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# Policy Forum 08-037: Will Australia help North Korea?



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## Will Australia help North Korea?

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By Leonid A. Petrov

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### I. Introduction

Leonid A. Petrov, Research Associate in the Division of Pacific and Asian History at Australian National University, writes, "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, expanding economic cooperation and providing humanitarian aid 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."

The views expressed are those of the author and do not represent the views of the Australian

Parliamentary Library, where the author works as a senior researcher.

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## **II. Article by Leonid A. Petrov**

- "Will Australia help North Korea?"

By Leonid A. Petrov

In March 2008, before leaving for a 17-day trip to the United States, Europe and China, Prime Minister Kevin 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". 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.

The twelve years of Howard government rule (1995-2007) 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. 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 the three pillars - alliance with the US, active membership of the UN, and comprehensive engagement with Asia - that manifest realism, liberal internationalism, and regionalism. Given this new approach, will Australia consider more active approach in helping troubled nations in the Asia-Pacific region?

Soaring prices for 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 Democratic People's Republic of Korea (DPRK or North Korea) 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 Republic of Korea (ROK or South Korea) 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. Last month the World Food Program (WFP) 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.

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". The closure of the DPRK's embassy in Canberra in January 2008 seems to be a logical continuation of this freeze in relations.

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. 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. 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.

The North Korean economy is currently experiencing a stage where the mechanisms of the centrally planned 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 Communist Bloc markets; 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.

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 includes wine and spirits, tobacco products, rock lobsters, abalone, molluscs and oyster, automobiles and other vehicles to transport people, all cosmetics, furs, jewellery, drinking glasses, all works of art, fountain pens, watches and clocks, carpets, leather travel goods, apparel and clothing accessories, consumer electronics, electronic entertainment and software, photographic equipment, and sports equipment.

Everything that is not mentioned in this comprehensive list can be exported to North Korea but in the recent years Australia-DPRK bilateral trade has been minuscule. Australian exports to North Korea consisted of occasional shipments of inorganic chemical elements before completely ceasing in 2007. Import figures vacillated between AUD \$6 and \$11million (2007) 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. North Korea ranked a modest 125th in the order of Australia's trading partners.

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.

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"

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 Fukushima Nukaga who attended the 41st annual meeting of the Asian Development Bank which opened on 3 May in Spain. 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? Australia's DPRK policy has for too long been copying the US policy toward this country 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 losing many lucrative opportunities still available for our exporters and investors. Replete with these prospects, relations between Australia and North Korea need a new footing.

As projected by 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 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.

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, expanding economic cooperation and providing humanitarian aid 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.

### **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](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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