Policy Forum 08-069: Australia and the DPRK: The Sixty Years of Relationship


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By Leonid A. Petrov

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I. Introduction

Leonid A. Petrov, Research Associate at the Australian National University, writes, "Australia's DPRK policy has for too long been copying the US policy toward North Korea and has finally reached the same dead end. Driven to this by the previous government, it now needs urgent attention and adjustment. If neglected, Australia risks loosing many lucrative opportunities still available for our exporters and investors."

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II. Article by Leonid A. Petrov

- "Australia and the DPRK: The Sixty Years of Relationship"
By Leonid A. Petrov

This year the two Korean states are celebrating their 60th anniversary. Established respectively in August and September 1948 the Republic of Korea (ROK or South Korea) and the Democratic People's Republic of Korea (DPRK or North Korea) both have covered a long and winding road of struggle for recognition, survival and prosperity. With different degrees of success, both states have entered the 21st century of Globalization but still refuse to recognise each other. Ideological confrontation between the East and the West, which sparked a civil conflict in Korea, continues to dominate inter-Korean politics now and effectively prevents the prospect for reconciliation and peaceful unification.

All these years Australia has been one of the countries intimately involved in political developments on the Korean peninsula. As part of the West, Australia was closer to the ROK and even fought on its side during the Korean War (1950-1953). Active economic, cultural, and human exchange continued cementing the firm alliance between South Korea and Australia. These days the ROK is Australia's third largest trading partner; South Koreans visiting Australia reach hundreds of thousands every year; academic and language exchange is on the rise. This year both countries decided to start the process leading to the Free Trade Agreement, which will fully open their domestic markets to each other.

On the contrary, relations between Australia and the Democratic People's Republic of Korea (DPRK or North Korea), have been one of the oddest and most chequered in diplomatic history. Australia was prominently represented in the UN Temporary Commission for Korea in 1947 and contributed to the creation of two hostile states on the peninsula. A short period of mutual recognition and cultural cooperation with the DPRK took place in the mid-1970s but was suddenly and mysteriously broken off. In May 2000, encouraged by the improved climate of inter-Korean and DPRK-US cooperation, Australia and North Korea resumed diplomatic relations. However, the resurgent nuclear crisis and the drug-smuggling incident in Victoria proved to be hard tests for this shaky relationship.

At the moment, Australia has minimal relations with North Korea. While maintaining formal diplomatic links it has little plans to open its embassy in Pyongyang. Since North Korea conducted a nuclear test in October 2006, Australian entry visas have not been issued for DPRK citizens and North Korean ships have been banned from Australian ports. Most bilateral cooperation with the country has been put on hold by the Australian side "until the nuclear-weapon crisis is resolved".[1] The closure of the DPRK's embassy in Canberra in January 2008 seems to be a logical continuation of this freeze in relations. But the lack of information has left the public confused and the pundits

guessing about the true reasons behind this quiet *démarche.*

The majority of the Australian population seemed to either welcome or simply ignore this issue. The obscurity in which almost everything related to North Korea is shrouded does not help to make this issue understood. There is no discussion on the future of Australia-DPRK relations in the media. Reports and brochures on collaboration with North Korea produced by the Australian government reflect a pessimistic posture.[2] Issues related to the prospects of bilateral economic and cultural cooperation are outshone by the saga of North Korean nuclear programs, chilling stories of human rights violations, and alleged criminal activities in which the North Korean government is routinely implicated. An overwhelming majority of Australians (86%) have negative views of North Korea's influence in the world.[3] Media publications and video reports, particularly those made in the style of gonzo journalism, only add to the existing negativity and bias.

Certainly, the DPRK is not an ordinary state and its social order is unique in today's world. To deal with North Korea successfully we must remember and understand the Cold War history and its consequences for the region. The reality of the inter-Korean conflict must be taken into account whenever we try to engage North Korea in dialogue or cooperation. Sensibility and understanding in dealing with Korea and Koreans are as important as the first-hand knowledge of their country, language and culture. Sadly, the former government's preoccupation with pragmatism and striving for globalisation gave no chance for Australian-DPRK relations to develop into anything more significant - North Korea was dismissed as a basket case.

What prompted the Australian government to establish and maintain diplomatic relations with North Korea in the first place? How can we explain the sharp twists and turns in Australian-DPRK relations? Was it all North Korea's fault? Or was there something in Australia's foreign policy that for the second time prevented the budding relationship blossoming? It seems that right now, when the new Labor government in Canberra is revising and reformulating its foreign policy directions, it is an appropriate time to revisit the story of relationship with North Korea.

This paper attempts to provide a cursory and rather revisionist analysis of the history of diplomatic relations between the two countries, viewing the sixty years of bilateral relations (and their absence) through the prism of the three policy traditions in Australian foreign affairs. This will be followed by a more detailed discussion of the key issues involving the two countries, such as the war on terror and non-proliferation efforts. Relevant academic writings on international relations and security studies will be analysed along with the views and opinions of Australian diplomats and their North Korean counterparts. The responsibility for all mistakes and inaccuracies is, of course, exclusively mine.

The tree pillars of Australian foreign policy

In November 2006, while delivering a speech at the Centre for Independent Studies in Sydney, the then leader of Labor opposition Hon. Kevin Rudd MP blamed the incumbent Liberal government of John Howard for willingly embracing the neo-conservative US foreign policy agenda. The result of this policy choice, argued Rudd, led Australia to make the "most reckless decisions in the history of post-war Australian foreign policy" and demonstrated a "radical departure from the Australian foreign policy establishment". He despised the Liberal foreign policy for becoming "a kabuki play" consisting of two main lines and themes: "stay the course" or "cut and run".[4]

Mr Rudd's critique was squarely based on Owen Harries' ideas expressed in the 2003 Boyer Lectures for the Australian Broadcasting Corporation and published under the title, *Benign or Imperial? Reflections on American Hegemony* . Harries, a veteran diplomat and a prominent foreign policy analyst, traced the three dominant, conflicting but inseparable traditions of Australian foreign

policy: namely, the Menzies-Howard realist-pragmatic tradition; the Evatt-Whitlam-Evans liberal-internationalist tradition; and the Spender-Casey-Keating tradition of Asian regionalism.[5] All three have contributed to Australia's relations with the world but in somewhat different ways.

The Menzies tradition - started by former Prime Minister Robert Menzies (1939-1941, 1949-1966) - is realist, pragmatic and power-centred. Its main assumption is that abstract principles and general schemes are essentially dangerous for any foreign policy. Menzies-type realists believe that for a vast, thinly populated and geographically isolated country like Australia, the best insurance policy against international predators is close and friendly relations (political and military) with the United States. They tend to be sceptical of most international institutions, including the United Nations organization, which they think is not an alternative to "power politics" but simply a different façade of the system where sovereigns protect their own interests by threatening one another with military, economic, or political aggression. Australia's former Prime Minister John Howard is probably the purest and most recent (1996-2007) representative of this conservative tradition since Menzies.

