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# Policy Forum 08-021: North Korea Now: Will the Clock Be Turned Back?



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## Recommended Citation

"Policy Forum 08-021: North Korea Now: Will the Clock Be Turned Back?", NAPSNet Policy Forum, March 13, 2008, <https://nautilus.org/napsnet/napsnet-policy-forum/north-korea-now-will-the-clock-be-turned-back/>

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# North Korea Now: Will the Clock Be Turned Back?

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Policy Forum Online 08-021A: March 13th, 2008  
North Korea Now: Will the Clock Be Turned Back?

By Georgy Toloraya

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## I. Introduction

Georgy Toloraya, Visiting Fellow at the Center for Northeast Asian Policy Studies at the Brookings Institute, writes, "If the hard-line approach persists on both sides, the future is predictable. It would likely be a repetition of the past: after a series of mutual steps increasing tensions and driving

relations into yet another dead-end, the opponents (probably with a changed administration on the U.S. side) will get back to discussing the same issues from square one, again discovering there is no alternative to engagement and small-step tactics leading to gradual solutions, one by one."

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## II. Article by Georgy Toloraya

- "North Korea Now: Will the Clock Be Turned Back?"

By Georgy Toloraya

The overall mood regarding possibilities for Korean denuclearization and, more broadly, prospects for a peace process in Korea, has changed dramatically for the worse since the beginning of 2008. Earlier optimism, especially on the North Korean side, was guarded at best: during a trip to Pyongyang in December the author sensed a continuing lack of trust in U.S. intentions, and was told by well-placed sources: "You cannot turn a wolf into a sheep."

With the advent of a new conservative administration in Seoul (which was seen by some as a signal of a conservative *revanche* elsewhere) and accusations that the DPRK has failed to fulfill its obligations to declare its nuclear program and dismantlement, pessimism about the Six-Party Talks has surfaced. The danger is that such pessimism could roll back the progress made thanks to engagement policies. A year has passed since the principles for North Korean denuclearization were set at the Six-Party Talks, and even though several months were lost because of failure to unfreeze North Korean funds deposited in Macao's Banco Delta Asia, for the first time in history North Korean nuclear facilities are not only stopped, but are being disabled and will probably never run again (North Korean have completed three-fourths of the projected activities). The list of nuclear programs is also being discussed. If this is not progress, then what is?

However there is again a row in Washington about how to approach North Korea. An accusatory tide against North Korea once again is sweeping through the Bush administration and rising in the U.S. media. Hard-liners insist on the need to "review the assumptions upon which previous policy was built and make sure they are still valid today." [1] Although Jay Lefkowitz, the State Department envoy for human rights in North Korea and the author of that quote, was rebuffed by Condoleezza Rice for suggesting there is a possibility of taking a harder stance on North Korea in the framework of the Six-Party Talks, this kind of exchange hardly inspires confidence by North Korea's leadership, which calls the current moment in the denuclearization process "critical." This author was explicitly told by well-placed contacts in Pyongyang in December 2007, even before the Lefkowitz speech, that regardless of years of negotiations and advances in the peace process, the North Korean ruling elite still views the U.S. with great suspicion as threatening to its very existence. High-placed sources state vehemently that the "U.S. imperialist nature has not changed a bit."

### A changing approach from South Korea

North Koreans also seem to be extremely discouraged by the fact that two-thirds of South Korean voters preferred conservative candidates in the ROK's December 2007 presidential election. Voters in the South rejected a decade of what they saw as "appeasement" of North Korea by "progressive" administrations without getting enough, as they see it, in return. The fact that the Korean peninsula is now further from war than it has been since the end of Korean war and that North Korea has changed more over the last few years than during the previous six decades seems to matter little, or is not recognized. Pyongyang's discouragement has a practical effect, as North Koreans say that it

makes no sense to make any long-lasting arrangements with the changing governments of their opponent countries: they remember the setbacks after the end of the Clinton administration and fear that the same thing will happen after Roh Moo-hyun is gone. ROK President-elect Lee Myung-bak has already explicitly pledged to give aid to North Korea only after the North has given up its nuclear weapons, and he plans to review all aid programs - even those agreed upon earlier - and has promised to raise the previously taboo topic of human rights in North Korea. A leading indicator of President-elect Lee's attitude is the planned abolition of the Ministry of Unification. Koreans fear this change might herald "denial about what the current government [the Roh Moo-hyun and Kim Dae Jung administrations] has worked on regarding the inter-Korean relationship for the last decade." [2]

