

Changes of North Korea and the Future of Inter-Korean Relations

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I. Introduction

The inter-Korean summit in June 2000 was an historic, first-ever meeting in fifty-five years after the division of the Korean peninsula. President Kim Dae-jung and Chairman Kim Jong-il signed the June 15 Joint Declaration in which both leaders promised to develop a new inter-Korean relationship based on national reconciliation and cooperation. In the post-summit months, the Democratic People's Republic of Korea (DPRK or North Korea) has made remarkable changes in its policies both internal and external. The very fact that Chairman Kim Jong-il accepted the inter-Korean summit is the proof of North Korea's strategic policy change.

The June 15 Joint Declaration provided the basic framework for building a peaceful coexistence between the South and the North, and after the summit, the Korean peace-building process gained a new momentum. To implement the bilateral agreements contained in the June 15 declaration, South and North Korea held six minister-level talks—one defense minister meeting, five working-level military talks, two working-level economic meetings, one meeting of the inter-Korean economic

cooperation promotion committee, four South-North Red Cross Talks, and one meeting of inter-Korean electric cooperation working group.

The two Korean governments have reached over thirty agreements to implement the June 15 joint declaration. But inter-Korean governmental talks as well as U.S.-North Korea talks have come to a deadlock partly because of the Bush administration's hard-line policy toward the North Korea in the wake of the September 11 terrorist attacks.

In the South Korean society, there are ongoing debates over North Korea's change. The conservatives and the progressives in the South Korean society have conflicting views on this issue. The progressives hold that North Korea has changed significantly and is now changing, whereas the conservatives argue that it has not changed fundamentally. To end futile and divisive debates over North Korea's change and to build a national consensus on the Republic of Korea's (ROK or South Korea) engagement policy of national reconciliation and cooperation with the DPRK, it is important to operationally define the concept of North Korea's change and establish objective criteria for its measurement.

The conservatives use North Korea's socialist system and *juche* ideology (the *juche* idea, one-Korea logic, and the liberation of South Korea from American imperialism) as the criteria for measuring North Korea's system change, and they demand that North Korea abandon its socialist system and *juche* ideology. They argue that North Korea's system and its revolutionary strategy toward South Korea have not changed fundamentally. The conservatives' position is somewhat analogous to North Korea's position that South Korea should give up liberal democracy and a market economy.

In contrast, the progressives use inter-Korean non-governmental contacts, exchanges, and economic cooperation as the criteria for determining North Korea's change. They argue that North Korea has substantially changed for its own survival and contributed to constructive inter-Korean relations. The controversial, unproductive "South-South ideological conflict" between the conservatives and the progressives has become a major obstacle to the Korean peace process. Thus, first of all, it is absolutely necessary and desirable to resolve the conflict between the conservatives and the progressives in the Korean peace and unification process. It is equally important for

the ROK to understand and analyze the DPRK's policy changes accurately and objectively and for the ROK to formulate its DPRK policy rationally. The authors of this paper have three specific objectives: (1) to analyze ROK's engagement policy toward North Korea as a catalyst for North Korea's change; (2) to set up objective criteria for evaluating North Korea's change; and (3) to make policy recommendations for constructive inter-Korean relations. Now let us turn to ROK's engagement policy toward the North as a catalyst for changes in North Korea.

II. ROK's Engagement Policy As a Catalyst for North Korea's Changes

Upon the inauguration of President Kim Dae-jung in February 1998, the ROK government adopted the engagement policy of reconciliation and cooperation toward North Korea known as the "Sunshine Policy."¹ The basic objective of this new policy is to improve inter-Korean relations by promoting reconciliation, cooperation and peace. This policy assumes that, at the present stage, a peaceful coexistence between two Koreas is more important than immediate Korean unification. Two specific goals of this policy are (1) peaceful management of the national division and (2) promotion of a favorable environment for North Korea to change and open itself without fear.²

ROK's engagement policy of reconciliation and cooperation is designed to engage the North through more exchanges and cooperation and [to] encourage the North for further opening and changes. This policy is based on three principles. First, South Korea will not tolerate any armed provocation by North Korea. The ROK will maintain a strong defense posture against North Korea to deter war and will respond resolutely to any provocation. Second, South Korea will not attempt to take over or absorb North Korea. The ROK government has neither the desire to harm North Korea nor the intention to absorb it unilaterally. Rather than promoting the collapse of North Korea, South Korea intends to work toward a peaceful coexistence with the North. Third,

¹ For further details, see the Inaugural Address by President Kim Dae-jung entitled, "The Government of the People: Reconciliation and a New Leap Forward, Seoul, February 25, 1998, in *Korea and World Affairs*, vol. 22, no. 1 (Spring 1998), pp. 93-99.

² For ROK's official policy, see *Policy Toward North Korea for Peace, Reconciliation and Cooperation* (Seoul, Korea: Ministry of Unification, ROK, 1999)

inter-Korean reconciliation and cooperation will be expanded to improve inter-Korean relations.

The ROK government has consistently implemented its engagement policy towards North Korea since February 1998. This policy has produced some tangible results. First and foremost, the policy has prevented a possible war on the Korean peninsula, and has contributed to a peaceful and stable environment in which North Korea may resolve difficult problems relating to its nuclear freeze and long-range missile testing.³ Second, the policy has contributed to tension-reduction on the Korean peninsula and a favorable environment for improving inter-Korean relations. Inter-Korean economic cooperation and exchanges on a non-governmental level have been substantially expanded. Third, the policy encouraged inter-Korean sports games, exchanges of separated family members, and cultural exchanges between Seoul and Pyongyang, thereby contributing to mutual understanding of South and North Koreans. It also contributed to Chairman Kim Jong-il's decision to agree to the landmark inter-Korean summit meeting in June 2000.

President Kim Dae-jung and Chairman Kim Jong-il held historic summit meeting in Pyongyang on June 13-15, 2000.⁴ The first-ever inter-Korean summit was significant in promoting mutual understanding and trust. The summit produced a five-point declaration of June 15, 2000. President Kim cordially invited Chairman Kim to visit Seoul, and Chairman Kim agreed to visit South Korea.