The second Australian policy tradition, according to Harries, is based on the views of Labor leader Herbert Evatt (1951-1960). Harries calls this policy both nationalist and internationalist because international organizations usually provide more hospitable and effective forums for middle-sized powers to register their presence and demonstrate their ambitions. This tradition gives Australia a high profile as a country capable of making a distinctive contribution to international affairs. Unlike the realist tradition, the Evatt tradition draws a sharp distinction between power politics and the UN, seeing the actions that are sanctioned by the UN as legitimate and moral. This tradition of policy is also suspicious of great powers and values the freedom of action and sense of identity. Representing the Labor side of politics, this tradition has been maintained embodied by former Prime Minister Gough Whitlam and foreign minister Gareth Evans.

The third tradition of Australian foreign policy, based on the views of Liberal ministers for external affairs of the Menzies era, Percy Spender and Richard Casey, emphasizes the importance of regional affairs and active cooperation with Asia. Spender and Casey created the Colombo Plan, a regional organization aimed at strengthening of economic and social development of the Asia-Pacific Region through human resources development. Fifty years ago Menzies and other conservative realists failed to recognise and accommodate what turned out to be the new regional phenomena. With the flow of time their pejorative attitude toward Asia became increasingly unsustainable and gave rise to engagement. This policy tradition received further support and development under former Prime Minister Paul Keating (1991-1996).

The paradox is that all three traditions, although strikingly different in their style and methods, share the common goal of keeping Australia politically sovereign, militarily secure, and economically strong. Tilting too much to one side or the other inevitably brings about a crisis resulting in the change of government. Australia's relations with the world during the last half century can be viewed and analysed through the prism of "tripod theory". Indeed, three-point contact with the world is both simple and stable.

The eleven years of Howard government rule (1996-2007) were characterised by one-sided conservative foreign policy. Australian Liberals readily accepted from American neo-conservatives a doctrine of global military pre-emption and armed democratic enlargement that, according to Harries and Rudd, put Australia's national interests at unnecessary risk. Australian troops remain stationed in Iraq and Afghanistan, committed indefinitely and without a clear mission statement; Australia's relations with several regional nations were badly damaged; and Australians themselves became a greater terrorist target than they would have been otherwise. Moreover, to the dismay of supporters of the Evatt's tradition, Australia's international standing was significantly weakened by associating with a military action which, in the eyes of many members, lacked UN authority.

The Australian Labor Party, victorious at last year's federal elections in November 2007, now proudly states that its foreign policy platform is based on all three pillars - alliance with the US, active membership of the UN, and comprehensive engagement with Asia - that manifest realism, liberal internationalism, and regionalism. For the new Prime Minister Kevin Rudd, the question is not which one of these three traditions is right and which one is wrong for Australia but what balance or mix is appropriate according to given circumstances, priorities or interests.

In March 2008, before leaving for a 17-day trip to the United States, Europe and China, Rudd declared his foreign policy philosophy. "The truth is that Australia's voice has been too quiet for too long across the various councils of the world" - he told the Australian National University's East Asia Forum - "That is why during the course of the next three years, the world will see an increasingly activist Australian international policy in areas where we believe we may be able to make a positive difference".[6] Rudd assured the audience that the new Australian government is committed to the principle of "creative middle-power diplomacy" as the best means of enhancing Australia's national interests.

Returning to relations with North Korea, one can argue that the course which Australia was following got wrong the balance between regional and alliance policy. Fearful of potential destabilisation of peace in the region, Australia was assuming the model of relations where much emphasis was placed on its strategic alliance with America. Despite significant economic and security interests linking Australia with Asia, Canberra's policy toward North Korea has been weak and inconsistent. By, establishing and re-establishing diplomatic relations with the DPRK and, later, effectively freezing these relations and siding with international sanctions imposed against this impoverished state, Australia has been sending the world mixed signals.

Sixty years of bilateral relations

What was the nature of relations between Australia and North Korea during the most recent resumption of diplomatic links in May 2000? One can split the history of diplomatic affairs into four periods: Australia's inadvertent participation in the division of Korea (1947-1948), the Korean War (1950-1953) and its aftermath; the period of mutual recognition leading up to and including embassy exchanges (1972-1975); the period of broken relations (1975-1999);

After the surrender of Japan in 1945 and temporary division of Korea by the Soviet Union and the United States, the Australian government actively engaged in solving the "Korean problem". In 1947, Australia was prominently represented in the UN Temporary Commission for Korea which was made up of eight countries. Trying to pursue a solution to the problem the UNTCOK found almost immediately that it was dependent on the US Military Government and its overtures to the Soviet-occupied north were rejected. It was the Australian representative, Ralph Harry, who pointed out that the "decision should not be taken on an election for a national government until the Commission and General Assembly could consult representatives of both North and South".[7]

Voting against the separate election in the South, Australia recommended that the Commission withdraw from Korea. However, understanding that the US Military Government might decide to go ahead with such election anyway, the Australian position began to shift gradually. WWII made Australians look more to the United States, rather than Britain, as their primary ally and partner in the region. After a series of reluctant compromises made by the Australian delegation, in April 1948 the UNTCOK opened way for the National Assembly elections. The establishment of a de facto separate state in the South and the presidency of Syngman Rhee as the only legal government in Korea were approved by the UN General Assembly resolution which was drafted by the Australian Minister of External Affairs, Dr. Herbert Evatt, who served as the UNGA President at the time.

Sadly enough, situation on the Korean peninsula continued developing fundamentally counter to what the Australian government tried to achieve. The civil conflict, known as the Korean War, began on 25 June 1950 and brought to Korea more than 17,000 Australian servicemen and women. Australia was in fact the first country after the United States to commit troops. A week after the beginning of hostilities, the Royal Australian Air Force's 77th Squadron, which had been on duty with the occupation forces in Japan, was scrambled to provide air support for the beleaguered UN ground forces. Elderly North Koreans might still remember the RAAF air raids which razed to the ground their capital, Pyongyang.

It was a period of considerable international and regional uncertainty and Australia, under the conservative government of Robert Menzies, was not friendly towards communism. On 1 September 1951, one week before the Treaty of Peace with Japan and at the height of the Korean War, Australia and New Zealand formally entered the security alliance with the United States (ANZUS) which was signed in San Francisco.[8] After that, for more than twenty years Australia and North Korea belonged to opposing camps in the Cold War that effectively precluded the development of a normal relationship. When Australian Prime Minister Holt (1966-1967) toured South Korea in 1967 he visited the Demilitarised Zone (DMZ) where the North Korean loudspeakers were ready for him: "Go home, Harold Holt!" they blared.[9]

Things started changing after the Australian Labor Party took power in 1972 for the first time in thirty years. The Whitlam government, adopting a reformist foreign policy approach, in short order established diplomatic relations with mainland China and North Vietnam. But it took a longer time to reach a stage of mutual recognition with the DPRK, partly because of Australia's close relations with South Korea and Japan. Ultimately, on 31 July 1974, an agreement was signed which for the first time opened diplomatic relations between Australia and North Korea and led to the exchange of embassies. The DPRK was first to establish its embassy in Canberra in December 1974, and Australia followed by opening its own embassy in Pyongyang in April 1975.

