

The Lee Myung-bak Government's North Korea Policy

A Study on its Historical and Theoretical Foundation

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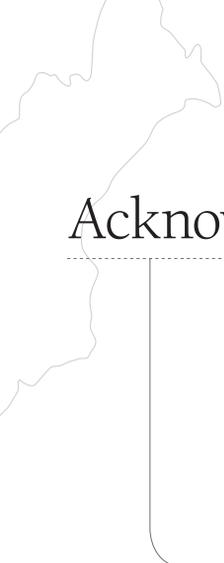
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Acknowledgements

This monograph is an explication of the Lee Myung-bak government's North Korea policy in terms of its underlying historical and theoretical foundation.

Although this publication strives to present views representative of the government, it is ultimately the author's interpretation of the Lee administration's North Korea policy, rather than the standpoint of the government per se.

Overall, when we look at the policy, we can see that it is an attempt to induce North Korea to resolve its nuclear problem (i.e., denuclearization) and to enter the international community as a normal member (i.e., openness) through normalizing relations with the United States and to realize a 3,000 dollar per capita GNP. Thus, the Lee government's mid- and long-term policy goals are to find a way for both Koreas to achieve mutual benefits and common prosperity by implementing the government's "Vision 3000 through Denuclearization and Openness."

The theoretical assumption of the Lee Myung-bak government's North Korea policy lies on the empirical ground that the reforms and



opening undertaken by countries of the Socialist bloc in the late 1980s to reintegrate into the world economy are a universal path which they chose to trek, and that North Korea will not be an exception. This study suggests that Vision 3000 through Denuclearization and Openness is a policy that can lead North Korea to this universal trend in history.

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Suh Jae Jean
May 2009

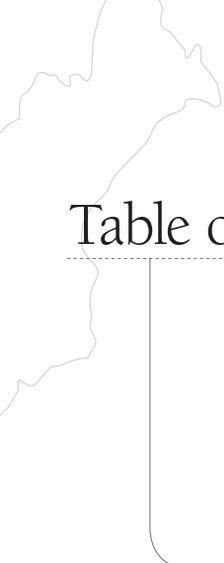


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I

Introduction

The Lee Myung-bak government introduced its principles on and policy toward North Korea in the “Policy of Mutual Benefits and Common Prosperity.” Its tool for implementation of the policy is the “Vision 3000 thru Denuclearization and Openness” plan. This monograph seeks to explain this policy in terms of its underlying theoretical foundation.

This study is based on the empirical ground that socialist states universally have been incorporated into the capitalist world community and North Korea would not be an exception.

The main argument of this paper is that the “Vision 3000 thru Denuclearization and Openness” (hereinafter “Vision 3000”) plan would lead the Democratic People’s Republic of Korea (DPRK, North Korea) to follow the trajectory of former socialist states.

It is fortunate that there has been considerable advancement in inter-Korean relations during the past 10 years. Advances were made in inter-Korean exchange and cooperation through two summit meetings. North Korea’s perception of the Republic of Korea (ROK, South Korea) has changed a lot, while its dependence on the ROK has increased.

On the other hand, the advances in inter-Korean relations over the past 10 years seem quite fragile. North Korea is suddenly driving inter-Korean relations into catastrophe, and all the while blaming the Lee Myung-bak government’s North Korea policy for this. North Korea threatens the South by saying that a second Korean War or a third West Sea skirmish could occur. Pyongyang seems to intentionally control the advances in inter-Korean relations by blaming Seoul continuously.

The reasons why inter-Korean relations are in such a fragile state include, above all, the instability of the North Korean regime and its fear of “unification by absorption.” Thus, in order for inter-

Korean relations to be normalized, it is necessary to mitigate the regime's instability and fears. It was in this context that South Korea announced its policy of mutual benefits and common prosperity as the basis of its policy toward North Korea.

Ironically, North Korea should try more actively to gain the trust of the international community in order to overcome its regime instability and get rid of its fear. If North Korea gives up its nuclear programs and enters the world community as a normal member that focuses on economic development, it will eventually overcome its crisis.