Let us take a look at the significance of the summit and the June 15 joint declaration. First, it was the first agreement signed by the two leaders of South and North Korea in 55 years since the division of the peninsula. Second, the declaration confirmed the independence principle of solving the Korean issue by Koreans themselves. Third, South and North Korea agreed that they would first lay a foundation for unification through peaceful coexistence, reconciliation and cooperation, and then work out the common ground of their unification formulae through talks. Fourth, both

³ For North Korea's nuclear issues, see Leon V. Sigal, *Disarming Strangers: Nuclear Diplomacy with North Korea* (Princeton: Princeton University Press, 1998); Young Whan Kihl and Peter Hayes (eds.), *Peace and Security in Northeast Asia: The Nuclear Crisis and the Korean Peninsula* (Armonk, NY: M.E. Sharpe, 1997).

⁴ For South Korean government's official account of the summit, see *Together As One, The Inter-Korean Summit Talks: Opening a New Era in the History of Korea* (Seoul, Korea: Ministry of Unification, ROK, July 2000)

leaders agreed that reuniting separated family members is a humanitarian issue that must be resolved as a top priority. The South and North agreed that the issue should be worked out gradually, and the process should be step-by-step, and not a one-time deal. Fifth, both agreed to economic cooperation projects, including the reconnection of the Seoul-Shinuiju railroad line and the anti-flood project on the Imjin River. Sixth, there was an agreement on the return visit to Seoul by Chairman Kim Jong-il.

Furthermore, the two leaders confirmed that they had no intention of invading the other side and they would refrain from any acts threatening the other side. President Kim urged Chairman Kim to settle pending international disputes with the parties concerned, including the North's missiles issue, at an early date so that Pyongyang's relations with neighboring countries would be improved. According to President Kim, Chairman Kim said: "it is desirable that the American troops continue to stay on the Korean peninsula and that he sent a high-level envoy to the United States to deliver this position to the American side."⁵ In short, this landmark declaration provided a framework for a peaceful coexistence between the two Korean states.

After the June summit, South and North Korea made efforts to implement inter-Korean agreements in the June 15 joint declaration. After the inter-Korean summit, the two Koreas worked together to resolve thirty-one inter-Korean pending issues through various channels of inter-Korean dialogue, including six rounds of inter-Korean ministerial talks. President Kim and Chairman Kim shared the view that war should never recur on the Korean Peninsula. Following the inter-Korean summit, North Korea has stopped broadcasting propaganda against the South and discontinued other activities that could raise tensions.

It is regrettable that the inter-Korean reconciliation and cooperation process has been moribund after the inauguration of President George W. Bush. The inter-Korean railway project has halted. The humanitarian project on the reunions of separate families has ended with no more scheduled. The inter-Korean economic talks concerning the supply of electricity to the North have been put on hold. All inter-Korean governmental talks have been deadlocked. Furthermore, President Kim is now faced with domestic

⁵ Doug Struck, "South Korean Says North Wants U.S. Troops to Stay: Summit Declaration Called 'a Great Relief'," *Washington Post*, August 30, 2000. For details, see Tae-Hwan Kwak, "Kim Jong-il's Stand on Presence of USFK," *Vantage Point*, September 2001, pp. 15-19.

economic problems, political criticism, corruption charges and a growing erosion of public support for his sunshine policy.

We argue in this paper that South Korea's engagement policy toward the North has contributed to North Korea's changes. These changes have produced an inter-Korean rapprochement and will lead to a peaceful coexistence between the two Korean states. Let us now discuss patterns of North Korea's change after the inter-Korean summit.

III. Patterns of North Korea's Change After the South-North Summit

The authors attempt to operationalize the concept of North Korea's change to avoid confusion, so that scholars in the field can communicate effectively by using this operational definition of North Korea's change. A clear distinction needs to be made between changes in the North Korean-style socialist system and changes in North Korean leadership's thinking and policy. We do not expect North Korea will change its socialist system in the short run because North Korean leadership fears a sudden systemic change, which would threaten the very survival of its own system. In this paper we attempt to analyze North Korea's changes in terms of thinking and policy. We argue that North Korea's changes in thinking and policy would eventually bring about its systemic change.

In this paper, the authors use three criteria for measuring and evaluating changes of North Korea: (1) changes in North Korean leaders' thinking and perception; (2) changes in North Korea's policy; and (3) changes in the North Korean society through inter-Korean cooperative interactions and exchanges after the summit. We argue that North Korea's changes have contributed to improving inter-Korean relations.

Let us take a close look at patterns of North Korea's change after the inter-Korean summit by using the three evaluative criteria for measuring North Korea's changes taking place today. The North Korea's change index will be examined below.⁶

⁶ The data used in the analysis of inter-Korean relations and changes of North Korea after the June 2000 summit are based on official documents and source materials published by ROK Ministry of Unification. For further details, see *White Paper on Korean Unification: Peace and Cooperation 2001* (Seoul, Korea: Ministry of Unification, May 8, 2001); *Korea Unification Bulletin* (Seoul, Korea: Ministry of Unification), No.31 (May 2001), No. 30 (April 2001), No.29 (March 2001), Jan. 1, 2001, No. 26 (December 2000) and No. 25 (November 2000); *Recent Relations between South and North Korea* (Ministry of Unification,

1. Changes in the Thinking and Perception of North Korean Leadership

In the post cold war international environment, North Korea began to change cautiously for its own survival. Changes of North Korea have been accelerated in scope and speed after the inter-Korean summit. In our view, North Korea's changes are partly attributable to the ROK's engagement policy of national reconciliation and cooperation.

In late 1998, North Korea began to use its propaganda slogan to build a powerful nation for the survival of its socialist system. At present, North Korea has set its national objective of constructing an economically powerful nation on the basis of science and technology. North Korean regime's core objective is to guarantee the survival of the Kim Jong-il regime by preserving the North Korean-style socialist system. North Korea seeks to achieve the core objective by combining North Korean-style socialism and economic renovation based on science and technology.