In May of that year, Australian Foreign Minister Donald Willesee visited Pyongyang for talks with his counterpart, DPRK Foreign Minister Ho Dam. At this time, diplomatic advancements seemed genial and Willesee remained optimistic for amiable relations in the future.[10] Sadly, this positive stage in the relations between Australia and the DPRK was to last less than a year. The Australian embassy in Pyongyang was open only for a period of six months, before the DPRK decided unilaterally to, firstly, close its office in Canberra without warning on 30 October 1975, and then to expel the three Australian diplomats from Pyongyang six days later.[11]

The circumstances of such an abrupt suspension of relations are still shrouded in mystery. At the time Pyongyang gave no explanation, apart from complaints that the Australian government "imposed excessive travel restrictions on its embassy staff in Canberra", and that the Australian diplomats in Pyongyang were trying to misrepresent life in the DPRK by "deliberately taking pictures of children playing in the mud".[12] The North Korean diplomats rapidly packed up and went to Sydney International Airport from where they sent a letter to the Department of Foreign Affairs and Trade (DFAT) informing the Australian government of their decision to close the embassy. It appears that they also asked the High Commission of Malta to settle their abandoned accounts and sell the property to pay up the debts. Secrecy surrounding this incident gave freedom to many wild rumours and speculations.[13] Unfortunately, the archival records which contain the details of this episode are still withdrawn from public access.

Why did the DPRK quit Australia in such a huff? Conventional wisdom has held for many years that the North Koreans were primarily interested in having a relationship with Australia in order to have a western, non-aligned ally in the United Nations. At that time both the ROK and the DPRK had competing resolutions tabled at the UN, and the DPRK desperately needed support to achieve the

termination of UN Command and withdrawal of US troops from Korea. Contrary to instructions sent by the Whitlam government, the Australian representative at the UNGA's 4th Committee appeared to be supportive of the ROK resolution and abstained only on the day of the vote.[14] This apparently so angered the Pyongyang government that they no longer saw the diplomatic relationship as useful and immediately suspended it.

The showdown of 30 October 1975 proved to be counterproductive in many aspects and its negative effects lingered for many years. Despite the UNGA resolution, which demanded the termination of UN Command in Korea, this task has never been accomplished. The US National Security Council also reversed its earlier position on the withdrawal of its forces from Korea.[15] Instead, it was the UNGA that was forced to withdraw its jurisdiction from Korea, leaving the responsibility to UN Security Council (UNSC). The entire episode highlighted the problematic role which Australia had assumed by discussing the Korean question at the General Assembly. The Spender-Casey tradition of engagement with Asia conflicted with the Evatt-style internationalism, causing poor results for both the inter-Korean political dialogue and Australian-DPRK relations.

The period between 1976 and 1983, during the Malcolm Fraser Liberal Government, was largely uneventful. There was the issue of some $62 million dollars in loans owed to the Australia and New Zealand Banking Group (ANZ) and other Australian lenders that the DPRK had defaulted on. For pragmatically oriented Menzies-type realists in Canberra there was little point in striving for improvement of relations with North Korea. Since it was the DPRK who unilaterally decided to suspend relations (they were not actually broken, but became unworkable in the absence of mutual representatives) the ball was in the North Korean court to attempt to change things. In the early 1980s, Pyongyang undertook several unsuccessful attempts to resume diplomatic relations with Canberra. Nevertheless, North Korean officials were repeatedly refused entry visas.[16]

Some suspected that it was done so as not to irritate the ROK which was becoming Australia's major trading partner.[17] In November 1981, the Australian government took a firm position to make the opening of an embassy conditional on Pyongyang recognising the ROK's existence, agreeing to enter into negotiations with Seoul on an equal basis, and relaxing its opposition to "cross recognition" of North and South by their respective great power backers.[18] Australia's principal concern was to encourage negotiations as a means of defusing the tension in the region. In October 1983, the South Korean President Chun Doo-hwan was already on his way to Australia and New Zealand when North Korean agents plotted and carried out the Rangoon bombing that killed 17 officials from his entourage visiting Burma. After this incident, official contacts between Australia and the DPRK were put off for another decade.

Labor Prime Minister Bob Hawke (1983-1990), while visiting Seoul in 1984, repeated the conditions on any improvement in Australia-DPRK ties. He demanded that North Korea promise to cease hostility against South Korea and work towards easing tensions on the whole Korean peninsula; that it conform to accepted standards of behaviour in the international community; and that it show Australia that closer ties would be constructive.[19] The balance in the Australian foreign policy began to move gradually toward the Spender-Casey tradition of engagement with Asia but security concerns posed by the Cold War structures would effectively offset any rapprochement with North Korea.

Less known but no less interesting are the second-track diplomacy initiatives undertaken by various friendship associations through which the DPRK tried to gain a foothold in Australia. Here must be mentioned the Australia-Korea Society for Friendship and Cultural Exchange, which was initiated and run by a Melbourne activist, Joseph Waters. Since the late 1970s, he published the *Korea Courier* quarterly, "a magazine of information and opinion about life and happenings in Korea". This Society emphasised the achievements of the DPRK and the dangers to peace being caused by the

foreign troops stationed in the South. With the purpose to give a better understanding of Korea, in March 1980 the Society brought to Australia a North Korean arts exhibition.[20] There was also an attempt to establish the Australian Association for Korean Unification and the Korea Support Group within the Asian Bureau Australia.[21] A long-time friend of Asia and the former mayor of Fitzroy and Yarra, Harold Mackrell, made two visits to the DPRK in 1983 and 1987 in order to promote people to people contacts between the two nations.

With the fall of the Berlin Wall in 1989 and the break up of the Soviet Union in 1991 a new era of international politics began. For the first time the world experienced a unipolar system in which only one superpower dominated, fundamentally altering the structure of the global political system. The United States - Australia's main security ally - suddenly became the global hegemon. As a middle power with powerful connections, Australia attempted to reshape the political architecture of the region in general, and to adjust power in the world to better suit Australia's national interests. Under Labor Prime Minister Paul Keating foreign policy was adjusted in such manner that Australia enjoyed the alliance with the US, active membership of the UN, and comprehensive engagement with Asia.

As a result, relations with North Korea quickly took a turn for the better. In 1991 the Australian parliamentary delegation attended an Inter-Parliamentary Union Conference in Pyongyang. The Secretary of the International Department of the Central Committee of the Korean Workers' Party (KWP), Kim Yong-sun, led a North Korean KWP delegation to Australia half a year later. In the wake of the first nuclear crisis in Korea (1993-1994), ex-US President Jimmy Carter brokered a deal and the Agreed Framework regime was established, Australia joined the Korean Peninsula Energy Development Organisation (KEDO). This international consortium aimed to build two light-water nuclear reactors in North Korea to avoid nuclear weapons development by the DPRK and compensate for energy loss. Australia contributed altogether AUD $14.8 million towards the costs of supplying heavy fuel oil to North Korea.[22]

Kevin Rudd, future Prime Minister of Australia, demonstrated interest in North Korea and visited Pyongyang in May 1999 together with Senator Gareth Evans, the incumbent President of the International Crisis Group. In June 1999, a four member delegation from North Korea visited Sydney, where they held an art exhibition. The then Foreign Minister Alexander Downer met Paek Nam-sun, his DPRK counterpart, for talks the following month in Bangkok, where both countries had embassies, and again in September of that year on the sidelines of the UNGA meeting in New York. These meetings, coupled with Australia's donation of AUD $10 million in food and related aid to alleviate the severe famine that had struck North Korea in the mid 1990s, led to further rapprochement.