Predictably North Korea has answered in kind, so far in words only. In an editorial in its *Rodong Shinmun*, North Korea accused "U.S. hard-liners" of attempting "to step up the hostile policy towards the DPRK," and explained that its own obligations "have not been implemented as scheduled not because of the DPRK but because of the failure of other participating nations to adhere to the principle of simultaneous action." [3] North Koreans point out the delays in actions by the other side: a late shipment of fuel oil (about 20% of what was agreed to a year before) -which was due in part to bureaucratic red tape in Russia, now overcome; as the shipment was concluded on January 23-and the absence of U.S. measures to remove North Korea from the list of state sponsors of terrorism. Pyongyang believes the U.S. promised to remove it from the list in exchange for the dismantlement of Yongbyon and a "draft" declaration of its nuclear programs, two obligations that Pyongyang claims it has met. Another North Korean newspaper, *Minju Joson*, stated, "we cannot carry out our commitments unilaterally," and promised to answer the "hard-line U.S. policy with a super hard-line policy." [4]

Pyongyang so far has refrained from direct criticism of the incoming ROK administration, taking a wait-and-see attitude. But it has indirectly accused the new president of intending to return to pressure tactics, and shows its nervousness by harshly criticizing "south Korean conservatives" like Lee Hoi-chang, and nascent plans to revitalize trilateral cooperation among the U.S., ROK, and Japan. The degree of animosity in Pyongyang towards the Grand National Party (GNP or *Hannara-dang*) and "old-school" ROK conservatives is unexpectedly strong, almost paranoid. North Koreans harbored a hope that the progressives in the South would fare well in the election, if not win it, and they did their best to assist to the progressives by being very conciliatory to the outgoing administration of Roh Moo-hyun. But the land-slide win of the conservative party has thrown cold water on Pyongyang's willingness to make any further concessions unless, of course, the agreements of the October 4, 2007 inter-Korean summit are implemented to the letter - which will hardly be the case. At the end of January North Korea suspended the North-South dialogue on implementation of agreements, after Lee Myung-bak's team questioned some of the issues agreed upon, including the controversial maritime border (Northern Limit Line) in the Yellow Sea and the plans to establish joint fishing areas and economic cooperation areas in and around the disputed waters. The DPRK has also withheld, so far, its usual annual request for food aid from the South, probably wary that such a first dealing with the Lee government might be interpreted as "weakness," or might even be rejected.

The Lee Myung-bak team also seems to believe that the North Koreans will submit to the incoming government's so-called "benign neglect" policy and that they will allow Seoul to choose, from a "menu" of previously agreed items, those aid measures that South Korea is prepared to implement and those that it is not. Could it really be the case? For one thing, who in Pyongyang could revise something undersigned by the Beloved Leader? And will he himself, possibly feeling offended by the Southern side's "empty promises," be prepared to make adjustments? It looks as if the people who were in power in Seoul in the 1990s and are back again have forgotten the experience (also well-

known internationally) of encountering Pyongyang's overreactions, stubbornness, and stern approach in response to what it sees as hostile measures. Just one small example of a typical North Korean reaction to an unwelcome situation: after an increased number of road accidents involving women bicycle riders in Pyongyang, women are rumored to be prohibited altogether from riding bicycles. Reaction to Seoul's "trust-breaking actions" could also be similarly disproportionate.

Are we entering a new cycle of confrontation? Setting up unrealistic objectives (like North Korea's giving up its nuclear arsenal in the foreseeable future without synchronous full reciprocity of the U.S., first of all in normalization of relations) and presenting unfulfillable (at least, in the current phase) demands could not only stall the diplomatic process, but could lead in turn to new problems created by the North Korean side in order to retaliate and raise the stakes. It should be noted, as this author was reminded in Pyongyang, that the "action for action" principle is broadly understood by North Koreans as responding in kind not only to positive action, but also for what they see as hostile moves. So not only might the diplomatic process stall, but the overall situation could get worse before it gets better.