It is necessary for the South Korean government to employ a North Korea policy that induces North Korea to reform and open its system, as well as to begin a process of turning itself into a normal state, as other socialist states have done. Many socialist states chose reform and opening when faced with economic crisis and their choice proved to be right. Socialist states during the post-Cold War era chose, without exception, to reform and open as well as to develop their economy by removing themselves from isolation and returning to the capitalist world community. In so doing, with economic and political development following reintegration into the capitalist world community, a universal law of historical development in socialist countries was formulated.

North Korea, however, continues to try to keep the status quo under the banner of "socialism of our own," without reform or opening, despite the past two decades of economic crisis and international sanctions. Now is the time for South Korea to change its North Korea policy orientation so that the North can follow other socialist states and join the world community. South Korea must induce the North to escape isolation and economic sanctions as well as become more self-sufficient.

Fortunately, since the settlement of the North Korean nuclear issue is ongoing and the advances in U.S.-North Korea relations are expected, the government sees an opportunity to return North Korea to the international community so that the country can solve its fundamental problems and turn itself into a normal state, which eventually should lead to the normalization of inter-Korean relations.

Vision 3000 is based on such an assessment of history and theory. Through the settlement of the North Korean nuclear issue, the government and international community need to support the modernization of North Korea and the settlement of the basic problems hindering inter-Korean relations.

North Korea has already stated its rejection of the Vision 3000 plan. However, considering the North's economic situation and the U.S.-DPRK, South Korea-U.S., and inter-Korean relationships, North Korea cannot determine all things. Pyongyang wishes to normalize its relations with Washington, which would speed North Korea's entry into the international community. Also, once North Korea denuclearizes and opens up, it will find improvement in the international environment for the country's economic development. Vision 3000 is a pragmatic and sound policy, because North Korea's survival strategy and the Vision 3000 plan share much in common.

The plan should be implemented as a policy inducing paradigmatic change in North Korea as well as a strategic choice that will create a turning point in North Korean history. Thus we should ready ourselves for a grand transition, an opportunity to put an end to the Cold War on the Korean peninsula.

This monograph outlines a new paradigm for the development of inter-Korean relations, one that promotes North Korea's entry

into the international community and takes advantage of this entry to improve inter-Korean relations.



II

The Lee Myung-bak Government's North Korea Policy

1. The Policy of Mutual Benefits and Common Prosperity

Due to the fact that North Korea fears South Korea will attempt to unify the peninsula by absorbing the North while it is beset by crises, we have not seen many positive developments in inter-Korean relations. Consequently, North Korea has intended to regulate the pace of development between the North and South. The recent slandering of the South by the North was intended to act as a pacesetter for inter-Korean relations. Any anxiety regarding absorption or regime collapse on the part of Pyongyang must be mitigated in order for there to be any development in inter-Korean relations.

The Lee Myung-bak government's policy towards the North is called "Mutual Benefits and Common Prosperity." By mutual benefits and common prosperity, the government has two things in mind. The first is to eliminate any worries North Korea might have regarding "unification by absorption" while seeking mutual benefits and common prosperity. By supporting denuclearization talks between North Korea and the United States, South Korea can help the two countries establish a diplomatic relationship that will help to alleviate the financial and security problems North Korea is beleaguered with. The second is, by helping the North with its economic development, the South can take its own economic development to a new level.

The Mutual Benefits and Common Prosperity policy was first reported to the president by the Ministry of Unification on March 26, 2008 and was confirmed on July 11 when President Lee delivered a speech that day at the opening of the National Assembly: "Our priority in our North Korea policy is denuclearization and finding a way for both the North and South to mutual benefits and common prosperity."

The use of the “benefits” and “prosperity” that we find in the incumbent administration’s policy name were inspired from two key words found in the 1991 Basic Agreement (i.e., The Agreement on Reconciliation, Nonaggression, and Exchanges and Cooperation Between South and North Korea): “exchanges” and “cooperation.”

President Lee emphasized the importance of the Basic Agreement at a Ministry of Unification report meeting on March 26, 2008. The president stated that although new agreements between the North and South have been signed, it is most important to remember and maintain the initial intentions of the 1991 Basic Agreement.

