coincided with the initiation of the Primakov doctrine. As such, Moscow began examining the possibility of signing a new Friendship Treaty with Pyongyang, designed to provide the relationship between the two countries the necessary legal framework, from 1996 onwards.

Russia had two main motives for seeking to actively normalize relations with the DPRK. First, fearing that North Korea's sudden collapse

7 Seung-Ho Joo, "Russia and Korea: The Summit and After," *The Korean Journal of Defense Analysis*, Vol. 13, No. 1 (Autumn, 2001) pp. 104-7.

8 Vadim P. Tkachenko, "A Russian View on Korean Security after the North-South Korea Summit," *The Korean Journal of Defense Analysis*, Vol. 12, No. 2 (Winter, 2000), p. 20.

would endanger its Far East security, Russia wanted to minimize security risks by playing the role of mediator between the two Koreas as well as by inducing the necessary conditions to bring about the peaceful unification of the Korean peninsula.[9]

Any armed conflict on the Korean peninsula would create a direct threat to the inhabitants of the Russian Far Eastern territory. In addition, other potential threats to Russian interests caused by an armed conflict on the peninsula included an ecological or economic catastrophe caused by the destruction of Korean nuclear power reactors or an influx of Korean refugees into Russian territory. In this respect, it was broadly conceived in Moscow that the Korean peninsula was no less important for Russian security than Afghanistan, Tajikistan, Iraq or Yugoslavia.[10]

Second, in the economic sphere, there has been much disappointment within the Russian government over the limited amount of trade and investment with South Korea. Although economic cooperation between South Korea and Russia gained momentum for the first few years after diplomatic normalization, it has remained at a moderate level since the outset of the economic crisis in South Korea. As a result of this limited economic interaction, Russia began to ponder the possibility of a new concept of trilateral economic cooperation that would include Russia, South and North Korea.

In the beginning North Korea refused to accept the Russian proposal. However, by the mid 1990s North Korea began to come around to the Russian point of view. This tendency was further strengthened after 1998 following Russia's strong opposition to the NATO intervention in Yugoslavia and to the American bombardment of Iraq. It is highly probable that the leaders in Pyongyang were impressed by Russia's willingness to stand up for the interests of its old friends even if this was done to the detriment of its relations with the USA.

9 Seung-Ho Joo, *op. cit.*, p. 108.

10 Tom Wuchte, *op. cit.*, p. 28.

There is no doubt that the North Korean leaders also paid attention to Russia's burgeoning relationship with China. As a result, North Korea has come to believe that it can rely on Russia to defend its national interests in the international arena.[11]

Building on the positive transformation of North Korea's attitude toward Russia, Putin tried to reestablish a friendly relationship with the DPRK, while simultaneously pursuing cooperative ties with the Republic of Korea. Here it is important to point out that a major goal of Putin's foreign policy was Russia's active involvement in the settlement of the Korean question through the maintenance of a balanced relationship with both Koreas.

Russia's Summit Diplomacy toward North Korea

In June 2000, Putin visited Pyongyang for a summit with Kim Jong-il, becoming the first Russian leader ever to set foot in North Korea. This visit was part of his East Asian tour that took him to Beijing, Pyongyang, and lastly Okinawa, where a G-8 summit meeting was to take place.

The summit between Russia and North Korea came 14 years after Kim Il-sung's visit to Gorbachev in Moscow.[12] In 1986 Kim Il-sung had set out for Moscow to plead for aid, trade and weapons. Kim traveled amid great pomp and ceremony, touring the Soviet Union and seven of its East European allies.

Kim Jong-il made a return visit in Moscow in 2001 making Russia the second country Kim has visited since assuming power and the first since Kim visited China in May 2000. The last time Kim visited Russia was in 1959 when as a teenager he accompanied his late father, Kim Il-sung.[13]

11 *Ibid*., p. 21.

12 *Donga Ilbo*, July 20, 2000.

When Kim Jong-il set off to visit Russian President Vladimir Putin, he retraced his father's 1986 railway journey along the TSR. However, Kim Jong-il's tour paled in comparison to his father's; there is no communist bloc left to hail him, and to make matters worse his country is in the midst of a seemingly endless famine. Nevertheless, the junior Kim was welcomed whole-heartedly by the Russian leader.[14]

In August of this year Putin and Kim Jong-il met once again; this time in the Russian Far East. The contact was exceptional for Kim Jong-il in that Putin traveled a long distance to meet him and because Kim Jong-il was on an unofficial trip. Moreover, the president's representative in the Far Eastern Federal District, Konstantin Pulikovsky, has stated that the two leaders third official meeting is slated for 2003 in Pyongyang.[15]

This active summitry between Russia and North Korea is significant in three ways. First, these summits symbolize the beginning of a new era in Moscow-Pyongyang relations as normal neighbors. Putin's historic visit to Pyongyang amply demonstrated Russia's eagerness to formally put an end to the estranged bilateral relations of the last ten years and open a new relationship with the DPRK.

Summit diplomacy can also offer an opportunity for Russia to reengage itself in the regional power struggle over the Korean peninsula, thus ending the three-way dominance of the U.S., China and Japan. Russia's reemergence in the area also increases the possibility of its having a moderating influence on China and the U.S. and on the two Koreas.

Second, and closely related to the first point, Putin's visit was beginning of a Russian diplomatic offensive designed to enhance its influence and prestige on the Korean peninsula and in Northeast Asia.

13 Seung-Ho Joo and Tae-Hwan Kwak, "Military Relations Between Russia and North Korea," *The Journal of East Asian Affairs*, Vol. 15, No. 2 (Fall / Winter 2001), p. 309.

14 *Newsweek*, August 13, 2001.

15 *ITAR TASS*, April 19, 2002.

Following the July summit, Russia has sought, with renewed energy and persistence, to cultivate its image as North Korea's mentor, often speaking up for its former ally in the international community.

As far as North Korea's missile development program is concerned, while the reason Putin sent Foreign Minister Igor Ivanov to North Korea in February 2000 was ostensibly to sign a new Friendship Treaty, he was also dispatched to get the North to abort their plans to celebrate Kim Jong-il's birthday with the test-launching of a missile.

On another occasion, during the Pyongyang summit talks, Putin succeeded in persuading Kim Jong-il to accept a conditional moratorium on further missile launches. Kim Jong-il allegedly said to Putin that North Korea might abandon its missile program if it were permitted to launch one or two peaceful satellites a year from the territory of a third country.[16]

Although the true intentions of Kim Jong-il have yet to be confirmed, Putin conveyed Kim Jong-il's message, that North Korea would develop its missile program for peaceful purposes and that Kim Jong-il would be open to negotiations on the subject, to the other world leaders present during the Okinawa G-8 summit. Moscow's diplomatic efforts can be explained by the potential advantages of deterring North Korea from continuing its missile development.

Quite simply, Russia's diplomatic efforts stem from its opposition to the U.S. development of a MD system, a system that has become a global security issue as a result of North Korea's missile development program. Putin's trip to China and North Korea ahead of the G-8 Summit held in Okinawa was prompted by Russia's need to solidify its position as the leader in the joint action taken by Russia, China and North Korea against the MD system.[17]

The three old allies positively assessed the strengthening of the

16 Jae-nam Ko, "The Russia-North Korea Summit and Beyond: The Role of Russia on the Korean Peninsula," *East Asian Review*, Vol. 12, No. 3 (Autumn 2000), p. 75.

17 *Ibid.*, p. 71.

Beijing-Moscow-Pyongyang triangle and believed that by doing so they could much better coordinate their efforts to affect world policy, in particular, efforts to prevent US attempts to create a TMD in Northeast Asia. As such China and North Korea are backing the Russian position on the preservation of the main principles of the 1972 ABM treaty, on NATO's eastern expansion, and on the UN's leading role in global affairs.

Moreover, Russia's President Vladimir Putin has helped the DPRK integrate itself into the international community. As a result of his extensive contacts with North Korean leader Kim Jong-il, Putin has found himself the subject of much interest in the West. Consequently, his visit to the North has helped promote North Korea's relations with some other states, such as Canada and several European countries.[18] Russia also supports North Korea's participation in international organizations and forums. In this regard, Putin whole-heartedly supports South Korean President Kim Dae-Jung's idea that North Korea should be allowed to join APEC as a guest.

There is one more important result of President Putin's visit to the DPRK that is worthy of mention. Following Putin's visit to Pyongyang, the text of his "Russia: New East Prospects," which presented his point of view on Asian security including security on the Korean peninsula, was published in North Korean newspapers. This event marked the first time in decades that the opinion of any Russian president has been published in North Korea. Analysts have interpreted this occurrence as the growing interest in Russia's position within the North Korean leadership and the latter's willingness to count on Russia to maintain regional security.

Third, Putin has used these summits to push for economic cooperation with both Koreas at the bilateral as well as multilateral level. During his meeting with Kim Jong-il, Putin discussed trilateral economic

18 *ITAR TASS*, November 11, 2001.

cooperation with the two Koreas. As such, it is expected that Russia and North Korea will vigorously promote trilateral economic cooperation, which would combine Russia's raw materials and North Korea's labor force and facilities with South Korea's capital and market demand.

Furthermore, Putin proposed to repair and modernize around 70 North Korean plants and power stations that had been built with the support of the Soviet Union.[19] During the third minister-level meeting on economic cooperation held in Pyongyang in October 2000, Russian Education Minister Vladimir Filipov, leading the Russian delegation, emphasized the need for South Korea's financial investment in such projects.

President Putin has also proposed the linking of the Trans-Korean railway to the Trans-Siberian Railroad. During summit talks in Moscow, the two countries agreed in principle on the idea of extending the TSR through North Korea and onward into South Korea. This agreement to link the railways was one of the summit's key achievements.

New Friendship Treaty between New Leaders

Russia has learned from its past bilateral relations with North Korea that strained relations with the latter were in no way beneficial to the enhancement of its national interests in Northeast Asia. Therefore, Putin upon taking control of state affairs immediately began to take steps to normalize relations with North Korea.

First on Putin's list of things to do to reestablish relations with North Korea was the conclusion of a basic treaty between the two countries. The old alliance between the two countries had expired in

19 *Chosun Ilbo*, August 21, 2002.

1995 and no legal framework had since been put in place to replace it.

To this end, Putin sent Foreign Minister Igor Ivanov to Pyongyang in February 2000 to sign the Russia-North Korea Treaty of "Friendship, Good Neighborliness and Cooperation" which had been initialed in March of the previous year.

This was the first such visit to the DPRK by any Russian Foreign Minister. The last time a Soviet Foreign Minister had visited Pyongyang was in September of 1990 when Eduard Shevardnadze traveled to Pyongyang to inform the North Korean leadership of the imminent conclusion of diplomatic ties between the Soviet Union and South Korea. The new Friendship Treaty was ratified by the North Korean parliament on April 6, however the Russian parliament waited until July 19, shortly before Putin's visit to Pyongyang to ratify it.

The signing of the treaty itself had been delayed three times before Foreign Minister Igor Ivanov finally signed it during his visit to Pyongyang. This is indicative of how both Moscow and Pyongyang were in no hurry to normalize relations during the Yeltsin era.

At first Ivanov's visit to Pyongyang was scheduled for May 1999, but it was delayed because Russia was preoccupied at the time with more pressing problems at home and abroad. During this period Foreign Minister Ivanov was busy with both NATO's air campaign in the former Yugoslavia and with ROK President Kim Dae-Jung's official visit to Moscow.

Ivanov then intended to visit Pyongyang in early June immediately following President Kim Dae-Jung's visit to Moscow. This time it was North Korea that requested a postponement of the visit, thus implicitly making its opposition to President Kim Dae-Jung's Moscow trip known.

The last postponement of the plan for Ivanov to go to Pyongyang occurred in November 1999, this time due to internal Russian reasons.[20]

20 Seung-Ho Joo, *op. cit.*, p. 111.

The new Friendship Treaty does not include an automatic military intervention clause as the 1961 Alliance Treaty did. The old treaty became the cornerstone of the alliance between Russia and the DPRK during the Cold War. In the aftermath of the implosion of the Soviet Union Russia and South Korea have expressed concerns that this automatic military intervention clause might become a threat to the security of Northeast Asia as any military provocation on the part of North Korea was likely to escalate into an international war involving the major powers.

The new Friendship Treaty contains, as proposed by Russia during the negotiations over the treaty, a mutual contact clause. On the surface, this mutual contact clause means that both parties, in the event of the emergence of the danger of an aggression against one of the countries or of a situation jeopardizing peace and security, should enter into contact with each other immediately.

However the exact meaning of this clause is open to interpretation since the treaty does not make clear under which circumstances the two countries should immediately contact each other or whether military assistance should be provided or if non-military assistance, for example diplomatic support, is sufficient.

In fact, Russia wanted the clause included in the treaty in order to increase its influence over North Korea without having to automatically get involved in a conflict situation on the Korean peninsula. By leaving the interpretation of this clause open, Russia provided itself with alternatives on the question of whether it would intervene militarily or peacefully.[21]

All in all, as a result of this mutual contact clause Russia was able to provide a "soft" form of political guarantee to North Korean security concerns, while enhancing its own influence on the Korean peninsula.[22] The Russo-Vietnamese Friendship treaty also contains a similar clause

21 Seung-Ho Joo and Tae-Hwan Kwak, *op. cit.*, p. 305.

22 Tom Wuchte, *op. cit.*, p. 23.

stipulating mutual obligation to seek immediate contact in case of a security crisis.

During negotiations over their own basic treaty Russia proposed a similar clause to South Korea. However, this suggestion was not welcomed by the ROK. With the exception of this clause, the new Friendship Treaty resembles the Basic Treaty signed by the ROK and the Russian Federation in November 1992.

"Iron Silk Roads" and Arms Transfers

Russia has expressed its strong interest in "iron silk roads" projects. During his visit to Pyongyang in February 2000, Russian Foreign Minister Igor Ivanov proposed the connection of the TSR to the TKR to North Korean leaders. In his first round of meetings in Pyongyang, Russian President Putin also broached the issue and Kim Jong-il favorably received his plan.

Putin continued to promote iron silk roads when he met with President Kim Dae-Jung during the UN-Millennium Summit in September 2000. During this meeting, the two leaders agreed to connect an inter-Korean railroad to the Trans-Siberian Railroad.

In addition, during the early part of 2002 Zhirinovsky helped Putin promote the project by visiting Pyongyang and discussing the railway connection plan. Moreover, Vladimir Putin himself recently traveled to Vladivostok for talks with Kim Jong-il, who arrived in his private train, to discuss opportunities for business cooperation with Russia. The key reason for Putin's trip was to reaffirm Kim Jong-il's intentions and to demand the acceleration of a reconnection of the Inter-Korean railway that was severed after the Korean War.[23]

In December 2000, Russia and South Korea reached a basic agree-

23 *Newsweek*, September 2, 2002.

ment on the modernization of the railway line destined to run from Busan in South Korea, through Pyongyang in North Korea, and over to the Khasan station on the TSR. This construction project was approved by North Korea.

Russian President Vladimir Putin stressed that Russia was ready to invest several hundred million dollars in the project to update the TKR and join it with the Russian TSR. He emphasized that the TSR was in fair technical condition. So far, a total of one billion dollars has been invested in the reconstruction project.[24]

The TSR was originally built as a means to project political power in Asia and the Pacific. Completed in 1901, the 8,591-kilometer line linked Moscow with Vladivostok, Russia's main Pacific seaport. By the 1930s it was possible to travel by train from Europe to the southern tip of Korea. But after World War II, rail lines across Eurasia lost their importance. The Cold War divided the continent into ideologically opposed camps. As a result sea transport was used as a substitute and this mode of transportation has grown progressively.

The new rail links, many maintain, are set to provide significant economic benefits. It is estimated that more than 500,000 containers could be annually diverted from the current shipping routes once the line is extended to South Korea. The freight travel time will be reduced from 40 to 15 days. There is little doubt that these iron silk roads will help establish cheap and direct transport lines from Asia-Pacific countries to Europe. The reduced shipping costs will facilitate not only South Korean trade with Russia and Europe, but also inter-Korean trade.

Naturally, the direct beneficiaries of such a project are North Korea and Russia, with expectations that they could earn $150 million and $2-15 billion a year respectively.[25] Russia has already tried to sell Asian governments on the idea of the TSR as a low-cost transport route to

24 *ITAR TASS*, February 27, 2001.

25 *Kukmin Ilbo*, August 1, 2001.

Europe for Japanese, Chinese and Korean exports. Simply by lowering its tariffs in the mid 1990s Russia was able to achieve double-digit growth in freight volumes for the years 1999 and 2000.

Still more important however is the political aspect of the "iron silk roads" project. Russia can take advantage of its geopolitical location to serve as a transit corridor, which means that it will plays the role of trade middleman between Japan and Europe or China.[26] As for Korea President Kim Dae-jung can thoroughly demonstrate that his sunshine policy of engagement with the North is achieving concrete progress. Furthermore, by being connected directly to Europe through the TSR, South Korea can in fact overcome the geographical disadvantage of being an island.

The feasibility of the "iron silk roads" project depends mostly on North Korea. The North Korean section of the railway must be modernized and the security concern regarding the re-linkage of the Inter-Korean railroad must be removed. The DPRK has demanded Russian military cooperation as a concession for its participation in the railway project.

During the summit meetings between the two countries, military cooperation topped Kim Jong-il's agenda, whereas the "iron silk roads" project was highest on Putin's agenda. Just how important military cooperation is to North Korea was highlighted by the cancellation of Kim Jong-il's scheduled trip to Moscow in April 2001 as a result of his excessive demands for Russian aid, including tanks, fighters and other advanced military equipment as well as oil.[27]

While the Soviet Union ceased joint military exercises with North Korea in 1989, military cooperation and exchanges continued until the collapse of the Soviet Union in December 1991. From that point on Russia has maintained a cash for arms policy. Consequently Russian arms sales to the DPRK have since dwindled, a fact that has resulted

26 *Newsweek*, August 13, 2001.

27 Seung-Ho Joo and Tae-Hwan Kwak, *op. cit*., p. 309.

over the past few years in North Korea's failure to procure the necessary Russian supplies as well as their failure to modernize their weapons.

It is evident that military cooperation between the two countries has been minimized for economic reasons rather than political ones. The main culprit in the drastic reduction in the Russian-North Korean arms trade is in fact North Korea's lack of hard currency. During the Pyongyang summit, the Russian and North Korean leaders focused on the possibility of Russia providing equipment to North Korea. Nevertheless, the arms deal stalled because of the North's lack of hard currency. Russia has however gradually come to realize that it needs to make some exceptions on the issue of arms transfers to the DPRK if it wishes to gain a breakthrough in the "iron silk roads" project.

Clearly Putin has sought to appease Kim Jong-il in exchange for securing North Korea's cooperation in the building of the railroad. Russia, with the signing of a new arms pact, recently agreed to resume military arms transfers to the DPRK for the first time in over a decade. In addition to the MiG-29 and Su-27 air superiority fighters, among the aerial weapons systems currently being discussed is the Pchela-1T unmanned aerial vehicle.[28]

Security Cooperation between Russia and North Korea

Whether and how Russian foreign policy toward North Korea contributes to the reduction of tensions on the Korean peninsula is an important question. The Russian side contends that although the United States is an important player on the Korean peninsula, it cannot solve the Korean problem alone.[29]

28 *Journal of Electronic Defense*, July 2001.

29 Evgeny V. Afanasiev, "Vladimir Putin's New Foreign Policy and Russian Views of the Situation on the Korean Peninsula," *The Korean Journal of Defense Analysis*, Vol. 12, No. 2 (Winter 2000), p. 12.

Russia, whose policy towards Korea is based on balancing relations with both Koreas, has been placing a balancing weight on North Korea and hence promoting the equalization of the power balance between the two Koreas. The summit diplomacy of Vladimir Putin and Russia's conclusion of the New Friendship Treaty with DPRK has contributed precisely to this goal.

From the Russian point of view Russia-DPRK security cooperation will not cause any tension on the peninsula. While Russia and North Korea have stepped up contacts in the military-technical field, these arms transfers to North Korea may ironically contribute to peace and stability on the Korean peninsula, if they can help the plan to link the two Koreas by railroad materialize.

Russia is also ready to offer diplomatic support to help ease North Korea's security concerns. Russian foreign minister Igor Ivanov has upheld the DPRK's position in the international arena while describing U.S. President George W Bush's classification of Iran, Iraq and North Korea as "an axis of evil" as a "cold-war tag."[30]

This policy line will help Russia to increase its influence in the region and to play a role in the process of Korean unification. Russia expects that a unified Korea will become more independent from U.S. influence, which will lead in turn to an expansion of cooperative relations between Russia and a unified Korea. The other possibility is that a united Korea may well remain a strong military ally of the United States in Northeast Asia.

Irrespective of future US-Russia relations, the inclusion of a united Korean state in the sphere of U.S. military interests will certainly be estimated as the creation of a forward military base on Russia's doorstep, which would mean for Russia an Asian version of NATO's eastward expansion. In this regard, although Russia had previously simply expressed an "understanding" of the North Korean position on

30 *ITAR TASS*, February 15, 2002.

the issue, Putin called for the departure of US troops from South Korea in the joint declaration made after the Moscow summit talks.[31]

Conclusion

As a result of Yeltsin's legacy, President Putin was placed in a position of having to overcome enormous problems at home. It is also evident that he cannot simply focus all his efforts on internal issues. Once ground is lost in the international arena, it is very difficult to win it back. This is why Putin embarked on an active multi-vector foreign policy. Since assuming power, he has visited the CIS states, Europe, China and North Korea, all within a six-month period.

In recent statements President Putin has confirmed that Russia is open to the outside world and that it is ready to develop cooperative relations and engage in dialogue with all countries. A new Foreign Policy Concept approved by Putin during his first month in office aims among other things to broaden the sphere of Russia's friends and partners.

As part of this new policy environment Russia has discovered the economic and security values of North Korea anew, and in the process has recovered its second closest friend in Northeast Asia. There is no doubt that Russia has paid special attention to the "iron silk roads" and that all other efforts, i.e., the summit diplomacy, the new Friendship Treaty, appear to serve the goal of connecting the railway.

However as far as economics is concerned, Seoul is still by far a more important partner to Russia than Pyongyang. Moscow trades 20 times more goods and services with Seoul than with Pyongyang. Therefore, Moscow should be able to give up North Korea and once more lean heavily toward Seoul if its new strategy toward North Korea does not bring about the expected benefits.

31 Donald Kirk, "After Kim Jong Il's pilgrimage to Moscow: Down the road in Korea," *The New Leader*, Vol. 84, No. 5, (Sep / Oct. 2001), p. 6.

Due to Putin's efforts two potential structure changes have emerged in Northeast Asia. One of these potential structures is one based on trilateral cooperation between Russia and the two Koreas. This structure is characterized more or less by the economic dimension. Russia whole-heartedly supported the inter-Korean summit because the two Koreas independently chose to hold the historic summit without any external influence, especially from the U.S. and Japan. This point encouraged Russia to capitalize on the summit.

The other potential structure, a more security oriented one, that has developed as a result of Putin's strategy is a new Cold War structure bipolarized by Russia-China-North Korea vs. the U.S.-Japan-South Korea. Recently, as NATO has been expanding its influence over some Eastern European countries, the South Korea-U.S.-Japan alliance is increasingly viewed as a military bloc aimed at Russia. As a result, Russia has reacted negatively to the TMD plan and to the U.S. strengthening of its alliance relations in Northeast Asia.

Which structure will be taken root in the region is highly dependent on Seoul's reaction. Seoul hopes that Moscow will play a constructive role for Korean peace and unification by exercising its influence over Pyongyang. Moscow, however, still has little leverage over Pyongyang, and the Russians have not yet regained the full trust of the North Koreans. As such, South Korea needs to assist Russia's new foreign policy toward North Korea enthusiastically launched by President Putin in this precarious situation.

THE FOOD CRISIS IN THE DPRK: PROSPECTS FOR POLICY REFORM

John Mckay

The desperate food situation that has existed in North Korea since at least 1995 has caused enormous human suffering and has had a devastating impact on the country's economy. It appears that the last two harvests have been something of an improvement over previous years, but there is still widespread hunger. The World Food Program predicts that there will be many more deaths form malnutrition and related illnesses unless greater levels of food aid are forthcoming. However there are signs of donor fatigue in the international aid community, and the recent admissions by North Korea of the continuation of its nuclear weapons program is making many governments reluctant to give further assistance. This paper considers the evidence, scattered as it is, on the extent and impact of the food crisis, and presents estimates of the extent of food aid still needed. The degree to which this crisis has acted as a catalyst for policy reform in the agricultural and food marketing system, but also more broadly in the economy as a whole, is particularly important. The recent initiatives to introduce more market oriented policy reforms are considered in terms of their effectiveness and their impact on the food situation. It is argued that any temptation to use the current famine as a tool to gain

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concessions on its nuclear and missile programs should be avoided as it is likely to be counter-productive. It would be more constructive for the international community to engage North Korea through a continuation of food assistance, but in the longer term it is very important to assist in the reconstruction and reform of the agricultural system to allow a greater degree of future self-sufficiency.

Introduction

Of all of the problems that have beset the economy of the DPRK in recent years, it is the desperate food situation that has probably attracted most international attention. Estimates of the number of deaths that have resulted from the famine vary widely, but it seems likely that as many as two to three million people may have died from malnutrition or related diseases. Surveys by the United Nations have shown that at the height of the famine in 1998 as many as 60 per cent of children were significantly underweight for their ages. Fears have been expressed that a whole generation may have a seriously impaired intellectual development as the result of inadequate nutrition. Media attention has also bee focussed on the plight of the many thousands of refugees that have attempted to cross the border into China in search of food. Various governments, as well as a range of international non-government organisations, have given large amounts of food aid and related assistance in an attempt to stabilise the nutritional situation. However there are now disturbing signs that significant “donor fatigue” may now be setting in. In the last few weeks, the World Food Program has been issuing warnings that several million citizens are facing renewed hunger unless new donations of food aid are received very soon.

At the same time, the DPRK government has been announcing some new policy initiatives aimed at revitalising the economy, and in particular the agricultural sector. Large increases in both wages and food prices have been announced, and there are rumours that even more drastic reforms of the agricultural system may be on the way. It is still too early to judge how effective these measures will be, but they have caused much speculation among commentators who have sought to understand why these measures have been introduced, and have speculated about whether this heralds a radical new direction in policy by the regime in Pyongyang.

This paper attempts to do five things. First, I look at the dimensions of the food crisis. The evidence on the impacts of the famine is quite patchy, but I try to bring together what data are available and evaluate both the immediate and long-term implications of the current food crisis. Secondly, I explore some of the theories that have been put forward to explain why the famine has taken place. The DPRK itself has placed the primary blame on a series of catastrophic natural disasters, as well as the more general economic impact of the fall of the Soviet system, which for so long provided crucial support for its allies. Many other observers have given rather different interpretations, however, citing serious systemic weaknesses in the food production and distribution systems. As far as possible these alternative explanations are evaluated. Thirdly, I look at the pressures for reform being felt as a result of the disastrous food situation, and fourthly I examine the reforms that are needed and evaluate the measures that have already been announced. My approach in this part of the paper is to explore the basic problems that exist at three levels of the food system - the agricultural production sector, the economic and political organisation of the society as it relates to food, and the broad policy settings that determine the cost and price systems of food. I evaluate the needs at each level, make some judgements about the effectiveness of the reforms already underway, and try to map out an agenda for future

action. Finally, I make some suggestions about what the role of the international community might best be in the alleviation of the crisis.

My conclusions are that the extremely serious food situation has certainly been exacerbated by a sequence of natural disasters, but problems in the organisation of agriculture in the DPRK are the basic cause of the problem. Reforms are needed at all levels of the food production and distribution chain. The measures announced recently are a positive sign, but much more is needed, and a great deal of help will be needed from the international system to implement these changes. Short-term assistance in the provision of food aid must continue, but support for structural changes should begin as soon as possible. The aim should be to allow the DPRK to be as self-sustaining in food as possible. Most importantly, reactions to recent announcements about the continuation of the DPRK's nuclear program, and other concerns about the regime, should not be used by governments to delay the provision of such development assistance. Apart from any humanitarian considerations, it would be counter-productive to attempt to use hunger to force the regime into concessions and reforms.

