Policy Forum 99-07K: Dealing with North Korea “As It Is”

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Recommended Citation

"Policy Forum 99-07K: Dealing with North Korea “As It Is”", NAPSNet Policy Forum, December 23, 1999, https://nautilus.org/napsnet/napsnet-policy-forum/nautilus-institute-policy-forum--nline-dealing-with-north-korea-as-it-is/

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PFO 99-07K: December 23, 1999

Dealing with North Korea "As It Is"

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I. Introduction

The following essay is by Won-Ki Choi, Editor and Researcher with the Joongang Daily in Seoul. It was originally prepared for Ritsumeikan University's second symposium on "The Search for Peace in Northeast Asia" held in Kyoto, Japan, December 15-17.

The author reviews the political situation in the DPRK, and how it has been affected by the ongoing economic difficulties. He argues that policies toward the DPRK should be consistent and based on a firm grasp of the reality of the DPRK's situation. He concludes that, ultimately, the international community will have to lead a large-scale development effort for the DPRK.

II. Essay by Won-Ki Choi

1. Introduction

South Korea's Hyundai Group, the leading inter-Korean mediator, is in dispute with Pyongyang over the location of a proposed industrial complex. This all started when Chung Joo-young, honorary chairman of the Hyundai Group, was having lunch with North Korean leader Kim Jong-il in Hamhung, North Korea, on October 1. While discussing Hyundai's construction of the South-North joint industrial complex in the North, Kim suddenly asked Chung, "how about Shinuiju, where there is plenty of industrial waters and electricity?" In a friendly-sounding manner, Kim was virtually ordering Chung to build the joint industrial complex in Shinuiju. Shinuiju is located on the borderline of North Korea and China, about 300km away from the Demilitarized Zone.

Originally, Hyundai and the South Korean government planned to build an industrial complex in Haeju, which is located just north of the Demilitarized Zone. They intended to build the complex in Haeju first and then deliver the necessary goods through the Panmunjom. However, Kim Jong-il's simple words on Shinuiju suspended the whole project.

The conflict between Hyundai and Pyongyang on the South-North joint industrial complex site gives the North Korean watchers some lessons. First, even though the Seoul government has been emphasizing separating politics from economics, South Korea's North Korean policies are in reality badly inconsistent. Second, even though the North Korean government seems to show some changes, the changes are done in "North Korean ways," after all. Third, and most importantly, it is very dangerous to view North Korea from one's own viewpoint. North Korea should be accepted "as it is." The following report will focus on describing North Korea "as it is" and briefly expand on the historical background of the nuclear missiles issue. Then, I will explain how the persistent economic difficulties since the 1980s influenced the North Korean society and its elites. Finally, I would like to comment on South Korea's North Korean policies and suggest some proposals.

2. Historical background

The South and North Korean governments have been in heated political contention ever since the Korean Peninsula was divided after the 1950-1953 Korean War. The war destroyed over 75 percent of the land and killed 20 percent, or 4 million, of the entire population. South and North Korea have been in breathtaking competition over the last 46 years to prove their superiority in ideology, military, economy and diplomacy.

Today, the fight already seems to be over. South Korea has proven its superiority over North Korea in almost all fields. There were times when some South Korean youth and elite groups admired the North Korean socialist regime. But the times have changed, and most of the South Korean public view North Korea with pity. The North Korean TV programs, which are sometimes aired on the South Korean television, remind the South Koreans of the circus groups in the 1930s and have become a popular subject for South Korean comedies.

South and North Korea show the most apparent disparities in economic power. North Korea's GNP per capita recorded US$573 in 1998, which accounts for 1/12 of that of South Korea. Last year, South Korea's export volume amounted to US$225.6 billion despite the financial crisis, whereas North Korea's export volume recorded US$1.66 billion, approximately 1/136 of that of South Korea.

There is one field in which both South and North Korea have been keeping a balance, namely military power. However, North Korea has failed to increase its military power since the 1990s whereas the South has gradually proceeded with modernization of its military power. North Korean

leaders, including Kim Il-sung and Kim Jong-il, seem to have predicted this situation already in the 1980s and have judged that South Korea's military power would break the military balance if the economic gap continued to grow further. Pyongyang found a solution to this problem in nuclear weapons. North Korea spurred on development of nuclear weapons, missiles, and chemical and biochemical weapons in the 1980s and seems to be trying to make up for its lack of military power with the development of such chemical weapons.