The development between North and South Korea through mutual benefits and common prosperity will increase peace within the Korean peninsula and provide a base for a peaceful unification process. Also the Vision 3000 thru Denuclearization and Openness plan was presented as the three main political measures needed to further the development of mutual benefits and common prosperity for the two Koreas. The goal of South Korean policy towards North Korea is to move toward economic development of the Korean peninsula and pursue humanitarian efforts by increasing cooperation on the following three measures: the inducement of denuclearization within North Korea, the opening of North Korea, and economic cooperation through co-existence.

In order to realize this policy, the Vision 3000 plan seeks to influence the internal and external form and economic development of North Korea. If North Korea’s nuclear issues are solved and the political system is opened, the North Korean economy will experience striking improvement. Loans from international financial institutions (IFIs) will be possible, foreign

investments will be made, and inter-Korean business will be generated. The long-term goal of President Lee's Mutual Benefits and Common Prosperity policy is to realize an economic commonwealth on the Korean peninsula. If the Vision 3000 plan is carried out, past improvements in inter-Korean relations will be surpassed, creating an opportunity to elevate Korea's economy as a whole. With improved relations with North Korea, railways and roads between the two Koreas can be reconnected or rebuilt to enable the import of natural gas and other natural resources (from Russia and even Europe) via overland routes, and at the same time enable South Korean companies to reach out to and enter North Korea and perhaps even further north. Restoration of the Trans-Korean Railway and its reconnection to the Trans-Siberian Railway would allow the import of natural gas and other natural resources from the Russian Far East, while the export of Korean goods via the railway would contribute to the realization of an economic commonwealth on the Korean peninsula.

Over the long term, such an economic commonwealth between the two Koreas could also help start discussions for Korean unification. If the North Korean economy improves and an economic commonwealth realized, there is a high possibility that discussion for unification will start.

2. Tools of the Policy: "Vision 3000 thru Denuclearization and Openness"

The Vision 3000 thru Denuclearization and Openness plan was developed with the understanding that the anxieties of the North Korean regime come from their uneasiness with the security situation on the peninsula and their economic difficulties, which

have exacerbated the country's isolation. Only if the fundamental problems are solved can there be an expected mutual benefits and common prosperity on the Korean peninsula. Vision 3000 supports the need for economic growth and stability (in terms of security) in the North through the realization of diplomatic relations between North Korea and other countries such as the United States and Japan, two countries deeply involved in the six-party denuclearization talks. The plan supports the need for North Korea to incorporate capitalism and follow in the steps of former socialist bloc countries such as China, Vietnam, Russia, and those of Eastern Europe who have shown rapid economic growth. In the end, through this process, North and South Korea can develop an economic commonwealth and together pursue mutual benefits and common prosperity. From a political perspective, the plan supports the denuclearization and opening of North Korea and also for the country to reach a per capita income of 3,000 dollars.

“Denuclearization” means resolving of the North Korean nuclear issue. “Openness” refers to North Korea building its diplomatic relations with the United States and Japan and participating as a normal party in the international community. The number “3000” refers to the North Korean economy experiencing economic growth equal to where the country's GNP would rise to 3,000 dollars. The plan also includes a more detailed program for the North to reach this level of GNP: North Korea should cooperate with the international community to nurture the export of goods of North Korean companies; develop human resources for industry; form funds for international cooperation; build connecting highways; and support the welfare of its people.

However, this program alone cannot ensure that North Korea will reach a GNP of 3,000 dollars, nor can this happen

overnight, even if North Korea agrees to denuclearize and open up. Improvement in the processes of denuclearization and opening, the willingness of the North Korean government authorities, and the support South Korea and the international community are willing to provide will determine the pace in which this goal can be reached.

The Vision 3000 plan also envisions the “3,000 dollars per capita GNP” as an incentive to persuade North Korea not to forego or postpone its denuclearization and opening.

In short, Vision 3000 seeks to bring modernization to North Korea. And in order for this modernization to take place, denuclearization is necessary, and North Korea will need to take the initiative in incorporating itself into global society.

The Vision 3000 thru Denuclearization and Openness plan was not developed under the assumption that North Korea would first denuclearization and open, but rather is a policy to encourage these processes. The goals of the plan are not to change the political system or power structure of North Korea but support action that encourages North Korea's modernization, sustainability, and entry into the international community.