The Dimensions of the Current Food Crisis

Although detailed and reliable statistics on most aspects of production and consumption in the DPRK are very difficult to obtain, it is clear that the food situation since 1995 has constituted a humanitarian disaster of immense proportions. In a country which has heralded the virtues of self-reliance and the paramount importance of the welfare of its population, this constitutes an undeniable challenge to national policy. Various estimates of food needs have been prepared by international agencies such as the Food and Agriculture Organisation of the United Nations (FAO) and the World Food Program (WFP), and these

are used in this section of the paper along with other estimates prepared by various groups in South Korea. We must be aware of some of the statistical shortcomings, but there is no denying the starkness of the very clear picture that emerges.

There have been persistent shortfalls in food production since 1995, and some writers have argued that problems in the supply of adequate nutrition were apparent even earlier, resulting in the continued need to import large amounts of grain from a variety of foreign sources. The precise amount of these grain shortfalls is a matter of some debate. Kim Woon Keun (1999), for example has compared the estimates of the FAO with those of the South Korean Ministry of Unification, the United Nations Development Program (UNDP) and the Korean Rural Economic Institute (KREI) in Seoul, and demonstrated some large differences, but all agree that significant shortfalls have existed for several years. In making its estimates, FAO has assumed an annual per capita consumption requirement of 167 kg of cereals or cereal equivalent, which gives around 75 per cent of the generally accepted daily calorie need of 2130 Kcal (FAO, 2002). FAO has also assumed that sufficient grain needs to be retained from each harvest for planting in the following season. This total demand has then been compared with estimates of total output, converting the yield of each crop to standard cereal equivalents. Total cereal output has fluctuated markedly, but has been on a general downward trend since the first crisis year of 1995/6, when the output was 4.1 million tonnes. There was a rapid decline to 1996/7, when 2.9 million tonnes was produced, and a further small decline to 2.8 million tonnes in 1997/8. There was a partial recovery to 3.8 million tonnes in 1998/9, but a fall in 1999/00 to 3.4 million tonnes, leading to the worst harvest in recent years in 2000/1 when only 2.6 million tonnes was harvested. Since then there has been another partial recovery resulting in an output of 3.7 million tonnes in 2001/2 and an estimate for the current year of 3.8 million tonnes. These calculations have resulted in estimates of cereal import needs to meet the food

shortfall of the following: 1995/6 1.471 million tonnes, 1996/7 1.934, 1997/8 1.836, 1998/9 1.040, 1999/00 1.331, 2000/1 2.196, 2001/2 1.304 and an estimated 1.084 in 2002/3 (FAO, 2002). These production shortfalls vary from region to region, but even in the partial recovery of the current season it is estimated that only three provinces (North Pyongan, North Hanghae and South Hwanghae) out of 12 will be able to generate a small surplus, while the 9 others will face severe shortages.

Translating these national figures into estimates of household food security in different regions and situations results in a picture of widespread deprivation, even disaster. In 1998 the WFP in conjunction with the European Union, UNICEF and the government of the DPRK undertook a detailed survey of nutrition in various parts of the country (WPF, 1998). The survey team was denied access to 82 counties, thus the work included data from 130 counties, representing some 71 per cent of the national population. It must be noted that the survey took place at the time of the most disastrous harvest in recent years. Overall, moderate and severe wasting, or acute malnutrition, affected some 16 per cent of the children surveyed, including some three per cent with oedema. Moderate and severe stunting, or chronic malnutrition, affected 62 per cent of all children. Some 61 per cent of all those children surveyed were moderately or severely underweight for their age. The most severe wasting was found in those aged one to three years, but stunting and underweight were prevalent in all age groups, with boys being rather more affected than girls. These are truly alarming results and suggest that the intellectual development of a whole generation may be adversely affected through a lack of adequate nutrition. A number of reports suggest that the picture has improved somewhat with the increased output of food since 2001, but we have no overall data on this. At the time of writing, the WFP is repeating its survey of 1998, and the results should be available by the end of 2002. However, the food shortfall estimates suggest that any improvement will only be relatively minor, and there are still strong grounds for very grave

concern. The recent testimony (May 2002) to the US House of Representatives International Relations Committee by the Regional Director for Asia at the World Food Program, John Powell, suggests that 40 per cent of all children under 5 are malnourished, even with the current assistance from international agencies.

There have been several attempts to estimate the number of deaths that have resulted from the famine. Many commentators have estimated that some 2.5 million people have perished from malnutrition and related diseases, although the official government figure is rather lower than this. Hwang Jang-yop, the high level defector, has stated that 1.5 million people died between 1995 and 1997 alone, and South Korean intelligence sources claim that leaked DPRK documents support a figure as high as 3 million since 1995 (for a summary of the evidence on these estimates of deaths in the famine see, for example, Noland, 2000). Whatever the precise figure, the extent of the human cost is immense. Many people have attempted to avoid starvation by fleeing across the border into China. Again, precise estimates vary, with most commentators using a figure of some 200,000 to as many as half a million.

The impacts of food production shortfalls at the household level can be ameliorated, at least in theory, through national level purchases of food on the international market and subsequent distributions to households, through purchases of food by households, using income generated from other activities, and by supplementary production on family plots in either rural or urban areas. As a last resort, food may be available under various food aid programs. Unfortunately, foreign exchange has been very scarce, limiting the size of food imports, and at the national level there have been too few opportunities to gain extra income. Even when money can be found, it is often difficult to access reasonable supplies. The result is that there continue to be serious shortages, even with the partial improvements in the last two years, and international agencies have been unable to keep up with continu-

ing demand for food aid. There is evidence that the food situation is now particularly difficult in some urban areas (FAO, 2002, Cho & Zang, 1999). In the current season, the government has maintained (at least in theory) its food allocation for the farming population at 600g per person per day, which is quite adequate. Many farmers have been able to grow other food in kitchen gardens or on hillside plots, and some now gain extra income from sales of surplus production in farmers' markets. Workers on state farms also seem to be reasonable placed in terms of salaries and access to kitchen gardens. However, urban families appear to be in much more difficult circumstances. Government allocations in urban areas have been kept at 270g of cereals per person per day, only 45 per cent of average daily energy requirements. In order to acquire the other 55 per cent of daily food needs, families must spend an estimated 75-85 per cent of their cash income. Given recent increases in food prices as the result of the partial monetisation of the economy, there are now serious doubts about the ability of urban residents to feed themselves on their present incomes (FAO, 2002). I will return to the impacts of these policy changes later in this paper.

The Causes of Famine

A variety of forces have been responsible for the current famine in the DPRK, although opinions differ as to the precise weight of each of these factors. Certainly, natural conditions have never favoured high levels of food output in the DPRK. Of the total national area of some 12 million hectares, around 80 per cent consists of mountainous terrain. Only 15 per cent can be classified as arable land, and soils are often poor. The climate is harsh, with a very short growing season of 130-190 frost-free days. Many crops, notably maize and rice, are vulnerable to severe cold snaps. Before 1945, the major agricultural areas of the unified Korea were located in the south, and the DPRK has always had to struggle with its lack of natural resources for food production.

This ongoing environmental problem has been made much worse in recent years with a series of severe natural disasters. There were severe floods in 1995, 1996 and 2001; droughts in 1997 and 2000; a destructive wind storm in 2000; and a damaging storm and wave surge in 1997. The DPRK government has always pointed to these natural events as the major cause of the famine, and there is no doubt that this has been a very significant factor.

These natural disasters have been made much worse in their impact by the serious degradation that has taken place in the natural environment in the agricultural areas. Many soils that were not robust or fertile to begin with have been seriously over-cropped and subject to erosion, especially during periods of flood. In the search for extra land on which to grow food, many hillsides that are far too steep for cultivation have been brought into production, again with serious consequences for erosion. Much land has been put continuously under the same crops for years on end without any thought for proper crop rotation, and there has been a general lack of attention to soil maintenance and fertility enhancement practices. The result has been a serious decline in yields.

Agricultural productivity has also been badly hit by the impacts of the more general crisis in the DPRK economy. It is generally accepted that during the early 1990s it was the industrial sector that first went into recession, and it was only later that agriculture followed. Much of the farm machinery in the country is now old, and much of it is no longer useable. Only about half of the nation's 64,000 tractors are now operational (FAO, 2002). There are reports that oxen are being used increasingly in the cultivation of fields. A lack of spare parts, including tyres, is a major problem, and the decline in general industrial capacity is making it difficult to replace the ageing stock of farm machinery. The energy crisis facing the entire economy has had a major impact on

agriculture, with serious shortages of oil to power agricultural machinery and irrigation facilities. The general decline in the chemical industry has deprived agriculture of many of its most important inputs. Domestic production of fertiliser can now only meet 10 per cent of total requirements, and the availability of pesticides has been similarly compromised. As a result of these shortages of key inputs, plus declines in soil fertility through over-cropping, rice yields have declined from around 7 or 8 tonnes per hectare in the 1980s to about half of that level now. For this reason, the donation of fertilisers has become a major priority for the international agencies, and the DPRK is now almost totally dependent on these overseas sources.

The human impact of the famine and the level of fatalities have been exacerbated by the general deterioration in the level and availability of health services in the DPRK. Antibiotics and painkillers are in very short supply, and hospitals do not have the simple supplies need to treat the diarrhoea and similar infections that are killing many people, especially children (Rosenthal, 2001). Sanitation systems have broken down, with serious health implications. Hospitals frequently lack adequate supplies of food and clean drinking water, and in the cold of winter lack adequate heating. Thus, the problems in the food production system are in part just one aspect of a wider crisis in the DPRK's economy.

But some commentators have gone even further, arguing that the famine is, at least in part, the direct result of shortcomings in the organisation of the agricultural sector and in the policy framework within which it operates. Given the focus of this paper, it is important that we examine these claims in some detail.

Food supply problems have always plagued Communist regimes, as a number of commentators have pointed out. In Asia there have been serious periods of hunger or famine at various times in China, Mongolia, North Vietnam, and Cambodia, thus it is hardly surprising that many writers have seen fatal structural flaws in various aspects of

agriculture under Socialism. It has been common to cite the lack of incentive for individual effort under collectivised systems of agriculture, contrasting levels of labour involvement unfavourably with family-oriented systems of ownership. Communist governments have also been criticised for seeking to take too much food out of the rural areas to feed the growing urban populations without giving adequate financial returns to farmers. Eberstadt (1999) has argued that famine under Communist systems has generally been the result of rapid policy changes that have impacted disastrously on rural areas. In almost every case, this has involved: drastic changes in property rights or ownership structures on the farms; significant increases in taxes or procurement quotas for agricultural commodities; and / or a significant shift in the relative prices of food and non-food items. However, Eberstadt suggests, the features of the current famine in the DPRK do not seem to fit this earlier pattern. Famine does not seem to have resulted from any single change in policy direction, hence it the situation cannot be remedied simply by reversing the disastrous policy, and may be much more difficult to deal with. Eberstadt also notes some other important differences between the general experience of agrarian development under socialism and the specifics of the DPRK case. Famines in North Vietnam, Mongolia, North Vietnam and China took place in societies that were predominantly rural in nature. But the DPRK Korea has for some time been an essentially urban and industrial economy, with no more than around 30 per cent of the labour force involved in agriculture. Also, earlier famines under Communist regimes in Asia took place within only a few years of the regime coming to power, and could be regarded as problems of regime consolidation. The DPRK, by contrast, is a well established, mature regime (Eberstadt, 1999 pp. 64-5).

What then can we say about the specifics of the DPRK situation, and how can we account for the emergence of famine as a manifestation of seemingly long and slow processes of structural failure? One

important point concerns the drain on resources that has resulted from massive investments by the DPRK in its military capabilities. This has taken capital resources away from the investments that are urgently needed in rural infrastructure and in agricultural development projects of various kinds. All aspects of the DPRK economy have suffered from this enormous diversion of scarce resources, but the infrastructural problems do seem to have a particularly deleterious impact on the productivity of agriculture. Food has also been taken away directly to feed military personnel, and this has been part of a familiar story of large burdens on rural areas without adequate financial returns. It is also undeniable that many problems in the DPRK, as is constantly asserted by government sources in Pyongyang, can be attributed to the collapse of the old Soviet empire. The DPRK experience is now different from earlier patterns under Communism partly because it is much more alone in a global system that has marginalised it almost totally.

What we are lacking, however, are detailed empirical studies of the agricultural system that would allow us to assess levels of efficiency in various regions, and provide the basis for detailed advice on agricultural improvements. There are numerous general statements about the weaknesses of the current system and the inefficiencies caused by adherence to the "Juche farming system" (see, for example, Kim Woon Keun, 1999; Kim, Lee & Sumner, 1998), and the need for drastic market-oriented reforms. But it seems clear that in the current political climate in the DPRK such reforms are not possible. We are not starting with a clean slate, but need to locate agricultural change within an existing but evolving institutional and political framework. It is obvious from the food shortage picture that I have presented that the agricultural system is not working well, but the detail of exactly how is simply not available. We need more research and less simplistic sloganeering, but it is also unlikely that sufficient access will be given to researchers in rural areas to provide the necessary material on which

to base new technical and policy advice. This lack of basic information is also a problem when we turn our attention to the prospects for effective reform.

Pressures for Reform in the Agricultural and Marketing Systems

It is impossible to separate the pressures for specific reforms in agriculture and in the food marketing and distribution systems from more general calls for new policy directions for the entire economic system. But it is also clear that the food situation represents an extremely important challenge for the old policy directions, both in symbolic and more technical terms. For much of the period of Kim Il Sung's rule primary importance was given to the development of heavy industry and to the traditional ideologically driven methods of achieving industrialisation: notably the *Chollima* movement, the *Taean* Work System, the "Three Revolutions" and the *Chongsanri* Method (Buzo, 1999). However, there is no denying the symbolic importance of food, and of rice in particular, in the rhetoric of the regime. One of Kim Il Sung's most often quoted sayings during the 1960s was that "rice is socialism." In setting targets for the economy he often argued that the Communist project required that people be given enough to eat, and the role of the government was to "let all the people eat rice with meat soup."

It is also clear that at a political level the food crisis is putting great pressure on the regime, and is even threatening to corrode its level of legitimacy. Eberstadt (1999) has noted that in all earlier famines in Communist countries, there was such control of the media and other sources of information that news of the food shortages and consequent deaths was effectively hidden from both the outside world and from the populations of the areas not directly affected by famine within the countries concerned. As a result, the political pressures on the regimes

were limited, and in no case was the survival of the government at risk. Regardless of the almost legendary ability, or so it seems, of the regime in Pyongyang to control information, detailed news of the current food situation in the DPRK has been widely available. Indeed, the government has gone out of its way to document the dire situation as part of its drive to obtain economic assistance from the West. Given the tight political control exerted from Pyongyang, and the priority that has been given to maintaining the goodwill of the military, there seems to be no credible threat to the regime, but the pressures to do something effective to ease the food shortages is certainly there, and is one of the central reasons why there are some signs of reform, however preliminary and tentative. It is to these reforms that I now turn.

The New "Market System" and Other Reforms: An Assessment

Among analysts specialising in the DPRK, there is a great deal of debate about the degree of willingness of the government of engagement in serious reforms, including revitalisation of the agricultural sector. There are also disagreements about the actual capacity of the regime, both in political and technical terms, to successfully implement such changes. Some see the reform process, such as it is, as a half-hearted response to a crisis situation. There is no real commitment to the programme, it is often argued, and as little as possible is being done - just enough for the regime to ensure its survival. It is common to argue that the regime is faced with a fundamental dilemma in designing its responses to internal and external demands for reform. If reform is resisted, popular discontent may become so great that the regime's legitimacy is destroyed, and even though military control of the country may be very tightly organised, this would be very bad for the government. On the other hand, if reform programmes are initiated this may unleash forces for more fundamental change that are difficult

to control, and again the regime may be destabilised. This dilemma is widely cited as the reason for the apparent confusion about directions for change and for the stop-go nature of many initiatives. Reform in rural areas is always seen as a particularly difficult and potentially dangerous area for governments, and this adds to the current fuzziness of the reform picture.

However, a number of writers are now arguing that the signs of reform in the DPRK are real and meaningful (see, for example, Babson, 1999; Noland, 2002a; 2002b). The evidence that is cited for this putative new seriousness of purpose in Pyongyang is rather mixed. Babson (1999), for example, identifies a number of features that have evident in the behaviour of the government for a number of years: a new willingness to grant access to various international agencies and supply them with detailed information; an unstated tolerance of a range of informal or private activities by citizens, the so-called "second economy"; and a willingness to initiate a number of actual reform measures. Noland (2002b), on the other hand, quotes some much more recent indications of change, such as the expression of regret to South Korea over the naval clash in the East Sea in June2002, the initiation of work to connect transport links with South Korea, and the establishment of an autonomous special administrative region in the Sinuiju area. These recent initiatives have apparently caused Noland to reverse an earlier judgement (Noland, 1997) that there were few signs that the North Korean regime was interested in serious reform.

My own approach here will be to enumerate the various reforms that appear to be necessary to generate a serious improvement in the food situation, and then ask if there are signs that these changes have been at least begun. Of the reforms that I regard as essential that have not so far been put in place, I will then ask the question of whether there appears to be a realistic prospect that they will be. I will then critically examine those reforms that have been started, and attempt to estimate the impact that they will have on food availability. Three

distinct types of reforms are considered. First, I will look at questions of agricultural production, soil management, farm management and related issues. These might be called programs of *technical reform*. Secondly, I will explore some issues of *economic and political organisation*. Matters considered here relate to things such as land tenure, work organisation and incentives for extra effort. Thirdly, I will discuss broader issues of *economic policy* relating to the setting of relative prices for agricultural commodities, labour, production inputs, and food in urban areas.

As was noted earlier, Eberstadt (1999) has argued that we lack much detailed knowledge of the agricultural system in the DPRK, its detailed structure and economics, and hence it is often difficult to develop detailed plans of the real needs for improvement in the countryside. This is certainly true, but the UNDP has been working with the government of the DPRK over the years to tease out what is needed in the production area in particular. In December 1997, the government requested the UNDP to prepare and organise a roundtable on agricultural recovery and environmental protection. The aim here was to share information on the extent and causes of the food shortages that had emerged by that time, and to develop a consensus on the design of a plan to deal with the situation, restore agricultural productivity and improve rural living standards and the viability of co-operative farms (UNDP, 1998a). The roundtable developed such a consensus, and proposed a detailed plan of action to be put to potential international donors. Unfortunately, and I will look at the implications of this later, there was absolutely no response from the international community. However, this report from the roundtable, and the subsequent action plan that was developed (UNDP, 1998b) remains the most comprehensive guide to what is needed at the production level.

It was argued in the action plan that the aim should be to increase grain production to some 6.5 million tonnes within three years. This would involve a more general economic recovery to allow export

earnings to increase, and help from other countries to fund and organise a transitional package of assistance for agriculture. The elements of this package were:

- A programme of rehabilitation of flood damaged irrigation systems and related infrastructure, and a similar effort to restore damaged farmland.
- The rehabilitation of some domestic fertiliser plants and the provision of the necessary raw materials for fertiliser production, at least initially.
- The extension of attempts to develop more intensive cropping programs through the double cropping initiative.
- Assistance to farmers to diversify their production and adopt more environmentally sustainable farming methods.
- The development of new rural credit systems and related financial institutions.
- The strengthening of rural markets and other local institutions.
- The development of local centres for agricultural research and training.
- The initiation of major programs of environmental protection and reforestation.

(UNDP, 1998b)

It was anticipated that the rehabilitation and modernisation programme for irrigation and tideland reclamation projects would be relatively short term, but would require some capital and technology. Heavy equipment would be needed for major earth moving and civil works projects. Many old facilities such as pumping and power transmission systems would need to be replaced. The urgent need to enhance domestic production of fertiliser was expected to involve work over a comparable time scale. Assistance was required to rehabilitate and modernise the Namhung (West Coast) and Hungnam (East Coast) fertiliser plants. This was seen as vital to the enhancement of cereal grain outputs.

Crop diversification and the development of more appropriate land

use systems were seen as rather longer-term propositions, but it was still hoped to reach national self-sufficiency within some three years. It was assumed that some 580,000 hectares would be devoted to rice production, but higher levels of yield from this land would allow the area under maize to be reduced to 488,000 hectares (as against approximately 600,000 hectares in 1996/7). This would then allow the extension of land under pasture and other more appropriate uses of some types of land. However, increases in yields would still result in an expansion of total output of maize (UNDP, 1998b). Poultry and livestock production would be concentrated in hilly areas, removing the environmentally damaging cropping systems seen now. Meat production was anticipated to be around 400,000 tonnes by the end of three years. It was also proposed to expand the areas under mulberry and silk worm production to improve and diversify rural incomes. The double cropping program was to be greatly expanded. It initially involved the production of 47,000 tonnes of barley, but the plan was to cultivate some 200,000 hectares using these methods. The experiment was to involve imported seed varieties and fertiliser. The environmental protection program was to include expanded organic inputs and integrated pest management, watershed management and the development of commercial forests (UNDP, 1998b).

The action plan proposed that these technical innovations should be supported by an emphasis on new form of rural institutions. These would include the development of rural credit systems, which would also have important training functions. These would be important in the introduction of new technologies and cropping systems. Local marketing and distribution channels would be developed, which would be important especially for the sale of higher-value crops and livestock. The improvement of co-operative farms would concentrate on new management skills and the planning of new investment projects to bolster rural incomes.

It was estimated that the funding needed for such an integrated programme would be in the region of $300 million over three years, which would appear to be a rather modest sum for such an important outcome.

The question of the need to strengthen rural institutions brings us to the second major area of rural reform, which relates to issues of economic and political organisation. Much of the debate here relates to the organisation of the state and co-operative farms, their level of efficiency, and the extent to which they are capable of being reformed. There is also controversy about what the ideal form of agriculture should be in the future, the end point to which all agricultural reform should be heading. Many commentators in South Korea have assumed that small-scale farming on an individual basis is the ultimate aim, but this has sometimes bee questioned.

At present, some 3,000 co-operative farms are operating in the DPRK, and they account for some 90 percent of all agricultural output. The size of these farms varies a great deal but the average is around 400-600 hectares (UNDP, 1998a). In addition, many households have their own kitchen gardens, usually less than 100 square metres in size. The co-operative farms were introduced partly in an attempt to improve and modernise farming techniques through the introduction of improved seed varieties, fertilisers and insecticides. The UNDP (1998a) has argued that most farms retain a substantial degree of autonomy over their production and marketing, but it is clear that in many key areas the government continues to exert tight control. Co-operative farms are essentially organised on a standard industrial model. Industrial efficiency concepts were used to design optimal farm sizes, labour force levels, number of tractors and other machines and the design of irrigation systems. However, methods of organisation and management also reflected more traditional forms and systems. Farms were located where possible to conform to the boundaries of the traditional sub-counties (ri). Membership of work teams accorded with the structures and locations of the old villages, attempting to

strengthen community spirit and use existing social ties to achieve new goals. The most basic aim of the farms was to be self sufficient, but as far as possible they should also play their part in meeting national goals for agricultural output. In addition, they were also expected to achieve some national goals in community policy, emphasising the achievement of community consensus on all decisions such as investment and the allocation of difficult work tasks.

One area in which the co-operative farms certainly have had little autonomy has been in the marketing of their surplus crops. They were expected to meet production levels (in addition to their own food needs) and these crops were sold at prices determined by the government. National distribution was organised through the Public Distribution System, and food was distributed at uniform prices throughout the country. Daily rations were again set by the government. In many cases food prices were heavily subsidised by the government. Given the shortages of food and many other commodities, free and open "peasant markets" have been allowed until the centralised distribution system "can supply enough of all the goods necessary for the people's life." Workers on co-operative farms have usually supplemented their incomes through the sale of fresh produce form their gardens, eggs, chickens, rabbits or goats. There have been numerous reports that since the onset of the food crisis these markets have become increasingly active, especially in the area along the border with China. Prices in these markets are not government controlled. Some estimates suggest that many people in the DPRK are now obtaining 50-90 percent of their daily needs, including food from the "second economy" (Chun Hong-Tack, 1999).

The government has assisted the co-operative farms by providing guidelines for the preparation of their annual plans, and the supply of inputs such as fertilisers, machinery and spare parts has also been centrally allocated.

In addition to these co-operative farms, around 1,000 state farms

have also been established. These tend to be in areas that require heavy and on-going government involvement, such as reclaimed tidal areas, or specialise in the large-scale output of specific needs for the farm sector, such as improved seed varieties or poultry breeding stock (UNDP, 1998a).

A number of outside experts have put forward ideas on how to improve the operations of the co-operative and state farms. Selig Harrison (1998) has argued that the most fundamental need is to provide incentives for higher levels of effort from individual farm members. Thus, he welcomes some reforms that have been instituted. One initiative has been to reduce the average size of work teams on co-operative farms from 25 to 8 members. This, he argues, will allow teams to keep a closer eye on anyone who is not working at a reasonable level. In addition, the new teams will be allowed to keep up to 30 per cent of their output, the precise level depending on the team's success in meeting or exceeding production quotas. These reforms, similar to those already introduced in China and Vietnam, are a step in the right direction, Harrison argues, but more needs to be done to provide new production incentives. Along these lines, he applauds the development in some areas such as Hoeryong in North Hamgyong, of a form of contract farming. Again modelled on an earlier Chinese initiative, families can lease land under 15 year agreements with the government. A quota is set for the level of output that must be sold to the state, but the rest may be kept by the family for consumption or private sale.

A much more detailed agenda for reform has been proposed by Moon Pal-Yong (1995). He reviews some of the basic features of the agricultural system on the DPRK, and argues that many of these characteristics militate against the efficient production of food and other crops. Land reform and the consolidation of holdings into co-operative and state farms, he suggests, have taken away incentives from farmers who have a centuries-old desire to own land. Collectivi-

sation has also taken away the sense of ownership of farm animals, machinery and other facilities. Under the labour management and remuneration system there is no incentive for harder work, he suggests. Agricultural administration is of a command type, again reducing incentives for local efforts or new initiatives. To overcome some of these problems, he has proposed three alternative scenarios for reform:

- *Family farming under individual private land ownership.* Moon accepts that the ultimate goal of agricultural reform should be the establishment of an owner-cultivator system based on the private ownership of land and capital. This he regards as an essential precondition for the development of a free market economy, which is in turn the only way to solve the DPRK's economic woes. The real benefit here would be the provision of incentives to individual producers. This is the system to which almost all farmers in the world aspire, and in many countries with formerly socialist systems of agriculture this is definitely the current direction of reform. However, Moon recognises the problems inherent in the rapid scrapping of the co-operative and state farm systems. Also, if all of the existing lands of the co-operative farms were to be distribute equally to the existing labour force, the average size of holding would be in the vicinity of two hectares, which would not be really economic. There are clear economies of scale in agriculture, as is being recognised in South Korea also, and this must be taken into account.
- *Individualistic farming under collective land ownership*. This would be a copy of the system now in operation in China. This is a form of tenant farming in which land is held collectively but capital is privately owned. All decisions about farm management, crop mix or levels of labour input are made by the farmer. However, the length of the lease must be sufficient to give the farmer incentive to improve the land and invest other forms of capital. One potential problem may be the transfer of leases between farmers as the result of marriages or deaths, and this may lead quite quickly to the emergence of serious inequalities in incomes.
- *Joint farming under collective land ownership*. This is essentially the existing system in the DPRK. It has a number of shortcomings, as has been outlined already, but it does allow the generation of significant economies of scale. Moon argues that many of the existing problems and conflicts can be overcome by breaking down the co-operative farms into smaller units, each based on village-level farming organisations. This would generate much more harmonious working relationships and encourage much more involvement in joint decisions. Thus the original social aims of the collective farming system could even be enhanced (Moon, 1995, pp. 94-99).