Proactive public groups and individuals in Australia were inadvertently causing troubles to South Korean authorities. There was a curious case of a man, Mr. Robert Pash, the former founder and co-editor of pro-Libyan anti-US magazine *New Dawn*, who led a delegation of the Australian Association for the Study of the Juche Idea to Pyongyang to celebrate the 50th anniversary of the founding of the DPRK in September 1998. Based in Queensland, Pash set up a website touting North Korean political propaganda and offering a lending library of the works of Kim Jong-il and courses in North Korea's Juche philosophy. His website prompted the South Korean government (which still forbids its citizens from reading or viewing communist propaganda) to temporarily block access to the popular GeoCites web network, effectively cutting from its services more than 1 million subscribers, including US military personnel stationed in Korea.

This was where things stood until the late 1990s. Australia's DPRK policy then was matching the Clinton administration's moves toward the radical improvement of relations with North Korea and the thaw in inter-Korean relations. The Australian Defence Force Academy's Professor of Politics,

James Cotton, believes that renewed talks between Pyongyang and Canberra may also have been prompted by Australia's key role in assembling the coalition force for East Timor (INTERFET) in September 1999, which was sanctioned by UN Security Council and bolstered by strong US patronage. The speed with which this regional coalition force was assembled would not have gone unnoticed by Pyongyang, particularly since the DPRK had long been concerned about the possibility of international intervention on the Korean peninsula.[23]

By that time it was pretty clear that the Pyongyang leadership was focused more on its own survival and military security rather than the domestic economy and humanitarian issues. If US intelligence had long suspected North Korea of secretly pursuing a uranium enrichment program, then why did Australia make the decision to approach the DPRK with engagement rather than with sanctions and further isolation? Major Steven Brain, an Australian Army Officer, believes that for Australia "the step to re-establish relations was not as much about bilateral trade, as profits for Australia would be minimal. It was about an international security focus".[24] That seems quite plausible, knowing the Liberals' longest standing leader and the then Prime Minister John Howard, the most devoted follower of Menzies-style pragmatic-realistic approach in foreign relations. By talking to Pyongyang directly, Canberra was more interested in contributing to Australia-US security relations than engaging the DPRK in cooperation.

Between engagement and containment

Irrespective of intentions, conditions were ripening for both governments to announce a renewal of diplomatic relations, which finally happened on 8 May 2000. Two months later, the Australian ambassador to Beijing, David Irvine, and the DPRK ambassador to Indonesia, Kim Pyong-hong, visited each other's respective capital cities, presenting their credentials and establishing non-residential embassy relations. In order to further cement the blossoming diplomatic relationship, Australia's then Foreign Minister Alexander Downer met twice with DPRK Foreign Minister Paek Nam-sun in Pyongyang and Canberra, where an agreement that residential embassies would be exchanged between Canberra and Pyongyang was signed. At that stage it was planned that North Korea would build its embassy by the end of 2001, and Australia would follow in 2002-2003.

After a year of futile searching for an affordable block of land, two North Korean diplomats, who arrived in Australia in 2001 for this purpose, finally decided to rent a building in O'Malley, a quiet suburb of Canberra inhabited by "lesser" embassies. Ironically, the North Korean embassy nearly occupied the same street as the embassies of Iran and Iraq, literally forming the infamous "axis of evil". The lease application was already with the local town council when the media became aware of protests expressed by "a neighbour resident" against the decision to allow North Koreans to set up their embassy there. Ostensibly, the parking arrangements and traffic concerns were the bone of contention. After the long and tedious battle with real estate agencies, the DPRK embassy was opened in 2002.

The Australian government, skeptical about the very idea of reopening the embassy in Pyongyang, did not reciprocate. Remembering the isolation and severe travel restrictions imposed on the Australian diplomatic staff in Pyongyang back in the 1970s and anticipating the major shift in America's North Korea policy after George W. Bush became the new US President, Canberra decided to postpone the embassy opening plans indefinitely. Instead, it opted for the more cautious approach of non-resident representation where Australian Ambassador to China would continue to be dual-tasked and located in Beijing.

This tends to support the argument that Canberra's interest in re-establishing diplomatic ties with Pyongyang was not driven by the wish to engage the North Koreans in serious cooperation but rather by the need to acquire additional leverage in dealing with them without actually risking

anything. Under the rhetoric of the Spender-Casey-Keating thesis of engagement with Asia, hid the Menzies-Howard dream of a stronger Australia-US security alliance.

In the realm of bilateral trade, things moved equally slow. According to the Australian Bureau of Statistics, DPRK occupied the meager 144th place in the list of Australian trading partners. The peak of trade between the two countries was recorded in 2000 when it reached AUD $48 million and consisted of almost exclusively Australian exports to the DPRK. At that time, the North Korean economy had not yet recovered from the shocks of the 1990s, when the Communist Bloc collapsed and natural disasters devastated its agriculture. A timid attempt to invest in trade with North Korea was undertaken by a Perth-based KOAST Trading Company, which started importing from the North metal spoons and chopsticks, but they were followed by few enthusiasts.

Tourism to North Korea promised to be an area of mutual interest. The Sydney-based Immanuel Travel Service and Passport Travel in Melbourne attempted to interest Australians and ethnic Koreans residing in Australia to visit the "Land of the Morning Calm". The bi-annual Arirang Grand Mass Gymnastics Show, preparations for which started in 2000, was also marketed. Governmental and business delegations exchanged visits. The Australian company SMEC International (a subdivision of Snowy Mountains Engineering Corporation) landed the Asia Development Bank's development grant to repair Pyongyang's dilapidated water and sewage systems. The first group of North Korean students funded by the UN Development Program commenced a Masters in Economics of Development course at the National Centre for Development Studies (NCDS) at the Australian National University (ANU). On 13-24 August 2001, several DPRK officials attended Regional Nuclear Safeguards Training course which was held in Australia.

In the meantime, the South Korean "Sunshine Policy" of unconditional help to and cooperation with the North, formulated by the then ROK President Kim Dae-jung and culminated during his summit with the DPRK's leader Kim Jong-il, suddenly stumbled over the change in US foreign policy. First, it was George W. Bush's hawkish diatribes articulated in the State of the Union Address on 29 January 2002, where he labeled North Korea, Iran and Iraq an "axis of evil". Second, Assistant Secretary of State for East Asian and Pacific Affairs, James Kelly, was dispatched to Pyongyang in October 2002 to inform its leaders of Washington's decision to scrap the 1994 Framework Agreement.[25] All attempts made by the North Koreans to defend their case were dismissed.

Within a year, DPRK-US relations reached its lowest point and a US invasion of North Korea was seriously feared.[26] While the new US Administration began hardening its approach to the DPRK, the Australian government was left with little choice but to follow suit. On 7 May 2002, Alexander Downer still tried to defend Australia's independent course in foreign policy and even hinted at the prospects of greater engagement with North Korea. Perhaps, these words were noted by Pyongyang as a positive signal. The first DPRK Ambassador Chon Jae-hong was dispatched to Canberra where he met with Dr Peter Hollingworth, the Australian Governor-General, and presented his credentials on 25 July 2002.