3. Objectives of the Policy

The policy targets of the Lee government's Mutual Benefits and Common Prosperity policy are as follows: the resolution of the North Korean nuclear issue, the opening of North Korea, and the development of North Korea's economy.

A. Denuclearization

Of the three main policy targets, the resolution of the North Korean nuclear issue is at the top of the priority list. The reason for this is because North Korea's nuclear issue has long become an obstacle to inter-Korean relations. For example, the products made in the Gaeseong industrial region are not being exported to the U.S. or other international markets. Also, it hinders North Korea from joining the international community and taking part as a regular participant in the global society. Only through the resolution of the nuclear issue can North Korea fully become a participant in the global society, freely export goods to and make financial transactions in international markets, and eventually restore its economy. Also, North Korea's economy must develop normally for mutual benefits and common prosperity to be realized between the North and the South. Because denuclearization is connected to the inter-Korean relationship and North Korea's economic development, the Lee Myung-bak government has set denuclearization as the number one priority.

To help resolve the nuclear issue, the government supports the smooth fulfillment of agreements reached at the Six-Party Talks, which offer North Korea a channel to communicate and come to a mutual agreement with the parties to the talks (including the United States), and the international community in general. For the Lee government, "denuclearization" means executing what is agreed to at the Six-Party Talks, without deviation.

In order to accelerate the process of denuclearization, the South will support economic cooperation through flexible approaches. For example, the South is prepared to expand inter-Korean economic cooperation correspondingly with North Korea's denuclearization efforts. The reason for this is to help the North

realize the importance of denuclearization and of the need for the regime to make a strategic decision regarding denuclearization.

The former South Korean government thought that vitalizing inter-Korean economic cooperation would stimulate denuclearization, opening, and economic development. However, this strategy has proven to be inefficient. It is essential to aim for efficiency in inter-Korean economic cooperation. In this light, Vision 3000 sees denuclearization and opening not as an ultimatum, but more as processes to initiate and support. To realize North Korea's denuclearization and opening, external and internal environment for North Korean economic development must be built.

B. Opening and Modernization

In the 21st century, the opening of a socialist country has meant its entering into the capitalist world market. To enter, one must establish diplomatic relations with the United States. Only through forming diplomatic relations with the U.S. can a country become a regular participant in the global society, and only as a regular participant in the global society can one trade in the global market.

For North Korea to open up, it is necessary for Pyongyang to build a normal diplomatic relationship with Washington. Moreover, in order to build such relations with the United States and Japan, North Korea must turn itself into what the international community considers a “normal” state. North Korea must not only focus on resolving the nuclear issue, but also resolve the abductees issue, the issue of proliferation of weapons of mass destruction (WMD), and vastly improve its human rights record.

Regarding the above, it is worth paying attention to a collaborative study¹ that was jointly researched by the RAND Corporation, POSCO Research Institute and Research Institute for National Security Affairs (Seoul), China Reform (Beijing), Institute for International Policy Studies (Tokyo), and Center for Contemporary Korean Studies (Moscow). Before its release, the term “normalization” of North Korea was in many instances changed to “modernization” after the concern shown by China and Russia that using the term “normalization” may irritate North Korea.

Semantics aside, it will be difficult for North Korea to build diplomatic relations with the United States before it reaches “normalization”; and without a relationship with the United States, opening up will be a more difficult task. Although Pyongyang may have sincerely tried to forge a diplomatic relationship with Washington, success has eluded the regime because North Korea has not been able to fulfill the many conditions of being a “normal” participant in the international community. The opening of socialist countries such as China started with their vast improvements in their relations with the U.S.

Therefore, Vision 3000 thru Denuclearization and Openness should progress as a policy to support North Korea’s normalization and encourage its entrance into the international community. In this case, “entrance” means that North Korea will walk the same road that past socialist countries have walked, either by changing its socialist market economy or by applying market-socialism to satisfy basic external and internal conditions for economic development. When entering the capitalist world market, the

1. Charles Wolf, Jr. and Norman Levin, *Modernizing the North Korean System: Objectives, Methods, and Application* (Rand: Center for Asia Pacific Policy, 2008).