Having evaluated these alternative reform scenarios, Moon argues that while there are some important advantages in individualistic systems, the adjustment and establishment costs, both in economic and in human terms, would be enormous. As has already been noted, the DPRK is no longer a predominantly agricultural nation, hence the return to some form of traditional peasant production is unrealistic. The small farms would be uneconomic, and there would then have to be a new reform program to modernise the system. It would be better, he suggests, to try to develop a more efficient collective system, as in his third scenario.

This question of adjustment costs is an interesting and important one. Noland (2000) has argued, based on empirical evidence from other Asian countries and from parts of Eastern Europe, that the costs of a rapid or "big bang" approach to reform are not necessarily greater than those associated with a more gradualist approach. What is more important is the existence of a set of favourable initial conditions. The most important of these are: the structure of the economy; the degree of macro-economic stability; the degree of state capacity at the time that the reforms are initiated; and the willingness of the population to undertake change (Noland, 2000, pp. 256-260). My own view on this matter is that I do not regard the evidence on the lack of extra costs associated with a "big bang" approach at all convincing. But more importantly, the four important preconditions for reform that Noland has identified are certainly not present in the agricultural sector, or indeed in any other part of the economy. I will return to this crucial

question later in the paper.

This brings us to some of the broader economic environment in which the DPRK food production and distribution systems operate. Discussion in this area has been dominated recently by speculation about the significance of the market reforms that have recently been introduced (see, for example, Noland, 2002b; Saiget, 2002; FAO, 2002). Beginning in July 2002, a series of reforms have been announced, and others are rumoured to be on the way, especially in the agricultural area. Of the measures announced so far, the ones which appear to have potentially the most relevance for the food production and marketing situation are:

- Prices for rice and other food items have been increased sharply in recent months. In the case of rice the increase is as much as 40 times.
- Farmers are increasingly being allowed to trade surpluses at free markets.
- Procurement prices paid by the government for agricultural products have also been increased substantially.
- Urban salaries have been increased by as much as 30 times, but there are marked differences between different occupational groups. Some favoured groups such as military personnel, party officials, miners and scientists have received very large increases. Noland (2002b) reports that military personnel and miners have received wage increases in the region of 1,500 per cent. For agricultural workers the increases are more modes, around 900 per cent. Noland interprets this as an attempt to speed up processes of labour allocation.
- Subsidies to enterprises have been removed, and managers have been informed that they are now responsible for covering their own costs.
- The system of distributing goods through a rationing system has been drastically reduced. This includes the Public Distribution System for food. Distribution of goods will increasingly occur via a market system and at market prices.

It is still much too early to say what impact these reforms will have on the food situation. While price increases may assist in stimulating

production, the FAO (2002) has reported that many farmers appear rather confused about exactly what prices they will receive for their crops. The new price structures for farm inputs such as fertilisers, seeds and fuel are also unclear, at least to the farmers concerned. The FAO predicts that it will take some time for a positive response to these price changes to emerge. Many farmers interviewed by the FAO team expressed an interest in expanding the area under double cropping to take advantage of the new incentives, but most lack access to the physical inputs required to implement such a regime. FAO has also expressed concern about the signs of rampant inflation in the farmers' markets, and about the fate of the excess labour that will be created by the search for greater efficiencies in the state enterprises.

Looking at the three levels of reform that I have identified, there does seem to be a genuine desire for change, and a number of important measures have already been introduced. A range of commentators has speculated about the rationale for these changes after so many years of clinging stubbornly to the old structures and policies. The general consensus seems to be that the present situation is so desperate that faith in the old methods could no longer be sustained and some new policy directions had to be initiated. It is also generally conceded that it is the grave food situation that has been the most important catalyst for reform. In fact the reforms that have been initiated have been rather modest and cautious, in many cases simply mirroring the measures that were introduced in China in the 1970s, but by the standards of the DPRK this is a radical departure.

What I have tried to do in this section is to identify some key problems in the food production and distribution systems, highlight a number of changes that are urgently needed, and evaluate some of the beginnings that have been made to implement change. In the light of this extended discussion, I now what to ask what the most constructive and helpful contributions might be for the international community.

The Role of the International Community

The most crucial initial questions we need to ask about the role of the international community concern the goals and methods that various governments are now embracing in relation to the DPRK. Particularly important here are the perceptions of the governments of South Korea, Japan and the United States, especially in the light of the recent admission by Pyongyang that it has been actively developing a programme of plutonium enrichment. While it is still not entirely clear what the United States intends to do, the governments in Seoul and Tokyo have announced that they intend to continue their policies of constructive engagement with Pyongyang. It is my firm belief that the entire international community should try to help the DPRK as much as possible in its search for greater prosperity and security. In particular, I believe that it would be a serious mistake to attempt to use the present food situation to force the DPRK to make concessions. As Selig Harrison (1998) has put it:

> The United States should not seek to condition food aid or the relaxation of sanctions on specific economic reform measures. Surrendering to direct foreign pressure would only weaken Kim Jong Il's position and complicate the process of reform (Harrison, 1998, pp. 67-68).

However, he then goes on to argue that if it were to help with an international food aid effort, the US should make it clear that it will only contribute for the next two or three years. This he suggests would apply indirect pressure for reform. Here I part company with Harrison. I do not believe that the results of reform can be so rapid. I do not share the neo-liberal optimism that market reforms by themselves can deliver such immediate results, nor do I believe that "big bang" approaches can work in this situation (or indeed any other). The regime in Pyongyang does not have the experience or the resources to plan and implement a real process of reform. The key preconditions for reform

identified by Noland (2000) are simply not present, and help will be needed to develop these prerequisites. Certainly, the government is not able to provide to the farmers of the DPRK the resources and inputs they will need to turn around the current disastrous food situation. Food aid is certainly needed to allow change to take place in a more rational manner, in which short-term concerns for survival do not get in the way of more considered development. This may well take more than two or three years, and we need to be aware of that. But the methods for organising and distributing food aid are relatively well developed, given the political will and the necessary funds.

What will be more difficult to deign and organise is the process of long-term reform, development and assistance that is needed to allow the DPRK to be self-sufficient again in food, or at least have the necessary export income that might be necessary to overcome any shortfall. This is not just a question for the food system, of course, but for the total economy. However, in the more specific area of food, I have tried to identify some important needs for change. At the level of production the programme designed by the UNDP in consultation with the government in Pyongyang is a useful starting point, and I have pointed out similar priorities at other levels of the system. The complete unwillingness of the international donor community to respond to the UNDP's list of priorities for agricultural assistance presented in 1998 is surprising, perhaps short-sighted or even immoral. There can be no human security in the DPRK if the current levels of hunger remain, and without human security there can be no peace.

Land rehabilitation and repair are immediate priorities, along with the modernisation of irrigation systems and fertiliser factories. Then attention needs to be given to the improvement of inputs and techniques in all areas of production. This includes particular attention to the restoration and protection of the environment. Research in Africa and other parts of Asia has demonstrated quite clearly that poverty and hunger result in the rapid degradation of the environment, and

environmental improvements are one the most effective ways of immediately improving living standards.

Training and research are also of vital importance. As Babson (1999) has argued, the ability of the regime to respond to pressures (both internal and external) for reform is extremely limited. The knowledge of market systems and methods is almost non-existent, and isolation from the international community only makes this situation worse. The regime is forced to think first about the stability of the political system, and longer-term planning can only be considered when more security has been assured. Training, as Babson identifies, needs to be given particular priority. This involves greater exposure to the outside world and how it works. Skills in negotiating with the rest of the world need to be developed. Policy development and evaluation skills need to be nurtured.

I have attempted to show that the very serious food situation has been one of the most important catalysts for changes in policy in the DPRK. I would also argue that assistance from the outside world could effectively be concentrated on both the short-term and more systemic changes that are needed to deal with this serious famine. The highly confrontational and militaristic responses of the DPRK can only be modified if the regime feels less threatened. The food situation poses a significant threat to regime legitimacy, and the permanent and sustainable removal of this insecurity is an indispensable first step in the search for a more stable and prosperous future for the Korean peninsula.

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SEVEN YEARS OF "HUMANITARIAN" AID: A BALANCE AND A POSSIBLE WAY FORWARD

Giorgio Maragliano

This paper is divided into two parts and an annex. Part I takes stock of seven years of supposedly humanitarian aid extended by the international community to North Korea. Three main points are made. First, though large amounts of aid, mainly food, have been flowing in since 1995-96 very little is known for sure about the real extent of the famine that hit North Korea in the mid 90's, its end and the real needs of the ordinary population at present. Second, as a consequence of this lack of information, a number of assumptions widely and conveniently held by both donors and aid operators in North Korea lack verification and should therefore be questioned. Third and most importantly, very little of the aid given to North Korea can be genuinely called humanitarian; it has rather been structural/budgetary support, mainly in the form of "programme" food aid. Part II attempts to indicate a possible way forward. Structural/budgetary support should continue so as to avoid a sudden implosion of the country as this would result surely in a costly, and possibly also dangerous, crisis. However, while structural/budgetary support should continue, it should be negotiated directly by the donor countries as part and parcel of their diplomatic engagement policy towards DPRK. At the same time, genuine humanitarian aid should be augmented to strengthen low-level

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foreign relations at people level (rehabilitation micro-projects and personal contacts aimed at progressively opening up the "hermit kingdom"). An effective and cheap tool to do this is through resident NGOs. Donor countries should fund NGOs much more generously and should press DPRK authorities much more firmly to accept genuine humanitarian aid through an increased number of resident NGOs. The annexes analyse the various forms of aid extended by the European Commission to DPRK. It is presented as an embryonic model of the tactical changes advocated for the future aid policy of all other major donors - South Korea, USA and Japan.

I. Taking Stock of Seven Years of "Humanitarian" Aid

Massive aid, mostly food,[1] has been extended to DPRK over the last seven years, following its government appeal for food assistance in September 1995. Since then an increasing number of donors' representatives have been visiting the country. The resident community formed by the staff of the UN Organisations and a variety of other aid operators has also multiplied manifold, in spite of DPRK open reluctance. Nominal access to a growing number of sites outside the capital city has also been gained, albeit always under strict surveillance.

The paper's aim is to take a hard look at foreign aid provided to DPRK and its destitute population (section I) and to draw a chart for a possible better course of action for the future delivery of aid (section II).

1 The UN Office for the Coordination of Humanitarian Affairs (OCHA) has calculated that up to end 2001 foreign aid to North Korea (actual receipts) has amounted to some $ 1,520 million, not counting contributions to KEDO. Not all donations may have been accounted in full - e.g., those from China are only partially known. Food aid has roughly represented 88.5 per cent of this total.

The first point worth making is that all aid has gone under the label of humanitarian aid, though most of the food aid provided should be more appropriately considered as "programme"[2] food aid. As such the qualifying adjective "humanitarian," if not altogether a misnomer, at least calls for inverted commas to highlight the difference with genuine humanitarian aid. This implies *inter alia* unhindered direct access to the intended ultimate beneficiaries of the aid extended. On the contrary, to date freedom of access has remained restricted by DPRK authorities.

The considerations of a general nature hereinafter developed and listed as bullet points—somewhat at random and without any pretence of systematic analysis—serve to underline how little it is generally known to this day about the real situation of the country and of its ordinary citizens. As a matter of fact, by conscious and long-standing design of state, less reliable information has always been available about DPRK than perhaps any other country in the modern world. This situation, to a regrettably large extent, continues to be still the case after seven years of massive aid by the international community.

The "sobering" considerations that follow are also an attempt to see through some of the assumptions and conclusions that, though lacking factual verification, tend to be widely, conveniently and complacently held by donors, aid operators and public opinion at large.

• First things first. The starting point cannot be but the famine of the

2 Food aid is commonly classified as either "programme" or "project" food aid. The latter is made available by a donor to a recipient in the framework of a specific project which details the beneficiaries, the objectives, the modalities of distribution and so on (e.g., description and engagements of the project executing partner, rations, work norms, control measures, reporting requirements, etc.). Programme food aid is commonly understood to be food aid provided outside of a specific project and, in general, without strings attached. Programme food aid is a government-to-government affair, usually involving large tonnages often shipped in bulk (bulk food aid is actually a synonymous of programme food aid). Political considerations are usually at the root of "programme" food aid donations. "Project" food aid is much more likely to be genuinely humanitarian.

mid 90's.[3] There is no doubt that it has taken place and it is today's conventional wisdom that the worse is over, thanks most of all to massive foreign aid. However, how many people have died as a direct, or indirect, consequence of it? DPRK authorities, against evidence, to this day refuse to acknowledge that a famine has taken place and speak only about "serious food shortages" caused by natural disasters. Health Ministry sources have said officially in mid 2001, at a UNICEF Regional Conference in Beijing, that over a period of only six years, life expectancy has decreased by six years. This would mean 200-250,000 excess deaths, corresponding roughly to one per cent of the whole population. USA documents set the figure at around one million. Other reliable sources have spoken of up to three million (more than 12 per cent of the whole population). This very magnitude of the discrepancy illustrates how deceiving hard facts and figures - in short, reality-

3 Broad knowledge of the causes at the root of the famine, which led the government to ask for foreign aid, is here taken for granted. In extreme synthesis it could be recalled that: North Korea is not an agricultural country on account of is mountainous configuration and northern latitude; the historical pursuit of self-sufficiency also in food production, in line with *juche* philosophy, was a recipe for mid- and long-term disaster; short-term success in boosting rice production was achieved through an unsustainable and destructive policy of excessive application of chemical products (fertilizers and pesticides), deforestation and intensive utilisation of marginal hilly areas; DPRK economy, already in relative but steadily progressive decline since the late 60's, collapsed with the end of the subsidies provided by the soviet block and China; DPRK stubbornly refused to adjust in any way to the new situation of the world economy its non-viable economic system of national socialism (with strong overtones of quasi-religious nature); lastly, an abnormal string of serious natural calamities did hit North Korea in the mid 90's. The chronic and progressively growing food shortages then turned into a fully-fledged famine. However, the relative weight of the various elements in the chain of events that led to the famine, and its actual extent, remain a matter of considerable debate. To date the only firm point is that DPRK's position that denies the famine and relates "serious food shortages" exclusively to natural disasters is plainly not true. As such, donors should openly challenge it.

can be in North Korea.

- It is not known how many deaths can be actually attributed to the famine. However, it should not be ruled out lightly the thought that many, many more than DPRK authorities admit have been left to fend for themselves and have succumbed. It is known that certain strata of the population, mostly urban, have been protected. But only history, when it will be free to be researched and written, will say what happened to the ordinary[4] citizens, particularly in certain areas of the country (e.g., the whole North Eastern mountainous region which has always had a particularly serious structural food deficit and remained largely off limits to foreigners).

- It is often said that North Korea was hit by an "unusual" famine, of a type not seen before. As a matter of fact, observers have not seen any of the tragic scenes they have grown accustomed to see on the TV screens from Africa. But this argument proves nothing. In the 20th century there have been similar, man-made famines in Ukraine in the 1930s and in China in 1959-62. People have died by the millions and have not been seen. Actually, a good many western intellectuals and ordinary visitors to Ukraine and China have not seen what was happening under their very eyes. Lack of unequivocal data about the extent of the DPRK famine should be

4 According to the latest classification done in 1983-84, there were in DPRK three loyalty groups: the core class (*haeksim kyechung*), the wavering class (*tong'yo kyechiung*) and the hostile class (*joktae kyechung*). The twelve subgroups of the core class were then estimated to constitute some 28 per cent of the population. The wavering class (who can potentially be won over by political education) constituted 45 to 50 percent of the population and was further divided in eighteen groups. Members of the twenty-one subgroups of the hostile class, which constituted 20 to 25 percent of the population, led difficult lives; they had little opportunity for social or political advancement.

frankly admitted and blame put where it belongs: the regime's tight lid on information. Perhaps also the horror stories related by the escapees from North Korea (cannibalism, sale of children and the like) should not be dismissed lightly, as it is generally done.

- Surprise is often expressed at the solidity of the social structure in DPRK, with the regime apparently living unaffected through the famine. Again recent history can provide guidance. Famines have never caused the fall of tightly controlled regimes, as was the case of communism in USSR and China. Moreover, it can be argued that social control mechanisms in North Korea have permeated the society more than in any other country in modern history. Its political system is as close to totalitarianism as a human operated society can be. In spite of the dire straits into which the people have fallen, the fact that, on the surface, DPRK appears remarkably stable and resistant to change should therefore not constitute a surprise.

- Natural disasters have certainly played a role but it should not be forgotten that phenomena such as El Nino have affected the whole globe in the same period. If consequences have been so disastrous in North Korea, there are good reasons to argue that the roots of the disaster lie, essentially or at least to a great extent, in ill-conceived policies pushed too far for too long. De-forestation, poor terracing, improper use of marginal hilly lands come to mind and point to man-made causes. These are all part and parcel of a radical and economically destructive collectivisation of the agricultural system of a country that, in any case, is not an eminently agricultural one. The justification, after seven years, for foreign assistance, humanitarian and not, cannot be an abnormal string of natural disasters. North Korea is facing an "emergency structural crisis bringing an humanitarian crisis with it." Blind acceptance by donors of the emphasis coming from Pyongyang on an apparently endless series of natural disasters induces donors' fatigue and lessens the credibility of the "technical reports" originating there. Last but certainly not least, such attitude also hinders the advancement of a concrete dialogue between donors and North Korean counterparts about the crux of the matter: structural reforms. It can therefore be argued that, in the long run, such ostrich policy is not even in North Korea's interest.

- In today's mono-polar world, the role of the UN[5] system has been marginalized and its ability to deploy a neutral and genuinely independent function has been stymied. The main UN actor in North Korea is the World Food Programme (WFP), the food aid arm of the UN system. On one side, it can be said that WFP has deployed, and continues to deploy, a role of great importance as the primary and privileged channel of food aid (it has handled about half of the total tonnage and has been the largest provider of food items other than cereals).[6] And food aid has indeed saved

5 This is also evident in North Korea where UN Specialized Agencies would have an important technical role to deploy. Agriculture and health come first to mind but only local nationals have represented precisely the Specialised Agencies for these sectors in the country on a continuing basis. This remains the case for FAO. WHO has posted international staff on a permanent basis only in November 2001. The obvious consequence is a credibility gap.

6 Food aid statistics recorded by WFP report the following yearly quantities (all tonnages in MT / 000):

Year	Total	Of which MT	WFP %	Major direct bilateral donations of "programme" aid (government-to-government)
1995	544	7	1	Rice: Japan 150 (+237 loan) and RoK 150.
1996	505	64	13	Cereals: China 100 and Syria 140. Cuba 10 sugar. Japan 122 rice (loan).
1997	904	493	55	China 110 corn + 40 rice. Cuba 10 sugar. Red Cross 104 cereals + 7 wheat flour + 4 various. Romania 25 miscellaneous. Switzerland 12.5 corn.

innumerable lives; it is thanks to massive food aid from abroad that, as already mentioned, the famine can be considered over. Probably, also now some lives continue to be saved thanks to food aid. On the other side, several donors—in particular, the main one, the USA - have been, to date, reluctant to give food aid openly on a government-to-government basis, as "programme" food aid handed over to the DPRK government to replace the food imports that this cannot finance commercially. Under stringent political pressure, the WFP has lent, and continues to lend, itself to present as "project" food aid (i.e., food used in the framework of specific "projects," with specific, pre-agreed beneficiaries, objectives, rations, work norms, control mechanisms, etc.) what essentially constitutes "programme" food aid. Food aid channelled through WFP, though presented as "project" food aid, has been handled by North Korean authorities, more or less, at will to prop up their rationing system. The clauses and conditions that give shape to WFP "projects" remain, to a great extent, not enforced; they are underwritten by North Korean authorities but remain just words written on paper. It is, for all practical

1998	791	390	49	China: 126 corn, 9 rice, 17 wheat flour. EC: 37 corn, 51 rice, 10 various. Pakistan 30 rice. Red Cross: 44 corn, 13 rice, 6 wheat flour.
1999	1,000	672	67	Corn: 110 China, 40 EC, 10 RoK, 55 USA. Wheat: China 5
2000				Syria 42 Rice: 60 China.
2001	1,231	473	38	China: 197 corn, 53 rice, 31 Wheat flour. EC: 57 soya-fortified wheat, 3 sugar, 5 oil. RoK loan: 202 corn, 149 rice. USA: 50 corn, 5 rice.
2002	1,507	930	62	China: 301 corn, 75 rice, 44 wheat flour. Cuba 5 sugar. Germany 12 frozen meat. ROK loan 98 corn. Viet Nam 5 rice.
Total	6,482	3,029	47	

The above statistics also evidence that the supposedly "humanitarian" food aid has increased in recent years, when the peak of the famine crisis was over.

purposes, "programme" food aid in disguise; in other words, budgetary / structural support extended to the North Korean regime and as such used by this. Access and monitoring granted to WFP may have indeed progressed since 1996 but remain a far cry from what WFP would require anywhere else in the world to implement genuine "projects." WFP "monitors" are distrusted and led by the nose by the Koreans. The beneficiaries targeted under WFP projects (children, women, etc.) receive very little, if any, of the international food aid in addition to what they would otherwise have received from the rationing system. The other UN Specialised Agencies, as well as many bilateral donors, often appear to be inclined to similarly whitewash DPRK handling of foreign aid. This ambiguity particularly evident in the case of food aid channelled via WFP is often argued to be unavoidable, given the state of relations with North Korea. This was perhaps the case at the very beginning but the ambiguity has protracted for too long. With negative consequences: donors and the public opinion at large are not said all the truth about the real nature of aid given to North Korea and the actual utilisation thereof by the regime. There is in fact enough evidence to fear that the actual utilization of aid by North Korean authorities is well below the normally acceptable standards for genuine humanitarian aid on behalf of those most in need. Utilisation by North Korea of the massive aid, mainly food, all extended under the compassionate—but incorrect—denomination of "humanitarian" aid, has been purposely painted as much rosier than it would be justified by the actual situation on the ground. An important negative outcome of this situation is that the notion of genuine humanitarian aid, as different if not outright opposed to budgetary support, has become blurred in the North Korean context.

- As a corollary to the previous point, it should be pointed out that

genuine humanitarian work, particularly that of resident non-governmental-organisations (NGOs), remains severely restricted, or altogether forbidden, also in areas where other donor organisations are nominally allowed to "work." In particular, the UN list of so-called "open" counties (some 160-165 over a total of 211) is not automatically extended to resident NGOs. It can therefore be argued that the UN concept of "openness" is relative; it relates more to guided periodical visits than to the unrestricted access to the beneficiaries, which is required for genuine humanitarian work (people-to-people contact).

- The conventional wisdom, strongly propagated by North Korean authorities and uncritically accepted by many donors, is that urban population is more in need than the rural one. It would stand to reason that in the countryside there would be more access to food but history teaches us that in the man-made famines of Ukraine and China city dwellers hardly suffered whilst famine deaths were concentrated in the agricultural lands, often in the grains' most productive areas. Indeed the government cadres who can be met in the state farms or the farming cooperatives of North Korea do appear well fed; but what does this say about the real state of the ordinary countryside dwellers? Which portion of the agricultural crops is really left to those who actually produce them? Why do peasants look so much poorer? Why would ejection from the city be sentenced as an administrative measure of punishment if life in the city were truly harder? Once again reality in the North Korean context becomes shady.

- It has often been observed that all in-country aid Agencies, not only those of the UN system, "have been coy to challenge" the continuation of irrational policies by the North Korean regime. The most recent case in point can be considered the policy of rezoning[7] started in 2000. Nothing has been said about the nefarious consequences that this policy is likely to have, at least in the immediate future. This silence easily lends itself to be misinterpreted as silent consent.

- Reports on "reforms" in North Korea have often originated from the foreign aid community based in Pyongyang in the last two or three years. These reports have been prompted by a desire to raise the level of donors' response but were mostly based on mere wishful thinking. The truth of the matter is that a coherent national strategy to deal with the structural crisis of DPRK has not been worked out, let alone implemented, by the DPRK regime. *Et pour cause*—preservation of power is the paramount, if not unique, concern of the North Korean leadership. Propaganda is a poor substitute for good governance; therefore decline, though in slow motion, continues. The danger is that of an ultimate collapse. But this appears to be less unsettling to North Korean leadership than the vision of far-reaching systematic reforms.

Several relevant conclusions can be safely drawn from the above-listed considerations. First and foremost, after seven years of massive aid, mainly food, it must be conceded that the realities of the North Korean famine, and of its end, remain elusive. In line with the wise saying of classical Greece, it would be appropriate to conclude, "We only know that we do not know."

It follows that a number of assumptions widely and conveniently

7 Rezoning is the levelling of existing rice fields into much larger units. With the huge earth movement that this implies, an already precarious water control system is thus subverted for many years. The extensive mechanization that would be required for a rational exploitation of enlarged paddy fields is simply not available. The same can be said for the larger quantities of chemicals that would be needed. Rezoning is a purely politically motivated measure of further collectivisation with sure short-term production losses and dicey long-term gains.

held by donors, aid operators in North Korea and public opinion at large lack factual verification and should therefore be questioned. The aid community based in DPRK should only believe what they can freely observe and analyse not what they are shown and, even less, what they are told. Uncritical endorsement of North Korean aid requests may have the good intention of raising donors' response but does not conform with the basic guiding principle of genuine humanitarian aid - i.e., to target it exclusively on those more in need, no matter who they are and where they are, and to deliver it with impartiality, neutrality and detachment. The ranking of needs and the choice of beneficiaries done by North Korean authorities can hardly be trusted to conform to truly humanitarian principles.

While all aid extended to DPRK has gone under the label of humanitarian aid, the great majority of it has in reality been "programme" food aid. Hardly a synonymous of purely humanitarian aid; more correctly a budgetary / structural support to replace the commercial imports that DPRK was—and still is—not in a position to finance. The local government was—and still is—allowed to use food aid almost at will, even when supplied under the disguise of "project" food aid through the WFP. But this is precisely what major donors—which coincide with the front line countries, South Korea, USA and Japan—intended in the first place: to avoid a sudden collapse of North Korea with possible unfathomable dangerous consequences. This, however, has little to do genuine humanitarian aid even if, on account of internal politics constraints in the donor countries (in particular, in the USA), it had to be painted as such.

North Korea, and its regime, is there to prove that aid has worked; the feared, abrupt collapse has not taken place. At least up to now, and the worse of the crisis seems over. It can therefore be concluded that the paramount objective of the donors' policy has been reached. The DPRK regime has used food aid to extend the reach of its long-existing rationing system that it could no longer fund adequately. Food aid has

been integrated in and distributed through the Public Distribution System (PDS). Effectively to the extent that the famine can, by and large, be now considered over. PDS, however, has not worked without the typical preferential arrangements for Party and Military. Certainly food aid distributed by North Korean authorities through the PDS, even when disguised under the appearance of a WFP "project" can hardly be considered "humanitarian" aid in its proper strict sense. Only a very small portion of the overall aid extended to North Korea can thus be qualified as truly humanitarian, without inverted commas. Actually, North Korean authorities, with deliberate determination, have severely restricted truly humanitarian work, as it requires unrestricted access and multiplies people-to-people contacts in a framework of impartiality, neutrality and detachment. This situation continues to date and donors should do more to change it.

II. A Possible Way Forward for Foreign Aid

Three preliminary reflections may be of help to introduce the search for a possible better course of action for the future delivery of aid:

1. Current conditions in North Korea hold the potential for both engagement and confrontation.
2. Aid counts for relatively little[8] in the much larger game-board of

8 The importance of foreign aid, however, should not be underestimated. For the small economy of a poor country also aid in kind, such as food aid, can be of significant importance. A case in point can be that of Viet Nam in the early 80's. Assistance from the UN system, amounting to a mere $ 40 million per year, was the largest source of foreign aid ahead of that coming from Sweden (with the obvious exception of the unknown, but presumably very large, aid from the USSR, mostly military). UN assistance played an important role, in more than one way, in the passage from a rigid command economy to "market socialism." At least half of the UN aid was project food aid from WFP and Viet Nam, though it is an agricultural country, took full advantage of food aid, thanks to an excellent implementation of

relations with DPRK at the political, economic, and most of all, security level.