North Korea seeks to get maximum economic support from South Korea and to bring foreign capital into the country by improving relations with the U. S. and European countries. The North Korean leadership understands that North Korea needs to change its ideology and socialist system in order to induce foreign capital and to effectively revitalize its failed economy through South-North economic cooperation. Nevertheless, North Korean leadership cannot abandon the *juche* ideology overnight that has been maintained over fifty years. It will take some time before North Korea changes its *juche* ideology and North Korea's systemic change will be slow and call for a lot of patience on our part.

In the meantime, the ROK government needs consistently and sincerely pursue its engagement policy to create a favorable environment in which North Korea can change its ideology and system without fear. As a matter of fact, North Korea emphasizes the *juche* ideology and North Korean-style socialism internally, but it also

September, 2000); and *Overview of Intra-Korean Interchange and Cooperation* (Seoul, Korea: Ministry of Unification, May 2001, April 2001, and March 2001)

emphasizes a new thinking to solve many issues. This approach should be understood as part of North Korea's survival strategy.

In early 2001, the North Korean leadership launched a new thinking campaign calling for thought reform for the survival of the North Korean system. The New Year (2001) editorial of North Korean newspapers read: "The 21st century is a time of great change and creation. Great leader Kim Jong-il leads us and carries out reform in a big way, looking ahead at the distant future. Our revolutionary soldiers should get rid of the old idea and leap forward as Kim Jong-il does."⁷

Chairman Kim Jong-il has stressed economic renovation through new thinking. On January 4, 2001, *Rodong Sinmun* carried Chairman Kim's remarks exhorting the people to bring about radical transformations in the fields of economy, science and technology with new thinking and a fresh mindset. "We should bring about technical modernization by boldly doing away with what needs to be abolished, instead of being shackled by ready-made ideas or hanging on to the old and outdated conceptions. ... Because we are in the 2000s now, we must solve all problems through a new way of thinking and by scaling a new height."⁸

This statement reflects Chairman Kim's intent to ensure the survival of his own system through new thinking. North Korea's policy changes should also be understood as an attempt to achieve economic development while sustaining its own socialism. Compared with Deng Xiaoping's reform policies and Gorbachev's perestroika, North Korea appears to have just entered the initial stage of reform policies. In our view, Chairman Kim's emphasis on a new way of thinking will have a profound impact on North Korea's internal changes. North Korea's emphasis on a new thinking in the New Year joint editorial of newspapers and Chairman Kim's own statements indicate North Korea's policy changes. Furthermore, Chairman Kim visited the Pudung industrial complex in Shanghai, China on January 15-20, 2001, to learn about China's reform and socialist market economy, and said, "Shanghai has become a modern city by

⁷ For details, *People's Korea*, January 1, 2001.

⁸ *Rodong Sinmun*, January 4, 2001.

undergoing cataclysmic changes, but only the Hwang Pu River remains unchanged.”⁹

Chairman Kim was reportedly very impressed with cataclysmic changes in the Shanghai area, which had been brought about through China’s openness and economic reform. It is significant that Chairman Kim is clearly adjusting his thinking and perception to changing realities of the Northeast Asian international environment in the 21st century.

In April 2001, the DPRK's Supreme People's Assembly passed processing trade law, lock law, and copyright law, and North Korea began making legal and institutional arrangements for expanding inter-Korean economic cooperation and international trade. Processing trade law expands to other areas processing on commission that was restricted in the special zone of Rajin and Sunbong. It also allows quality control inspectors of foreign firms to stay in North Korea at all times and guarantees a considerable level of self-controlled management. The openness policy of North Korea would eventually contribute to an improvement of its economic conditions. Premier Hong Sung-nam indicated North Korea's changes in his report on 2000 projects and 2001 tasks in which he expressed the pragmatic, open policy line.

North Korea also sent its economic observation teams to foreign countries and invited many economic cooperation delegations from abroad. North Korea dispatched its economic teams to Australia, Brunei, Indonesia, the U.S., Italy and other countries in February-March 2001, and invited foreign economic delegations from European Union, Russia, and Netherlands in February-March, 2001. In early 2001, North Korea dispatched seventy-four economic teams abroad and invited fifty-three economic delegations from abroad. These economic activities of North Korea indicate its openness and economic policy changes in the post-summit months.

With the inter-Korean summit and Chairman Kim's visit to China as a momentum, North Korea has been preparing for a new development strategy. North Korea expanded overseas training programs in trade, marketing, market economy, international law, and has been promoting a science and technology (particularly, information and technology) priority policy.

Chairman Kim went to the Pudung industrial complex, a model of China's openness and reform and went to Russia for twenty-four days by train (July 26-August

⁹ *Yonhap News*, January 27, 2001.

18, 2001) to personally observe the changing economic situation in Russia. Moreover, North Korean economic delegations visited advanced countries to learn about economic management. These activities clearly indicate North Korea's willingness to adopt openness and economic reform.

With the partial failure of a rationing system, the appearance of black markets and farmers' markets, and the spreading of private plots, a free-market oriented economic mind is slowly emerging in the North Korean society. As a result, the mindset and conscious structure of the North Korean people are changing as well. After the inter-Korean summit, the North Korean people are changing their perception of South Korea as a result of separated family reunion projects and South Korea's humanitarian aid to North Korea.

A series of intelligence reports indicate that North Korea is moving toward a socialist market economy by changing its rationing system and raising prices, exchange rates and wages. Some reports indicate that the rationing system has been abolished.¹⁰ However, according to the North Korean government's source, North Korea is still keeping its rationing system. DPRK maintains the amount of food rationing at 300g a day for an adult at least until September 2002.¹¹

Reportedly, the new economic reform plan to raise the prices of commodities and salaries would be put into action nation-wide on August 1, 2002 after a month-long experimentation period. It was reported that wages would increase 15-20 fold, for example, from 200 won to 3,500 Won. The prices of daily necessities rose by 20-40 fold in July with the foodstuff recording the highest with average of 40-50 fold. North Korea also plans to devalue its currency (Won) relative to the U.S. dollar up to 100 times as part of its economic reform programs. The current exchange rate of the U.S. dollar to North Korean Won is 1: 2.2. Despite the reform measures for revitalizing the

¹⁰ For details, see Teruaki Ueno "N.KOREA Scraps Rations in Pro-Market Move-Diplomat," *Reuters*, July 19, 2002; Kim Ji-ho, "North Korea Speeding Up Reforms," *The Korea Herald*, July 25, 2002; "North Korea Experimenting with Price Reform, Says Russia's ITAR-TASS," *Joongang Ilbo*, July 23, 2002; Seo Hyun-jin, "Economic Reforms in N. Korea Aimed Solely at Survival," *Korea Herald*, July 23, 2002.