North must also proceed domestically with a socialist market economy.² This is also a policy objective North Korea has for political structure survival and economic turnaround.

C. *Reaching a 3,000 Dollar Per Capita GNP*

The Vision 3000 thru Denuclearization and Openness plan seeks to realize a level of economic development in North Korea equal to a per capita GNP of 3,000 dollars. The number 3,000 was considered based on the GNP level that South Korea was at when hosting the 1988 Seoul Olympics. It is believed that this number should be sufficient for North Korea to run an independent economy and for a middle-class to emerge within its society.

The plan focuses on three main tracks to reach this “3,000 dollars” level. The first is the parallelism of denuclearization and inter-Korean development. Currently, the Gaeseong industrial region continues to develop (and will continue to develop) regardless of the slow progress in denuclearization. Aid in the form of food and fertilizer will also continue regardless of the political issues.

The second is the improvement of the investment climate the denuclearization and opening will bring. North Korea should prepare the many domestic conditions necessary to earn the trust of the international community and foreign investors.

The third is to connect the five development programs³

2_ Jae Jean Suh, *The Future of North Korea from the Perspective of World Systems Theory* (in Korean) (Seoul: Hwanggeumal, 2004).

3_ They are 1) the promotion of North Korean export companies, 2) the fostering of the industrial work force, 3) the financing of international cooperation funds, 4) the building of a highway to connect the entire Korean peninsula to the continent, and 5) the support to provide North Korea's people with a life that upholds their basic human rights.

toward North Korea as mentioned in President Lee's election campaign promises. The completion of the second stage of nuclear dismantlement in North Korea (as negotiated at the Six-Party Talks) will enable the launch of these programs. If the third stage of nuclear disarmament is reached, it will enable the five programs to be open full-scale.

The goal of 3,000 dollars per capita economic development will be reached when all three tracks mentioned above are achieved. Through continuous inter-Korean cooperation, North Korea can find stability, which can lead to advances in the denuclearization process, which in turn will trigger an increase in the amount of aid and support from South Korea. Through the economic development made through denuclearization and opening, and with the help of the improvement of internal and domestic conditions, the goal of 3,000 dollars per capita can be reached within 10 years.

If the North proactively progresses with its denuclearization and opening, the South will be willing to help North Korea attract foreign investment and even further stand as a guarantor. With progress in these two processes, it will be easier for North Korea to borrow funds from international financial institutions and attract foreign investment. Such changes will activate inter-Korean relations and make the goal of 3,000 dollars per capita within 10 years achievable.

In order to reach this goal, North Korea must experience improvement in its external and internal conditions, political structure, and domestic environment. Likewise, it must work on changing the negative impressions that the international community has of North Korea, as these impressions will play a part in realizing the goal. Under the current conditions, the goal

will be hard to achieve; but if changes occur within the system, the possibility for rapid growth will remain wide open.

4. Policy Characteristics

A. *The Relation between the Policy Objectives*

Vision 3000 is not a policy that is based on achieving denuclearization and opening but a realistic plan to pursue both processes and lead to the attainment of economic development equal to 3,000 dollars per capita income.

Only through denuclearization and opening up will North Korea be able to reach a level of economic development fit for the international environment and foreign investment. Based on this, Vision 3000 will pursue all three objectives hand in hand while also pursuing resolution of the nuclear issue and strengthening of inter-Korean relations.⁴ Out of the three tracks mentioned above that must be run for North Korea to reach a GNP of 3,000 dollars, only the third is possible with progress in denuclearization, expansion, and development, while the rest must parallel the denuclearization process.

However, the reality is that North Korea's economic development can only materialize with progress in denuclearization. As long as denuclearization is still an issue, the international community will avoid building stronger relations with North Korea. In the same vein, no international companies will invest in North Korea if the country remains closed. Building a stronger relationship between North and South Korea is possible even

4_ *Yonhap News*, Ministry of Unification Briefing, June 2, 2008.

before denuclearization and opening are achieved.

Denuclearization and opening are external and internal conditions for North Korea's economic development and Vision 3000 is a plan to promote and support these processes.