3. A certain degree of politicisation of foreign aid can be justified when the problem that created the need for aid is political. This is without doubt the case of North Korea.

Confrontation versus engagement. The train of thought that advocates a policy of confrontation with North Korea deems that the demise of DPRK is inevitable and that the cost of having to face the consequences will increase with time. Therefore all concerned countries should purposely seek "The End of North Korea" - to quote the title of a famous book. Legitimate as it is this position, it is not the one here proposed. The engagement approach is deemed preferable. Actually, it is firmly believed that there is no viable, or sensible, alternative to a policy that seeks to engage North Korea, separating aid and business issues from military and strictly political issues. Given North Korea's track record of on-again, off-again negotiations and broken promises, nobody can be sure that such a policy of engagement will work. It can also be endlessly debated whether it should be conditional or not, if "carrots" should be accompanied by "sticks," if the emphasis should be on the former or the latter and so on and on. It remains, however, certain that there are no alternatives: the "choice between the disastrous and the unpalatable"[9] is what has to be faced.

The South Korean Government under Kim Dae-jung has actively pursued such a policy of engagement, commonly known in English as "sunshine" policy, with mixed results that can be aptly summarized as "asymmetrical reciprocity." The paramount goal pursued by "sunshine" policy (or, for this matter, by any sort of engagement

the projects.

9 The words of an unlikely South Korean dove, General Park Chung-hee, former RoK dictator, could be appropriately recalled here. He is quoted as saying back in 1972: "As long as you can touch an opponent with at least one hand, you can tell whether he will attack."

policy) is to avoid - almost at any cost - a sudden implosion of North Korea as it could have devastating effects on the neighbouring economies, and it is feared that it could even lead to totally irrational, desperate and unpredictable acts of destruction. Indeed the conventional wisdom, shared by this paper, is that the implosion of North Korea would be too costly, and possibly too dangerous, an option. The second, in a way ancillary, objective of the "sunshine" policy is to encourage North Korea to reform, guiding it towards a so-called "soft landing." Here again the debate rages about the timeframe, the means to be employed and the ultimate goal of at least improved "governance."

The well being of North Koreans, as individuals in need to receive truly humanitarian aid, has had to take a back seat, well behind the two paramount objectives of the engagement policy towards DPRK (which are—*repetita juvant*—in order of importance: first to avoid the implosion of the country and second to encourage its leadership to progressively undertake systematic reforms).

As seen in section I, the massive food aid extended to North Korea since 1995-6 is part and parcel of government-to-government relations. More precisely, the flow of food aid commenced slowly in 1995-6, when the famine raged. It grew to massive proportions only later on, in parallel with the deployment of the "sunshine" policy, in a sort of reverse relationship with the severity of the needs. Government-to-government relations have seen a similar progress on the diplomatic front as from the beginning of year 2000 - also this development has been explicitly prompted by the "sunshine" policy.

Role of aid and politicization thereof. Regrettably, progress in government-to-government relations has not been matched with equal progress in people-to-people relations with negative reflections on the delivery of truly humanitarian aid. This situation is not of donors' choice. The reason, at least to date, lies with the North Korean regime

that continues to seriously limit the access to those strata of the population who are believed to be more in need as well as the daily work of all aid agents engaged in genuine humanitarian work. Foreign aid is thus held hostage—one could say—to the self-imposed policy of seclusion pursued by North Korea. Its ordinary citizens are prevented from coming into contact with foreigners, therefore preventing them from learning about the outside world. At the same time foreigners are prevented from learning about the real situation and needs of the local population. In short, as repeatedly highlighted in section I, the effective and efficient delivery of humanitarian aid, with its inherent prerogatives of impartiality, neutrality and detachment, has always been restricted, and continues to be restricted, by North Korean authorities.

In the absence of a magic wand to change, or at least to foresee, the future, the safest policy seems to stick to what has, more or less, worked so far. Aid has been an essential component of the engagement policy and the rationale for the provision of aid to North Korea remains valid, as long as an engagement policy continues to be pursued. Therefore aid should continue to be extended to North Korea, if engagement policy remains a strategic choice: in the form of both budgetary / structural support and humanitarian aid in strict sense. However, it is here argued, important tactical changes should be implemented in both components of the two-pronged approach into which foreign aid is delivered.

- Aid is needed to avoid an implosion of North Korea. Essentially food,[10] and a *modicum* of many other things, so as to allow North Korea to continue to "muddle through" until such time when—if ever—it will be ready to face the substantial changes needed by its economic system. This type of "bulk" aid is typical of government-to-government relations; this should also be the case for North Korea. All major donor countries should stop using the UN system as a proxy conduit for "bulk" aid. They should deal directly with North Korea, treating "bulk" food aid for what it really is: budgetary / structural support to be negotiated at a political level.[11] Donor countries should also be extremely careful not to cover more than survival needs. The fig leaf of "humanitarian" aid lent by WFP (and the UN system at large) to structural / budgetary aid should be dropped. As a matter of fact UN does not have any privileged access to North Korean leadership.[12] The front line countries, those that have a direct immediate interest in the situation of the Korean peninsula - South Korea, USA and Japan - should continue to foot the bill for structural / budgetary aid. However, without the UN filter, DPRK government should be made to feel the tough realities of conditionality inherent in deal making between partners that - it should not be forgotten - are not even equal: DPRK is on the requesting and receiving end, donor countries are on the giving end. At times, particularly in 2000 and 2001, these roles have appeared almost reversed.

- Truly humanitarian aid should be greatly increased. Primarily to help more of those North Koreans who are found to be most in

10 North Korea is not an agricultural country. Also under a different economic system it would have a structural food deficit that would have to be covered with imports. Food aid is required until such time as DPRK can fund the commercial imports needed to feed its population.

11 At the same time, a change in DPRK counterpart should be sought to underline the new direct relationship between the donor countries on one side and DPRK on the other, requesting and eventually receiving, side. The Flood Disaster and Rehabilitation Committee (FDRC) was created at UN request seven years ago as an *ad hoc* counterpart. After seven years from the occurrence of the flood disaster, it is high time that FDRC be dissolved. Contact with line ministries should become the norm.

12 Moreover it can be argued that the UN system has not pushed a genuine humanitarian agenda as forcefully as it could have. Over the years it has developed a sort of self-serving, bureaucratic agenda that tends to perpetuate its high-profile role that back in 1995-6 was only a choice of expediency on the part of the donors, USA *in primis*. This situation suits the North Korean leadership only too well.

need in accordance with objective criteria, independently verified. Secondly as an indirect, but efficient and cheap, means to progressively open up the "hermit kingdom." The famine helped to break down some of the rigid social order (e.g., black markets sprang up, multiplied and had to be institutionalized). If an increasing number of ordinary citizens receive directly foreign aid and thus get a glimpse of the outside world, the strategy of reforms from the bottom would receive a boost. In the absence of an up-to-date independent nutritional survey, in the absolute absence of any sort of income survey, and with severely limited access, not only the delivery of humanitarian aid has been restricted, aid operators have to date been forced to operate almost without compass. All this should change. Besides, humanitarian aid is, almost by definition, more cheaply delivered by NGOs. In some cases, NGOs also perform better. No effort should therefore be spared to increase the number of resident NGOs and to extend their operations in a concerted effort to gain access to those most in need, wherever they are. The real structure of North Korean society should not be forgotten and a continuous endeavour to reach the less protected strata of the population should be the guiding principle of external aid that wants to be genuinely humanitarian. All North Koreans are in need but surely there are those more in need than others are. Donors, and in particular those who provide most of the financing of the massive "bulk" aid, should actively prod DPRK government into accepting more resident NGOs.[13] At the same time, donor countries should also be prepared to fund resident NGOs much more generously than they have done thus far.[14] Donor countries should also firmly

13 In DPRK to date there are no resident NGOs from South Korea, USA and Japan. ROK NGOs are particularly restricted in their operations in DPRK. Too often their aid ends up where is needed the least - distributed to the privileged and relatively well off inhabitants of the capital.

encourage NGOs to move away from the mere distribution of goods and undertake more ambitious projects, preferably with a rehabilitation component.[15]

A link should thus be created between "high" foreign relations at government level (diplomacy and budgetary/structural aid) and "low" foreign relations at people level (personal contacts and micro-projects implemented through resident NGOs). At the same time, a more appropriate balance should be sought between the funding allocated to the two types of aid - i.e., structural/budgetary aid in "bulk" in the framework of direct government-to-government negotiations and humanitarian aid, without inverted commas, to be delivered through a greatly increased number of resident NGOs from all donors. If the former remains essential to avoid a sudden implosion of North Korea, the latter is a better investment for the future, an effective and cheap tool to pursue a "soft landing" strategy. It should be increased as much as possible. North Korean ordinary[16] people are in need of genuine humanitarian aid, at least as much as the regime needs structural/budgetary aid to prevent a sudden collapse.

No better proof can be given of the effectiveness of the policy here advocated than by the diverging attitudes of North Korean authorities at different levels. At the local level, usually lower, NGOs are welcome and the cooperation extended to them is generally good, sometimes very good and occasionally even warm. At the central higher level, in

14 But the right type of NGOs, it should be further specified. North Korea is not the right assignment for softies.

15 It goes without saying that also the UN system could, and should have a major role in the delivery of truly humanitarian aid but there should be no ambiguity left about its role and *modus operandi*.

16 Ordinary people are all those that do not belong to the "core" class. To this, mainly urban, class the regime tries to concentrate all local resources as well as foreign aid. The real situation of all those who are left outside of this protective safety net is not well known.

Pyongyang, the words of a Deputy Foreign Minister speak by themselves: "DPRK is not really interested in NGOs and has accepted them until now because of the wishes of the donor countries."

It can therefore be taken for granted that the *nomenklatura* in Pyongyang will try to resist the tactical changes that have been briefly outlined here above for the delivery of both components of foreign aid. The loss of the fig leaf that extends a pretended "humanitarian" coverage to structural/budgetary aid may be hard to swallow for the DPRK regime. Similarly the regime can be expected to be reluctant - to say the least - to allow the direct delivery of humanitarian aid to their population through an increased number of resident NGOs.

Donor countries, however, should not be overly concerned nor North Korea should be overvalued on account of its proverbial tactical ability at brinkmanship negotiation. DPRK government has grown accustomed to receiving massive doses of bulk aid, mostly food, with little or no strings attached. Precisely hundreds and hundreds of thousand of tons of food desperately needed constitute something of value that would be hard to lose in negotiations. Aid is one of the tools that foreign countries have to attempt to exercise pressure on DPRK. It is time to use the aid tool more effectively and more efficiently.[17]

Negotiating this change of tack for donor countries will not be different from any other negotiation with the DPRK government - invariably intense, protracted and unpleasant.

The year of 2002 has been a year full of events for the Korean peninsula. The broader scenario into which aid, with its relatively small weight, must fit has greatly evolved. It suffice here to recall: the inclusion of DPRK in the "axis of evil" by President Bush at the beginning of

17 A case in point is perhaps offered by the assistance provided by the European Union (EU) to DPRK. EU case upholding truly humanitarian aid is briefly presented in the following three Annexes. *Mutatis mutandis* it can serve as a model for other donor countries wishing to shift partially the focus of their assistance from pure budgetary support to truly humanitarian aid.

the year; the concrete reconciliation gestures long requested by South Korea suddenly conceded by DPRK; the resumption of dialogue between DPRK and Japan following the unexpectedly successful visit to Pyongyang of Prime Minister Koizumi in September; the likely resumption of direct negotiations between DPRK and USA.

Far-reaching economic reforms have been announced. As regards the specific issue of aid, it must be recorded that North Korean authorities have announced the termination of the food rationing system accompanied by a hefty increase in salaries. It is much too early to say whether the announced reforms will be really implemented and how. However, if food will be made available to North Koreans only for sale, this would indeed be a major systematic reform that would have an enormous impact also on foreign aid.

While it would be foolish to pretend that the tail wagged the dog, nonetheless it can be safely argued that the aid tool has carried its weight in prompting these long-awaited reforms. Besides, it can also be argued that the leverage of foreign aid will increase in the future. As a matter of fact, the reforms will unavoidably stimulate inflation as the increase of the monetary mass in circulation will not be matched by that of goods available. DPRK will therefore be in need of foreign aid and foreign supplies to prevent a steep climb of inflation.

The tactical changes advocated in this paper for the future delivery of aid - both as budgetary support and as truly humanitarian aid - remain valid.

Annex 1
European Union's Assistance to DPRK

Europe has mightily contributed to peace and stability in the Korean Peninsula through its actions in the fields of humanitarian assistance and food security its contributions to the KEDO project

and by beginning a political dialogue with Pyongyang. The essential motivation of the European Union's (EU) policy is to extend its wholehearted support to South Korean President Kim Dae-jung's "sunshine" policy.

The high point of this policy was the fielding, at the beginning of May 2001, of a high-level mission to Pyongyang, in an effort to kick-start the then stalled inter-Korean reconciliation process.[18]

Soon afterwards, the European Commission (EC), in consultation with the Member states of the EU, agreed to the establishment of diplomatic relations between the DPRK and the EC.[19] The EU does furthermore envisage expanding its assistance efforts in a measured way linked to North Korea's response to international concerns in regard to progress on inter-Korean reconciliation, non-proliferation issues, respect for human rights and economic structural reform in the DPRK.

As detailed in Annex 2 hereinafter, to end 2001 assistance from Europe through the various EC instruments has amounted to Euro 330.45 million, including 95 million for KEDO. These amounts do not include bilateral assistance provided directly by EU Member Countries and/or other European Organisations. Europe does thus belong to the small group of large donors, together with the USA, South Korea and Japan (and possibly also China). Assistance from Europe, already very generous in absolute terms, takes an altogether particular relevance if due consideration is given to the geographic distance and the absolute

18 The Prime Minister of Sweden, Mr. G. Persson, then holding the rotation presidency of the European Council, led the mission. He was accompanied by Mr. J. Solana, EU's foreign and security policy, High Representative, and by EC Commissioner C. Patten.

19 At present 13 of the 15 members of the European Union - all countries except France and Eire - have diplomatic relations with DPRK. Three of them - namely, Sweden, Germany and U.K. - have an Embassy in Pyongyang. At the end of 1999 only four had diplomatic relations with DPRK and only Sweden had an Embassy. Italy, in a clear sign of support to South Korea's engagement policy, established diplomatic relations with DPRK in January 2000. Since then eight other EU countries have done the same.

lack of military pressure on one hand or the dim inducement of commercial prospects on the other hand.

Emergency humanitarian assistance through European resident NGOs, and the IFRC, started in 1995. Since 1997, the EC has also been providing significant food aid, trying to reach the more vulnerable people in North Korea. Initially a food assistance programme, EC aid has increasingly become oriented towards agricultural rehabilitation and production with a view to a more sustainable approach towards increased food security. In this connection, it must be highlighted that since 1999 the EC stopped direct provisions of food aid, being dissatisfied with monitoring arrangements (some Euro 5.3 million were, however, allocated in 2000 through WFP). At the same time and for the same reason, the allocation of Euro 30 million in 1999 was reduced to 20 million in 2000 (10.3 million fertilisers, 8.2 million agricultural rehabilitation projects in sectors such as re-forestation, dykes rehabilitation, water and sanitation, supply of agricultural machinery, tree nurseries, etc., and 1.5 million technical support costs).

Acknowledging that emergency aid must be combined with long-term development assistance programmes, in 2001 the EC has fielded first a fact-finding and then a formulation mission to assess technical assistance (TA) needs and identify areas in which pilot projects could then be launched. A programme of Euro 2 to 3 million per year to meet the most pressing TA requirements is being finalised. The EC can thus be considered the most substantial provider of TA to North Korea.

The EC has consistently pushed forward the humanitarian aid agenda, especially in support of the work of the European resident NGOs, perhaps more forcefully than any other major donors, unconditioned as it is by other more immediate, pressing and important considerations of political, economy and, most of all, security nature. North Korea's desire to have better relations with European countries, as shown by the diplomatic offensive started in January 2000 with Italy, has opened a window of opportunity that the EC has exploited

fully, also to push forward the agenda of truly humanitarian aid.

The visit of the EU delegation in May 2001 has been the most recent occasion to convey to the highest possible level Europe's demands to bring genuine humanitarian work in DPRK progressively more in line with internationally acceptable standards (such as, professional appraisal of needs for programming purposes, improved access, more freedom of movement for monitoring purposes, cooperative work with the line ministries and better working conditions in general). In Annex 3 a copy is attached of the briefing note prepared by EC head office in Brussels for this high-level delegation. It is an explicit list of what remains to be achieved in order to be able to deliver genuine humanitarian aid to DPRK, mainly through resident European NGOs, so that these are put in a position to operate more effectively and efficiently in the country. The messages were delivered loud and clear in its entirety.

As a matter of fact, some progress promising albeit modest has been made. Two more European NGOs have been authorised to operate in North Korea during 2001 and a third one has joined in January 2002.[20] Besides, since year 2000, North Korean counterparts have accepted to sign a detailed Letter of Understanding (LoU) for each EC-funded project. In particular, through a so-called EC Clause, these LoUs are meant to stipulate the respective obligations for both the European NGOs and the North Korean counterparts in order to gain access to EC funding. All main points of contention with North Korean authorities are adequately covered therein - i.e., appraisal of real needs, unhindered direct access to beneficiaries, random monitoring visits and

20 The three new NGOs are Triangle (F), Handicap International (B) and Premiere Urgence (F). They join a group of four: CESVI (I), Children's Aid Direct (UK), Concern (IRL) and German Agro Action (GAA). It should not be forgotten, however, that between 1998 and January 2000 four major, world-famous NGOs had left, stating that they were prevented from carrying out their duties in accordance with basic, genuine humanitarian principles. They were: Medecins sans frontieres, Medecins du monde, OXFAM and ACF.

focus on the more vulnerable groups. The main task, however, still lies ahead to be accomplished. The principles formally agreed to by North Korean counterparts through the LoUs signed for each EC-funded project should also be respected in every aspect of the daily humanitarian work. Alas! North Koreans seem to ignore that agreements must be respected.[21]

The road undertaken since 1995 by EC to deliver truly humanitarian aid to DPRK has been and remains uphill. Though progress vis-à-vis the initial conditions in 1995-6 has undoubtedly taken place several setbacks have also occurred. Periods when cooperation was good and progress was made have alternated with others when DPRK attitude towards EC's humanitarian aid became obstructive. This seesaw pattern is not over and can be expected to continue in the future.

The approach spearheaded by the EC for the delivery of truly humanitarian aid to the North Korean population in need through resident European NGOs can serve as an example for other donor countries to follow suit.

Annex 2
EC INTERVENTIONS IN DPRK (million Euros)

EC ASSISTANCE INSTRUMENTS	1995	1996	1997	1998	1999	2000	2001	Total 1995-2001
Humanitarian Assistance Through ECHO	0.29	0.5	19.7	4.7	4.8	7.64	7.4	45.03
Food Aid & Food Security	–	–	57.9	55.2	30	5.3** 20**	20	188.4

21 The time old principle that "*pacta sunt servanda*" is not much respected in North Korea (quite justifiably Latin does not feature prominently in the North Korean scholastic curriculum but this does not appear to be the real root of the problem).

KEDO	–	15*	15	15	15	15	20	95
Technical Assistance Through REL.EX.	–	–	–	–	–	–	2	2
TOTAL	0.29	15.5	92.6	74.9	49.8	47.94	49.4	330.43

* 15 millions budgeted. 10 millions actually paid in 1997.

** Direct food aid discontinued since end 1999. In 2000, 20 millions provided as Food Security Programme and 5.3 millions as food aid through WFP.

Annex 3
Briefing notes prepared by the European Commission Head Office in Brussels for Mr. Chris Patten, EC Commissioner in charge of External relations.

1. Joint appraisal of needs for programming purposes so as to identify and possibly reach those more vulnerable and most in need, wherever they are. Currently programmes / projects are being prepared on the basis of the information provided by the Government without the possibility for NGOs to undertake an assessment of the real needs. Also evaluation of the programmes already implemented is problematic due to lack of freedom of movement and will on the part of Government. We should encourage a joint appraisal of needs as a way to encourage better interaction between the Government institutions and the NGOs. For example: for 2001 water sanitation is being considered one of the key sectors for intervention, but North Korean authorities do not even allow for water quality tests.

2. Access: it has improved considerably since 1995, but equally considerable constraints on movements remain. Deviation from agreed travel plans are usually rejected. Freedom to travel without prior permission and unscheduled visits to beneficiary locations remain a goal. Counties open to UN agencies remain closed to NGOs. We need to encourage better access for NGOs and, in particular, freedom of movement for programming purposes and random monitoring visits.

3. Encourage increased resident NGOs presence in the DPRK and permit larger numbers of international staff to work in the country: 10 NGOs operate at present in the DPRK (6 under EU activities). Two have been allowed to join last year, thus partially offsetting the departure of four major ones (MSF, MdM, Oxfam and ACF). More resident NGOs would provide a greater geographical coverage of the country and would address a wider range of sectors that is now possible (e.g., nutrition and health).

4. NGOs should gain access to technical line ministries and institutions and FDRC should really work as a facilitator, not as a stumbleblock.

HUNGARIAN LESSONS FOR NORTH KOREA'S ECONOMIC TRANSITION

Andras Hernadi

The paper below aims at introducing the example of Hungary, a country that has started its transitionary period much before 1989, to readers in Korea, North and South alike. Needless to say, policy makers in the North can draw more lessons from it, as it is to show how an economy under the system of central planning and then an organic part of the socialist world managed to move towards an open market economy by introducing its new economic mechanism (NEM). At the same time, specialists in South Korea, working on reunification, can get some information what can be expected to happen in the North on the way leading there. The author points out at the beginning that he does not believe in copying other countries' examples, but he thinks there are certain elements in various development paths which might be worth while considering. To put it in another way, it is no good to try to 'invent' something that has been tried by others already. As opposed to the cliches often referred to in technological development, i.e. latecomers have the advantage of copying or, to put it in a nicer way, making use of or incorporating the knowledge accumulated by others, in economic and social development this strategy or tactics might not be fully true. Here it is the early starters that enjoy the advan-

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tages even if they have to carry some extra burdens as well. In Hungary, to increase the low efficiency of the economy, the government ordered a change from above. The main goal was to replace the rigidity of centralized command and to delegate power, in fact the right and the courage to make decisions, to individual enterprises. The changes had to be done very slowly, carefully and diplomatically. To begin with, the paper summarizes the gist of these reforms, and then gives a detailed analysis of the changes which were introduced in the framework of the NEM. The decisions regarding the changes in the system had been preceded by research studies, detailed and comprehensive discussions regarding several aspects and phenomena of Hungarian economic development. These studies and discussions revealed some causes and deficiencies and raised a number of reasonable propositions for their elimination. Of all these efforts, some generally accepted conclusions have resulted, which are also given by the author. A special part of the paper deals with Janos Kornai's, the world famous Hungarian economist, general evaluation of the reform, and reviews extensively his statements regarding the non-state sector as written by him almost two decades later. In Kornai's view, the most spectacular trend of the Hungarian reform process was the growth of the private sector. The formal part of it employed mainly craftsmen, construction contractors, shopkeepers, and restaurant owners, who either worked alone or were assisted by their family members or a few hired employees. Kornai coined their activity the legalization of 'small capitalism.' In the next sub-chapter, the author gives his views on some of the most important dilemmas countries face on the road of transition. His answer to almost all of them is not an either-or type solution, rather a mixed one. This is not only to express his feelings that finding compromises, making decisions on a consensus basis are absolute musts in democratic politics (in the widest sense of the word), but also to reflect the experiences gathered so far by the countries which have already taken this path of development. The dilemmas he touches upon are

autarky vs. globalism, similar vs. different sizes in economic groupings, shock therapy vs. gradualism, reforms from above vs. from below, and the role of the market vs. that of the state. The author finishes his paper by calling the attention of readers to some problematic sides of liberalization. He point out that the experience of Hungary shows that a consensus-based 'censorship', combined with self restrain, would have been very beneficial. In this regard, just as in respect of choosing a more environment friendly development path, the country could and should have avoided repeating the mistakes of the countries which preceded it by decades in economic and social development.

Introduction

On hearing the news this summer that North Korea was experiencing with the introduction of market elements into its formerly rigid planned economy I was not surprised at all. As a matter of fact, I have long been preaching about my belief that North Korea will have to join the world community for a number of reasons. First of all, after the People's Republic of China opted for opening up at the end of the 1970s, and a decade later the former socialist countries of Eastern Europe have also made their revolutionary changes towards the market system, all those few countries that have stuck to their systems of command economy were facing extreme difficulties. On the other hand, the case of the DPRK is a special one as its reunification with the South, sought after by the people of the same nation yet living in strict separation from each other for about half a century, has been in the offing for quite a while. Finally, this reunification has got encouragement, no matter if in an ambivalent way, by the main political and economic role-players of the world (the United States, China, Japan

and Russia), and recently a number of West-European democracies have established diplomatic relations with the North.

As my country, Hungary, has gone through the huge, or even epochal changes North Korea is still facing nowadays, and happens to look back on good contacts with the DPRK, while it was the first among the former socialist countries to normalize its relations with the Republic of Korea, I thought some of the experiences of Hungary might offer some lessons and therefore be well worth considering for policymakers in the North, and for those in the South, who are working on the national unification of the two parts of Korea. The only reason that could have kept me back from rendering this service was that I did not want to appear as a self-appointed pettifogger. This last obstacle, however, has been removed by the kind invitation of KINU, who asked me to write this paper. I sincerely hope that I will be able to live up to their expectations.

Parallels between far-away countries: Are they valid?

Before anybody would object to my using Hungary as an example to North Korea on the basis that the two countries are far away from each other and they represent completely different societies and historical traditions, let me remark that I myself do not believe in all-purpose models for economic and social development either. Each and every country should and does have its own peculiarities and, for the same reasons, rigidities too. Yet, on the basis of historical experience, certain paths in development seem to repeat, and therefore, reinforce themselves.

On the other hand, interrelationships might also be established between surprisingly far-away regions. As an illustration, let me quote Professor *Akira Kudo*, University of Tokyo, who, in his study on the changes in the economic relations between Japan and Europe[1] suggested that "the collapse of the Japanese political regime of 1995 … may be seen as part of the chain reaction to the European upheaval." He went on to say that "… the Japanese economy has grown too large to be neglected in explaining the present socio-economic upheaval in Europe. On the contrary, Japan's economic power has been one of the important factors responsible for triggering the upheaval. In fact, European efforts to unify the European Community market by the end of 1992 might be said to have been undertaken primarily as a European response to the economic challenge posed by Japan. One might also say that the collapse of the socialist systems of the former Soviet Union and Eastern Europe was prompted, to a large extent, by the weakening of their economies under the overwhelming impact of the rapidly growing economies of East and Southeast Asia with their close links with Japan's economy and private firms."

The early starter's advantage

As opposed to the cliches often referred to in technological development, i.e. latecomers have the advantage of copying or, to put it in a nicer way, making use of or incorporating the knowledge accumulated by others, in economic and social development this strategy or tactics might not be fully true. On the one hand, there are certain international and domestic opportunities, most often historic ones, which must be seized whenever they arise. On the other hand, delayed action, a kind of wait-and-see attitude, might hold out the hopes of avoiding some mistakes, yet the loss of unexploited chances would often prove to be a mistake. Therefore, it must be one of the difficult tasks of political and economic leadership, or for that matter of opposition forces, to make

1 "A Partnership of Imbalance: Changes in the Japanese-European Relations," University of Tokyo, Institute of Social Science, *Occasional Papers in Capitalist Economies and International Relations*, No. 9, March 1995, pp. 1-2.

the right judgements and decisions when the time for change has come. Judging by the experience of Hungary, we could not have been as successful with the process of transition from the former system to the new one between 1989 and today, if we had not gone through a preparatory phase, which was started as early as in 1968, with the introduction of the new economic mechanism (NEM).[2]

Before getting the readers acquainted with details of this new system of economic management, let me illustrate why I think that Hungary might be considered an example for successful transition.[3] Hungary's GDP fell by approximately 20 per cent between 1989 and 1993, but ever since it grew incessantly, thus reaching its 1989 level after a decade, and showing a yearly 4 per cent growth rate on average in the last four years.[4] Inflation and unemployment were fought with good results: the top rate of the former was 32%, that of the latter was 12%, whereas both of them are at the level of 5% today. Our foreign debts stood at USD 32 billion at their highest, while they went down to USD 10 billion by now. Before our systemic changes, some two thirds of our foreign trade was with Comecon member countries, as opposed to an even higher proportion taken up today by the Western world. Needless to say, such a structural change in our trade could not have been accomplished without a basic restructuring of our domestic

2 The acronym 'NEM' as a word in Hungarian language means 'no,' so we might say that Hungary said no to the former system.