The Western countries had a hard time preventing North Korea from developing nuclear weapons in 1993-94 and further had to find a solution to North Korea's long-range Taepodong missile in 1998-99. Therefore, it is highly probable that North Korea's chemical and biochemical weapons will become a major issue in the 21st century.

3. Changing North Korean society

The gist to understanding today's North Korea is to understand the financial difficulties that have been persisting the North over the last 10 years. The once-seemed rosy economy started to collapse in the late 1980s. Especially, the over-expanded heavy industry concentrated on military weapons development was the main reason for the collapse of the North Korean economy.

A series of international political and economic events in the late 1980s virtually froze the North Korean economy. North Korea lost COMECON, the primary market of the socialist countries, after German unification in 1989 and the collapse of the East European block. Moscow also stopped providing oil for North Korea. North Korea's oil imports dropped to 1 million tons in 1990 from 3.2 million tons in 1986. North Korea's current foreign debts amount to over 10 billion dollars, which equals over 50 percent of the nation's GNP. As a result, North Korea's economic growth has declined over the last consecutive 9 years. In 1997, North Korea's economy contracted nearly 50 percent compared to 1990. Shortage of food forced the North Korean economy into devastation. Food shortages that started in the early 1990s reached their peak in 1997 due to the floods and the continuing drought. It is estimated that at least 200,000 elderly and children have died from fame in the Northeast Hamkyung Province region.

The long-lasting food shortages since the late 1980s have brought some interesting socio-economic changes in North Korean society. The economic infrastructure, which supported the North Korean regime, started to lose its functions. North Korea's economy can be compared to a snowman, in which the North Korean economic infrastructure has been holding up the upper body called the North Korean Labor Party (Rodongdang). The continuing economic difficulties have eaten up the bottom part of the snowman, naturally resulting in the collapse of the upper part. In other words, these difficulties have prevented the North Korean Labor Party from distributing any more food and necessary goods to civilians.

North Korea's former secretary Hwang Jang-yop, who defected to Seoul in 1997, says in his book "as the food shortages worsened, the North Korean central committee of the party declared in December 1996 that for the following next year, three months of food would be provided by the government, three months through imports, three months through self-production and three months through individual means."

According to a recent study released by Dr. Seo Jae-jin at the Korea Institute of National Unification, North Korea's elites can be divided into three categories.

* Conservatives: They are mostly made up of the highest elites in the society and don't seem to accept the reality. Acceptance of the reality would mean a denial of Kim Jong-il's regime. Therefore,

they show blind loyalty to Kim Jong-il. They rationalize themselves by blaming all these problems to the United States, Japan and South Korea. They believe that all their tasks are indisputable and at the same time must be achieved without any fail. Their inferiority complex seems to contribute to this psychological need for substitute compensation. This attitude is reflected in Rodong Shinmun.

* Opportunitists: They seem to pursue their individual profits as the state regulations have loosened in the midst of economic difficulties. Most of the provincial party officials and low-level government officials belong to this group. They make profits by misusing state funds, embezzling foreign currency in the black market, and bribery. According to North Korean defectors, 80 percent of government-distributed necessary goods are flown into the black market and only 20 percent end up in the stores for the civilians. Goldmines in Kangwon Province, for example, produce 10kg of gold every year. However, the managers of the goldmines report to the government that only 1kg of gold is produced every year and embezzle the remaining 9kg. A defector said, "not all the North Koreans are dying from famine. Only the powerless laborers and farmers are dying."

* Reformers: The word "reformer" may have a little different meaning in this case. Reformers in North Korea aim to consolidate the already-existing regime. But if we look carefully, a group against the North Korean regime seems to exist that strongly believes that an open policy is the only way to overcome the crisis. In September 1998, North Korea passed a new law which acknowledged private ownership (Article No. 24) and independent property (Article No. 33) and created special economic zones (Article No. 37), etc. This indicates that the North Korean government is trying to take on open-door policies even though it may not show it for security reasons.

What we need to take into consideration is that these deviations will not necessary lead to the collapse of the North Korean regime. History shows us that societies do not collapse because of temporary deviations. For example, the Russian royal class in the 18-19th century used to say, "we feel like sitting on an inactive volcano." However, it was not until 1917, 100 years later, that the Czar collapsed. In Japan it was the same case. It was the hydrogen bomb in Hiroshima and Nakasaki that ultimately brought the Japanese military regime to collapse. In the case of North Korea, these deviations can only be seen in limited civilian and economic sectors.