In other words, Vision 3000 was made to promote denuclearization and opening. It is not a policy to support the achievement of a 3,000 dollar GNP after denuclearization and opening are achieved, but a plan to start now in order to promote all three causes. From this we understand that Vision 3000 supports simultaneously denuclearization, opening, and economic development in North Korea.

B. Comparison with Former Administrations

Vision 3000 inherited the previous administrations, aspirations and added a creative pragmatism to achieve new goals. It reflects the basic spirit of the July 4 Joint Declaration signed by the Park Chung-hee administration, the 1991 Basic Agreement of the Roh Tae-woo administration, the June 15 Inter-Korean Declaration signed by the Kim Dae-jung administration, and the October 4 Summit Declaration of the Roh Moo-hyun administration. It is an attempt to solve the shortcomings of previous policies and reflect the changes of the external and internal environments and expectations of foreign and domestic parties.

While past governments have focused heavily on inter-Korean relations, the Lee Myung-bak government takes the approach that it is best to support North Korea to follow in the footsteps of other socialist countries in opening and reformation through normalization and further improve inter-Korean relations. It also values and supports the improvement of North Korean

relations with the United States and North Korea's entrance into the international community and will use these to develop inter-Korean relations.

The logic of Vision 3000 is similar to the previous administration's "Peace and Prosperity" plans. If the past administrations set peace and prosperity as their goals, the Lee Myung-bak government sets denuclearization, opening, and 3,000 dollars per capita GNP as its policy goals.

The logic of Vision 3000 is similar to the previous administration's Peace and Prosperity plan as both seek peace and prosperity through the denuclearization of North Korea. "Opening" has been added. As the previous Peace and Prosperity plans did not mean that prosperity would be based on peace, the Vision 3000 plan does not mean that a GNP of 3,000 dollars will be based on denuclearization and opening, but rather pursued alongside both processes.

The difference between Vision 3000 and the Peace and Prosperity plan is the concreteness of their objectives. If peace and prosperity are generally universal values, Vision 3000 outlines in detail tasks tied into a policy to fit the present.

The second and biggest difference is the coupling schemes of Inter-Korean relations with international relations. Peace and Prosperity was seen from a national point of view. Vision 3000 puts an emphasis on North Korea's entrance into the global society and international relations, because if North Korea does not diversify its diplomatic relations in the international community, the inter-Korean relationship can be easily distorted and is vulnerable to being broken-off. If North Korea joins the international community and diversifies its relations and follows international standards, North and South Korea can develop a

normal relationship. The previous administrations thought the solution to the nuclear issue was through active inter-Korean relations while the Vision 3000 plan sees the solution through North Korea building a diplomatic relationship with the United States and becoming a member of the international community.

The third difference is their viewpoint on changes in the North. Both plans recognize that over the past 10 years there has been much economic and social change in North Korea. Nonetheless, the difference lies in each one's views of the cause of such changes. Because the timing of internal change within North Korea came at the same time as when the Sunshine Policy came into effective, it is easy to think that the changes in North Korea derived from the Sunshine Policy. However, in all actuality, the bigger influence came from the financial difficulties North Korea faced. The North's planned economy failed and the operation ratio of factories were only 10-20 percent, most of the population had to depend on market principles to survive, altering their beliefs to fit the changing times. Due to the economic difficulties, the black market grew, the planned economy crumbled, and the minds of the people changed.

For the past 10 years inter-Korean relations and South Korea's support of the North has been more focused on political power than on reformation and opening. Other socialist countries such as China, Vietnam, and Russia pursued reformation and opening because of the severe economic crises they faced—they did not have any other choice.⁵ Because of South Korea's humanitarian aid, and help in developing Keumgang Mountain Tourism and the Gaeseong Industrial Complex when North Korea

5. Kim, Seok-jin, *A Reexamination of the Possibility of a China-Vietnam Reformation Model Being Applied to North Korea* (in Korean) (Seoul: Korea Institute for Industrial Economics and Trade, 2008).

was blocked and isolated during George W. Bush's tenure in the White House, a window was open for North Korea to receive political funds without having to reform or open or change their structure. The Lee Myung-bak government has the responsibility to consider the effects its North Korean policy will have within North Korea.