3 I fully share the views of my colleagues and friends who say that it is perhaps better to talk about transformation than transition. Two papers that use this argument are e.g. Eva Ehlich - Gabor Revesz: Transformation and catching up in Central European countries: Experiences and lessons. Budapest, March 2002, and Tsuneo Morita: Facts and lessons of ten years of system transformation in Central European countries. Nomura Research Institute, Budapest, March 2000. My own contribution to this debate on definitions is that one can only use the term 'transformation' on an *ex post* basis. Therefore, in view of the fact that we were to offer lessons for North Korea, it seemed more appropriate to use the *ex ante* term, i.e. 'transition.'

4 This achievement might not sound too successful to East Asian ears, but by European standard it is still remarkable.

production either. Otherwise, demand from the side of market economies in the West would not have been able to replace that from the former socialist countries. This structural change came basically as a result of the privatization and trade liberalization process that have taken place in Hungary right after 1989, introducing or—as we shall show hereunder—rather reinforcing the impacts of changes in technology, productivity and management. By today, roughly 80 per cent of our economy has been privatized, 70 per cent of our exports originate from companies with total or partial foreign ownership.

As I tried to point out at the outset of this sub-chapter, Hungary had an advantage in its transitory period by its lead time starting with the NEM in 1968. It is true, though, that some other East European countries, especially Poland and (then) Czechoslovakia, have also experimented concurrently with similar policies, yet, for different reasons, these policies did not bring the same results.[5] In Hungary, to increase the low efficiency of the economy, the government ordered a change from above. The main goal was to replace the rigidity of centralized command and to delegate power, in fact the right and the courage to make decisions, to individual enterprises. The changes had to be done very slowly, carefully and diplomatically.

If one has to summarize the gist of these reforms the following points come to mind:

- A shift from quantitative plans, most often based on physical terms, to financial regulations. The introduction of market-related prices, rents, taxes and tariffs. Decisions were delegated from ministries to big companies. Bureaucratic command from central planning authorities was stopped.
- The introduction of a three-tier price system, with fixed, limited and

5 Poland took the road of combining an increased level of reliance on foreign loans with central command, while Czechoslovakia's impatience to wait for political changes has brought not only Russian tanks but Soviet-type economic planning back.

free prices. The sphere of free prices was to be expanded in order to establish a partially free market. Government subsidies were to be cut back.

- As opposed to earlier accounting tricks used by companies in order to show their being productive and 'profitable', it was real profits that came to the fore as main indicators. After-tax profits were divided into two parts. One part was kept by the company for investment and development, while the other was given to the employees as a bonus.
- Companies were given greater freedom to decide on their own investments, credits, or hiring and firing policies. Efficiency and profitability started to play an important role throughout the economy. The setting up of small-scale private businesses were accepted.
- The former central system of resource allocation was dissolved. Companies were to negotiate with each other on the basis of demand and supply, thus using real market prices. Some companies and more particularly certain deals, however, were exempted from this general rule, in order to secure 'national interests.'

The reforms of 1968 - A more detailed analysis[6]

When elaborating the new system, Hungary was led by the endeavor to increase the efficiency of planning and other economic activities, with a view to accelerating the rate of development. The decisions regarding the changes in the system had been preceded by research studies, detailed and comprehensive discussions regarding several, not quite satisfactory, aspects and phenomena of Hungarian economic development. These studies and discussions revealed some causes and deficiencies and raised a number of reasonable propositions for their elimination. Of all these efforts, some generally accepted

6 This sub-chapter is basically a review of the first sub-chapter of "Principal features of the new system of planning, economic control and management in Hungary" by academician Istvan Friss, from the book, also edited by him: *Reform of the Economic Mechanism in Hungary*, Akademiai Kiado, Budapest, 1971.

conclusions have resulted, which have created the basis for the decisions that were taken afterwards. The most important ones may be summarized as follows.

1. In the former system of planning and control the industrial, commercial and other enterprises were obliged to observe a number of so-called plan indicators, each setting a target to be attained or a limit to be observed. These indicators were derived from the national economic plan but were mostly related only indirectly to that plan. They limited the scope of decision of enterprise leaders,[7] restricted their chances of, and their inclination to, initiating any changes, just as their ambitions and sense of responsibility. These indicators could not and, in fact, did not reckon with the local endowments and requirements of the enterprises and, therefore, did not help and often even hindered the choice of the most favorable, economically most efficient solutions, i.e. the most rational utilization of the available resources.
2. The national economic plan, which has been the number one priority in the former system, played the role of providing for the main proportions that would permit the most favorable development. The new system of economic control and management, in turn, had to ensure, first, the realization of these proportions; second, the complete freedom and responsibility of decisions—in a framework of legal rules—on the part of competent leaders, who were not sufficiently aware of the local possibilities and conditions; third, that a market controlled mainly, though not exclusively, by means of economic regulators and a system of incentives acting on individuals should correctly orient those leaders about the genuine needs of society as a whole.
3. The national economic plan was also meant to establish the main

7 Mind the words: not company managers! — A. H.

objectives of the national economy in such a way that it could ensure the most favorable material and cultural development of society, and to determine the allocation of resources available for their realization. In the new system of national economic control this function of the plan was combined with the function of the socialist market.[8] This combination made it possible to obtain a truer picture about the partial processes going on in the economy, about the perpetually changing needs of society and, especially, of the individual consumers, than we were able to obtain in the past. This market was not simply the theatre of an unlimited assertion of spontaneous processes; it was affected by economic and administrative regulators serving to realize the major objectives laid down in the national economic plan. A more extensive reliance on the market within the system of economic control did not contradict the basic principle of central planning and control; on the contrary, it enhanced the efficiency of the latter.

4. The adequate operation of such a market mechanism presupposed, among others, the creation of a price system where the relative prices of products and services were roughly proportionate to the amounts of socially necessary labor embodied in them.[9] At the same time, however, prices had to adapt themselves to the domestic and international market situations much more elastically than they did in the past. In other words, prices had not only to influence the market situation, but also to reflect—at least to a limited extent—the conditions prevailing on the market, the relation of supply and demand and, in the last resort, the requirements of society. This

8 For readers in the West the term 'socialist market' might sound controversial, but keep in mind the political and ideological struggles reformers had to face at the time of introducing NEM. — A. H.

9 One can only wonder whether the changes in prices and wages in North Korea as of July 1, 2002, complied with these requirements. — A. H. See e.g. *The Economist*, July 27, 2002, p. 12 and pp. 24-25.

market could orient the economic actors only if producers and sellers did not have monopolistic positions or if they could not use such positions for eliminating the regulatory function that had to be exerted by the needs of society.

5. Another important precondition of creating such a market was the elaboration of a system of partly economic, partly administrative regulators (with the preponderance of the former), that would channel the activity of all economic units towards such directions of development and such proportions in the allocation of resources as were favorable for the implementation of the national economic plan. This system of regulators had to orient economic units in any new situation on what they had to do in conformity with what society expected from them. The national economic plan, the economic regulators, the central measures and legal rules issued by the state, the ways of utilization of centralized financial means as prescribed by the state: all these together brought about the economic environment in which enterprises were bound to operate. Contrary to the former situation where it was, in the main, by the plan indicators that enterprises had been informed on what they had to do, in the new system the enterprises were no longer given any numerically determined plan targets, tasks or indicators whatever. To this, exceptions occurred only in cases where utmost necessity justified them.
6. The new system also aimed at utilizing personal incentives basically in the service of meeting the needs of society by relying mainly on the interests associated with enterprise profits. By this it was meant that the leaders and the whole collective of each enterprise was made interested in attaining the highest possible profits. Domestic and international competition was to prevent the producers and sellers to exploit monopolistic positions on the market, so that they would not be able to raise prices and attain higher profits in this way. They had then to attempt to reduce their costs, improve the

quality of products, develop new processes of manufacturing and new kinds of manufactures, improve their organization and their product pattern, etc.[10]

Kornai looks back

Janos Kornai, the world famous Hungarian economist, in an article published at the end of 1986,[11] has summarized his views on the Hungarian reform process almost two decades after NEM has been introduced. Apart from his general evaluation to be cited word by word hereunder, I would like to review extensively his statements regarding the non-state sector, as this sphere of the economy has been vaguely covered in the previous sub-chapter of my paper.

In Kornai's view, notwithstanding its results, "the reform went only halfway. Hungarian state-owned firms do not operate within the framework of market socialism. The reformed system is a specific combination of bureaucratic and market coordination. The same can be said, of course, about every contemporary economy. There is no capitalist economy where the market functions in the complete absence of bureaucratic intervention. The real issue is the relative strength of the components in the mixture. Although we have no exact measures and, therefore, our formulation is vague, we venture the following proposition. The frequency and intensity of bureaucratic intervention into market processes have certain critical values. Once these critical values are exceeded, the market becomes emasculated and dominated by bureaucratic regulation. That is exactly the case in the Hungarian state-owned sector.[12] The market is not dead. It does some coordinating work, but its influence is weak. The firm's manager watches the customer and the supplier with one eye and his superiors in the bureaucracy with the other eye. Practice teaches him that it is more important to keep the second eye wide open: managerial career, the firm's life and death, taxes, subsidies and credit, prices and wages, all financial 'regulators' affecting the firm's prosperity, depend more on the higher authorities than on market performance."[13]

Kornai considered agriculture as the sector where the reform has been the most successful. While "before the reform, agricultural cooperatives were prohibited from engaging in any but agricultural activities, in the reform process, nonagricultural activities have developed. The cooperatives have engaged in food processing, in the production of parts for state-owned industry, in light industry, in construction, in trade, and in the restaurant business. The share of nonagricultural production in the total output of agricultural cooperatives was 34% in 1984. In this way profits have increased and seasonal troughs of employment could be bridged more easily."[14]

The most spectacular changes he noticed on the private household farms of cooperative members, where a large fraction of meat, dairy and other animal products, fruits and vegetables were produced. With few exceptions, there was no legal restriction on selling output, and prices were determined by supply and demand on the free market for

10 Needless to say, similar views prevailed regarding all areas of production and services as well. — A. H.

11 "The Hungarian reform process: Visions, hopes, and reality," *Journal of Economic Literature*, Vol. 24, (December 1986), pp. 1687-1737.

12 Portes made the same general point much earlier, writing that "there is a threshold beyond which decentralization must go to take firm roots." He was, however, rather confident that Hungarian "strategy and tactics has brought the reform across this border." These views were shared by many outside observers. The opinion expressed in the present paper is different: the Hungarian reform did not cross the critical threshold that separates a genuine market economy (associated with a certain degree of bureaucratic intervention) from an economy basically controlled by the bureaucracy (with certain elements of market coordination). See: R. Portes: "The tactics and strategy of economic decentralization," *Soviet Studies*, Vol. 23, No. 4, April 1972, p. 657.

13 See Kornai, *ibid*, pp. 1699-1700.

14 *Ibid*, p. 1702.

foodstuffs; hence the peasants had a strong impetus to work hard and produce more. "In the old system the cooperative was hostile; private household farming was regarded as a 'bourgeois remnant' that should be replaced soon by collective forms of production. Now private household farming is declared a permanent component of agriculture under socialism. Cooperatives render assistance in different ways: they provide seeds, help with transport, lend machinery, give expert advice, and assist in marketing. A remarkable division of tasks has evolved in which the cooperatives concentrate more on grain and fodder, which can be produced more efficiently by large-scale operations, while private household farms focus on labor-intensive products where small-scale operations succeed better."[15]

In Kornai's view, the most spectacular trend of the Hungarian reform process was the growth of the private sector. The formal part of it employed mainly craftsmen, construction contractors, shopkeepers, and restaurant owners, who either worked alone or were assisted by their family members or a few hired employees. Kornai coined their activity the legalization of 'small capitalism'. He also gave account of a new form that "has appeared recently: the so-called business work partnership, a small-scale enterprise based on private ownership by the participants. It is a blend of small cooperative and a small owner-operated capitalistic firm."[16]

At the end of his analysis about the various forms of economic activities, Kornai points out that it was a characteristic feature of the Hungarian reform that it experimented with different mixed forms as well, thus combining state ownership with private activity or private ownership. He also gives a short description of three of them as follows:

Firms in mixed ownership. A few dozen firms are owned jointly by the Hungarian state and foreign private business. A sharing of ownership by the Hungarian state and Hungarian private business does not exist.

15 *Ibid*, p. 1702.

16 *Ibid*, p. 1705.

Leasing. This form is widely applied in trade and in the restaurant sector. Fixed capital remains in state ownership, but the business is run by a private individual who pays a rent fixed by a contract and also taxes. He keeps the profit or covers the deficit at his own risk. The lessee is selected by auction; the person offering the highest rent gets the contract.

Enterprise business work partnership. In contrast to business work partnership [mentioned above — A. H.], which is a form clearly belonging to the formal private sector. Here we look at a group of people who are employed by a state-owned firm. They do some extra work under special contract for extra payment, but in some sense within the framework of the employer state-owned firm. In many cases the team is commissioned by its own firm. Or it gets the task from outside, but with the consent of the employer. In many instances the members are allowed to use the equipment of the firm. Such a partnership can be established only with the permission of the managers of the firm; each member needs a permit from his superiors to join the team.

The dilemmas of transition

In the following, I would like to share my views on some of the most important dilemmas countries face on the road of transition. As readers will see, my answer to almost all of them is not an either—or type solution, rather a mixed one. This is not only to express my feelings that finding compromises, making decisions on a consensus basis are absolute musts in politics (in the widest sense of the word), but also to reflect the experiences gathered so far by the countries who have already taken this path of development.

The biggest dilemma of all is, of course, whether a country should exist in total or partial *autarky, or join other countries—preferably the global community*. Strict insulation in today's world seems anachronistic by now, when globalization or, if you will, internationalization is unstoppable. Countries which some decades ago thought that they could do very well by joining some neighboring states to cooperate with (e.g. members of CMEA [Comecon] or ASEAN) soon had to note that they tried to accomplish a mission impossible. It was like joining a club of pensioners, or the blind leading the eyeless since, instead of giving a push to each other, they seemed to conserve their level of backwardness. This was, of course, not the case in absolute terms, but relative to other actors of the world economy, as such types of groupings have developed a distorted value system, in which they compared themselves to each other instead of measurements accepted worldwide.[17] It was only later that they noticed their mistakes, therefore ASEAN-members started to follow export-oriented policies, and CMEA-members introduced some economic reforms, of which the Hungarian one has been reviewed at great length above.

Another element worth commenting is *whether member states in such groupings should be of similar 'size'* (meaning a 'weighted average' of territory, population, national wealth, economic and political strength etc.) as was roughly the case for ASEAN, or is it acceptable or even preferable if one of them wants and can play the role of the leader. Our experience was that the overwhelming weight of the then Soviet Union proved to be counter-productive, leading to distortions like the ones cited above, not to mention the missing element of independence and, for the same reason, equal rights. We had to learn that in our own interest we would rather need partners than 'brotherly' or 'friendly' nations. Therefore, Hungary joined GATT in 1973, the IMF and the

17 This policy has found also expression in that they were using physical terms, like weight, volume, length etc. versus values in their plans. To make things even worse, this practice resulted in an attitude that quality did not matter much.

World Bank in 1982, the OECD in 1995, Partnership for Peace and then NATO proper in 1994 and 1999 respectively. We have initiated the dissolution of the Warsaw Pact and Comecon, both of which were declared in 1991, and in the same year we signed the Treaty of Association with the European Community. Our associated membership started in 1994 and, if everything goes well, we might become full members of the EU in 2004.

Regarding the transition from the former centrally planned to the free market system, one of the questions most often asked is whether a so-called *shock therapy or a gradual approach* should be pursued. As ever when the life of millions of people are influenced, gradual solutions seem to be wiser. Even if no complete consensus making is ever possible when dealing with masses of people, democratic ways (public debates, opinion polls, referenda etc.) are the best to follow. Sometimes the policy of making statements, getting information to the public by use of the media can be applied as if to prepare the people for the changes to come. Nevertheless, some measures must be taken quite an unexpected way, otherwise they would lose from their efficiency, if not turn to be useless at all. (A good example might be the announcement of the devaluation or appreciation of the national currency.) Using of 'feelers,' having consultations with experts from both government and opposition parties, with the inclusion of NGOs, is also very advisable prior to taking decisions. When time allows, even feasibility studies are well worth being made, as opposed to the practice of trial and error.

An interrelated issue is whether *reforms should come from above or from below*. With the introduction and extension of market elements, more and more initiatives are put into force from below, yet the interaction process must end with an approval from above. Much depends, however, on the sphere the reforms under discussion relate to. Macroeconomic measures of stabilization, issues directly influencing monetary or fiscal policy cannot be introduced from below. Microeconomic

restructuring at the level of companies, however, do not need authorization from above. Similarly, basic attitudes towards privatization or the role of foreign direct investments, for example, should be worked out from the top, yet concrete decisions on any given deals should definitely be delegated to local levels.

One of the most important dilemmas is the one between the *role of the market and that of the state*. (Here we shall handle it together with the dichotomy of *liberalization vs. protectionism*, even if it is not identical with but very similar to it.) I do believe that this dilemma is typical not only in the case of the countries in transition, but in almost every economy. Actually, even Hong Kong and Singapore have been facing it, which have long been considered extremely open economies. In my view, what is under discussion here is a matter of proportions. In this respect it is nothing new, as all free market economies of the world, small or big, had to rely on the application of such a policy mix. In the case of Hungary, the role of the market had perhaps been overemphasized following the systemic change. Products of daily use seemed to have disappeared from the shelves in the shops, reflecting a robust participation of foreign capital in the privatization process, often leading to a complete stoppage of their local production, and a 'replacement' of them by imports. Another widely applied scheme was that the 'new' products were identical with the old ones, only their labeling and packaging were changed. Needless to say, their prices did not remain the same… Apart from the mistake of not following the policy of selected and temporary protection of domestic industries (often called infant industries in the developing world), due social tensions were not considered either. People had to get acquainted with inflation and unemployment unknown to them before.

Finally, there is another aspect I would like to raise here, namely the matter of cultural and moral principles. In my view, a free market or liberalization *per se* should never mean total freedom. Hungary's experience has shown that pornography, junk food and junk culture,

the use of drugs, (organized) crime gained ground, and, in general, an unnecessarily overheated over-politicization started to characterize the media. A consensus-based 'censorship,' combined with self restrain, would have been very beneficial. In this regard, just as in respect of choosing a more environment friendly development path, we could and should have avoided repeating the mistakes of the countries which preceded us by decades in economic and social development.[18]

18 Mine is, of course, a minority view, the majority of the people would rather say that we had to pay the 'prices of democracy.'

RECONCILIATION OR NORMALIZATION IN KOREA

Hans Maretzki

As a divided country with an indispensable right to unification, Korea exists in status quo of two states, originating from the split into two intransigent and irreconcilable systems. Axiomatically, national joining with systemic oneness is not possible, excluding a hybrid of two orders in one national country. Until one of the two systems disappears, both states should arrange with each other for good neighborly relations in the interest of peace, cooperation and a future democratic unification. That demands for the time being a rational modus vivendi of coexistence between the two states, with mutual recognition of their sovereign equality, independence and integrity. Of great importance is a decision to solve all Korean problems between the two Korean sides themselves, based on a feasible new Basic Accord; a pragmatic peace agreement; understandings on armaments reduction and enhanced mutual security; and expanding intergovernmental and economic cooperation. The sunshine policy failed to put due emphasis on the major necessity: an interstate normalization between the Koreas as a basis for a stable juridical framework for all forms of mutually beneficial exchanges, leaving aside the unsolvable contest for regime legitimacy.

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A foreign observer cannot but discover some peculiarities in inter-Korean relations. That raises the question of why the two Koreas pursue reciprocally unique approaches. I would like to propose four possible explanations.

Beginning at the end. The two Korean states of same nation personify two incompatible worlds. It goes without saying that the political and socioeconomic systems, the social orders, and the ideological values are absolutely intransigent and unacceptable to each other, notwithstanding the proclaimed and agreed policy of mutual reconciliation between the two Koreas, which has the gist of political harmonization (in the words of Seoul experts, "principles of fraternity" or "compatriotic love") instead of a rational normalization and rapprochement. Nobody has defined what reconciliation means, but in the case of two contesting system states it is not realistic policy. Political reconciliation requires an equal systemic basis, similar creeds, high mutual trust, and extended compromises, and is an indispensable part of normal relations.

In the same vein, the two Koreas should seek normal interstate relations including beneficial cooperation, not reconciliation or fraternization and not a particular mutual trust. What both Korea first need is a regular interstate status to overcome their mutual distrust by non-recognition as full-fledged states. Without interstate normality there is no contractual juridical framework for their exchanges, adjusted to the rules of international law. Negating each other's sovereignty and juridical (not moral) legitimacy restricts the chances to act as equal states, and to agree on treaties that reconcile their different interests. The described relationship does not work if communist or anticommunist stereotypes are applied.

It is debatable why three ROK presidents favored reconciliation with the DPRK instead of searching first for rationalized and consequential normality and rapprochement. North Korea was always calling for reconciliation too, but this position was unbelievable given its

Juche philosophy and its intention to gain through revolutionary subversion. Ideological fundamentalists follow the conviction that those not with them are against them. Principally it could be said that reconciliation is of highest value, and supposedly what politicians really stand for. In national unification, we would get an enormous actual reconciliation after the joining of the parts. Then with former Cold Warriors from both sides living under one national roof, the question would be how the democratic winners would deal with the losers from the opposing side.

Kim Dae Jung occasionally has stated that his policy aimed at a win-win fusion. All well-meaning conceptions for an amalgam that upholds essential elements of two inimical systems under one roof have no chance of success. All contests between capitalism and socialism end with a winner and a loser. United countries offer a win for all solely through the restoration of the nation's fatherland.

Refusing mutual recognition. Putting ideological creeds aside, both the ROK and the DPRK are regular states in the international community; both are UN members and subjects of international law. Each side maintains parallel diplomatic relations with most states (except for the DPRK's non-recognition by the USA and Japan). In contrast, the two Koreas do not recognize each other, treat the other side as a provisional administrative entity, and deny each other's normality. Both sides until now did everything to continue that anomaly under the pretext of their common belonging to one nation, but in fact that position is detrimental to better intra-national understanding, to say nothing about detente on the peninsula.

Despite many assertions to the contrary, under Kim Dae Jung's presidency inter-Korean relations have at no time had a normalized quality. The particular situation of mutual non-recognition and the negation of the other's sovereignty undermine cooperation on a legally binding basis. The absence of normalized[1] interstate relations with a respective juridical fundament, stipulated in a basic state treaty,

weakens the binding character of intergovernmental understandings and contracts and favors trends of non-compliance. The DPRK's simple disregard for the Joint Declaration of the Denuclearization of the Korean Peninsula from February 1992 serves as an example. Moreover, declarations are not the same as an interstate treaty.

Marginally stated rapprochement does not function as long as both Koreas continue to stick to their "sole representation demand." The constitutional documents of each side contain the claim to be the only legitimate state in Korea. The DPRK constitution states in article 1: "The Democratic People's Republic of Korea is an independent socialist state representing the interests of all the Korean people."[2] A similar view related to liberalism is contained in article 4 in the constitution of the Republic of Korea. Both sides have produced numerous documents counting all Koreans as their citizens and considering the other side as lacking sovereign qualities. There are also numerous contradictions with all inter-Korean declarations in the agreements of both Koreas with third parties.

The non-recognition between the DPRK and the ROK and the anomalies in the US-DPRK relations create existential misgivings in Pyongyang. The renewed strife over nuclear weapons since October 2002 (not unlike that of 1993) caused the DPRK to publish an official memo[3] addressed to the USA and featuring the usual exaggerated militant wording. It claims that the DPRK needs to possess any type of weapons, nuclear ones included, "so as to defend its sovereignty and right to existence," adding that the DPRK "values sovereignty more than life." Here the point is not to assess the DPRK's military position, but North Korea is not directly faced with the USA, but with South

1 "Normalized" refers to the particular inter-Korean relations; normal would be adequate to interstate relations between different nation-states.

2 *A Handbook on North Korea*, Seoul 1998, p. 167.

3 "Conclusion of non-aggression treaty between DPRK and US called for," *KCNA*, October 25, 2002, www.kcna.co.jp/contents/25.htm.

Korea backed by the US. And the political crux in the quoted argument shows that the DPRK is stuck in a corner with little elbowroom. Exchanges of threats and demands in matters of arms control will scarcely solve the dispute. Also seen from that angle, it would be more helpful to get the two Koreas into a state of mutually recognized sovereignty, amended by diplomatic relations between the US and the DPRK, in that way creating the stage for reasonable understandings helpful to implement the de-nuclearization of the peninsula and to enhance the mutual security between the South (joined by the USA and Japan) and the North.

Korean problems are better solved by the Koreans themselves. Both Koreas claim to be, and are, sovereign states, but tend to transfer the solution of inter-Korean issues to outside powers. The inter-Korean agreements from 1972 and 1992 contain many unilateral declarations pledging to solve Korean problems by the Koreans themselves. However, neither country ever went seriously ahead with that principle (the summit gave no proof), nor took the other earnestly at its word. The phases of bilateral talks on detailed issues are not taken seriously.[4] Solving the essence of the problems on the peninsula between the Koreans would be the only efficient way to progress. Normalized relations with the ROK could have saved the DPRK many differences that they have with the USA. There is no impediment to the South and North signing a bilateral peace agreement that the United States and China could guarantee. North Korea addresses the US on security issues, and the issue of arms control occupies relations between Washington and Pyongyang,[5] regardless of the fact that all KPA weapons endanger

4 The 8th inter-Korean ministerial talks in October 20/22 happened some days after North Korea's uranium enrichment project became known. The ROK side demanded the DPRK to stick to the 1994 US-DPRK framework but met with reluctance. The news did not mention as an object of the dispute the noncompliance of the North with the inter-Korean "Joint Declaration on the Denuclearization of the Korean Peninsula" on February 17, 1992.

5 Since the uranium enrichment project in North Korea became known, American

South Korea and no one else seriously. Kim Dae Jung asked the EU states to establish diplomatic relations with the DPRK but got no benefit of improved inter-Korean relations. All detours not only brought no benefits, they eroded Pyongyang's disposition to look toward Seoul as the key to solving their problems. Pyongyang should also be guided by more rational diplomatic calculations. The North's preference to make the Korean rapprochement a hostage of its differences with the US will never lead to satisfying solutions.

A widespread opinion claims that the US is not interested in giving Seoul a free hand for bilateral Korean solutions for the essential problems on the peninsula. No one among the leading ROK politicians for more than a decade has tried to couple two things: using the unshakable Washington-Seoul alliance to convince the US of the advantages of supporting a firm bilateralism; and approaching the DPRK with proposals for normalization, military detente and management coexistence supported by the US and the whole West. Initially all participating actors would hesitate, but the obstacles are in no way insurmountable. Thorough analyzes would demonstrate the clear benefits.

Reality displacements in the content of inter-Korean agreements. The most outstanding example of this phenomenon is the third of the three principles on Korean reunification from 1972, sworn to again in 1992 and 2000, which says that "a great racial unity as one people shall be sought first, transcending differences in ideas, ideologies, and systems."[6] This statement severs the issue of the national split from the existence of two irreconcilable socioeconomic systems. Following the illusion of reconciliation, the Basic Treaty 1992 proclaimed an end to the propaganda race; i.e. the rivalry with invective and disputes from contrasting positions. Contests from intransigent ideologies are not

authors have written a vast amount of articles dealing with the problem as if it were a bilateral one between the US and the DPRK and referred to the ROK under aspects of supporting the US positions.