### The HEU issue

The issue of North Korea's suspected highly enriched uranium (HEU) program is almost intractable, although the U.S. side now seems to be retreating from its initial accusations of the DPRK's having a full-fledged HEU program. In 2002, then-assistant secretary of state James Kelly said that he had heard an "admission" of the existence of such a program from his North Korean counterpart, Deputy Foreign Minister Kang Suk-ju. Several days later, the North Korean Foreign Ministry officially denied these statements, and sent a written explanation to its main foreign partners through diplomatic channels, stressing that its official had spoken only of North Korea's "entitlement" to "possess a weapon even more powerful than a uranium one." North Korean diplomats stated that these words had been either a translation mistake or had been deliberately distorted. The same was confirmed by Kang Suk-ju personally in later contacts. Later, explaining the context, North Koreans stressed - although privately - that the "DPRK people's revolutionary spirit is the strongest weapon of all."

Knowledge of North Korea's political traditions, based on decades-long interaction with Pyongyang, shows that if North Korea was ready in 2002 to admit unofficially that it had such a program, it would sooner or later confirm this publicly (as was the case with its plutonium program). At worst, the North Koreans would simply keep silent and not present any official denial, because if such a statement was proven false it would be an unacceptable loss of face. It is hard to find a precedent of outright lies in North Korean propaganda: their usual tactic is to use half-truths or Jesuitical interpretation, placing the blame on their opponents but not denying the facts outright.

Is this observation meant to state that Pyongyang has no uranium enrichment ambitions at all? David Albright, who has first-hand experience with Pyongyang's nuclear program, thinks that although there is "ample evidence that North Korea acquired components for a centrifuge-enrichment program, it is hard to believe the North produced highly enriched uranium or developed its enrichment capabilities in the manner once claimed by the United States." [5] Pyongyang probably aspired to learn enrichment technologies with a view to eventually supplying its planned nuclear reactors. The *juche* philosophy of self-reliance teaches that a product should not be bought abroad if it can be made at home. North Korea likely acquired the centrifuges and technology from Pakistan when the opportunity arose, but did not necessarily use it for a full-fledged uranium enrichment program.

Why then would Pyongyang not admit to an embryonic uranium program now? Probably because it feels the price is still not right, North Korea is not satisfied with the U.S. side's tempo of fulfilling of

what it considers the agreement to lift Washington's "sanctions" and discontinue its "hostile policy." Now Pyongyang might be tempted to try to get additional benefits for disclosing what it had done with the Pakistani technology, seeing how much the U.S. side is concerned about it. The North Koreans might well recollect the Kumchang-ri experience of the 1990s: the U.S. administration suspected that North Korea might be building an underground nuclear facility at Kumchang-ri. American officials are said to have to come to North Korea to inspect the site, with a planeload of cash. After delivering the cash directly to a Pyongyang tourist company as payment for a "guided tour," the Americans were taken to Kumchang-ri-where they found nothing.

### Economic developments in North Korea

What is most worrisome is that hard-liners in Pyongyang are being supplied with fresh political ammunition by hard-liners in Washington. The recent resurgence of pressure helps Pyongyang tighten the screws and reverse the trends of socio-economic development that have become obvious during last few years.

On a recent visit to Pyongyang, this author was impressed by the sheer scale of new economic phenomena in DPRK. In terms of variety of goods, activity, and scale, markets in North Korea's central areas (less in the provinces) remind of Chinese provincial markets. Numerous restaurants serve good-and very cheap, by Western standards-food to customers flocking to them. New "service centers" ( *eundokwon* ), combining shops, saunas, and restaurants under one roof, have sprung up and are run by highly placed entities such as Party departments and "offices." Every branch of the Party, military, and local authorities now operates trading companies. Real business managers have appeared, some engaged not only in the "shuttle" trade with China but in bigger projects (in construction, for example), and some corporations have amassed a considerable volume of business. Judging by the author's experiences in the 1980s and 1990s, these "new Koreans" are much more realistic and open to contact with outsiders than was the case before. There are changes in the official line as well: North Korean economists explained that now, out of several hundred thousand products manufactured in the country, only several hundred are now centrally planned. For the vast majority of manufactured products, managers of the state-owned enterprises are given a free hand to determine their production targets and to get what they need through the "socialist wholesale market."

Having witnessed the processes eventually leading to the denunciation of the command economy in the USSR, and the transition to a market-based economy, this author can testify that there are striking resemblances in certain aspects of contemporary daily life in the DPRK to the USSR in the 1970s and 1980s (the Chinese experience in the 1980s, with private enterprise officially sanctioned, is less similar). At that time in the Soviet Union, a vast black market of goods and services began to form in major cities. Many of its dealers became (often after a prison term) the leading businessmen of the post-Soviet era.