C. Consideration of North Korea

Vision 3000 was developed based on consideration of the reason for North Korea's uncertainty regarding its political structure and what the strategic solution would be. As the plan is in agreement with the direction North Korea is promoting, it was developed to derive a positive response while solving the nuclear issue, along with other North Korea-related issues, and as well issues relevant to the Korean peninsula as a whole.

It is easy to think that with North Korea entering the international community, the country will face pressure trying to maintain its regime. However, without overcoming the country's isolation, Pyongyang will find it more difficult to develop the North Korean economy and maintain its current political structure. The end of isolation will either come from a collapse from resistance from within or from a source of aid from outside.

While economic difficulties, international isolation, and security issues have led to an overall crisis with no exit—and where even the empowered elite class is struggling—Vision 3000 will open an escape hatch and survival strategy for North Korea. By supporting North Korea's aspiration to build diplomatic relations with the United States and become a regular participant in the global community, the North will be able to follow the

general history of socialist countries in transition.

North Korea keeps reiterating the rehabilitation of the people's economy and its modernization every year in its New Year's Joint Editorial. These reiterations are just an empty slogan without any policy means. To rehabilitate its economy, North Korea should denuclearize and open up. In fact, North Korea has long wanted to solve the nuclear issue; but the United States has been playing hardball all along, and chose a policy of dialogue without negotiation. After the collapse of the Soviet Union, North Korea has been designated as the major enemy of the United States, and has been suffering isolation and sanction. The way out is clear; earn the trust of the United States by denuclearizing and opening up, and by normalizing diplomatic relations.

Vision 3000 is a plan that can help and aid North Korea to quickly denuclearize and open up through dialogue between Korea and the U.S. The denuclearization, opening, and economic development that the plan pursues make clear the path that North Korea should walk, and is the path that North Korea wants to walk.

If the June 15 Joint Declaration and the October 4 Summit Declaration—two documents that the two Koreas signed—are the agreed upon solution to advance inter-Korean relations, then Vision 3000 is a path of survival suggested to North Korea, in the context of international relations. In that aspect, the June 15 Joint Declaration and October 4 Summit Declaration, and the Vision 3000 plan, are not contradictory but complementary.

D. Relations with the International Community

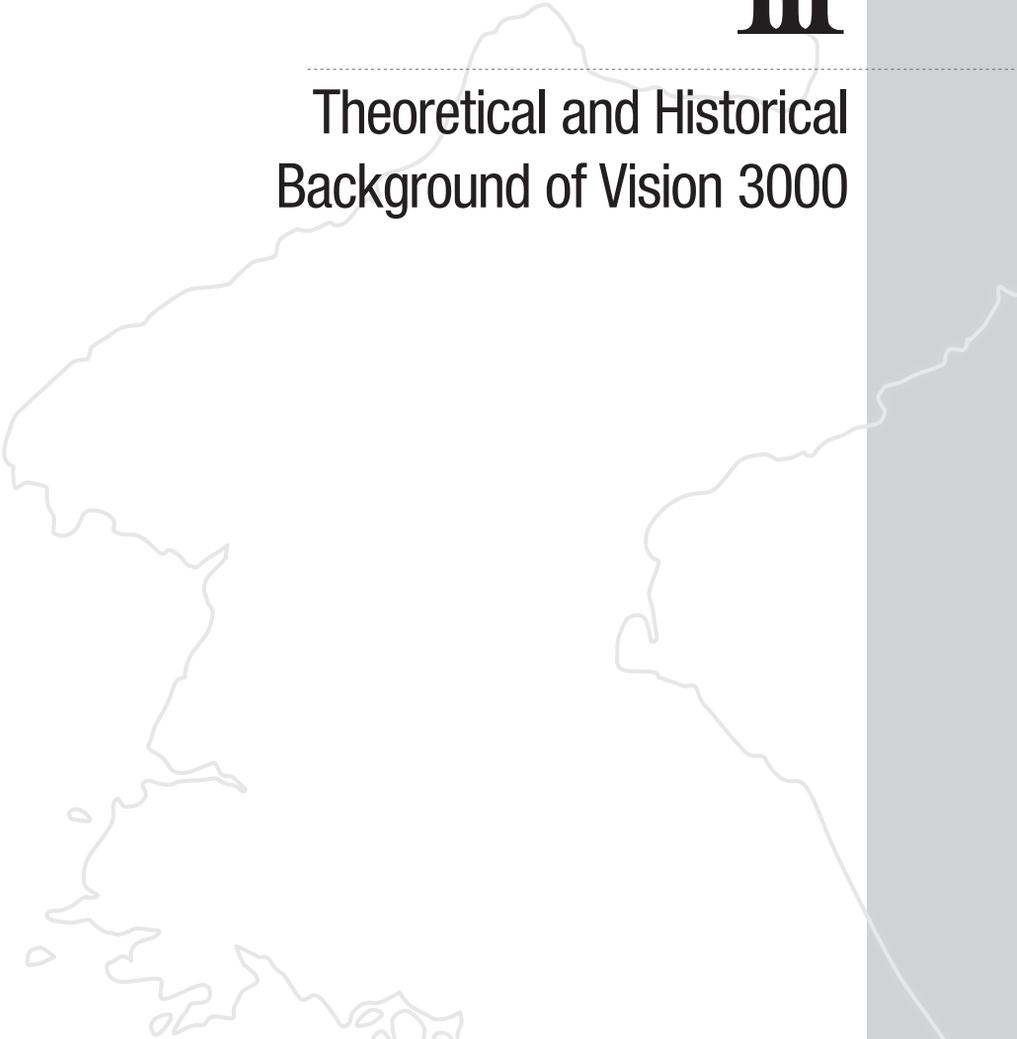
The Vision 3000 thru Denuclearization and Openness plan reflects the international community's expectations of North Korea. It suggests that North Korea's denuclearization and opening are important goals to reach in order for North Korea to receive the support of the international community. In fact, the plan is supported by major powers such as the United States, Japan, Russia, China, and the EU.