6 "The July 4, 1972 South-North Joint Communique," www.unikorea.go.kr/m31.htm.

really going to calm down and the systemic conflict is not going to be appeased or annulled. All communications—via information media, social-cultural exchanges, family contacts and tourism—demonstrate conflicting perceptions. Notwithstanding that, conflicting states are able to cooperate peacefully in the realm of factual interests and juridical fixed contracts.

The methodology for arranging interstate crisis management is dialogue and juridical agreements. There is one *sine qua non* for the negotiators: to exclude all systemic strife and all emotional differences. It sounds like a matter of course, but many inter-Korean negotiations run aground on Jucheist ideological reservations and reciprocal traditional liabilities. Therefore much realism and empathy is needed.[7] The non-adaptability in basic interests demands that a clear interdependence be established for the limited scope of complementary interests through basic regulations, that serve as the principal statutes for detailed bargains on a wide range of intergovernmental relations.

The basic condition of unification

Many peculiarities in inter-Korean relations result from the disjunction of a nation that incontestably belongs together. The Koreans believe that their incomparable strong patriotic feelings and national cohesion convey a strong right to reunification. However, the elimination of the split has two difficulties that are not easily surmountable.

One problem deals with the diagnosis of the division's onset. It

7 A foreign observer gets surprised by the widespread art of politicians and a certain group of experts to produce beautifying assessments about limited and not very serious changes in North Korea or in judging slight and instable steps forward in inter-Korean relations. Take such statement like that on Sept. 23, 2002 on the restoration work at the two DMZ corridors, which said that the reconnection of the railways will reduce military tension substantially.

originated in Korea from the alien systemic conflict instigated by the Soviet Union, and from the installation of a second socio-political order in North Korea—first a soviet-socialist system and soon a Kimilsungistic system. The division has been primarily not national but systemic in nature. Every procedure to end the split demands the restoration of systemic oneness. There can be no formation of national unity without establishing a political, socioeconomic and societal unity, if not uniformity.[8] That is axiomatic, whether one may like it or not. Systemic divergence is much stronger than national brotherliness, in the abyss between communism and anticommunism. There is no earlier chance for unity before one of the two systems disappears. Why do many politicians in the ROK ignore that axiom in recent years with wishful thinking of an amalgam by confederation or other forms of a mixed community? There is no "third way" neutralizing the systemic conflict, and no dichotomy of two socioeconomic and political systems in one national unit is feasible.

The other point is a differing nationalism. There is a traditional all-Korean national feeling alive. In contrast, a Juche-nationalism has grown up, a DPRK-bound strongly marked sense of a separate identity founded on the ideology of Kimilsungism. One could state that Jucheists are Koreans, but equipped with a particular "revolutionary" nationalism. On the other side, the national consciousness in the South underwent thorough changes, effectuated by modernizations, liberalism and pluralism. After a formal unity, it will take decades to harmonize the nation anew. There is a discrepancy between traditional national beliefs and the harsh reality of two longtime intransigent identities. Brothers and sisters right and left of the gorge simply no longer bear the same socio-political features.

Again, the split originated from the two rival regimes. The intense

8 In this sense were the attempts in South Korea to invent a differentiation between *de facto* unification through growing cooperation and *de jure* unification by a constitutional joining.

consciousness of national cohesion on both sides and all respective emotions are not strong enough by far to bridge the dissent between a politically pluralistic market economy order and Juche socialism. All strife is between political, socioeconomic and ideological adversaries; such antagonists are not capable of reconciliation on a national basis. Thus all inter-Korean understandings with the proclaimed goal of reconciliation circumvented the essence of the conflict and consequently failed to become blueprints for feasible normalization. Although inimical systems are unable to unite, they must still be able to coexist and cooperate as different countries. Historically, the split is a temporary case but accompanied by a permanent choice: division with confrontation or with interstate normality. If national feelings could succeed in creating a parallel positive intra-national exchange, it would be no contradiction.

Many paths to unification are doubtlessly imaginable. The basic truth however is incontestable: unification is not possible without systemic oneness. Let's assume that a systemic amalgam—a hybrid of DPRK socialism and ROK capitalism - is sheer illusion. Regimes that negate each other are not at all compatible; they cannot compromise to become one entity. As states they are able to coexist, but as rival orders they are unfit to coexist in one national union.

The jointly declared intention of the summit in June 2000 to join the nation into one entity comprising two systems and two governments on equal and *pro rata* footing had no chance and deviated from realistic decisions for mutual normalization. Why then state point one of the Declaration: both sides "agreed to resolve the question of unification"? If one tried earnestly to unite, it immediately would become a harsh contest of both regimes to gain dominance, a situation pregnant for conflicts and for playing out all grave imbalances (economic, political, and military) on the peninsula. While the two sides disagree in all non-national interests, appeals do not calm down the strife. Korea is not ripe for reunification because neither one nor the other state order is

ready to resign in favor of the needed systemic unity, not voluntarily and not in any way compulsorily. A realistic contemplation should temporarily count on the further existence of the DPRK and not set too much expectation on changes coming from leadership-instigated transitions in North Korea.

Experts interpreted the goal of the summit underlining the sunshine policy, as cooperation but not unification. This was not an acute objective, and was not earnestly meant. The summit was more a habitual attempt to advocate a common unification formula. One may attribute that to diplomacy, but staying polite is not constructive. The DPRK side produces another impression, claiming to want real unity. However the amended conditions abrogate its credibility. In the last UN session, the DPRK delegate announced, "the June 15 North South Joint Declaration is … intended to achieve national reunification…" and he stressed, "the Korean people will firmly defend the Korean-style socialist system chosen by themselves and achieve peace and reunification of the Korean Peninsula under the outstanding army-based leadership of Kim Jong Il…"[9] That again is not more than diplomatic shadow-fighting.

All efforts for more inter-Korean engagement would gain important momentum with an explicit or at least tacit understanding to carry out all interaction while consciously leaving out actually unsolvable national unification considerations. The public presentation of such a policy has appeal as a realistic acknowledgement of the cardinal essence of the split. A unity will not emerge from declared intentions; it will succeed with a historic evolution towards a transition in the North. A widely disliked truth cannot be denied: every real dawning of unification supposes the collapse of one of the regimes, which should be kept out of inter-Korean dialogue. If the South Korean philosophy of national unity is a democratic one, every respective initiative should be

9 *KCNA*, Pyongyang, September 20, 2002, www.kcna.co.jp.

left to internal decisions of the people in the North, and in reference to the different character of the regimes, to a respective voting or other decision inside the North first and a corresponding popular expression of desire in the South afterwards.

On the meaning of coexistence in Korea

The notion of coexistence came into use in the framework of Sunshine Policy. Indeed, coexistence could help to manage an improvement for the present two-Korea situation. Such a policy serves to replace the confrontation of states in systemic contest with a rational peaceful arrangement, delimiting on the one hand insoluble conflicting interests and cooperating on the other hand in compensatory or mutually beneficial interests. Such indispensable principles as mutual respect of sovereignty and territorial integrity, noninterference in internal affairs, equality in political relations and a mutual renunciation on attacking the other side are well known.

The policy of coexistence came into application during the Cold War. It referred to defusing regulations between opponents who represented intransigent systems. Coexistence - although the notion was not much used in the West - was contrasted against a potential military conflict and considered to be a flexible detente policy. The socialist regimes sought to reach cooperative understandings to stabilize their situation while hiding their internal interpretation, in the hope of cementing the systemic East-West dichotomy. The real idea in the East was to gain a better chance for survival through a dual relationship: a regulated differentiation between the systems and a manifold exchange with reciprocal, but in their content very different benefits.

When the Warsaw Treaty states professed coexistence, Kim Il Sung joined them only with a reservation, saying that it was useful for international relations in general, but not applicable to the divided

parts of Korea. That statement demonstrated his stance arguing strictly for national unity according to his revolutionary scheme and disliking accepted *status quo* of two Koreas. In the meantime, the power balance changed weightily in favor of the ROK. Without the potential to determine unification, the DPRK's existence rests factually on defending the *status quo,* whether it admits it or not. For strengthening the peace in the presently unchangeable situation, it was Kim Dae Jung who started to plea for South-North coexistence. But he did that with the wishful thinking that it would help to reconcile the divided brothers and sisters.

Coexistence policy is a matter between separate states; they coexist because they are unable to join. In that sense, Kim Dae Jung's package of coexistence and unification was least irritating by mixing the two-Korea and one-Korea strategies. The formula "unification through coexistence" is not a feasible paradigm. Coexistence was and will in the future be focused on a *status quo* policy. But up till now the Sunshine Policy has hesitated to draw such a conclusion,[10] notwithstanding that it freely called the policy a temporary approach, as long as tangible unification is not within reach.

Between two parts of a divided nation, a pragmatic decision renouncing any alteration of the *status quo* would have a high value. It would work as a decisive basis of reciprocal security, amended by measures of military detente. Soberly seen, coexistence is an agreed stance to handle the unchangeable fact. In the given situation, coexistence serves not for brotherly merger and does not grow out from embracing and euphemistic promises of a structural community. In particular, it eases a rational state-to-state rapprochement on a contractual basis. The relation functions by disregarding and shelving the

10 It does not suffice if the White Paper of the Ministry of Unification in Seoul assumes that the summit understood the need "to acknowledge the reality of the division or to recognize each other's system." See *White Paper*, www.unikorea.go.kr, October 2002, Library.

ongoing ideological and regime controversies. Insofar as two states of one nation are unable to adapt to each other, pragmatic behavior helps to respect the other's existential interest. It is a regulation that moderates the nation's segregation into an accommodating neighborhood.

The appliance of coexistence reduces confrontation and could help to normalize the inter-Korean relations. The first summit offered a chance to explain to the leader in Pyongyang the logics of coexistence as a modus vivendi for 'two-Korea interstate relations' and fundamental for manifold cooperation, but the occasion was missed. Presumably it was more helpful in the given constellation to take reunification temporarily out of the South-North dialogue. Not, of course, as a waiver of the most righteous demand, but as a realistic assessment of the momentous situation, balanced by a strict proviso to activate the reunion at due time, when a democratic vote for unification becomes possible.

The main argument favoring such an interim solution is the undeniable reality of the impossibility of reconciling the two systems. Again, we are faced with the the abyss between liberal capitalism and jucheist socialism. You unify only by reducing everything to one system, a situation currently without chance. Some politicians and many experts in Korea had a hard time to acknowledge that the systemic split like that in the prior divided Germany poses an imperative choice. Those who want to keep two systems alive cannot but defend, in fact and irrespective of what they publicly propagate, the separation into two states. Those demanding national unity have inevitably to stand up for or agree with the reduction to one system and one state, notwithstanding all lyrical musings on national brotherliness, reconciliation and federation.

Political rationality and international law forbid a violent military solution and also any interference to initiate a collapse on the other side. Moreover, all sophisticated ideas to initiate socialization of the DPRK from outside (once called soft landing) have no chance. The

necessary long gradual transition is not transferable. The voluntary discovery of transition trends inside North Korea, as some experts like to do, is also not efficient and more of a myth. In addition, the leadership there does not want to reshape the DPRK, not with a sequence of reforms and not at all by crossing over into the world of libertalism and market capitalism. The northern recipient of fine-tuned recommended reforms will not agree to become an object of outside direction. A substantial change of North Korea presupposes an internal turn away from the Juche order by a majority of the people.

The core problem in all inter-Korean projects is to grasp the unavoidability of systemic oneness in every type of joint statehood. Those trying politics that is not based in that logic deviate from reality or follow cryptic intentions. However, a rational and peace-loving policy cannot sit idle and wait for what the historic future offers. Peace and cooperation on the peninsula is urgent, and that argues for the strategic compromise of immediate normalization. To avoid a setback with recurrent tense confrontation demands proper calculation: either the conjuration of a patriotic but hopeless reconciliation, or an understanding for coexistence suited to cope easier with the contemporary status quo of division. Of course a successful normalization must be based on reciprocal juridical equality and not emotional standards. A respectful policy creates occasions to reduce the mutual anxieties by reciprocal reductions of threats.

The factually existing two Koreas face each other under an anomalous state of affairs. They try to balance it with makeshift arrangements, but a great deal of them proved to be ineffective. Supposed that the DPRK follows its fundamental interest in self-preservation: could the manifested readiness of the ROK for cooperative engagement offer enough arguments to convince the other side to enter into a policy of real inter-state normality? The sides have to overcome a profound embarrassment: apprehensions that the weaker party, plagued by its socioeconomic debility and technological deficiencies, will be plunged into accelerated erosion. But a realistic understanding could equalize that risk and offer benefits from normality, eventually strengthening the DPRK's survival capacity for a certain period.

Coexistence politics is a venture, and not a cheap gift for the DPRK; it offers no assurance for an internal safe continuation of the regime, only an outer guarantee for the state's security. But for North Korea, the advantage seems greater than the risks. Promising benefits are substantial economic relief through much lower expenditures for military purposes, a wider scope of international economic and technical support, the improved international position of the regime, and the benefits of growing inter-Korean mutual confidence building. On the other side, the DPRK does not have to waiver much from its positions, because its real behavior has been for a long time and remains truly a two-Korea course.

This, of course, would demand a reappraisal of North Korea's view on coexistence. Views like the 1993 ten points for national unity, where the third reads: "Unity should be achieved on the principle of promoting coexistence, co-prosperity and common interests and subordinating everything to the cause of national reunification,"[11] are still valid. That concept treated coexistence like neutrality (or political stand-still) between two systems in a confederation. In January 2001, the DPRK repeated the same: a beginning of reconciliation in side-to-side existence, and thereafter passing over into "the coexistence of different systems in one unified state."[12] But that belongs now into the basket of passed wishful thinking or tactical maneuvers. More sober was Kim Jong Il's statement during Koizumi's visit in Pyongyang about living "as nearest neighbors" and the intention "to promote coexistence and co-prosperity" with Japan.[13]

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11 The 10-Point Program for The Great Unity of The Whole Nation for The Reunification of The Country, *KCNA*, April 7, 1993.

12 "On establishing Democratic Confederal Republic of Koryo - Best system for Reunification," www.dprkorea.com, January 2001.

Antipodal systems are never able to arrange neutralization; that should be understood for further inter-Korean dialogue. Socialism and liberalism compete with all admissible means, but the rivalry can be pacified, regulated, and freed from enormous costs. Two-Korea coexistence is not an ideal status, but a better substitute than mutual infliction of detriments and threatening the existence of the other state. Coexistence is by its nature not disturbance-resistant; a deep change of the situation like in 1989 in Germany may easily cause approval of the *status quo* to dwindle away. One has to take it as temporary stability.

Coexistence is by no means an agreement of mutual ideological tolerance. Agreed coexistence usually contains an obligation of non-interference, but that relates to state actions and does not include eventual wishes to avoid informational and socioeconomic competition, and there is actually not much prospect to moderate propaganda battles and subversive activities. It may be taken as triviality: one could quote a thousand published pieces from the credo of the past and the present DPRK leadership, highlighting ideological belligerency as a major principle of the own revolutionary stance. Indeed, the only helpful result was an improved culture in the political contest, surely more as result of positive experiences in cooperation, less than as the outcome of an announced reconciliation.

The recommendation to enter decidedly into coexistence has to clarify one sensitive point. Many interpret it as a policy to perpetuate Korea's division into eternity, to sentence the national idea to disappear into oblivion. Nevertheless, the German experience manifests the contrary. The mutual acknowledgement of two German states did not at all develop a separate national feeling. East Germany tried for over a decade to propagate its own socialist national identity, failed and gave it up earlier before the turn dawned. The contractual two-states relation enabled more mutual opening and strengthened the national

13 "General Secretary Kim Jong Il on September 14 gave answers … with Japanese Prime Minster Koizumi Junichiro's visit to the DPRK," www.korea-np.co.jp / pk.

emotions prevailingly among the populace on the East side. The temporary coexistence of two full-fledged states did not lower the feelings of national cohesion. To the contrary, in the moment the chance for practicable unification appeared on the horizon, all regulations for a dual statehood lost their meaning.

It must clearly be addressed: coexistence could be helpful, if the venture relies on intergovernmental and legally binding procedures. Coexistence limits the relationship to a businesslike balancing and compensation of conflicting interests, and it excludes the vagueness of reconciliation hopes. Normalization between states in systemic antimony cannot be more than conflict prevention and dialogue, agreements and respective institutionalization. The efforts should focus on relaxation, on interests-related manifold cooperation, and it can help in easing the extraordinary economic and social crisis on the side of the indigent partner.

An opinion on the Sunshine Policy

The case under question in the last decade was a changeover to relaxation instead of dangerous confrontation. Back from the summit with North Korea's leader, Kim Dae Jung interpreted that he received an agreement to "build peaceful coexistence." Unfortunately, that was not found in the Joint Declaration from June 15, 2000, and was never endorsed by Pyongyang's comments afterwards. Much euphoria[14] about great progress, even a complete turn in South-North relations, accompanied the first summit.

Besides the dominant feeling, the Joint Declaration contained not

14 For example, *the White Paper* again emphasizes that in the summit, the two heads of state "have developed mutual respect and trust," and agreed on a "dialogue based on the mutual recognition of each other's system" (which they never did.), www.unikorea.go.kr, October 2002, Library.

many ensuing points on unification. It brought restricted and rare get-togethers of separated families, in tiny groups without privacy. In addition there was a renewed and generalized southern commitment to extend economic and other cooperation to North Korea. The result deserved respect as a starting point, but the effect for normality was meager. In contrast to the spreading enthusiasm around the world, remained Pyongyang cool. It obviously gained the most: in its international standing, in prospects for aid, and even won a point in its sham fight for unification. The major task in further designing interstate relations got no mention. Typical was the lack of deliberation on the unfulfilled Basic Accord from 1992. Half a year later, Kim Dae Jung mentioned what he omitted at the meeting: "The South and the North should lay a robust groundwork for peace through the end of the Cold War and strengthened economic ties this year."[15]

After more than four years of experiments, the Sunshine Policy got early impressions practical evidence; it aimed verbally at coexistence while displaying in practice a strategy of attempted relaxation and socialization toward the militant neighbor: a missionary policy[16] instead of a consequential normalization. The outcome was that there was no lasting tension-reduction. The positive results were the amount of human aid, economic support, appropriate commercial exchange, and efforts for getting an improved atmosphere. The net amount of incentive assistance was rather important. Measured by the task to engage the DPRK for more openness, the investment was not overwhelming, and not very efficient in reciprocity.

The sunshine protagonists set much in hopes triggering impulses

15 "Pres. Kim Urges Patience Regarding NK Leader's Seoul Visit," from: www.korea.net, Jan. 21, 2001.

16 "The sunshine policy can be defined as a proactive policy to induce incremental and voluntary changes in North Korea for peace, opening and reforms through a patient pursuit of reconciliation, exchanges and cooperation." Chung-in Moon, "The Kim Dae-jung Government and Changes in Inter-Korean Relations: In Defense of the Sunshine Policy," *Korea and World Affairs*, Vol. 25, No. 4, Winter 2001, p. 516.

for reformatory changes in North Korea, to make it more suited for reconciliatory cooperation. The wishful thinking was outstanding. Modest comments stated imperatively that the DPRK must pursue reform and openness for the sake of its survival, despite knowing what Jucheists know, that the regime cannot ride out a transition. The official policy went further and predicted that the leader in Pyongyang would learn and enter a Chinese pace of reforms.[17] The recommendation got no fruitful reaction. Finally, over-optimistic experts detected the launche of a process of transitions in North Korea, beginnings of market economy, cautious liberalizations, and a trend of pliability in face of the people's self-help to cope with the disaster they have to live in. Indeed, adaptations have taken place, like the monetization of the economy or some concessions to a tiny private sector in niche production and commerce. A realist finds only adjustments within the cage of Kimilsungistic directives, measures to raise the survival capacity without basic changes in structure and methods of power exertion. Principally, the Juche regime lacks the capacity to afford any serious reform; moreover does it not want to submit itself to suicide. Phantom policy detects "sunshine" reflections in the North.

The main failure of the summit was the missed occasion to disconnect the national issue from the need for regular interstate relations. The concession to the North, lifting unification to the focal point on the summit, deviated from the main task to clear a course toward coexistence. The North should at least tacitly retreat from its "revolution orientated" reunification scheme. Looking at European experience, two lessons are available. One favors Kim Dae Jung's intentions, the other

17 One of the protagonists stated looking back on 1991/93, "North Korea took a number of critical measures that helped it go down the road toward 'reform and opening' and since 2001 is the leadership there currently preoccupied with … building up an 'economically strong and prosperous state' … emphasizing the importance of exhibiting 'new thinking' and 'technological renovation'." Indeed, a wishful thinking. See Haksoon Paik, "North Korea's change in policy…," www.nautilus.org, PFO, April 16, 2001.

speaks against it. The first covers the rational aspect of the Sunshine Policy: confrontation together with outer pressure helps a dictatorial regime; a status-quo-based dialogue weakens hard-line positions. The second point meanwhile presents a self-made trap: coexistence works only with an ad hoc acknowledgement of the given power constellation, it demands the renouncing of attempts to change the regional structure of states and their balance.

And here is one crux in South-North relations: whether one advocates a relation of coexistence and gets a respectable detente, or one wants to cross over onto a unification course, which that means to transfer both Koreas into one entity, but then in systemic and national unity at once, which at the moment is an unfeasible project. The highly praised first Korean summit as a concession put two things into one basket which do not fit together.

All questioning about a regime change in North Korea has only one answer: keep waiting instead of thinking about interference. Historical evolutions cannnot be accelerated, they demand waiting. That aside, sufficient space exists to transfer aid and to try to ferment a positive change via cooperation. But a transition of the order, a non-negligible precondition of national unity, is an internal matter of the North Koreans. And for that the world and in particular South Korea has patiently to wait, being free to speculate how a collapse of the Jucheist construct will happen. Realistic policy should count on a temporarily longer maintenance of the present, widely eroded but nevertheless militarily strong regime.

And the coin of systemic split has another side: Seoul cannot offer an assurance of survival for the regime in the DPRK, and Juche leaders reciprocally will never declare a promise of safety for the "capitalist order" in the ROK. The clause in the 1992 Basic Agreement, the sides shall respect each other's political and social system, is pure euphemism. The rationality of coexistence leaves the survival of one or the other regime out of all negotiations. Velvet-minded politics formulated

under sunshine, Seoul's policy does not intend to endanger the regime in Pyongyang[18]; the aim was to calm the other's dread. In his famous "Berlin Speech," Kim Dae Jung offered to guarantee the DPRK its "national security" and to assist for its economic recovery. In return he asked the other side to abandon armed provocation and give up developing long-range missiles. Such an idea needs not only announcements but treaties. The summit brought no breakthrough towards normalization. The intentions were ostensibly honest, but not credible here and there without a renewed type of relations. Worse, the philanthropy of the declarations eroded the needed pragmatism for rapprochement.

For instance, must Pyongyang remain ambivalent when three presidents of the ROK have declared that they do not intend to absorb North Korea? The hope was for a message creating confidence in Pyongyang, but regime competitors do not expect philanthropy. The politicians in the North are more suspicious, as indeed they should be, and not only because of the the credibilityof the statements. In Pyongyang's view, utmost strength alone protects against absorption, and it seems not to be diplomatic to foster pretexts. In addition, when Korea will be unified become a discussion among the winners, which is still superfluous.

Observers who are familiar with the many complications inherent in normalization between the halves of a bisected nation cannot help to opine that the summit did not deal with the most urgent point: a regular interstate rapprochement and enforceable treaty-based understandings. Too much attention was spent for the daydream of a system-compromising unity; too much is expected from embracing engagement, too less has been envisaged for reciprocal steps of interaction between the states. The Sunshine Policy is not without alternatives; there are

18 Former Unification Minister Kang In Duk, "It remains Seoul's task to convince Pyongyang that reforms and door-opening will not endanger the North's leadership…," *Vantage Point*, February 1999, p. 11.

other peaceful options for inter-Korean solutions available.

Observations on functioning normalization between the Korean states

All past efforts to engage the DPRK had an element of inconsequence - the lacki of attempts at interstate normalization, and the hesitation to formalize the relation by mutual recognition. Sure, North Korea gave no sign of being ready for such a step. A respective initiative could come only from Seoul. The effect of the early Sunshine Policy formula on the preceeding of non-governmental economic engagements with the North was instructive. The Asia-Pacific Peace Committee, an institution of the WPK and an unusual address for regular commercial exchanges, emerged as a partner; it brought contacts but intentionally not interstate normalization. Another aspect was Mr. Chung's diplomacy, which was costly for both Hyundai and taxpayers. The Kumgangsan tourism did not bring a noteworthy opening or rapprochement; Pyongyang only gained hard currency and enhanced its bargaining pretentions.

The basic idea of normalization would be creating a stabilizing inter-Korean balance. No respective initiatives will last without a formal acceptance of the status quo of two states. That means agreed respect for the unchangeable contemporary factual situation. All setbacks in the inter-Korean situation since the communique from July 1972 and the 1992 Basic Accord onwards were preprogrammed. The latter treated both states explicitly as provisional and occasional entities, and negated their sovereignty. Focusing on an open status hinders achievement of the indispensable legally binding interstate treaties for cooperation under sensible neighborliness. The non-regulation permits each side to continue more or less hidden pretensions to surmount the division according to its own political basics, and that puts the

existence of the other side into question.

The non-recognition of two sovereignties is the basic defect of all detente efforts, those regarding denuclearization or arms reduction included. Upholding the non-recognition doctrines endangers each side's integrity and prevents a peaceful coexistence. A rapprochement between both Koreas will not be feasible without a fundamental clarity. The sides should recognize the status quo with the addition of the terms "factually given," and respect each other's sovereign equality, independence, self-destination and territorial integrity, if desired with a proviso "being states of the same nation and intending to decide respective issues at right time." The word "factual" is a reservation for a future case: if mutual understanding changes the situation, the proviso gives an assurance for national cohesion. Both inclusions would help to overcome many hesitations.

The summit 2000 could have started to find a reason able communication to demarcate the controversies incapable of compromise, which reduced those points that impede the normalization process. The described mutual recognition would not mean to acknowledge a fixed political system or a 'world view' or the acceptance of an eternal division. Recognition meant juridical equality of the other side, of its representative and ruling state institutions.

Proceeding to mutual recognition would require convincing chairman Kim to accept that agreed respect for each other's sovereignty would provide North Korea with enhanced security and outer stability too. Rationally judged it would be advantageous for its political existence and helpful to relax the conflict-inclined military confrontation. There was a first hint of a chance when Pyongyang's representative Jo told Madeleine Albright in the year 2000 that a turn in relations could occur "if and when the DPRK and our leadership are given strong and concrete assurances from the United States for the state sovereignty and territorial integrity for the DPRK."[19] This proper idea should simply be transferred into inter-Korean dimensions.

Surely this must include the step of factually recognizing an internationalization of both Koreas' relations. They adhere separate to UN-Charter principles and apply international conventions as in all interstate relations. Only a gap has to be filled: the appliance of the UN-Charter on two-Korea relations, because normality means adherence to its principles. The unification proviso could be observed again by saying that the relations rest on "international law such as statutes" or on "principles and practices in accordance with international law." A follow-up was an exchange of official representations (state missions with diplomatic and consular functions) and not only of non-responsible liaison-bureaus. The situation would be alleviated by heralding a regular foreign policy between Seoul and Pyongyang. The fact that all North Korean activities concerning South Korea are directly in the hand of the WPK's Central Committee in Pyongyang could be taken as an internal matter. Nevertheless, should normalization on both sides be accompanied by a transmission of the exchanges to the formal level of state institutions? Until now South-North relations have intentionally not been international; they need to become at least quasi-international.