¹¹Choi Byung-muk, "NK TO MAINTAIN RATIONING SYSTEM," *Chosun Ilbo*, August 1, 2002.

North Korean socialist economic system for its survival, North Korea is likely to retain many of its socialist policies, such as free medical and education services.

Lim Dong-won, the Senior Advisor to President Kim, stated at a seminar held at the Seoul Press Center, on July 25, 2002 that North Korea seemed to take the path to a market economy, following the Chinese model. "After his trips to China and Russia last year, Chairman Kim Jong-il issued directives for economic management. The gist of the directives was to renovate its economic system in such a way as to seek practical gains while maintaining socialism," Lim said. "The move is similar to what China was trying to do in the early days of its economic reform," he continued. He pointed out wage differentials as an example of economic reforms in the direction of a market economy. "The country proceeded with the consumer price reform because it needed to have realistic prices."¹² We believe that North Korea's economic renovation programs have been implemented to supplement its socialist economic system, not supplant it.

Chairman Kim's perception of U.S. forces in Korea (USFK) has changed as well. Since Kim perceives that USFK has contributed to peace and stability in the Korean peninsula and Northeast Asia, he acquiesces in the presence of USFK. It appears that Chairman Kim's acquiescence in the presence of US forces in Korea is closely linked to the stability of maintaining his regime. Nevertheless, the DPRK government has officially and consistently demanded the withdrawal of USFK for propaganda purposes. It should be pointed out that in the one-man dictatorial system of North Korea, Chairman Kim's perception of the U.S. troop issue is more important than North Korea's official propaganda statements.¹³

2. Changes in Foreign Policy

In the 2001 New Year joint editorial, the DPRK emphasized that it would improve relations with those states that respect its sovereign rights. This statement indicates that North Korea is shifting from self-imposed isolationist policy to pragmatic, open diplomacy.

¹² "North Korea Following Chinese Model," *Joongang Ilbo*, July 27, 2002.

¹³ For details, see Tae-Hwan Kwak, "Kim Jong-il's Stand on Presence of USFK," *Vantage Point*, September 2001, pp. 15-19. Doug Struck, "South Korean Says North Wants U.S. Troops to Stay: Summit Declaration Called 'a Great Relief'," *Washington Post*, August 30, 2000.

Changes of North Korean foreign policy are clearly visible. Foreign ministers of the two Koreas held talks on the sidelines of the ASEAN Regional Forum (ARF) meeting in Bangkok in July 2000. South Korea supported North Korea's membership in ARF and other international organizations, including the Asia Development Bank and the Asia-Pacific Economic Cooperation forum. In October 2000, the 55th UN General Assembly unanimously adopted a resolution calling for peace, security and unification on the Korean Peninsula and supporting the inter-Korean summit and the June 15 joint declaration. This was the first General Assembly resolution adopted on the subject of the Korean Peninsula since 1975, and was a result of the two Koreas' joint efforts. At a meeting of the UN Commission on Human Rights on April 9, 2001, the two Koreas lodged a joint protest against Japan over the so-called comfort women issue that took place during World War II and the recent approval by the Japanese Education Ministry of middle school textbooks that offer a distorted view of Japanese policies before and during World War II. ROK Ambassador to China paid a visit to the North Korean Embassy in Beijing, while the North Korean Ambassador to Singapore attended an official function during ROK President Kim's state visit to Singapore.

North Korea has opened its door to the outside world by dispatching economic delegations to Western countries and inviting their delegations to visit the North. In the year 2000, North Korea normalized relations with Italy, Australia, the Philippines, and Great Britain. During the first five months of 2001, it opened diplomatic relations with ten more, including the Netherlands, Belgium, Canada, Spain, Germany, Luxemburg, Greece, Brazil, New Zealand, and Kuwait. Among 15 EU nations, 13 countries have entered into diplomatic relations with North Korea so far, with the only exceptions of France and Ireland.

In April 2001, North Korea invited a EU delegation to Pyongyang led by EU President Goran Persson of Sweden. Chairman Kim Jong-il agreed to Persson's itinerary, which included an overland route to Seoul from Pyongyang. During the summit, Chairman Kim mentioned that North Korea would suspend its missile testing until 2003, and that he was looking forward to a second inter-Korean summit. On May 14, 2001, North Korea announced its plans to normalize relations with the EU. North

Korea guaranteed German diplomats and aid agencies to monitor a distribution of humanitarian aid to North Korea.

North Korea's top priority is to normalize diplomatic relations with the U.S. and Japan. Chairman Kim's special envoy Gen. Cho Myung-rok's visit to the U.S. in October 2000 and Secretary of State Albright's visit to North Korea paved the road for US-North Korean friendly relations. In October 2000, U.S.-North Korea joint declaration was issued, and North Korea reopened Japan-North Korea normalization talks. Because of the Bush administration's "non-engagement" hard-line policy toward North Korea, U.S.-North Korea, South-North, and Japan-North Korea talks are put on hold.

North Korea's diplomatic activities clearly indicate that it is moving away from an isolationist to an open diplomacy for the survival of its system. Chairman Kim has also strengthened Pyongyang's friendly ties with Moscow and Beijing through summit diplomacy. North Korean foreign minister are expected to hold talks with Japanese foreign minister, U.S. Secretary of State, and South Korean foreign minister on the sidelines of the ASEAN Regional Forum (ARF) meeting in Brunei in July 2002.