For example, at that time there was no private property for apartments in Moscow or elsewhere, and no real estate market officially existed. But at the same time almost any Soviet in the course of his life would "change" one apartment for a better one, paying considerable sums of money to the former "owner." Some shadowy dealers would buy apartments outright, bribing officials to get a "registration" ( *propiska* ), and many made a profession of acting as a "go-between." Similar activities are sprouting like mushrooms around North Korea. A one-room apartment in Pyongyang is said to cost about US\$5000, less in local areas. However, real estate in some small cities close to Pyongyang boast the same high prices, as various kinds of dealers and traders, who are not permitted to settle in Pyongyang, buy apartments there. Foreign currency flows freely and, like in the USSR, most things can be obtained for money. A Russian joke said: "if it is illegal, but very much desirable, it is not prohibited."

The ground for developing market relations is well prepared. The "royal economy" serving the ruling class (Kim Jong-il's immediate retinue and the top nomenklatura or *kanbu* ), and a large part of the internationalized sector (joint ventures and free economic zones) operate on market principles. The next step, should the country's leaders admit the need for developing the country and sustaining their power, should be "setting the rules of the game" by providing a legal framework for what already exists. For that, however, external security should be guaranteed to the regime-irreversibly and comprehensively. Only then will the hard-liners, who fear-with good reason-that reforms would invite subversion of the regime, be confident enough for real progress to take place. Nevertheless the words "reform" and "openness" (especially because of their "Chinese connotations") are unacceptable to Pyongyang, and Kim Jong-il himself stated as much during his talks with Roh Moo-hyun in October 2007. Under the present leadership Pyongyang, any economic reforms would most likely never be called such and would take place in an unpublicized manner without discussion, which is not helpful in terms of public relations with the West and negative international sentiment about the regime.

Back to the future?

However, the revival, in Washington and elsewhere, of pressure tactics and of isolationism in Pyongyang would endanger even these developments. Renewed confrontation would help the North Korean hard-liners freeze the reforms and try to eliminate "deviations from socialist principles." DPRK authorities are already trying to increase centralized control over the state sector of the economy, to revitalize it, and at the same time to limit the spread of market relations. The authorities recently decided to crack down on the local markets, prohibit "second jobs" (trading) for employees of state enterprises, and issued a directive in the traditional New Year editorial "not to tolerate any elements that undermine our system and corrode our socialist morality and culture and our way of life." The government has been instructed to strengthen centralized control by "concentrating all economic work on the Cabinet and organizing and carrying them out under its unified command." [6]

During interviews in North Korea in December 2007, leading economists hinted at plans to prohibit the sale of all industrial goods at the markets and channel them into the state-run shops. They also pointed out the need to eliminate the system of "double prices" (market and state) and the uncontrolled circulation of foreign currency. Pyongyang political scientists, (officially called "philosophy scholars") argued that now the *songun* (military first) policy should be applied to society even more broadly: since DPRK statehood and defense are now firmly established, now it is time for progress in the economy and the army and military methods would take the vanguard role in it (meaning that there would be less and less place of the "invisible hand.") They explained that, since the military sector draws in most talented and able citizens and has the best technical and material supply, it should play the "central role" not only in defense and politics, but also in the development of all other aspects of society.

How feasible are these plans? Probably the clock cannot be turned back: the degree of spread of market relations and of dependence on them-not only by the population but the elite too-would not allow it. There is an important new phenomenon in North Korea: perceptible non-cooperation from the grass-roots in carrying out the most absurd orders from above. There are no protests to speak of, but policies get "stuck in the mud." The DPRK is really on its way to change, and if this is what desired (rather than regime change) more patience and a well-balanced approach are required.

However it is ridiculous to expect things to change overnight. Such medications usually work slowly; what kind of a doctor, upset that a wound would not heal in one day, although it is obviously getting better, would insist on surgery "to speed things up"? Changes in North Korea should be spoken about in terms of decades, not election cycles.

If the hard-line approach persists on both sides, the future is predictable. It would likely be a repetition of the past: after a series of mutual steps increasing tensions and driving relations into yet another dead-end, the opponents (probably with a changed administration on the U.S. side) will get back to discussing the same issues from square one, again discovering there is no alternative to engagement and small-step tactics leading to gradual solutions, one by one. From this perspective, process might be more important than immediate results-not only as a "shock-absorber" but as something of intrinsic value-although such a view is not popular these days.

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### IV. 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](mailto: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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