In the past inter-German relations from 1972 to 1989, the many governmental contracts creating different channels for exchanges and cooperation were mutually advantageous. Assuming that Korean relations are put onto an interstate juridical groundwork, all detailed understandings become much more reliable. There is enough on the agenda: a traffic and transit contract for railway, street and air transport; an agreement for private traveling; a contract for unrestricted family meetings; usual tourist travel regulations including norms for financial activities by private persons; a treaty on reciprocal acknowledgement of documents and official papers; a regular trade agreement

19 Jo Myong Rok, First Vice Chairman of the DPRK's National Defense Commission, at a Dinner in the State Department on October 10, 2000, *Associated Press*, Nov. 10, 2000.

(probably forming a free trade area); a financial interaction and profit returning agreement; customs and consular regulations for citizens from the other state working in common economic projects; and many other regulations too. The recent frantic activities to create two transport corridors through the DMZ could run into an impasse without a detailed agreement on the future technical standards of the transit ways, the accounting of costs and profits,[20] the transport control procedures and the treatment of personnel from the other state during the transit.

An important point is the context between political and military detente. Meanwhile worldwide diplomatic experience shows that normalization and political detente unavoidably have to precede; only afterwards understandings on military reductions and enhanced security can follow. There are little chances for a procedure in reverse order. That problem embarrasses also the demands of the Bush administration to discuss military reductions without first getting inter-Korean normalizations.[21] The sequence for inter-Korean relations seems hardly deniable: the priority of political understandings as a prerequisite for negotiations on military reductions. The major hurdle for a military detente is not a specific weapon device, although particular dangers should not be underrated. The critical point is the DPRK's belief that a huge military might first of all assure its security. Pyongyang thinks always in terms of the "army-first line" and the accomplishment of political aims by arms strength. Such combative conviction cannot be lowered by abrupt arms control demands; positive reductions of

20 There are expectations on huge transportation profits for Pyongyang and economic advantages for the South from North Korean links to the Trans-China and the Trans-Siberian Railway. However the northern lines are not technically fit for efficient modern transport and so far has it been left open who will pay the huge sums for their renewal. The aid in material for the links at the DMZ of $42 million is comparably only a small initiation.

21 Unconvincing seems a 'diplomacy' like Bush's verdict to persuade Kim Jong Il "that he must disarm," *The Washington Post*, October 10, 2002.

confrontation need compensation and are part of negotiated packages with political, economic and military elements.

The Basic Accord contained a declaratory non-aggression pledge, but no provisions came afterwards to make it practicable. In September 2000, the two Korean defense ministers met and agreed verbally to ease military tension and avoid war. Optimistic media called that historic progress. However the talking of generals in chief was only a novelty. More security for the peninsula will not dawn before negotiations are held tackling armed forces figures and arms reductions, a relocation of offensive weapons away from the DMZ, and a gradually growing mutual transparency in the military realm.

Occasionally North Korea launched radical disarmament proposals. For instance: "The confederal state should cut the military strength of both sides to 100,000 - 150,000 respectively… At the same time, it is imperative to abolish the Military Demarcation Line... dismantle all the military installations in its vicinity, dissolve military organizations in both parts and forbid military training of civilians."[22] Or in September 2002, North Korean conference delegates spoke about a reduction of the KPA from 1.2 million to 700,000 men.[23] Regardless of how serious such radical reduction was meant, one could take such utterances as a starting point and negotiate aiming not only at lowered security balance but for quick respective economic benefits too.

The Basic Accord from February 1992 presents a complicated topic. Its lack of usefulness after a decade suggests the need to revise that treaty, because it principally embarrasses a mutual recognition of the Koreas by stipulating, "their relationship, not being a relationship as between states, is a special one constituted temporarily in the process of unification." It seems the accord was preponderantly more a result of diplomatic arts thought to improve the political climate. The document contains several inapplicable stipulations like article 1: "The South and the North shall recognize and respect each other's system" or article 6 saying "South and North shall cease to compete…"[24] One notes that if the sides really meant "systems" and an end of rivalry, the coexistence experience from Europe shows that to be unfeasible.

Several years back, an official formulation in Seoul spoke about the "sign-posting peace agreement from 1992," but the document was not a peace contract, although it declared in article 5 the intention to conclude an inter-Korean peace treaty, an important point in any case. But as a fundament for further relations, it did not contain as often asserted "all preconditions for normalization." The deficit was the absence of substantial state-to-state regulations. At the end of 1991, both Koreas were very keen to get quick results and finished with a hopeful intent on national brotherhood. That led to a declarative agreement of intentions, insufficient to create a contractual and procedural rapprochement. The non-use of the Basic Accord afterwards demonstrated under the tests of harsh reality the failure of an unrealistic understanding. Its commitments gave no impetus for positive engagements. A reappraisal with realistic and binding stipulations as groundwork seems recommendable for the shaping of a two-Korea coexistence structure.

The task to conclude an inter-Korean peace understanding as part of a revised Basic Treaty or via a separate agreement stands as a fundamental element of the hoped-for coexistence. The Basic Accord contained the clear-cut commitment: "South and North Korea shall together endeavor to transform the present state of armistice into a firm state of peace between the two sides…"[25] During the last years that constructive idea was shortended to the idea that South and North Korea among themselves first reach and sign a peace treaty,[26] that

22 On establishing Democratic Confederal Republic of Koryo - best system for reunification, January 2001, www.dprkorea.com.

23 *Korea Herald*, October 16, 2003, www.cankor.ca #102.

24 www.unikorea.go.kr/eg/m4130.htm.

25 www.unikorea.go.kr/eg/m4130.htm.

26 One finds more reasonable voices. "The counterpart of North Korea is not the

additionally the United States and China could guarantee. Such an agreement had to include the conversion of the ceasefire-line into a temporary regular borderline, a matter that should be dealt with only bilaterally, like other disputed aspects of the division line too. Besides, this prospect offers an inter-Korean peace more reliable than the expensive upholding of a huge mutual military threat.

It weakened the value of the Basic Treaty when the DPRK for many years persisted to conclude a peace alone with the US and to seek recognition bypassing normality with the ROK. That proved two things. Against Pyongyang's claim to be a true defender of national unity, such a course contradicts earnest inter-Korean understandings. Furthermore, it indicates attempts to get a separate solution with the US and to dodge the ROK on a factual two-Korea position of Pyongyang. It tries to improve singularly its own international position without promoting inter-Korean agreements. On the other side, it would be helpful if the US stood more in the rear and reprimanded the DPRK on the primacy of inter-Korean progress. It would be politically possible and a wise position too if the US transferred decidedly the competence for a peace conclusion to the ROK, similar like China gave a free hand to the DPRK. Under such aspect the Korean case seems easier to handle than in Germany's example.

With a peace contract the two Koreas could easier clarify the borderline's crossing, likewise through a normal state border, again with a reservation referring to its annulment in case of national unification. A common border commission had to work out contractual regulations removing single differences or aggravations in the handling of the border track. Agreed legal regulations for the corridors referring to an

United States, but South Korea, which should not be confused. What is the problem for North Korea to make a peace treaty with South Korea." See Hugo Wheekok Kim, Responses to Kim Myong Chol's '*Agreed Framework is brain dead; shotgun wedding is the only option to defuse crisis*,' http://nautilus.org/fora/security/0214A_Kim.html.

easy passage of transports and travelers were important. Until now, traveling between the Koreas depends on the discretion of the receiver state. Travelers need a status as citizen of a home state, want to rely on a respective interstate agreement, and finally need available consular protection. The procedure of the family reunions is far from a usual treatment for private visits from one to another country.

The last decades of inter-Korean disputes saw many Korean concepts for improving the situation. Until now no attempt was made to embark on a normalization initiative towards the DPRK that wasn't linked to the unification issue. No one tried to convince Pyongyang about the impossibility of exerting pressure through the arms race much longer, or vice versa to redirect more of its potentials from military to civil spending, permitted by an enhanced outer safety. The outlook would be the often-quoted peace dividend, submitting more persistently the argument that mutual normality and reciprocal substantial arms reduction would offer the North much wider existential space.

Considerable asymmetries prevail between North and South Korea: in basic conditions like in productive potential and economic wealth, in politically diametrical self-identifications and the so-called world-view, in interests and strategies, on the issue of mutual trust and credibility. Therefore, common understandings do not offer a balanced give and take. To find agreements that offer an approximate symmetry of advantages in interests will mostly not be possible. Mutual obligations with direct reciprocal benefit or undertakings of the same kind will be rare. In that sense, gaining opportune compensations from one or the other side plays a greater role. Sober and at the same time generous assessments about the wider scope of mutually beneficial results in that course are necessary.

A rational approach demands an empathetic attention to North Korea's stance with its back to the wall and also to respective irrationalities, which needs more explanatory diplomacy. Moreover, the nature

of the DPRK demands that it lower its anxieties about the risks contained in gradual opening and normalization with the outside world, and even to find a mutual understanding on the operability of risks in the process of rapprochement. Such statement seems self-evident, but there were in the past unrealistic promises and emphatic overstatements about engagement intentions, like the announced common prosperity, the denial of a competitive relationship (an assertion of win-win cooperation), promises to help "avoid collapse" or assurances about mutual respect for the other system.

Normalization agreements contain advantages and disadvantages for both sides. The peace dividend means that benefits will preponderate. The foreseeable erosive effects of the southern engagement in the North should not be hidden, but they have to be kept as unchallenging as possible. And from the very beginning it should be admitted that positive results in South-North normalization would not suspend the protracted contest between the two worldviews. That was a helpful inter-German aspect that in favor of rational relations transplanted the permanent grave conflictive elements partly into the rear. That would be a coexistence as a pacified balance of different forces and not the wishful ideal of "cooperative coexistence." The sides are able to build a reciprocal sober confidence, but cannot assure survival for the other regime. Thus both enter into a venture.

One preponderant obstacle comes from the position in Pyongyang by which everything that leads to opening would increasingly disband the socialist regime. The dialogue in Korea started after all European transitions; the lead-over of reform experiments there into the breakdown of socialist regimes induced Pyongyang to beware of a similar trend. In the face of that is no other answer than to intensify the endeavors with transparent engagements for more South-North normality, in openly negotiated comparisons of yield from different approaches to the inter-Korean situation, and the raising of generous economic offers in exchange for political rapprochements. Understandings of the inter-Korean type are founded on very complicated patterns of reciprocity, non-equivalent from the point of view of immediate results.

Without doubt it will be difficult to make the marked crossing to reciprocal recognition in Korea popular. It would trigger controversial intra-societal disputes in the South (on communications with the polity of "real Kimilsungism"), and it would demand an evident changeover in Pyongyang from hitherto tactical to a principal rapprochement, not to speak of changes of propaganda contents. Most South Koreans seem scarcely ready to grasp the DPRK as a state with own identity; vice versa many North Koreans are victims of an inimical ideological misperception about the ROK. To forego the awaited unification, to calm ideological pretexts, to bring moral antipathy and just or unjust accusations down to a rational ground, all demand difficult political reappraisals on both sides. Both are responsible: the ROK could submit more consequential proposals for a balanced coexistence; the North should discover the chance in such a type of neighborhood arrangement for a rational and beneficial solution for both sides.

A HISTORICAL SURVEY OF NORTH KOREA'S ECONOMIC DEVELOPMENT AND TRADE, 1945-1984*

Mikyoung Kim

Economic reality supersedes political rhetoric, even in the hermit kingdom. North Korea is one of the most secluded countries in the world, and its self-imposed isolation and the resulting dearth of hard data make any systematic study of the nation a challenge. Despite the political and technical constraints, this paper nevertheless attempts to demystify North Korea's claim of economic self-sufficiency. A longitudinal survey reveals the reasons why the Kim Il Sung regime had to make a major policy compromise by enacting the 1984 joint venture law. This paper shows the gradual evolution of North Korea's economic stagnation that has since the mid 1980s led to economic openness towards the West.

* The views expressed here do not reflect the opinions of the American Embassy in Seoul. The author bears full responsibility for any errors. I am greatly indebted to Mel Gurtov, Stu Landers, Alden Stallings, Sung Chul Yang and the anonymous reviewer for their helpful suggestions.

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Introduction

This study aspires to go beyond the usual ahistorical approaches to North Korea by surveying the country's economic history between 1945 and 1984. Careful historical observation often serves as a helpful guideline in analyzing the present situation, and in predicting the future trajectory. The Pyongyang regime has consistently pursued economic interests in its policy platform since the beginning of the Communist regime. Such behavioral consistency for four decades provides us with plausible explanations for its recent moves to adopt capitalist market practices, including the establishment of the Sinuiju Special Administrative Region. The major source of confusion regarding its economic behavior lies with the smokescreen of its quintessential political dogma of Juche.[1]

The question of whether or not North Korea will ever shed the central planning mode of economic management has been lingering on for decades. The perceived lockstep between the political doctrine of Juche and a self-reliant economic system has created the exaggerated illusion of North Korea's stringent adherence to socialist economic principles. This study's historical survey of Pyongyang's economic behavior suggests that the country has been pursuing pragmatic financial interests for many years. On the basis of this data, the paper concludes that the regime will continue to pursue economic pragmatism, and thus ultimately have no choice but to participate in the world economic system.

North Korea, facing serious economic problems, desperate for cash, and deeply in debt, made a hesitant and very limited foray into the international capitalist trading order in 1984. In the North Korean context, the Joint Venture Law can be considered almost revolutionary. Follow-up measures of the Law, however, have been considerably less dramatic. North Korea tried to emulate the Chinese example to the extent of testing the water with the 1984 Joint Venture Law, but, unlike the Chinese, refused to plunge in. North Korea's economic self-sufficiency is one of its greatest myths. This longitudinal study of North Korea's economic development and trade argues that foreign trade has made an important contribution to North Korea's economic development despite Pyongyang's claim of economic self-sufficiency.[2] Pyongyang's political rhetoric has long emphasized "ideological determinism" for economic policies, and yet empirical reality suggests otherwise. North Korea's trading patterns have been closely associated with domestic economic goals.

1 Juche (self-reliance) is the defining ideology of North Korea. Its three main tenets are self-reliance in defense, self-sufficiency in economy and political independence. The pervasiveness of the ideology is multifaceted and multi-dimensional. As the most ubiquitous political term, the emphasis on juche-ized ways of living ranges from the citizen's personal life to the nation's defense and foreign relations. H. S. Park, "North Korean Perceptions of Self and Others: Implications for Policy Choices," *Pacific Affairs*, vol. 73, no. 4 (Spring, 1992), pp. 504-506.

North Korea's Economic Development Plans and Foreign Trade Between 1945 and 1984

The 1940s: Laying the Foundation for a Socialist Economy and Minimal Trading Activities

Dramatic changes were occurring in North Korea's economic structure in the 1940s. The fledgling Pyongyang regime laid the foundation for socialist economy. For example, the central state began to nationalize private property. The Provisional North Korean People's Committee was organized in 1946, and a series of laws were promulgated in

2 Foreign trade is a form of behavioral interaction between two nations. Foreign trade illuminates foreign relations as well as domestic political and economic conditions. See Alexander Erkstein, *China's Economic Revolution* (Cambridge and London: Cambridge University Press, 1977), p. 273.

order to confiscate all private property.[3] By 1949, 90.7 percent of manufacturing facilities, and 56.5 percent of tertiary industries were nationalized. The socialization of private ownership was finally completed in 1958. However, transforming the colonial mode of production into a socialist system was not an easy task.

Pre-Planning Period (1945-1946)

The fledgling communist regime of the North faced more than a few obstacles in its socialist economic restructuring. Even though they inherited substantial manufacturing facilities, accelerating factory operation was difficult.[4] Most seriously, the North was not equipped with the necessary technical knowledge to resume the halted manufacturing activities in the wake of the Japanese withdrawal. Japanese technicians fled the peninsula without handing over the necessary technical know-how to their Korean successors. Entrepreneurs in the North also fled to the capitalist South out of fear of political persecution. Making things worse, the Soviet occupational forces transferred a handsome amount of North Korean production equipment to their own country. The economy's initial take-off was quite trying. The shift from a colonial mode of production to a socialist mode was not easy, technical support was not sufficient, technology levels were low, and working capital was scarce.

3 The Committee enacted the Law on Agrarian Reform, and the Law on Nationalizing Important Industrial, Transportation, Banking and Related Industries in the same year. See Dae Sook Suh, p. 213.

4 There was a notable difference in industrial structure between North and South Korea. About 80 percent of the total heavy industrial equipment was concentrated in the North, whereas 70 percent of light industry was located in the South. The North was strong in chemical and steel production, while textile and food production was mostly Southern. See Ha Chong Yon, *Bukhanui Gyungjae Jungchaekgwa Unyong [North Korea's Economic Policy and Its Operation]* (Seoul: Korea Development Institute, 1986), p. 145.

The First 1-Year Plan (1947)

In 1947, North Korea launched its very first economic development plan. The primary goals of this plan were to speed up the socialization of private property and to resume production. More specifically, the First 1-Year Plan aimed to restart factory operation, expand state-owned industries, increase productivity and improve the standard of living for the people. The plan aimed to double the industrial production, and increase the agricultural output by 300,000 tons over the previous year. The results, however, did not measure up to the goals. Industrial production grew by only 70 percent, and agricultural output reached only 57 percent of the original target.[5]

The Second 1-Year Plan (1948)

The Second 1-Year Plan (1948) continued to emphasize the increase in industrial and agricultural production. It stressed the importance of reducing production costs while upgrading product quality. The plan targeted an increase of 141 percent in industrial and 135 percent in agricultural production. Performance fell short of the projections once again. The aggregate growth in the industrial sector remained 126 percent over the previous year, and food production was no more than 281,000 tons.[6]

North Korea's trading activities were very small in the 1940s. The total trade volume was $11,390,000 in 1946, and it grew to $182,250,000 in 1949. Its major trading partner was the Soviet Union. The trade deficit was $29,750,000 as of 1949.

5 Kim Il Sung, *Kim Il Sung Jujakjip III [The Collected Writings of Kim Il Sung]* (Pyongyang: Chosun Rodongdang Chulpansa, 1979), pp. 89-108.

6 Kim Il Sung, *Kim Il Sung Sunjip II [Selected Writings by Kim Il Sung]* (Pyongyang: Chosun Rodongdang Chulpansa, 1953-54), pp. 45-72.

The 2-Year Plan (1949-June 1950)

A new concept of "people's economy" was introduced during the 2-year plan period. The central state tried to eliminate all remaining traces of Japanese influence in administration and management practices. This plan also attempted to create a balance among industrial sectors. North Korea's agriculture was underdeveloped because of the colonial legacy, which had concentrated heavy machinery production in the northern part of the peninsula. The central state, therefore, tried to increase agricultural output by introducing mechanized farming methods. Meanwhile, the state kept on accelerating the process of socializing private property. Cooperative unions in the commercial sector were started at this time. More specific goals of the 2-Year plan included a 194 percent increase in the gross production of the state-run enterprises over the previous year. Increasing food production by 158 percent over 1948 was another goal. The results as usual did not meet the initial targets. Industrial production grew by only 102.9 percent, and food production amounted to 2,795,000 tons. All in all, the 2-Year Plan was a moderate success when compared to the two previous plans.

During the 2-Year Plan, North Korea's trade dependence was insignificant. Total trade volume amounted to $182 million. Exports amounted to $76 million, and imports reached $106 million. The trade deficit stood at $29 million. From liberation in 1945 until the Korean War in 1950, the Soviet Union was the sole source of North Korea's foreign loans, which amounted to $53 million.[7]

In sum, the 1940s were a period for the fledgling regime to lay the

7 The North Korean economy's dependency ratio on foreign loans during the 2-Year Plan period was 22 percent. The formula for calculating the dependency on foreign aid ratio is (total amount of aid / total government revenue) x 100. See Chun Sam Park and Byung Chun Min, *Pukhaneui Daewoe Gyungjae Hyupruk [North Korea's Foreign Economic Cooperation]* (Seoul: Daewangsa, 1987), p. 334.

foundation of its socialist economy. North Korea attempted to change the colonialist mode of production into one of socialism. It also tried to resume factory operations that came to a halt with the Japanese withdrawal. The First and Second 1-Year Plans were not a success, but North Korea fared better with its 2-Year Plan. In every plan period, the increase in agricultural and industrial output fell short of the original targets. The importance of foreign trade for economic development was minimal in the 1940s.

The 1950s: Recovery from the Korean War and Trade Expansion

The 1950s were a dramatic era for the North Korean economy. Beginning with its invasion of South Korea in 1950, North Korea was on a war footing until 1953. Since the truce in 1953, the rehabilitation of the war-torn economy was the overriding concern. The post-war 3-Year Plan succeeded in revitalizing the devastated economy. The regime also started a variety of mass-mobilization movements. Finally, socialist allies provided loans and aid to the war-weakened communist regime.

The War Economy (June 1950-July 1953)

The Korean War put the North Korean economy on a war footing. The war demanded a major restructuring of the economy. War industries were given priority, and production facilities were strategically relocated to rural areas and Manchuria. Food was rationed, and civilian property was under government requisition. When a truce was reached in July 1953, the central government put recovery from the war at the top of its economic agenda.

Damage from the war was extensive. Total property losses were estimated at $1,700 million, which meant that 75% of North Korea's

total economic assets were destroyed. Major industrial production declined substantially. The war not only wrecked production facilities, but a substantial number of manufacturing and agriculture workers were also lost during the war. In sum, the effect of the war was devastating.

The 3-Year Plan (1954-1956)

The North Korean leadership faced two major tasks in the post-war era: rehabilitation and modernization. The central government launched a 3-Year Economic Development Plan in 1954, and its primary goal was to return production to pre-war levels. Meanwhile, the state continued the nationalization process. Collective management practices began to replace merit-based individual performance. Food production was also a major concern.

The 3-Year Plan was a success. The war-torn economy was rehabilitated, and the average income of North Korean households surpassed that of the pre-war level. The average growth rate in industrial production was an impressive 41.7 percent.[8]

Foreign trade, however, was slow during this period. By war's end in 1953, total trade volume had declined from a prewar $182 million to $73 million. The regime regained its trade capacity by reaching a total trade volume of $140 million in 1956. Throughout this period, imports exceeded exports, leaving the trade balance in deficit.

The Soviet Union remained North Korea's major trading partner. While the USSR continued to serve as North Korea's crucial export market, import sources were expanded to include East Germany and Czechoslovakia.[9] The main export commodities were mineral products

8 The Economist Intelligence Unit, 1985, p. 31.

9 North Korea's main export items were mostly primary products such as precious metals (60.7 percent) and nonferrous metals (14.9 percent) as of 1955. North Korea's main import items from the U.S.S.R. were machinery (37.3 percent) and food / cotton (18.9 percent) in the same year. See *The Institute for Far Eastern Studies, Bukhan Muyokron* [North Korean Trade] (Seoul: Kyungnam University Press, 1979), pp. 288-289.

and nonferrous metals. The main import items were machinery, electric goods, fuel oil and chemical goods.[10]

Foreign aid played a crucial role in North Korea's post-war recovery. During the war, the total amount of aid and loans offered to the Pyongyang regime was $267 million. The dependency ratio on foreign aid during the Korean War was 47 percent. The total amount of foreign aid jumped to $748 million during the rehabilitation period (1954-1956), and the dependency ratio on loans was 40 percent in the same period.[11]

Loans and aid from the U.S.S.R. were indispensable for Pyongyang to rebuild its industrial infrastructure. However, ideological confrontation within the communist bloc made the Pyongyang leadership more cautious in their dealings with the Soviet Union. Khruschev's attack on Stalin and his declaration of peaceful co-existence created tension with China. Furthermore, disputes involving communist nations, such as the border clash between China and India, convinced North Korea to be more passive in its diplomatic relations.

The 5-Year Plan (1957-1960)

After the successful rehabilitation of the war-torn economy, yet another development plan ensued. The main goal of the 5-Year Plan was further consolidation of the socialist economy. The central state, for instance, completed the socialization of private property in 1958. Heavy industry rose to become the key industrial sector. The

10 Rin Sup Shin, et.al., *Area Handbook for North Korea*, 1969.

11 The formula for the dependency ratio on foreign loans is (total amount of loan / total government revenue) x 100; see Park and Min, p. 334.

Pyongyang leadership decided to put its main emphasis on heavy industry. The military confrontation on the peninsula, and the fresh memories of the war, taught North Korea the significance of military power. Advocates of light industry were purged from the communist party.

Another notable event during this period was the introduction of various mass mobilization movements: the Chollima (Flying Horse) Movement, the Chungsanri Farming Method, and the Taean Factory Team Work. All of these mass movements were geared towards increasing labor productivity. The driving force behind these collective efforts was ideology rather than material incentives for individual workers.[12]

The outcome of the 5-Year Plan was mixed. There were discrepancies between Pyongyang's official statements and its actual behavior. The government's official statistics implied the plan's success. Impressive numbers such as a 350 percent increase in total productivity and a 320 percent increase in crop yield over 1956 supported the regime's claims. The central state also claimed that 2 billion won was invested to improve the citizens' standard of living. The gross value of social production was up by 210 percent, and the average growth rate in industrial output was an impressive 41.7 percent over 1956. The communist government painted a rosy picture.

Despite this sunny portrait, the actual results remain ambiguous. The central government prematurely terminated the 5-Year Plan in 1959, one year earlier than originally planned. The central state designated 1960 as "the buffer year" for the completion of the 5-Year Plan. The North Korean economic planners set excessively high production

12 A worker who fulfilled the production quota was named a "hero" under this system. North Korea's Chollima Movement was a copy of China's Great Leap Forward (1958-1960). This movement evolved to the Chollima Work Team Movement in the 1960s. See Il-Pyong Kim, *Bukhan Jungchi Gyungjae Ipmun [An Introduction to North Korea's Political Economy]* (Seoul: Hanwool, 1987), pp. 108-113.

goals.[13] The dominant speculation was that the plan was not as successful as officially claimed. Pyongyang could not start another plan until 1961.

One notable change in North Korean trade was the emergence of China as a major partner. Trade with China surpassed trade with the U.S.S.R. for the first time. However, the balance of trade with China remained in the red. In 1959, the trade deficit with China reached $25.9 million. North Korea's reliance on foreign trade continued to be substantial. The sum of aid and loans was $638 million, and $387 million of this was foreign aid. The dependency ratio on foreign aid reached 40 percent during this period.

Along with economic expansion, levels of foreign trade increased. Trade volume totaled $214 million in 1957 and grew to $320 million in 1960. The balance of trade, however, emerged as a serious issue. North Korea's trade deficit grew from $14 million in 1957 to $122 million in 1959. Nonferrous metals topped mineral products as the top export item, and machinery continued to be the major import item, followed by fuel oil. North Korea continued to sell natural resources in order to pay for imports.[14]

The 1950s were a period of vicissitude for the North Korean economy. War damage was extensive, but the recovery from the war was a success. The economy was restored to its pre-war level by 1956, and the socialization process was completed by 1957. During the latter part of the 1950s, a variety of mass mobilization movements began. The importance of foreign trade grew, and China emerged as another major trading partner. Foreign loans and aid were important to the

13 These were usually in excess of 100 percent increases over the previous plan. The utilization of interim "buffer year(s)" to complete the original goals by extending the plan period is uniquely North Korean. It is fair to argue that North Korea's mode of economic operation is different from that of any other country. See Yong-Gyu Kim, p. 23; also see The Economist Intelligence Unit, 1985, p. 31; *Bukhan Yonguso*, 1979, pp. 214-221.

14 Rinn-Sup Shin, et. al., p. 69.

recovery from the war.

The 1960s: Impressive Economic Growth and Diversification of Trading Partners

The economy maintained consistent growth in the 1960s. The government tactically mobilized labor power into its target areas, and its strategy was effective. One of the most conspicuous changes was North Korea's diversification of trading partners. Up until the middle of the 1960s, North Korea faithfully adhered to the Juche doctrine. The central government tried not to diverge from its self-sufficiency track. North Korea refused to join the Communist Economic Conference (COMECON), and it also refrained from affiliating with the Council for Mutual Economic Assistance (CMEA).[15] The intensifying ideological confrontation between the U.S.S.R. and China forced the Pyongyang regime to court capitalist countries as trading partners. Economic needs began to overshadow the ideological doctrine of economic self-sufficiency during this period.