3. Changes in North Korea's Policy Toward South Korea

1) The Historic South-North Summit (June 13-15, 2000)

As discussed above, a good example of North Korea's policy changes toward the South is Chairman Kim's acceptance of the inter-Korean summit meeting proposed by President Kim. The South-North summit proved to be the best mechanism to resolve pending issues between the two Koreas. President Kim and Chairman Kim signed the June 15 joint declaration. Without North Korea's policy change, the inter-Korean summit would not have been held. Following the summit in June 2000, North Korea stopped vilifying the South and broadcasting through loudspeakers, and discontinued radio program slandering the South along the DMZ.

In June 2001, a Grand National unification festival was held at Mt Gumgang sponsored by non-governmental organizations with positive support of both governments to sincerely confirm the June 15 joint declaration.

2) Revitalization of Economic Cooperation and Social-Cultural Exchanges

South and North Korea have implemented the agreed items of the June 15 declaration through economic cooperation and social-cultural exchanges. On September 1, 2000, the two Koreas agreed to reconnect the Seoul-Sinuiju railway and construct the Munsan-Gaesung highway. Hyundai Group and North Korea's Asia-Pacific Peace Committee concluded an agreement to develop an industrial complex in Gaeseong in August 2000. Seoul and Pyongyang also agreed to the joint Imjin River flood prevention project in September 2000. For revitalizing inter-Korean economic cooperation, the two Koreas adopted four agreements--investment protection, prevention of double taxation, clearing settlement and dispute settlement procedures on November 11, 2000.

The two Koreas increased exchange visits of people after the summit, and at the non-governmental level, economic cooperation and exchanges in the civic, cultural, sports, and public health, environmental fields increased as well. Particularly news media played an important role in reporting realities of North Korea. In August 2000, a group of South Korean media executives visited Pyongyang and adopted a media exchange protocol with North Korea. KBS and SBS televised live from Mt. Baekdu and Pyongyang in September and October 2000 respectively. The Hankyoreh and MBC visited North Korea for reporting. In September 2000, the two Korean Olympic teams marched into the Olympic stadium together during the opening ceremony of the Sydney Olympics as one nation under a flag emblazoned with an undivided map of the Korean peninsula. There were a number of inter-Korean exchanges and joint programs in sport, cultural, tourism, and religious fields.

During the one-year period (June 2000-May 2001) after the inter-Korean summit, there was an increase in people exchanges between the two Koreas with a total of 7,965 persons visiting the other side. This total does not include the South Korean tourists (over 430,000) who visited Mt. Gungang on cruises offered by Hyundai. A total of 7,318 South Koreans visited the North and 647 North Koreans visited the South, an increase of 1,698 and 381 persons, respectively, from the year before. Since exchanges began in 1989, the total number of individuals that have participated in these programs amounted to 21,909, 36 percent of them traveling across the border during the

past year alone. The inter-Korean exchanges undoubtedly facilitated internal changes of the North Korean society.

3) Reunion of Separated Family Members

Resolution of the separated family issue is a top priority for the Seoul government and has a symbolic importance for inter-Korean reconciliation and cooperation. Reunion of separated families resumed after a 15-year pause following the first exchange of separated families in 1985. After the summit, four rounds of reunion of separated family members took place in Seoul and Pyongyang. The first reunion was held on August 15-18, 2000 and involved 1,170 persons, the second reunion on November 30-December 2, 2000, involved 1,220 persons, and the third reunion on February 16-18, 2001, involved 1,240 persons. After a series of inter-Korean negotiations, the fourth reunion finally took place on April 28-May 3, 2002, and involved 850 people, and this reunion took place at Mt. Gungang for the first time. Through the family exchange program, the whereabouts of 10,213 separated family members were discovered (The three rounds of reunion group exchanges determined the whereabouts of 7,946 individuals, and two rounds of locating separated family members identified an additional 2,267 individuals with a total of 10,213.) Through the exchange of information with the North, it was confirmed that a total of 6,142 separated family members were still alive and 4,071 passed away. On March 15, 2001, 300 individuals from each side exchanged letters. It should be pointed out that reunions of separated families are another evidence supporting North Korea's policy change.

4) First Step Toward Military Confidence Building Between the Two Koreas

Defense Ministers of the two Koreas held talks for the first time in 55 years since the division of the Korean peninsula on Cheju Island on September 25~26, 2000. Although the two sides failed to adopt specific tension-reduction measures such as a military hotline, the first round of defense ministers' talks was the first step toward building military confidence building between the two Koreas.

At the defense ministers' talks, the two Koreas adopted a five-point joint statement, in which the two sides agreed: (1) to implement the June 15 joint declaration and actively cooperate with each other to remove military obstacles to travel, exchange

and cooperation between civilians; (2) to reduce military tensions on the Korean peninsula and remove the threat of war by establishing a durable and stable peace;(3) to allow the entry of personnel, vehicles and materials into the Demilitarized Zone for the construction of an inter-Korean railway and a highway, and to guarantee the safety of personnel; (4) to handle problems of opening the Military Demarcation Line and the Demilitarized Zone in the areas around the railroad and the road ; and (5) to hold the second round of the talks in the North in mid-November. After the first inter-Korean defense ministers' talks, South and North Korea held five working-level military talks and reached an agreement on 41 items relating to ground rules for the peaceful use of the DMZ and the installation of "South-North Joint Control Areas." This was the first step toward military tension-reduction and confidence building on the Korean peninsula.

IV. Major Obstacles to North Korea's Continuous Changes and the Inter-Korean Peace Process

As discussed above, inter-Korean cooperative relations improved substantially with changes of North Korea after the summit. But the Bush administration's hard-line policy of non-engagement with North Korea has negative effects on both U.S.-North Korean relations and inter-Korean relations. President Bush's hard-line policy after the September 11 attacks and Pyongyang's hostile response to it are, in our view, major obstacles to North Korea's continuous changes and the inter-Korean peace process.

In the mean time, the South Korean people are very disappointed with the North's unilateral suspension of inter-Korean dialogues on flimsy grounds. President Kim's sunshine policy of engagement with North Korea was undermined in part by President Bush's hard-line policy toward North Korea. In his first State of the Union address, Bush charged that Iran, Iraq and North Korea were committed to developing weapons of mass destruction (WMD) and [stated that] they must be stopped.¹⁴ Bush's remarks, indeed, had a negative impact on the inter-Korean peace process.