Was the timing of the new nuclear confrontation between the DPRK and US accidental? The year 2002 was very important for North Korea, which had just started recovering from the decade of economic cataclysms and political isolation. A new economic policy, known as "1 July Economic Measures", was introduced that stimulated many European countries to establish diplomatic relations with Pyongyang and open embassies there. In September 2002, Prime Minister of Japan Junichiro Koizumi visited North Korea to attend what later became known as the "summit of apologies".[27] On 9-15 December of the same year, Ambassador Chon Jae-hong visited Wellington, New Zealand, where he was also accredited after presenting his credentials to the Governor-General, Dame Silvia Cartwright.

The damage to the reputation and economic stability of North Korea by James Kelly's October 2002 visit was nearly fatal. Overnight Pyongyang found its regular shipments of the heavy fuel oil that had been compensating for the loss of energy during the construction of Light Water Reactors (LWR) as part of the KEDO project cut off. This brought the DPRK an annual loss of 1,000 MW(e) of energy every year starting from 2003 when the first light water reactor was supposed to be completed. Disappointingly, only site preparation for the LWR was accomplished during the eight years which had passed since the DPRK froze its nuclear facilities. Neither did the United States move toward the full normalisation of political and economic relations with the DPRK, nor did it give formal assurances against the threat or use of nuclear weapons, as promised in the Framework Agreement. Instead, it labelled North Korea a member of the "axis of evil" and began threatening it with a pre-emptive nuclear attack.

All these and other grievances were eloquently expressed by Ambassador Chon Jae-hong on 11 February 2003 at the Australian Institute of International Affairs in Canberra. Talking about the Australia-DPRK relations, Ambassador Chon expressed hope that bilateral links would be based on the principles of friendship and cooperation: "I would like to remind you that upon the agreement between the Government of the Democratic People's Republic of Korea and the Government of Australia, our two countries have resumed the diplomatic relations in order to develop friendly and cooperative relations and to promote peace and stability in the Asia-Pacific region and the rest of the world as well, and the DPRK Embassy to Australia has started its work in Canberra from May last year".[28] How much of this was wishful thinking and how much diplomatic speak we can only guess but the honeymoon in relations between Australia and North Korea was clearly over.

Chon Jae-hon's speech reflected the growing problem in bilateral relations. Between 14 and 18 January 2003, shortly before this speech was delivered, a delegation of Australian senior officials visited Pyongyang to show DPRK officials and Foreign Minister Paek Nam-sun Australia's and the international community's concern about the North Korean nuclear ambitions. One of the key points of Chon's speech was that "the nuclear issue on the Korean peninsula [was] a bilateral issue between the DPRK and the US and it could in no way be a matter between the DPRK and the international community". He also lamented that "it was the United States who brought the nuclear crisis to the Korean Peninsula in a bid to isolate and stifle the DPRK [...] by deliberately trying to convince the international community of the DPRK's violation of the Framework Agreement".

It seems that by that time Canberra had not yet decided on its course of action. Following the logic of conservative Menzies foreign policy tradition, the Howard government would follow the controversial US policy, which Ambassador Chon eloquently characterised in his speech. Conversely, the forced march toward Globalisation, which Downer's DFAT was mobilised to accomplish, would at least try to engage North Korea into exchange and cooperation. These two policies sooner or later were bound to come into conflict. Mixed signals emanating from Canberra continued to confuse people about the real intention of the government.

This mixture of engagement and containment policies only underpinned the limitation of options held by Australia in 2002-2003. Since the only area of cooperation was technical assistance, to begin its containment activities against North Korea, Canberra decided to postpone plans for Australian government-funded training and trade-promotion activities. Among the suspended projects was the Australian Centre for International Agricultural Research which trained North Koreans in soil and pest management, crop production and biotechnology related to rice production. The training of North Koreans in market economics at the ANU was also suspended. Help extended to DPRK statisticians to identify the nutritional needs of North Koreans was withdrawn as well.[29]

Both Australian and DPRK officials tried hard to pretend the situation was amicable, with a DFAT source saying that it "was normal for any new diplomatic mission to require a period of

negotiation".[30] While Australia was figuring out what to do with this relationship crisis, the two North Korean diplomats posted to Canberra to assist the Ambassador Chon's mission, passed the time at Canberra's Lake Burley Griffin, fishing for carp while they waited for new developments in Australia-DPRK relations.

The Pong Su Incident

What happened next became a catastrophe for bilateral relations. In mid-April 2003, Australian Defence Special Operations Forces and Federal Police intercepted a large-scale drug-smuggling operation. The law enforcement authorities seized 150 kilograms of heroin in western Victoria, which was imported into Australia aboard the Pong Su, a 3,500-tonne North Korean freighter. All thirty-one crew members were arrested and kept in custody in Melbourne.

All the evidence collected and presented by the Australian Federal Police (AFP) during the investigation and trial was adverse to the North Koreans' case. The estimated AUD $160 million worth of heroin was brought ashore by people from Pong Su Shipping Company on 15 April 2003, the birthday of North Korea's late-but-eternal president Kim Il-sung. The subsequent four-day chase of the Pong Su by the AFP, which ended in its dramatic apprehension by the Royal Australian Navy near Sydney, only reinforced suspicions that the North Korean crew was aware of the illicit cargo.

On many occasions, North Korean diplomats, sailors, and businessmen travelling overseas have been caught red-handed trafficking drugs, selling counterfeit US currency, and smuggling prohibited goods. The predominant view that the North Korean state supports illicit activities on the international stage had been consistently expressed in the testimonies provided by one Australian (Adrian Buzo) and two US-based (Balbina Hwang and Joe Bermudez) experts on North Korea. They and many other commentators had little doubt that DPRK top leadership was behind the incident. In May 2005, an attempt to systematise and analyse these incidents was undertaken at the Centre for International Security and Cooperation of Stanford University. Sheena Chestnut, in her thesis - 'The "Sopranos" State? North Korean Involvement in Criminal Activity and Implications for International Security' - came to the conclusion that the regime's pursuit of criminal activity "appears to be primarily for the purposes of financial survival".[31]

In other words, exhausted by decades of political and economic isolation (self- and foreign-imposed) and economic disasters (natural and man-made) the DPRK was forced to resort to criminal activities to survive. The ongoing dispute between the US and the DPRK about its right to pursue an indigenous nuclear program left North Korea without electricity, fuel, expected industrial production, and, ultimately, foreign exchange. In such circumstances, murky business with drugs, fake cigarettes, banknotes and Viagra, promised badly needed respite for the budget.

Chestnut also claimed that in the North Korean context, where the state shows few signs of loosening control over its population, it is unlikely that individual officials and citizens would decide to pursue criminal activity for personal enrichment. The implication was that it is the DPRK leadership who controls this activity and sometimes gives organizations a certain degree of latitude in running criminal operations. In doing so, the state apparently pursues a deliberate policy of drug trafficking and counterfeiting, based on either ideological motivations or the need for financial survival.

The trial of the *Pong Su* crew lasted 119 days and evidence was heard from more than 100 witnesses. Remarkably, it coincided with a series of similar trials in Singapore and Indonesia, where Australian citizens were severely punished for drug trafficking and the Courts sentenced to death three Australians and locked up the rest for 20 years, in some cases even when the possession of drugs was questionable. The abovementioned Muslim nations obviously wanted to punish greedy

and irresponsible culprits, as well as to send a strong message to potential offenders.