It is true that the North Korean society in the 90s has shown more flexibility and deviations compared to the 80s. However, North Korea differs from the East European block in the following points. First, North Korea has maintained a certain distance from China and Russia since the 1950s, mostly relying its own economic infrastructure. Second, North Korean citizens are mentally armored with the regime's propaganda since the late 1960s. Third, its geographic location allows North Korea to maintain its isolation and shut out outside information. Therefore, it is difficult to expect any "changes from the bottom" in North Korean society. If any turmoil were to occur in North Korean society, it would be a "loyalty competition" against Kim Jong-il. A "change from bottom" is almost impossible.

Kim Jong-il has proven a competent leader in maintaining the North Korean regime over the past 5 years. Kim Jong-il has not only obliterated the old established power in the party and military and consolidated his governance power after the death of his father Kim Il-sung. He has also proven his diplomatic ability by holding negotiations on nuclear and missile issues with Washington and gaining a great amount of food assistance from the U.S. He also consolidated his image as a "leader among the civilians" by frequently visiting provincial industrial sites and military bases. As a result, North Korea's food shortages have been alleviated by a small amount and the North Korean government is expected to record 0 percent or positive growth this year for the first time since 1990.

The blueprint for Kim Jong-il's "change from the above" has already been outlined. Kim Jong-il is expected to focus on improving relations with the United States and Japan for security of the regime

and economic gains. Pyongyang and Seoul are expected to continue their economic and cultural exchanges on a limited basis, which lingers on the outcome of the South Korea's general elections scheduled for April next year. Kim Jong-il is expected to bring North Korean society into one under the banner of the "almighty nation." He will minimize population flow by taking control of the 200-odd farmers' markets and the capitalist mood. He will also try to apply military rules to the society for more effective control.

On top of these measures, Kim Jong-il is planning limited changes and open-door policies on economic issues. He is expected to construct 4-5 industrial complexes in joint projects with South Korea's Hyundai and Samsung in the coastal and border regions.

What the ruling Pyongyang regime requires the most is "cash." The lack of hard currency has held Pyongyang back from implementing the "People's Five-Year Economic Plan," which it set up in 1997. The plan marks an ambitious new beginning for the socialist regime, which had to hold off formulating any centralized economic plans due to the dire economic situation that afflicted the country after the third Seven Year Economic Plan (1987-1993) came to an end. For Pyongyang to carry out the "People's Five-Year Economic Plan," it needs foreign investment. One of the core reasons that Pyongyang is expediting normalization of bilateral relations with Japan is the driving need for Japan's estimated 5 to 10 billion dollars worth of compensation for its brutal colonial rule of the Korean Peninsula. Pyongyang is also anticipating an inflow of Overseas Development Aid to follow suit.

This approach to change being adopted by Kim Jong-il is causing debate among North Korea watchers. Can North Korea resuscitate and rebuild its economy purely driven by investment dollars and foreign technology while undertaking internal reform measures of its own? Will the regime sustain any externalities that accompany any opening to foreign investment and dollars? Can the regime reallocate the massive defense budget into the economic sectors? Are the regime's officials capable of attracting foreign dollars and utilizing them under a coherent policy?

These concerns and questions may not mean much when you take into consideration the political situation of North Korea. The recent developments in the past few years have given foreign nations some leverage against the Communist regime. For instance, Pyongyang receives an annual 600,000 tons of food and 500,000 tons of heavy oil from international society. This figure suggests that Washington, Seoul, Beijing, and Tokyo, along with Pyongyang, hold the key to resolving the food and energy problems of North Korea.

Thus, developments in North Korea will be determined by three factors. They are the development of bilateral relations between the North and Japan; Washington's ability to engage and manage Pyongyang; and other nations in the region that are likely to enter into an engagement policy with the North.