During his visit to Seoul on February 19-21, 2002, Bush stated that he fully supported President Kim's sunshine policy towards the North, and that the U.S. had no

¹⁴ For details of President Bush's first State of the Union address, see *New York Times*, January 30, 2002.

intention of invading the North. However, there had been public concerns about the possibility of war on the Korean peninsula, and Bush's statement somewhat eased those concerns. In its 2002 annual report to US Congress, the US State Department again labeled North Korea as a state sponsor of terrorism, along with Iran, Sudan, Libya, Iraq, Cuba and Syria. As a result of Bush's policy of non-engagement with North Korea, the Korean situation is becoming increasingly dangerous.¹⁵

ROK, Japan and US authorities are jointly developing a comprehensive strategy to resolve DPRK missiles and weapons of mass destruction (WMD). The Bush administration prefers a "package deal" to handle its North Korean agenda as a whole -- an approach different from that of the Clinton administration, which held separate talks on each issue. Washington's "package deal" includes ambassador-level ties with Pyongyang and easing of economic sanctions after a comprehensive agreement is reached on the North's nuclear weapons, conventional forces, missiles, human rights and sponsorship of terror.¹⁶ The Seoul's position is that nuclear weapons and missiles issues should be resolved first and human rights and conventional weapons issues should be discussed later. The ROK reportedly insisted on holding nuclear and missile talks with the North based on existing U.S.-North Korea agreements. Seoul sees Vice Marshall Cho Myong-rok's visit to Washington in October 2000 as the starting point for negotiations. Unless Washington becomes flexible about North Korean issues, the United States and North Korea are likely to have a military confrontation, which the Korean people do not want. Thus, the ROK government must do its utmost to prevent a military confrontation of any kind between the U.S. and North Korea.

President Kim's special envoy Lim Dong Won visited Pyongyang on April 3-6, 2002, to convey President Kim's personal letter to Chairman Kim Jong-il and discuss "measures to straighten out the grave situation on the Korean Peninsula." Lim met Chairman Kim Jong-il and had intense discussions with Kim Yong Sun, secretary of the

¹⁵ For a possible military crisis on the Korean peninsula as a result of Bush's hardline policy toward North Korea, see Tae-Hwan Kwak, "The Korean Peace Building Process: An Inter-Korean Approach," *Pacific Focus*, Vol.XVII, No.2 (Fall 2002), forthcoming

¹⁶ Hwang Jang-jin, "S. Korea, U.S. to Develop Strategy on North's Weapons," *Korea Herald*, March 5, 2002; Lee Chul-hee, "'Road map' for North talks ready," *JoongAng Ilbo*, March 8, 2002.

Workers' Party of Korea. On April 6, both sides published simultaneously a joint press statement calling for improving the overall inter-Korean relations.¹⁷ Lim's trip to North Korea led to the resumption the stalled inter-Korean dialogue and negotiations.

South and North Korea agreed to the following major points in the joint press statement: (1) mutual respect and restoration of the frozen inter-Korean relations; (2) new railways and roads along the east coast and reconnection of the Sinuiju-Seoul railways and the Kaesong-Munsan road in the west coast; (3) the second meeting of the South-North Committee for the Promotion of Economic Cooperation in Seoul from May 7 to 10; (4) construction of the Kaesong industrial complex, and Imjin River flood damage control project; (5) the second round of the Mt. Gungang tour talks at Mt. Gungang from June 11; (6) the fourth round of the separated family reunions at Mt. Gungang from April 28;(7) North Korean economic study group's visit to South Korea in May; (8) the seventh round of the inter-Korean ministerial talks in the future; and (9) the resumption of the inter-Korean military talks.

Mr. Lim's mission produced fruitful results in the face of ominously developing grave situation on the Korean peninsula. The inter-Korean peace process again seemed to resume with the fourth reunion of separated families at Mt. Gungang on April 28-May 3, 2002. The second meeting of the inter-Korean economic promotion talks was scheduled for May 7-10, 2002. The ROK government wanted to discuss the safety of the Gungangsan Dam in the North, and the DPRK wanted to discuss ROK Foreign Minister's remarks on the Bush's hard-line policy toward the North. These two issues became obstacles to the revival of the stalled inter-Korean dialogue after Lim's successful mission to Pyongyang. Fred Hiatt, in his Washington Post article, stated that ROK Foreign Minister Choi Sung-hong had spoken positively about President Bush's hard-line policy toward North Korea. He quoted Mr. Choi as saying during his visit to Washington in mid April, "Sometimes carrying a big stick works in forcing North Korea to come forward."¹⁸

¹⁷ For details of Lim's mission, see *Chosun Ilbo*, April 4-7, 2002.

¹⁸ Fred Hiatt, "NKorea: What a Big Stick Can Do," *Washington Post*, April 23, 2002; Ser Myo-ja, "US Paper Draws Seoul Rebuke Over 'Big Stick' Policy on North," *Joongang Ilbo*, April 25, 2002.

North Korea showed an extremely hostile response to Choi's remarks and on April 28 demanded ROK's apology. North Korea called Choi's reported remark "an unpardonable insult." "Such traitors ... should be dislodged and eliminated at once," said a statement by the DPRK's Committee for the Peaceful Unification of the Fatherland.¹⁹ The ROK did not take any action in this regard, nor did it apologize to the DPRK. North Korea abruptly called off the second meeting of the inter-Korean economic cooperation talks on May 6, one day before the scheduled meeting on May 7-10. Pyongyang insisted that the ROK was responsible for the cancellation.²⁰ Mr. Choi's thoughtless remarks and North Korea's move once again wasted a golden opportunity to revive the inter-Korean peace process. The ROK demanded that the DPRK return to the negotiating table. The timing was also bad when the South questioned the safety of the Gungangsan Dam (Imnam Dam) in the North. The controversy over the dam's safety apparently made angry the North Korean military, which had constructed the dam. The military seemed responsible for the decision to cancel the inter-Korean economic talks, because it appeared that North Korea did not want to talk about the safety of the dam at the talks.