Despite the fact that heroin was brought to Australia on board the *Pong Su* , which clearly panicked at the appearance of AFP and even tried to escape imminent boarding by the Australian Navy, all attempts to link the North Korean crew directly to the Southeast Asian drug-smuggling syndicate failed. The crew repeatedly denied any knowledge about the illicit cargo. All four members of the Malaysian drug syndicate, who had hired the North Korean ship and its crew, supposedly to pick up AUD $1 million worth of second-hand BMWs from Melbourne, pleaded guilty to the importation of illicit drugs. One year later, after the first committal hearing, twenty-seven North Korean sailors were freed and deported but the captain and three other officers remained in Melbourne detention.

On 6 March, 2006, after the three years of investigation and four months of trial, the Supreme Court of Victoria acquitted the captain and the rest of the *Pong Su's* crew. This decision was based on the fundamental principle of law, the presumption of innocence where the benefit of the doubt must be given to those who plead innocent until proven otherwise. The jury of seven women and six men finally decided to believe the captain, Song Man-sun, political officer Choi Dong-song, chief mate Ri Man-jin and chief engineer Ri Ju-chon and found them not guilty. This decision caused a sensation then and continues to be debated now because it is related to the question of DPRK government's involvement in illicit activities across the globe.

In fact, no mentioning of Pong Su incident can be found in the publicly available DFAT's press releases and speeches. This may leave an impression that Australia dealt with this issue too lightly and refused to pursue it any further. In July 2004, when the majority of the crew was on their way home, a senior advisor to US Congress on terrorism and narcotics, Raphael Perl, was quoted by the ABC program Foreign Correspondent as saying: "When you have a ship that belongs to a North Korean trading company, when you have a political secretary on board, and when you have a history of high North Korean government officials being involved in these types of transactions, it would be hard pressed for a reasonable person not to come to this conclusion that it is the North Korean government".[32] Disappointed Perl alleged that the North Korean drug trade network might be worth of as much as USD $1 billion annually.

In this context, the request made in March 2006 by the Russian Ambassador to the Republic of Korea, Gleb Ivashentsov, to the US government to provide concrete evidence of the DPRK's alleged counterfeiting must have sounded like a new attempt to contest the widespread belief that North Korea is a criminal state. Despite the allegations made by the US officials that Moscow was one of the places where North Koreans traded fake US dollars, the Russian Ambassador said that his country had no substantial evidence to support these claims. Until now the question whether the DPRK leadership is directly involved in drug trafficking, currency counterfeiting and other criminal activities remains open.

The political chemistry of PSI

The immediate regional and global reaction to the Pong Su Incident in Australia was the introduction of Proliferation Security Initiative (PSI). Launched by President Bush on 31 May 2003 as an attempt to stop the worldwide spread of weapons of mass destruction (WMD) and their delivery systems, the PSI aimed to impede any illicit trade between the states of proliferation concern and terrorist groups. Since then, it has grown rapidly and now has the support of over 80 countries, including Australia and New Zealand. One of the primary goals of PSI regime in East Asia is the increased scrutiny on North Korean cargo and passenger traffic.

On 23 July 2003, the United States reached an agreement with Australia, Japan, and eight European nations to intercept North Korean ships suspected of carrying narcotics or weapons materials. Two

weeks later, on 8 August 2003 the North Korean cargo vessel *Be Gaehung* was detained at Kaohsiung Harbor in Taiwan after US intelligence notified the Taiwanese government that the vessel was carrying chemicals associated with rocket fuel. The captain was requested to unload all 158 barrels of phosphorus pentasulfide which were then confiscated by the port authorities. Phosphorus pentasulfide is normally used for manufacturing insecticides, ore flotation agents, various organophosphates, and solid electrolytes for lithium batteries. But it also has potential use in manufacturing "VX" nerve agent.

A year later, in October 2004, the news that the DPRK was trying to import 70 tons of sodium cyanide (also known as potassium cyanide or NaCN) again made the US and its allies apprehensive about Pyongyang's intentions. Experts know that hydrogen cyanide (the highly toxic gas, a product of reactions of sodium cyanide) was used during WWI and WWII in weapons and gas chambers as a cheap and easy way of killing off hundreds of people at once. Nerve agents are the most toxic and are used as chemical warfare agents but they are similar to certain kinds of pesticides (insect killers), called organophosphates, in terms of how they work and what kind of harmful effects they cause.

Since the late 1980s, sodium cyanide is being manufactured at three different plants across Australia. The use of this important chemical as a poison to control indoor pests, such as ants, bacteria, and other insects and rodents was first endorsed by the government in 1947. Before 1972, sodium cyanide was used as a poison to kill predators but after 1987 its use in or near residential areas has been strictly banned by the new regulations of the Environmental Protection Agency (EPA).

Sodium cyanide is also used in metal plating and chemical applications such as dyes and pharmaceuticals. In Australia it is principally used for the gold mining industry to extract gold from the gold bearing ore. These processes enable commercial recovery of gold at very low concentrations. Every year South Korea exports hundreds of thousand tons of sodium cyanide to its neighbours, among which China is the biggest importer. However, the transitional shipment of this chemical to North Korea prompted the Thai government to confiscate the cargo.

The stereotypical image of the DPRK as a hopeless economic "basket case" ignores the fact that this country possesses extensive natural resources. Gold, iron ore, anthracite coal, zinc, lead, magnesite, and tungsten mines are significant assets. Their production declined or stopped altogether after China and Russia called off their support but resumed in the early 2000s. The confiscation of sodium cyanide, which is vital for North Korea's gold mining, nickel production, pharmaceuticals and agriculture, reflects the paranoia which permeated security agencies and alliances after 11 September 2001.

In trying to jump-start its economy, North Korea badly needs materials, some of which can be of dual-usage. DPRK also needs foreign advice and cooperation, not sanctions or restrictions. Industrially developed regional nations like Australia could and should start sharing technical expertise with the states experiencing economic and structural transition. The existing PSI regime is obstructing the possibility of such cooperation and potentially may provoke a dangerous conflict.

Diplomacy analyst Owen Harries makes the point about the PSI and other collective ant-terrorist and anti-proliferation actions that "the first and overriding responsibility of an Australian government is not to combat global terrorism generally, but to protect this country from terrorism". However, by becoming an early, unqualified and high profile supporter of American policies, Australia has increased rather than decreased its chances of becoming a terrorist target.

Denuclearisation of North Korea

Australia's cooperation with the United States in the war on terror comes from a fear that terrorist groups may obtain nuclear weapons and material from irresponsible or failing states. The inflexible approach taken by the previous Australian government toward the DPRK only protected and advanced the interests and security of its strategic alliance with the US. It completely ignored the security concerns and economic situation of North Korea. By insisting on abandoning its nuclear program and military capabilities, Australia further alienates North Korea and risks a complete loss of leverage in the bilateral negotiations process.

The nuclear crisis on the Korean peninsula significantly escalated when the DPRK withdrew from the Non-Proliferation Treaty on 10 January 2003, informed the world that it had manufactured nuclear weapons on 10 February 2004, and launched a medium-range ballistic missile, Taepodong-2 (known in North Korea as Paektusan-2) on 5 July 2006. Pyongyang further destabilised the situation in the region when a nuclear test was conducted on 9 October 2006. This latter action infuriated the neighbours but forced the United States to change its negotiation strategy. Both the ballistic missile launch of merely 40 seconds of controlled flight and the nuclear test with impact of less than a kiloton in TNT equivalent showed technical failures. Nevertheless, this brinkmanship served North Korea well and allowed them to negotiate with the US directly and from a position of power.