4. Concluding Remarks

In the past half-a-century, North Korea changed from a mere Communist Korean state pitted against the democratic South to an internationally controversial state with missile capabilities and a looming famine. During what I termed the first phase, spanning from 1950-1993, North Korea was an internal problem on the tense Korean Peninsula. Then in 1993, with the disclosure that the North may possess nuclear and missile capabilities, it became a force to be tackled by world's leading nations and through cooperation among nations in the region. True, Seoul, Washington and Tokyo did make substantial progress in dealing with the nuclear-capable North Korea, but new problems have also surfaced. Let me list some of the problems and the countermeasure we can take to redress

the problem.

* Concerned countries should no longer deal with North Korea on an ad-hoc, case-by-case basis. This was the approach used by Washington, dealing with North Korea in a crisis-management fashion. The result has been that priority has been given to dealing with the nuclear and missile matters, putting on the back burner the dire economic problems. The food and economic situation in North Korea requires a more focused and coherent attention. We need to set up a more macro-perspective economic policy for the North. It is fortunate that the Perry Report has been written up, although much belatedly than necessary. The remaining task for the involved nations is to see that the policy measures suggested in the Perry Report be carried out.

* Washington's policy coherence in dealing with North Korea ever since striking the 1994 Geneva Accord that froze the North's nuclear program in return for provision of two 1,000-megawatt light water nuclear reactors deserves a grade C. The United States promised lifting of economic sanctions and improvement in bilateral relations between Pyongyang and Washington. However, it has yet to keep the two promises. Washington to date has only stuck to its promise of installing commercial phone lines between the two nations and letting U.S. citizens use their credit card in the North. Kim Jong-il must have felt betrayed by Washington's lag in carrying out its official promise, and the North accordingly showed their discontent with the Kumchang-ni underground facility and lauching of their Taepo-dong missile over seas off Japan in August, 1998.

* How to put to use the massive amount of foreign dollars that Japan will provide to North Korea? In the 21st century, the North Korean situation will be determined largely by the inflow of foreign dollars. Japan is expected to give US$5 to 10 billion to the North for compensation of the brutal colonial rule of the Korean Peninsula. It is expected that ODA will follow in its wake. Such flow, at the minimum level, can determine the success of Kim Jong-il's regime and the health of the debilitated North Korean economy. On a more macro-level, Japanese dollars could reshape the diplomatic dynamics of the Northeast Asia region. Taking this into regard, it is vital that Tokyo consults closely with Seoul in furthering bilateral relations with Pyongyang.

* Seoul must be more aggressive in its talks with Pyongyang. To date, Seoul has put the foremost priority on reunion of the divided families of the Korean War, economic cooperation and cultural exchanges and in that order in talks with the North. The North for their part has insisted that the two nations first tackle the military, especially the matter of the U.S. forces stationed in Korea, then talk about political and economic exchanges. It is time for Seoul to be more proactive. If the "sunshine policy" is to really succeed, the two countries will have to tackle the military issue. Without that, it would also be difficult to bring about reform of the North Korean regime. Seoul should actively pursue summit-talks that include security issues in the agenda.

* We need to consider putting into effect a comprehensive economic rebuilding program conducted by the World Bank and the Asian Development Bank. The current economic relief programs carried out by the international relief organizations will not help North Korea in the long term. Besides, the international relief organizations are saturated in their work in the North and are lacking in funds. I propose that South Korea, Japan and the United States set up a "North Korea Fund," under the auspices of the World Bank to rebuild the North Korean economy.

* In addition to these macro programs, a more small-scale and private-sector led programs should take place. In December, 1998, Dr. Ken Quinonnes of the Asia Foundation's Seoul Office lectured to some 10 senior-ranking North Korean officials on international commercial law in Beijing. Two months later, the North legislated a law governing mediation of foreign trading corporations. Even if Pyongyang does have the will to open and reform its socio-economic regime, it does not possess the know-how. We must provide training opportunities to high-ranking North Korean officials.

* The U.S. State Department should produce more Korean specialists. Currently at the department's Korea Desk, there are only a few who can read both the North and South Korean newspapers and provide an in-depth analysis on the Korean situation. There is also inter-agency wrangling among the State Department, the CIA and other agencies dealing with North Korea. Vertical integration and gathering of opinions is vital in policymaking but policy consultations through horizontal channels is just as important.

III. Nautilus Invites Your Responses

The Northeast Asia Peace and Security Network invites your responses to this essay. Please send responses to: napsnet-reply@nautilus.org . Responses will be considered for redistribution to the network only if they include the author's name, affiliation, and explicit consent.

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