Practical Problems in the Inter-Korean Peace Process

In our view, three practical problems have been obstacles to the inter-Korean reconciliation and cooperation process. First and foremost, President George W. Bush's hard-line policy, as discussed above, is a major problem in the Korean peace process. The Bush administration repeatedly offered U.S.-North Korea talks at any time, anywhere, and without preconditions, but North Korea did not respond to the offer because Pyongyang considered these agenda items preconditions for talks. Instead, North Korea sent hostile signals by harshly criticizing the Bush administration. Finally North Korea accepted bilateral talks with the U.S. Because of the June 29 naval clash between the South and the North on the West Sea, the U.S. delegation cancelled its trip to Pyongyang for U.S.-North Korea talks.

¹⁹ Yoo Jae-suk, "N. Korea Wants S. Korea Minister Fired," *Associate Press*, April 28, 2002.

²⁰ Oh Young-hwan, "North Scuttles Meetings on Economic Assistance," *Joongang Ilbo*, May 7, 2002; Kim Hee-sung, "Pyongyang Calls off Economic Talks," *Joongnag Ilbo* May 6, 2002.

Second, South Korean domestic political process has significantly affected inter-Korean relations. After September 11 attacks on the U.S., the security environment surrounding the Korean peninsula changed. North and South Korea are again at odds. President Kim's sunshine policy of engagement with North Korea has provoked heated policy debate between conservatives and progressives within the South Korean society. The two groups have different approaches to Seoul's policy toward Pyongyang.

The Kim Dae-jung government has failed to build a national consensus with bipartisan support for his sunshine policy toward the North. Conservatives argue that due to Seoul's "give-away" aid to the North, the Kim Jong-il regime continues to survive and develop missiles and weapons of mass destruction. But progressives argue that humanitarian aid to the North is necessary for saving lives of starving northern compatriots, and provides a favorable environment in which the North Korean leadership can change its policy for further reform and openness. There is no viable alternative to Seoul's engagement policy, but the Kim Dae-jung government has made numerous mistakes in its implementation. The Kim Dae-jung government has often misused and abused the engagement policy for political purposes and personal gains. The ROK government should be consistent in implementing the engagement policy and should use a combined "carrot and stick" approach toward the North if necessary.

Third, North Korea itself is an obstacle to the Korean peace process. North Korea's policy changes are clearly visible, but its leadership has delayed fundamental systemic changes and drastic reform measures for fear of a sudden collapse of its socialist system. In this context, North Korean leaders are reluctant and unwilling to accept talks offered by South Korea and the U.S. under the present circumstances.

North Korea is suffering from a "security complex" for many decades, and has been developing missiles and weapons of mass destruction (WMD) for its own security guarantee. Mutual confidence-building measures between the U.S. and North Korea are necessary conditions for bilateral constructive dialogue and negotiations. The U.S. should understand that its hard-line policy toward North Korea would not serve its interests. Thus, the Bush administration must reconsider accepting the Clinton administration's approach to North Korea.

Since President Bush's hard-line policy and South Korean domestic political process are not likely to provide a favorable international environment for inter-Korean reconciliation and exchanges and for changing North Korean leaders' perception, inter-Korean relations will probably remain cool for some time to come.

V. Conclusion

President Kim Dae-jung is now faced with numerous problems at home. He does not have enough time in office to successfully implement his engagement policy toward North Korea. President Bush's new North Korea policy has delayed the implementation of the June 15 joint declaration and the Korean peace process. The U.S. needs to consider softening President Bush's hard-line/hostile policy toward North Korea, which has been a major obstacle to the inter-Korean peace process.

Chairman Kim's return visit to Seoul is still desirable, but it is a politically sensitive issue. Kim's return visit in 2002 appears impossible for the following reasons. The timing is not favorable given the presidential elections in December in South Korea. North Korea may not get much economic assistance and investment from Seoul. Furthermore, South Koreans in general are increasingly hostile toward President Kim's 'unilateral' aid to the North. The South Korean opposition parties are also increasingly critical of President Kim's engagement policy. In addition, President Bush's North Korea policy makes it difficult for Chairman Kim to visit the South in the near future. Nevertheless, if Chairman Kim wants to have the second summit with President Kim this year despite these unfavorable conditions, the summit meeting may be possible.

What should be done to break through the logjam in the deadlocked inter-Korean dialogue? The future of inter-Korean relations depends largely on three major factors: (1) the political will of Chairman Kim Jong-il, (2) South Korean domestic political process, and (3) international factors, especially President Bush's hard-line policy toward North Korea and global anti-terrorism campaign.

First of all, South and North Korea need to respect and abide by inter-Korean agreements to build mutual confidence that will remove obstacles to the Korean peace process. North Korea needs to change its policy toward the U.S. from a policy of

hostile confrontation to a policy of dialogue and negotiations in order to get a security guarantee from the U.S. Chairman Kim should take a more flexible and pragmatic policy toward Seoul and resume deadlocked inter-Korean dialogues soon. The U.S. and South Korea should create a favorable environment for North Korea's reforms, and North Korea should not miss an opportunity to come to the negotiating table with South Korea and the U.S.

Secondly, the new ROK government to be inaugurated in February 2003 should continue to follow the basic tenets of the engagement policy. The new government should, first of all, build a national consensus for its engagement policy. Effective implementation of the engagement policy requires bipartisan national support. The Seoul government should play an "honest broker" role in avoiding a possible military confrontation between the U.S. and North Korea. We would like to emphasize that South Korean government officials need to be sensible and prudent with their remarks on pending inter-Korean issues.

Thirdly, the Bush administration needs to change its hard-line policy to a more flexible one. Washington does not seem to have a clear blueprint for peace on the Korean peninsula, and should develop one after softening its hard-line policy toward Pyongyang. Seoul, Washington, and Tokyo must maintain the solid trilateral cooperation system in dealing with North Korea. The three governments appear to have different approaches to a solution of the North Korean issues. Thus, it is desirable that TCOG (Trilateral Coordinating Oversight Group) coordinate conflicting policies on critical issues, so that the U.S., Japan and South Korea will have close trilateral consultations and cooperation. Trilateral cooperation through TCOG will contribute to the Korean peace process.