Australia supported UNSC Resolution 1718, sending a strong message to North Korea and to the world that it will not tolerate the abrogation of non-proliferation regime and will give full support to robust international actions including the most radical ones. Canberra's bilateral sanctions included further restrictions on DPRK officials in Australia and banning North Korean flagged ships from Australian ports, refusal to issue visas to DPRK citizens and financial sanctions on all currency transactions with North Korea and against 12 companies and some individuals suspected of association with financing DPRK nuclear programs. The use of Royal Australian Navy was approved for enforcing the import/export restriction and embargoes. Australian response to North Korean nuclear test was quick and strong but achieved little, if indeed anything.

But what if Australia faced a similar situation where uranium enrichment was necessary for its own security? The former Head of Intelligence at the Australian Office of National Assessments (ONA) and the author of *The Geopolitics of East Asia: the Search for Equilibrium* (2003), Robyn Lim, believes that neo-conservative approach to regional affairs should be critically reassessed. Lim explains that back in the Menzies era, Australia decided that its best option was to rely on the US for its nuclear security, rather than developing its own nuclear weapons and, therefore, blindly followed the United States in whatever action was proposed. In the last decade, after the end of the Cold War, the changing regional dynamics have entered a dangerous spin which demanded a new and flexible foreign policy. [33]

The current strategic developments in Northeast Asia, argues Robyn Lim, are being driven by two factors: the North Korea's ambitions to develop missile and nuclear technologies, and the quick modernisation of Chinese nuclear-powered military force. Both nations claim that their programs are defensive and pledge never to use their arsenal first. How long will South Korea and Japan remain dependent on the US nuclear protection? - wonders Lim. Both nations feel increasingly more insecure than during the Cold War and their relations with the US are changing. As a result, the nuclear non-proliferation regime is unwinding, making the US and the rest of the international community unable to prevent North Korea from going ahead with its dangerous plans.

Moreover, differences of strategic geography dictate that the United States sees Australia through the prism of its own global security interests. Can Australia be sure that the US will always protect it, even in the case of serious conflict with a regional power like China or Indonesia? The continuous reliance on US "extended deterrence" is not necessarily the best choice for Australia, concludes Lim. Since we live in an uncertain world and more countries in the Asia-Pacific region might elect to go

nuclear for their security, why should Australia not pursue its own interests too? When it comes to survival interests such as nuclear security, governments usually proceed without hesitation and utilise all possible means. That is why Australia, like North or South Korea, Japan and Taiwan might need to keep the nuclear option open.

Australia should not deceive itself into believing that the DPRK can be persuaded to denuclearise and disarm by a mere promise of economic assistance afterwards. For North Korea the existing nuclear program is not only the means for military deterrence (the bomb) but also the way of economic survival (cheap energy, smaller army and less conventional weapons). It is also pointless to criticise the North for domestic inadequacies and human rights abrogation unless that country is given a proper security assurance by the United States, its main and long-time adversary. Until then the DPRK leadership will continue to feel insecure and maintain the wartime-like regime inside the country, where popular mobilisation against "state enemies" is the order of the day. Any emphasis on the Australia-US security relations will be interpreted by Pyongyang as a demonstration of force and preparations for an invasion.

What the North Korean leadership wants least is foreign intervention into its domestic affairs, specifically in the areas of ideology and human rights. It is equally futile to demand from North Koreans any degree of "openness" in exchange for economic help and cooperation. The DPRK economy is not transitional. It is still centrally planned, with only some of its segments regulated by the market. Quick depressurisation of the old-fashioned economic and political system will lead to terrific shock with consequences catastrophic for the people and the leadership. Kim Jong-il and his close advisors are well aware of the Russian and Romanian experiences, and abstain from experimentation with reforms.

If there could be any valid incentive to North Korea for good behaviour that might lead to a resolution of the nuclear issue, it would be a complete, verifiable and irreversible security assurance by the US against any military action. Broader diplomatic recognition and the removal of the DPRK from the list of terrorism-supporting states are also urgent. Enhanced cooperation between North Korea and its closest neighbours in Asia, including Australia, in the production and distribution of energy and joint exploration of natural resources would be desirable too. Without comprehensive engagement and cooperation, Canberra has little chance to influence Pyongyang, making any incentives or penalties meaningless.

Economic sanctions against the DPRK

The DPRK's economy is currently experiencing a stage where the mechanisms of the centrally planed system are not working properly any more but the market-oriented system has not yet been built. To some degree, the North Korean leadership is trying to emulate the South Korean model of export-based development, where a strong, dictatorial government aims for the increase of industrial productivity at any cost. But the main obstacle for this scenario is the lingering taboo on capitalist form of proprietorship in the DPRK. Politically, the country remains closed and extremely sensitive to foreign and domestic criticism. This is not a democratic way of development but it guarantees stability and precludes any possibility of labour unrest in the period of high growth.

North Korea is an industrialised (43%) nation, with moderately developed (33%) service sector and a small (23%) agricultural sector, which was badly affected by human mistakes, natural disasters compounded by the energy crisis and foreign trade sanctions. In July 2002 a series of measures to liberalise the national economy were undertaken but no steps were made toward privatisation of the means of production or real estate. Although all businesses and enterprises in North Korea are still treated as government-owned and collectively-run, these days they receive unprecedented freedom in managing the production and sales. Profitability is the motto in today's North Korea. Any prospect

for foreign investment coming into the North Korean economy immediately opens doors to the high echelons of power. Since the industrial production in the DPRK was halted more than ten years ago and the import capability has been extremely limited, North Korea now has a huge appetite for goods and services.

The North Koreans attribute their economic difficulties to three main factors: natural disasters; the disappearance of the Council for Mutual Economic Assistance (COMECON) markets within the Communist Bloc; and Western economic sanctions. Against this background, the Australian Government has identified the main economic priorities for North Korea as: bilateral and multilateral aid to maintain food supplies; and, massive capital injections for infrastructure development and to restart a collapsed industry sector. From 1996 to the present, Australia's food aid and humanitarian assistance to North Korea has totaled more than AUD $64 million, most of which was channeled through multilateral agencies. [34]

These days, trade with North Korea is impeded by Australia's self-imposed embargo and sanctions introduced in accordance with the Security Council in Resolution 1718 punishing the DPRK for its 2006 nuclear test. The Ban on Supply of Luxury Goods to North Korea prohibits Australian exporters from supplying the DPRK and its representatives with most essential consumer goods. The list of prohibited items include wine and spirits, tobacco products, rock lobsters, abalone, molluscs and oyster, automobiles and other vehicles to transport people, all cosmetics, drinking glasses, fountain pens, watches and clocks, carpets, furs, leather travel goods, apparel and clothing accessories, consumer electronics, electronic entertainment and software, photographic equipment, and sports equipment.[35]