The 7-Year Plan (1961-1967)

The Central Committee of the Korean Worker's Party set out the 7-Year Plan in 1967. The plan stressed the improvement of the people's standard of living and the promotion of light industry. New management methods were implemented in order to boost productivity. A group management system replaced the previous one-person system. Material incentives were also offered to boost agricultural productivity.[16]

15 Y. S. Kim, "Bukhangwa COMECONeui Gyungjae Hyupryuk Gwangae [North Korea's Economic Relationship with the COMECON]," *Pukhanhakbo*, Vol. 8 (1984), p. 28.

This plan aimed to increase gross industrial output by 220 percent and national income by 170 percent. Its emphasis on increasing coal, electric power, machine tools and tractor production illustrates the nation's shortage of energy sources and farming equipment.

The actual achievements of the plan did not measure up to its goals. The central government did not release any statistics on national income or agricultural productivity.[17] The available data suggest that labor productivity increased by 147.5 percent and industrial productivity also grew by 330 percent.[18] In November 1966, North Korea made the plan's failure official. The three years between 1968 and 1970 were declared to be a buffer period for catching up with the original goals. The 7-Year Plan became a de facto 10-year plan.

There were a number of reasons for the plan's failure. Contradicting its emphasis on light industry, the central government continued to allocate a substantial amount of its resources to the military sector. Military spending was 7.5 percent of total government expenditure in 1964, but had jumped to 32.9 percent by 1968.[19] The problems of maintaining a rigid socialist economy started to pose a threat to the continuous economic growth. Inefficient market function began to cripple the economy as productivity decreased. The average industrial growth rate of 12.8 percent was a drastic downturn compared to the pre- and post-war growth rate of 39 percent. Finally, there were salient changes in North Korea's external environment. Pyongyang had to walk a fine line between the USSR and China. The intensifying ideological confrontation between the two communist giants meant that the

16 In 1960, the last year of the previous plan period, agricultural products ranked as the second import commodity, reflecting the nation's food shortage.

17 The growth rate was estimated to be 9.7 percent during the first half of the 1960s, and 5.8 percent in the latter half of the decade. See USCIA, National Foreign Assessment Center, *Handbook of Economic Statistics* (Washington D.C.: 1984).

18 *Bukhan Yonguso*, pp. 214-221.

19 Byung Chul Koh, *The Foreign Policy Systems of North and South Korea* (Berkeley: University of California Press, 1984), p. 59; Ha-Chong Yon, p. 231.

Pyongyang regime could not benefit from their foreign loans as much as it used to.

North Korea's growing trade dependency from the 1960s is meaningful because the political rhetoric of economic self-sufficiency gradually gave way to the empirical reality of economic growth. The nation's trade dependency grew from 19.2 percent in 1961 to 20.1 percent in 1965. It became 26.9 percent in 1970. North Korea's total trade volume grew steadily as well. The total trade volume was $1.7 billion in 1961, and it grew to $2.5 billion in 1967 and to $2.9 billion in 1970. While the nation's export dependency ratio fluctuated, its dependency on imports grew rather dramatically as the plan period was nearing its end. For example, the economy's dependence on imports grew from 9.8 percent in 1961 to 10.3 percent in 1965. Import dependency peaked at 14.7 percent in the final year of the plan period.

North Korea's major export items were primary products such as agricultural and mining goods, and secondary products such as heavy industrial goods. This composition of export commodities reveals that the Pyongyang regime succeeded in boosting its labor productivity through the Chollima Movement and the Taean Management Systems. North Korea's primary import commodities were raw industrial materials and non-consumer products; these were necessary to build the socialist economy's infrastructure. As the 7-Year Plan's extension period was wrapping up, the regime increased the import of capital goods from 10.7 percent in 1961 to 45 percent in 1970. Meanwhile, the proportion of imported raw materials went down from 72.8 percent of total imports to 45.9 percent.

There was a notable change in North Korea's trade relationship within the communist bloc. Power struggles for hegemony between China and the Soviet Union were intensifying. The reoccurring border dispute between India and China and the Albanian crisis were only two manifestations of this struggle. The two giants' confrontation became more acute with the enunciation of the Brezhnev Doctrine and

the Soviet invasion of Czechoslovakia in 1968. In subsequent years the Sino-Soviet relationship rapidly cooled, and the accumulated tension exploded in Chenpao (Damyanski) Island, where a large-scale border clash between Soviet and Chinese troops occurred along the Armur River border in March 1969.[20] The Pyongyang regime realized the precarious nature of its alliance with these powerful communist states in the changing dynamics of international politics.

North Korea's decision to emulate the Chinese model was costly. The Soviets canceled their agreement to export agricultural equipment and machinery, and drastically reduced their economic assistance. This change in the Moscow-Pyongyang relationship was an important factor in the 7-Year Plan's failure.

The 7-Year Plan fell short of its original projections. The initially vibrant North Korean economy started to exhibit symptoms of stagnation. As the regime neared the end of the plan period, its dependence on trade grew. The experiences of the 1960s taught the regime *Juche* doctrine of would not suffice to resolve some pressing economic concerns. The changes in this period are instructive, for they give us some clues to the regime's future problems.

The 1970s: The Era of Economic Stagnation and Pursuit of Economic Pragmatism

The Kim Il Sung regime succeeded in transforming North Korea's economy from agrarian to industrial. However, despite this success, the North Korean economy began to demonstrate symptoms of economic stagnation in the 1970s. The sluggish performance of light industry and the agricultural sector emerged as a major threat to the economy at this time. The shortage of basic raw materials became another problem. In order to cope with shortages of basic materials, the

20 See Erkstein, *op. cit*., p. 239.

regime had to pursue two economic plans in the 1970s: the 6-Year Plan and the Long-Term Economic Plan in 10 Strategic Areas. The 1970s, in short, were a trying time for North Korean economy.

The 6-Year Plan (1971-1976)

The 5th Workers' Party Congress adopted the 6-Year Plan for the period of 1971 - 1976. It aimed to "improve the results of industrialization, upgrade the technological foundation for the socialist economy, and liberate workers from hard labor."[21] The plan also called for building an industrial foundation for domestic production. The plan emphasized the need to extract larger quantities of natural resources that the economy was short of. A minimum of 60-70 percent of all needed raw materials was to be supplied domestically.

In detail, the plan called for the building of factories for metal production, cement processing, power, and chemicals. Turbines and motors with generation capacities of 50,000 kw/hour, and 25-ton capacity automobile manufacturing plants were to be constructed. Domestic equipment such as refrigerators (125,000 units), television sets (100,000 units), and washing machines (10,000 units) were to be assembled.

The plan emphasized increasing food production and agricultural productivity. The 6-Year Plan also aimed to increase the national income by 90 percent over the previous plan. It also attempted to increase workers' average monthly wage to 90 won.[22] The cash income for each farm household was to be raised to 1,800 won. During this plan period, more than 1 million new houses were to be built in rural and urban communities.[23]

21 *Rodongshinmun*, "On the 6-Year People's Economic Development Plan," November 10, 1970.

22 It was approximately $81 in 1970.

On September 25, 1975, the Central Statistics Bureau of North Korea made the abrupt announcement that they had accomplished all of the plan's goals 16 months ahead of schedule. The Bureau gave out impressive figures to support its claim. According to the government, annual industrial production had grown by 110 percent over that of 1970. The production of manufacturing materials had increased by 115 percent, and the production of consumer goods had risen by 105 percent. The average growth rate of industrial productivity was claimed to be 18.4 percent, surpassing the original goal of a 14 percent increase. The growth rate of industrial output was also impressive with a 250 percent increase over 1970. Furthermore, the grain yield amounted to 8 million tons, which was far above the original projection.[24] All in all, these figures alluded to a phenomenal success. However, observers have had more than a few reasons to be skeptical about these figures.

The timing of such an abrupt statement leaves open the possibility of an artificial staging of the announcement. The Korean Workers Party was going to celebrate its 30th anniversary in October 1975, and this announcement came out one month before. Speculation was that the Kim Il Sung regime needed an occasion to make their 30th anniversary special, and an advertisement of the 6-Year Plan's phenomenal success was the perfect way to do so. Another reason to question the credibility of the state-issued figures comes from North Korea's serious trade deficit in the midst of the worldwide oil crisis of 1974. Finally, the North Korean government could not start another plan until 1977, two years after the completion of the 6-Year Plan in 1975. It was obvious that Pyongyang needed the extra two years to catch up with the original goals of the 6-Year Plan before it could embark on another plan. This circumstantial evidence suggests that the regime's claim of the 6-Year Plan's phenomenal success was an exaggeration.

23 *Bukhanyongoso*, p. 47.

24 C. G. Eun, "Elements of North Korea's Foreign Policy Decisions Regarding China and Soviet Union," *Vantage Point*, Vol. IX, No. 6 (1986), p. 6.

The first half of the 1970s was an era of dramatic change in North Korea's trading activities. Trade volume grew drastically, reaching more than $ 1 billion in 1972. The total volume reached $1.9 billion in 1974, the largest level in the nation's history. However, trade volume has gradually declined since then.

The Pyongyang regime's decision to emulate the Chinese model alienated the Soviet Union as a major benefactor, and the main consequence was a drastic reduction in loans and aid. This change redirected Pyongyang to cultivate alternative markets within the capitalist bloc. Kim Il Sung's statement that North Korea must expand its markets and exports, that they had to play a more crucial role in the economy, is noteworthy. The Juche ideology's emphasis on economic self-sufficiency now seemed untenable. This realization led the regime to openly put economic pragmatism before political doctrine.

It is not surprising that North Korea's dependency on exports increased during this plan period. The export dependency ratio increased from 1.82 percent in 1971 to 3.73 percent in 1974. This change implies that the increase of industrial productivity contributed to an increased export of industrial goods. The agricultural and industrial sectors' export dependency ratio grew dramatically to 12.40 percent and 15.51 percent respectively as of 1974 as well.

North Korea's import dependency has followed a typical pattern of import-substitution policy. In the beginning of the 6-Year Plan period, the economy's import dependency was insignificant. But lack of sufficient capital or trained labor left the regime with little alternative but to increase imports. The major import commodities were plants, machinery, and fuel. North Korea purchased an already assembled French petrochemical complex, one of the world's largest cement plants, and Japanese textile factories during the early 1970s.[25]

Trade became less active in the second half of the 1970s. The

25 Byung Chul Koh, *The Foreign Policy Systems of North and South Korea* (Berkeley: University of California Press, 1986), p. 40.

international oil crisis was one major blow to the nation. North Korea had to endure skyrocketing import prices, while export prices went down. The cost of major export items such as lead and zinc plunged, while the price of import materials such as machinery rose dramatically.

North Korea's increased trade with the third world was notable. Its trade proportion with the third world grew from 2 percent in 1971 to 8.8 percent in 1974. Nations such as Pakistan and Uganda were the major clients for Pyongyang's arms sales. North Korea's obsession with military defense led to heavy investments in its defense industry, and the regime further tried to cash in on these investments by selling arms to other developing nations. Arms sales jumped from zero in 1975 to $80 million in 1976.[26] North Korea's trade partnership with the third world became more important as time passed. Their solidarity was not only economic but political as well: they claimed to share a common ideological principle of anti-imperialism.

North Korea's trade with the OECD (Organization for Economic Cooperation and Development) increased as the nation tried to diversify its trading partners. The ideological confrontation between the eastern and the western blocs became less of a concern as economic interests came to the fore. North Korea's exports to OECD nations grew by an annual average of 8.8 percent between 1974 and 1980. The volume of imports from the OECD was not as big as that of exports, because the OECD was an export market for North Korea. Its major export items were primary goods, such as raw materials and foodstuffs. The major import commodities were machinery, transport equipment, raw materials (e.g., steel, paper and textiles) and chemical products (e.g., insecticides and fertilizer). As of 1980, the importation of machinery and transportation equipment was 38.1 percent of the total volume of imports from the OECD. These items were crucial to Pyongyang's relentless pursuit of its economic development plans.

26 Chun Sam Park and Byung Chun Min (eds.), pp. 323-326.

Despite North Korea's efforts to diversify its trading partners, there were obstacles. Chief among these was a chronic shortage of hard currency. Even though North Korea's economy desperately needed the advanced technology of the west, its insufficient foreign currency reserve always stood as a serious hurdle. North Korea's lack of credibility as a debtor in the eyes of the west also made its prospects gloomy. North Korea's international isolation was yet another obstacle. North Korea was not a member of the IMF (International Monetary Fund) or the IBRD (International Bank for Reconstruction and Development).[27] The socialist regime's prospects as an OECD trading partner were therefore not bright.

The prospect for North Korea to become an exporter to the OECD nations was not rosy, either. Low industrial productivity was its crucial weakness as an exporter.[28] The substantial military budget allocation, usually 20 to 25 percent of the total government budget, meant that the industrial sector did not receive enough investment to produce export items. In addition, the nation's heavy reliance on hydroelectric power and coal as major industrial fuel sources made potential partners wary of the possibility of natural disaster. In short, North Korea could not be a reliable supplier of the items that the OECD nations were interested in buying.

Socio-political obstacles were also too important to ignore in assessing North Korea's viability as a trading partner. The society's closed nature, the regime's self-imposed isolation in the international community, its leadership characteristics under the banner of Juche ideology, and its lack of experience with the western world were believed to be

27 Ha-Chong Yon, 1986, pp. 200-201.

28 As compared to other socialist countries, the labor productivity of the North Korean worker was one of the worst. Labor productivity in the industrial sector per 1 worker in the 1970s was $2,184 in the Soviet Union, $1,588 in Bulgaria, $2,916 in Czechoslovakia, $1,586 in Hungary, $ 1,729 in Poland, and $ 1,588 in Rumania. However, that of North Korea was a meager $218. See Chun-Sam Park and Byung Chun Min (eds.), p. 335.

insurmountable barriers in its relationship with the west.[29]

As a way to leap over such hurdles, the central government modified its trade policies. Import-substitution partially yielded to export activities. Pragmatic concerns began to carry almost as much weight as ideological rhetoric. Higher numbers of technocrats ascended to power within the communist bureaucracy. Local enterprises were given more autonomy than ever before. All of these efforts were designed to reinvigorate North Korea's stagnant socialist economy. However, despite these policy changes, foreign trade did not proceed smoothly. A few important obstacles remained, as will be discussed later.

The drastic increase in North Korea's trade reflected the nation's need to accomplish its ambitious economic goals. We can also speculate that Pyongyang was motivated to accelerate its economic growth after the power elite had a first-hand opportunity to observe South Korea's booming economy during their visit to Seoul for talks in 1972. Furthermore, the nation's trade with OECD nations reveals the general mood of detente in the international community and the caution with which it dealt with the Soviet Union and China.

The 1980s: Continuing Economic Stagnation and Dramatic Moves to Open Up the Economy

The North Korean economy continued to experience sluggish growth in the 1980s. Pyongyang's desperation led to the simultaneous launching of two economic programs, the 2nd 7-Year Plan (1978-1984) and the Long Term Economic Plan in 10 Strategic Areas (1979-1989).

29 North Korea's active trade with Japan is an effective example of its diversification of trading partner strategy. For instance, its trade with Japan occupied 43 percent of North Korea's total trade volume with non-socialist countries in 1970. An examination of trade commodities with Japan shows that North Korea was in need of secondary goods, and heavy industrial goods in particular were the primary import items. See Kyungnam Daigaku Gyokumondai Genkyusho, p. 248.

The structural deficiencies of the socialist economy and the consequential bottlenecks that plagued the major industrial sectors led the regime to take the dramatic measure of opening up its closed economy through the revolutionary Joint Venture Law of 1984. The Supreme People's Assembly of North Korea adopted its 2nd 7-Year Plan in December of 1977. The plan period ranged from 1978 to 1984. The goals of the 2nd 7-Year Plan included a 220 percent increase in gross industrial output and a 190 percent increase in national income. This plan also emphasized the "modernization" and "scientification" of the people's economy. The improvement of people's standard of living was once again highlighted.

Interestingly, however, the regime did not start another plan until 1986. Again, the dominant speculation was that the socialist regime needed a two-year buffer period to round off the original plan. The actual outcome of the 2nd 7-Year Plan is estimated to have been 55 percent of the original plan. Essential industrial products such as electricity, steel, machinery, and chemicals experienced serious production setbacks.[30]

During this latest plan period North Korea's trade was in better shape. Its trade volume increased, and its trade balance improved over that of the 1970s. 1980 saw a record amount of trade, and the trade deficit was a comfortable $83,000. North Korea's trade with western nations continued to increase in the first half of the 1980s as well. Its imports from the western bloc grew by 20 percent, and its exports to them also increased by 18 percent.

North Korea also continued to emphasize its cooperation with the third world during this time. It was an ardent advocate of the New International Economic Order (NIEO). Its economic doctrines matched the regime's Juche ideology and its ambition to become a leader of the non-aligned group.[31] Pyongyang's interest in other developing nations

30 See Young-Gyu Kim, p. 24.

31 North Korea's efforts to align with Third World nations are well demonstrated by its economic aid to them. During 1956 and 1976, North Korea's economic aid to the Third World amounted to $980,000, and its loans reached $5.6 million. About 39 African and Middle Eastern nations received the Pyongyang regime's assistance in such diverse forms as direct material supplies and agricultural technology transfers. Among Asian nations, Viet Nam, Burma and Sri Lanka were the major recipients. See Tae-Hwan Kim, *Bukhaneui Jaesamsaegae Woegyo Gwangae [North Korea's Diplomatic Relations with the Third World]* (Seoul: Gukjaemunjaeyonguso, 1987], p. 166. One of the most notable aspects of North Korea's relationship with Third World nations is its support for their military actions. The Pyongyang regime, for instance, supported military confrontations in 11 African nations by dispatching military personnel and providing arms. See *The Dong-A Ilbo*, August 2, 1984; *The Hankook Ilbo*, August 4, 1984.

also reflected its monetary interests as a weapons exporter. North Korea's trade deficit grew to $14 million in 1981 and to $55 million in 1982.

The Long Term Economic Plan in 10 Strategic Areas (1979-1989)

During the 2nd 7-Year Plan, the 6th Worker's Party announced another ambitious Long-Term Economic Plan in 10 Strategic Areas. The central government of North Korea attempted to pursue two ambitious economic programs simultaneously. The rationale behind this double-track policy is hard to fathom. We can, however, guess that the regime was becoming desperate with the sluggish economic growth that followed the impressive expansion of the 1950s and the 1960s. Furthermore, North Korea was becoming more dissatisfied with its own lagging performance when it compared itself to its rival, the capitalist South. The gap between North and South Korea's GNPs was becoming larger. South Korea's GNP growth rate, for instance, was 2.87 times faster than that of the North in 1960. But this difference grew to 3.80 in 1970 and to 5.52 in 1984. The rivalry between the two regimes propelled the North to take extreme measures such as the joint venture law.

The detailed goals of this latest plan reveal that North Korea was in dire need of the primary materials required to process manufactured goods. The plan's 10 strategic areas included an increase in electricity, coal and steel production.

The target year for the completion of this economic plan was left open. 1989 was the targeted date, but the Supreme People's Assembly announced in 1987 that they were going to modify the goals due to unfavorable international and domestic conditions. They judged that the initial goals were not attainable, and they were pressed for time. They therefore extended the target year for the Long Term Plan from 1989 to 1993, and most of the original production goals remained the same.

The Joint Venture Law (1984)

In 1984, the Pyongyang regime made a revolutionary move to revitalize its stagnant economy: the enactment of the Joint Venture Law. Article 1 of the law specifies that North Korea wants to "expand and develop economic and technical interchange and cooperation with many countries of the world." This move was a great compromise between economic reality and Juche rhetoric. Since events had revealed economic self -sufficiency to be no more than wishful thinking, to the xenophobic nation had to modify its key policy doctrine.

There were a few advance warnings of this massive impending change. In the 1984 government shake-up, pragmatists like Kang Sung San and Kim Young Nam replaced technocrats like Li Jong Ok and Huh Dam.[32] Kim Il Sung emphasized the importance of technology transfer from capitalist economies in an official statement. The Pyongyang regime was starting to realize the limits of a closed economic system. It needed a strong prescription to cure the nation's deteriorating economic health and the limited effects of mass mobilization.Pyongyang saw a dire need to import advanced technology and capital by attracting foreign investors. As it faced more and more obstacles to trade expansion with the OECD countries, its prospects for improving economic relations with socialist countries also diminished. The power struggle between China and Russia put Pyongyang in a tricky position. The Soviet Union began reducing its assistance to Pyongyang in the late 1970s. Most of its assistance now went to Cuba, Viet Nam and Mongolia, and North Korea was low on the Soviets' list. China also made changes in its trade policies with Pyongyang. The western bloc nations became China's major import sources, while North Korea remained as its export market. These external changes were all detrimental to Pyongyang's attempts to revitalize its economy.

Changes were also detected in South-North relations. North Korea agreed to hold economic talks with the South in November 1981 after abruptly breaking off talks in 1979. Economic discussions became more active after a third meeting in November 1984. Even though the seventh meeting was postponed in 1985, a considerable change in North Korea's attitude was detected. Pyongyang also accepted South Korea's delivery of relief goods in 1984.

In addition to these changes, there were practical reasons for the enactment of the Joint Venture Law. First of all, North Korea was suffering from a large accumulation of foreign debt from the beginning of its economic development drive. By 1986, the total amount of foreign debt had reached $4.1 billion. This debt posed a serious threat to the nation's international credibility. In October 1986, the Japanese government reimbursed 30 Japanese export insurance companies $196 million to pay off Pyongyang's debts to them. Furthermore, the western banking group declared in 1987 that Pyongyang was in default of $770 million. These loans were mainly used for the purchase of machinery and the construction of bridges and roads in the 1970s. Since 1984

32 The Economist Intelligence Unit, 1985, pp. 37-38.

Pyongyang had made no payments on the interest of the principal sum.[33] The shortage of foreign capital reserves made the nation face more difficulties in importing technology and machinery for its economic growth drive.

China's 1978 commencement of its successful economic reform program, "the open door policy," seems to have motivated the Kim Il Sung regime to implement a similar plan. Kim, along with top-ranking government officials, made frequent visits to industrial sites in China such as the Shenzhen Special Economic Zone in Guangdong Province in 1984.[34] The North Korean Joint Venture Law seems to have used the Chinese law of 1977 as a model.[35]

Eighteen years have now elapsed since the introduction of the Joint Venture Law. The law's impact is mixed. Barriers of various kinds explain the disappointing effect of the law. First of all, one of the ironies of the new system is that the joint stock company is one of the most popular forms of ownership in the capitalist economy. In issuing stocks under the North Korean law, the range of stockholders was severely limited. It was obvious that the government of North Korea was going to be the sole stockholder from the North Korean side. This meant that the central government would voice its opinion in all management decisions and hold the largest amount of stock from each deal. This unequal partnership has hindered many private western firms from

33 Chun Sam Park and Min Byung Chun, p. 314.

34 *The Dong-A Ilbo*, November 20, 1984; Y. H. Kihl, "North Korea in 1984: The Hermit Kingdom Turns Outward!," *Asian Survey*, Vol. 25, No. 1 (January 1985), pp. 62-72.

35 The two share striking similarities. There are two subsections of the two laws: 1) the basis of law explaining its principle and purpose; 2) description of organization and business activities; 3) regulation of distribution; and 4) description of the procedures concerning the extension and termination of contracts. In the first few articles, both emphasize the equal nature of economic cooperation and technology development. Article 3 of the North Korean law lists the focus industrial sectors and article 5 specifically mentions that Pyongyang welcomes investment by Korean-Japanese. See S. B. Yoon, "Two Laws of Joint Ventures: The North Korean and Chinese Cases," *Journal of East and West Studies*, Vol. XV, No. 1 (Spring-Summer 1986), pp. 69-72.

participating in business deals. Second, North Korean income tax law is discriminatory.[36] According to the law, the central government of North Korea can levy income taxes on joint venture companies, foreign employees and Korean workers at the firms.

Right after the joint venture law's enactment, the regime intensified its anti-capitalist propaganda. The official party newspaper, the Rodong Shinmun, criticized the "cancer of capitalism" and the vicious nature of imperialist revisionism. These contradictory actions (economic openness and ideological indoctrination) reveal the essence of North Korea's dilemma. Even though the need to open up its closed economy was pressing, the regime was afraid of losing tight control over its people. Despite decades-long political indoctrination, it was possible for the people to be aware of the fact that North Korea was not paradise after all.

The analyses above show the gradual evolution of North Korea's economic stagnation that has since the mid 1980s led to economic openness towards the West. The association between economic development and trade has been fairly close despite the political rhetoric of Juche. Trade volume tended to increase as each plan neared its end. Import activities, in particular, were on the rise as the Pyongyang regime was gearing itself towards the completion of each development phase. This research demonstrates how Pyongyang has tried to tread water while faced with internal as well as external obstacles.

Conclusion: Gearing Towards Inter-Korean Reconciliation Through Trade and Economic Cooperation

Even though the results of the 1984 joint venture law are mixed, the

36 North Korea was the first nation in the world which abolished income taxes in 1974. The 8th Plenum of the 5th Workers' Party declared this abolition in order to realize "true communism." See *Yearbook on International Communist Affairs*, 1975, p. 368.

unrealistic goal of economic self-sufficiency is giving in to the global trend of economic restructuring. The recent economic reform measures support such an observation.

Pyongyang will continue to make more reform-oriented measures even at the cost of losing its tight grip over the populace. Comparative historical evidence suggests that economic collapse tends to precede political demise,[37] and Pyongyang has yet to prove the regime's sustainability through prolonged economic incapacity.

The current economic situation, plagued with severe famine, has not changed much since the annus horribilis of 1993. The nationwide average nutritional intake improved only temporarily right after the regime's 1995 international plea for humanitarian aid. The improved macroeconomic indicators fall very short of translating into tangible changes at the microeconomic level. The woes of the crumbling economy manifest themselves in massive starvation, infrastructure deterioration, severe energy shortage, depleted foreign currency reserves, and an increasing human exodus.

Pyongyang's leadership has consistently misread the implications of its actions in the current international political context in which the hawks outvoice the doves. A series of diplomatic mishaps has aggravated Pyongyang's economic relationships with its key trading partners. Pyongyang's candid admission of the existence of abducted Japanese has backfired on the regime by angering the Japanese public. The unexpected admission to the U.S. of a continuing nuclear development program has quickly become an international security hot potato. North Korea's continued export of weapons to Middle Eastern countries has increased doubts about the regime's credibility. With international aid from the two major donors dwindling, the World Food Program continues its warnings about the worsening famine. But Pyongyang has been caught with its hand in the cookie jar,

37 Nicholas Eberstadt, *The End of North Korea* (Washington D.C.: AEI Press, 1999), pp. 45-69.

and such political jeopardy can only aggravate its economic performance. An unprecedented amount of pressure, external as well as internal, is mounting on the regime.

Pyongyang appears to have adopted three economic policy changes. The first is a more encompassing introduction of capitalist economic principles such as competitive pricing, and a productivity-based reward system. These recent adoptions go beyond the separate accounting system, a mixture of socialist and capitalist modes of operation. The trial-and-error of the Sinuiju Special Administrative Region will not dampen the regime's desperate need to attract more foreign investment and stay competitive in the international market, because it has no viable alternative. The Kaesung Industrial Complex and Mt. Geumgang Project will continue, because North Korea is in desperate need of economic resuscitation.

Second, North Korea seems to aspire to a strategic separation of politics from economy. Pyongyang's recent policy has been to adhere to agreements made in the cultural, economic and sports realms despite political and military confrontations. Seoul may be the only partner that will play along with such a policy. Other major western partners will hesitate to continue economic ties if their security concerns are at stake.

Third, the North will continue to rely on the South as its major trading partner. South Korea became North Korea's second largest trading partner, followed by China, in 2001, and traffic in human and material resources increased dramatically under Kim Dae Jung's Sunshine Policy. The whirlwind of globalization will not exclude North Korea, and the country can no longer keep its doors closed. As no man can be an island, no nation under the sun can remain self-isolated indefinitely. North Korea has been doing that too long, and its time for revolutionary change is approaching sooner than expected.