The Korean Peninsula remains one of the most dangerous places in the world as clearly evidenced by the June 29, 2002 inter-Korean naval clash, which resulted from North Korea's premeditated attack on the ROK patrol boat in the Yellow Sea. The inter-Korean naval skirmish strengthened conservative hardliners in South Korea as well as the U.S. As long as North Korea does not accept the Northern Limit Line (NLL) as a maritime border in the West Sea, the danger of an inter-Korean naval clash

remains unabated. The solution of the NLL issue through dialogue and negotiations will remove sources of an inter-Korean military confrontation on the West Sea. Thus, in our view, the inter-Korean joint military committee as stipulated in the inter-Korean basic agreement (1992) needs to be reconvened as soon as possible in order to resolve the Northern Limit Line (NLL) as well as blue crab fishing issues.

The icy inter-Korean relations began to thaw, when North Korea on July 25, 2002 sent its conciliatory messages to South Korea by proposing a resumption of inter-Korean ministerial talks. Pyongyang's message included expression of its regret over the June 29 naval skirmish. In a telephone message sent to ROK Unification Minister through the border village of Panmunjom, North Korea expressed its official regret by stating "Feeling regretful for the unforeseen armed clash that occurred in the west sea recently, we are of the view that both sides should make joint efforts to prevent the recurrence of similar incidents in future." The ROK government hailed the North's conciliatory move and called the message a "de facto apology."²¹ The ROK was completely surprised by the North's move. This message came one day after North Korea's warning of more clashes if South Korea and the United States continued to insist on the Northern Limit Line (NLL) in the Yellow Sea.

Then, why did North Korea send this message? First, North Korea might have changed its strategy toward the South in order to reopen high-level U.S.-North Korea talks that were cancelled by the U.S. after the June 29 naval clash. The North Korean leadership might have thought that U.S.-North Korea talks might begin only after inter-Korean talks resumed. The new North Korean strategy may be called "Tongnam Tongmi" strategy (To get to the U.S. through South Korea). Second, North Korea might have thought that inter-Korean tensions after the June 29 naval skirmish might damage North Korea's new economic renovation programs that require foreign aid and investment. Third, North Korea might have wanted to receive economic aid and 300,000 tons of grain from South Korea, which had been held back in the wake of the naval skirmish. Finally, the North Korea's peace offensive might have been politically

²¹ Kim Ji-ho, "North Korea Offers to Resume Dialogue with South," *Korea Herald*, July 26, 2002.

motivated in view of the forthcoming South Korean presidential election in December. The North Korean leadership might have wanted to influence the election outcome.

North Korea launched a new peace offensive to stabilize an ominously developing crisis situation against North Korea. New developments in the Korean peace process took place when DPRK Foreign Minister Paek Nam Sun, ROK Foreign Minister Choi Seong-hong and Secretary of State Colin Powell participated in the 9th annual ASEAN Regional Forum foreign ministerial talks in Brunei in July 2002. The ROK on July 30, 2002, accepted the DPRK's proposal for talks to be held in early August. The ROK Unification Ministry wanted to hold working-level talks on August 2-4 at Mt. Gumgang for the preparation of the 7th inter-Korean ministerial meeting.²² The ROK government might provide 300,000 metric tons of rice to North Korea depending on Pyongyang's attitude at the 7th inter-Korean ministerial meeting,²³ in which South and North Korea would discuss five major inter-Korean projects—railway project, Gaesong Complex, Geumgang overland route, reunion of separated families, and military confidence-building measures.

In the meantime, North Korea demonstrated its anti-terrorism stance when it decided to send the four members of the Red Army Faction (Japan's radical terrorist group) back to Japan. The four members announced that they wanted to return to Japan by September 2002, ending their exile in North Korea. "We fear our presence could be used as a pretext to attack North Korea for being a terrorist-supporting regime," said the statement.²⁴ This move is part of Chairman Kim Jong Il's attempts to show the world he does not support terrorists.

The DPRK's de facto apology for the inter-Korean naval clash, an agreement to resume inter-Korean ministerial talks, DPRK's willingness to accept the visit of a US special envoy, informal talks between Secretary Powell and North Korean foreign minister Paek Nam Sun at the ARF meeting in Brunei, an agreement between Powell

²² Paul Eckert, "South Korea Accepts North's Call for Talks," *Reuters*, July 30, 2002; Christopher Torchia, "South Korea Accepts North Korean Proposal for Dialogue," *Associated Press*, July 30, 2002.

²³ "Government Might Extend 300,000 Ton Rice if North Behaves," *Joongang Ilbo*, July 30, 2002.

²⁴ Kenji Hall, "Japan Hijackers May Leave N. Korea," *Associate Press*, July 30, 2002.

and Paek to resume U.S.-North Korea talks, Secretary Defense Rumsfeld's remarks on U.S. policy goal of not removing Chairman Kim Jong-il from office, an agreement to resume Japan-North Korean talks, and a number of other changes around the Korean peninsula will have a profound effect on the Korean peace process. These new developments will certainly contribute to reducing tensions that have been building up on the Korean peninsula after the June 29 inter-Korean naval clash. We hope the bleak situation on the Korean peninsula does not turn into a crisis. At the Kim Dae-jung-Bush summit in February 2002, South Korea and the United States agreed to resolve North Korean issues by peaceful means through dialogue, and this agreement is still valid. If North Korea does not want a war on the Korean peninsula, it should restrain from provoking more armed clashes in the future. There are many issues to be resolved at inter-Korean talks and U.S.-North Korean talks. One of those pending issues concerns the U.S. stance on the North's nuclear facilities. If Washington pushes for special inspections by the International Atomic Energy Agency (IAEA) and Pyongyang refuses to accept them, the situation on the Korean peninsula could quickly escalate into a major crisis.

In the final analysis, we believe only constructive dialogue among the U.S., South and North Korea would prevent a possible military confrontation on the Korean peninsula, and contribute to the Korean peace process in the positive way.

(Completed on August 1, 2002)