It is hardly surprising that throughout recent years Australia-DPRK bilateral trade has become minuscule. Before completely ceasing in 2007, Australian exports to North Korea consisted of occasional shipments of inorganic chemical elements. Import figures vacillated between AUD $6 million and $11million and were made up of chemical elements for use in electronics, copper, civil engineering equipment, household equipment, hydrocarbons and derivatives, textile yarns and fabrics, iron, steel, and chemicals. In 2007, North Korea ranked a modest 125th in the order of Australia's trading partners.[36]

Outstanding external debts, failed counter-trade deals with Australia, and the lack of market-based commercial experience and capacities in North Korea meant that conventional trade and commerce was likely to prove quite challenging. The Australian Chamber of Commerce and Industry warns - "North Korea's severe shortage of hard currency ostensibly rules out conventional forms of international trade, while its past failure to honour barter-trade deals effectively rules out this form of commercial engagement. North Korea is a marketplace best suited for the commercial adventurer and frontiersman who thrives on the challenges of high-risk markets".[37]

Nevertheless, one of Pyongyang's major goals, following the removal of internationally imposed sanctions, remains long-term collaboration with foreign mining companies to modernise existing mines and to find and extract undeveloped mineral resources, with payment in minerals. The Australian mining industry might benefit from some of these opportunities later, when sanctions are lifted and if anything is left by more expeditious competitors.

The recent hike in the price of rice - a staple food for many Asian nations - is already hurting the poorest. Among them are the North Koreans who heavily rely on international food aid and going to be hit most. "It will have a negative impact on the living standards and also affect their nutrition. Such a situation may lead to social unrest and therefore safety nets addressing the immediate needs of the poorest are needed" - warned Japanese Finance Minister Fukushiro Nukaga who attended the 41st annual meeting of the Asian Development Bank (ADB) which opened on 3 May in Spain.[38] The

ADB has already announced that it will provide soft loans to help Asian countries subsidise the price of food staples for the poor. In 2008 and 2009 it will also provide $2 billion dollars in loans to finance agriculture infrastructure projects aimed at boosting farm output in the region. What position on help to North Korea will take Australia, a prominent member of the Asian Development Bank and a major grain exporter?

Closing of the Embassy

In December 2007, the DPRK announced the closure of its embassy in Canberra. The apparent reason was the difficult economic situation. Indeed, for a country which had been suffering from decades of confrontation and sanctions, devastating floods and droughts, and surviving recently on the humanitarian handouts from abroad, the payment of the ever-rising rent and salaries to diplomatic staff was an extravagance. Rumour has it that there was some agreement according to which the Australian government was covering some of the rent-related expenses. This information can be confirmed or dismissed only by DFAT.

When opening the embassy in 2002, the North Koreans probably hoped to raise some cash through consular fees. But with the trickle of tourists and dearth of business travellers applying for visas this was simply not possible. All attempts of the embassy staff to engage in trading activity were not successful either. Severe travel restrictions imposed on North Korean diplomats after 9 October 2006 prohibited them from travelling for more than 100 km from the Australian Capital Territory. Closely monitored after the Pong Su Incident the embassy staff was in effect confined to the walls of their residence-embassy and only their political minister was frequenting Sydney in attempts to conclude some business deals.

Economically the embassy would have been much better off if it had opened somewhere in Southeast Asia. Knowing that in May 2007 the DPRK had resumed diplomatic relations with Burma it is logical to presume that their government made a decision to use the resources to beef up its new embassy in Rangoon (Yangon), much closer to the growing markets of China and India.

The timing of the decision to close the embassy down must have been connected with at least one of the two significant events which happened in November-December in Australia and in South Korea. On 25 October 2007, after the eleven years of opposition the Australian Labor Party won the federal elections. For North Koreans the new Prime Minister Kevin Rudd was supposed to be a much more amenable political figure than John Howard. The change of political landscape in Australia could have led to expectations that the new Labor Government would agree to open an Australian resident embassy in Pyongyang regardless of the progress in nuclear issue resolution. If the new Labor Government said "no" then the hasty winding of DPRK Embassy has a good explanation. But was this question ever discussed?

The second important event took place on 17 December 2007 in South Korea, where the conservative candidate Lee Myung-bak from the Grand National Party won the presidential elections. Even before the elections, many analysts in Asia and beyond predicted that his ascendance to power would bring about deterioration in inter-Korean relations. If not a complete freeze, a serious cooling was awaiting the fragile North-South Korean cooperation. Lee Myung-bak's criticism of the Sunshine Policy (also dubbed an "ATM policy" where the North would turn to the South only when it needed cash) was concentrated on the "unilateral appeasement" which the two previous governments allegedly pursued in their relations with Pyongyang.

This policy cost a fortune to South Korean taxpayers and attracted a negative attitude from the ROK's strategic partners, chiefly the United States and Japan. The new government in Seoul promised to pursue a "pragmatic" policy where any developmental help to the North would be

strictly linked to the progress in denuclearisation and democratisation of DPRK. No wonder that Pyongyang sensed the beginning of difficult times and came to the sensible conclusion that "economic reasons" should prevail over political ambitions. However, the question whether the change of political climate in Seoul was the primary or secondary reason, which triggered the closure of DPRK Embassy in Canberra, still remains unanswered.

Conclusion

Australia's DPRK policy has for too long been copying the US policy toward North Korea and has finally reached the same dead end. Driven to this by the previous government, it now needs urgent attention and adjustment. If neglected, Australia risks loosing many lucrative opportunities still available for our exporters and investors. Replete with these prospects, relations between Australia and North Korea need a new footing. The new government in Canberra, together with the new administrations in Seoul and Washington, can cement the foundation for a new balanced relationship in East Asia.

As projected by the new Prime Minister Kevin Rudd, "There is an appetite across the country to restore the balance and to return to the mainstream traditions of Australian foreign policy. This means a return to the three pillars of our foreign policy: the US alliance, our membership of the UN and a continued policy of comprehensive engagement with Asia. The US remains an overwhelming force for good in the world and we intend to work closely with the US in the future in pursuit of our common interests within the Asia-Pacific region".[39] Given this new approach, will Australia consider more active approach in helping North Korea?

Soaring prices for oil and food staples, especially for rice which have tripled over the past year, create concerns about the stability in one of the poorest nations in Northeast Asia. The reports coming out of the DPRK suggest that this country is facing a new famine. The worst food shortage in years is coming at a time when the DPRK's worsening relations with ROK reduce the chances of the North acquiring aid. The fall in grain production around the world and the rising international grain prices have also put international food donors into difficult situation. The World Food Program (WFP) has already warned that North Korea would need massive food aid in the coming months to avert widespread hunger caused by severe floods, economic sanctions and ineffective diplomacy.

It is in Australia's power to help North Korea avoid another humanitarian catastrophe. A simple vesting of security interests in the great (or the greatest) power does not necessarily help Australia become safer and stronger. Similarly, a foreign policy based on strong messages and strict sanctions is likely to undermine peace and stability. Differences in political views and economic systems must not divide but should rather enhance the value of partnership and help complement each other's strengths. By intensifying diplomatic ties and expanding economic cooperation both countries can make a significant contribution to the peaceful resolution of the Korean nuclear problem and prepare the basis for durable peace and prosperity in the region.

If Canberra, Pyongyang, Seoul and Washington reach a mutual understanding and coordinate their policies, the cherished dreams of their peoples will have a better chance to materialise. But will the three years given to the Labor government in Australia be enough to accomplish this historic task?

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