The Vision 3000 plan emphasizes international cooperation. In particular, through discussion with the United States (which is the country that North Korea is most interested in improving diplomatic relations with) the plan pursues a policy that stimulates progress toward resolving the nuclear issue and improvement in U.S.-DPRK relations.

To meet the expectations of the international community, settlement of the nuclear issue must come out of the Six-Party Talks framework. The Vision 3000 plan stated additional incentives to the execution of the six-party agreements. If there is progress in the North Korean nuclear problem, the Lee Myung-bak government has declared it would raise 40 billion dollars for an international cooperation fund. Progress on this issue would also bring development assistance to North Korea from the international community.

III

Theoretical and Historical Background of Vision 3000



1. A World-Systems Theory Perspective

Looking at the trajectories of the changes in the socialist countries in terms of the interaction with the capitalist world-system, we can divide them into the following three stages: first, the stage of breaking away from the capitalist world-system after the formation of socialist countries; second, the stage of isolation caused by the containment policies of such capitalist core powers as the United States; and third, the stage of reintegration into the capitalist world-system.

The establishment of socialist system through the Russian Revolution in 1917 marked the breaking away from the capitalist world-system. The socialist system, claiming that socialism is economically more efficient than and morally superior to capitalism, adopted a “catch-up development strategy” against capitalism. They sought to a breakaway from the capitalist world-system.

The key point of foreign policies pursued by the capitalist countries led by the United States since then was the containment policies against socialism—policies that aimed to wither these socialist breakaways to death. Consequently, socialist countries were not able to maintain their systems due to the economic hardships caused by these containment policies, and due to the contradictions inherent in socialism. The failure of the socialist system was—notwithstanding the intrinsic problems to socialism itself—because the capitalist world-system’s strategies of isolation, containment, and withering of the socialist system worked quite well.

Faced with the grave economic stagnation jeopardizing their maintenance of the socialist system and serious threats from the capitalist countries, the socialist countries inevitably chose an

alternative to reincorporate themselves into the capitalist world-system. The key point of the change in most socialist systems was to abolish Marxism-Leninism or Stalinism or Maoism and to reintroduce the capitalist market order.

Confronting the failure of the economic system of central planning, socialist economists and reformers recognized that there was no viable alternative but to bring the market mechanism back. At the same time, the socialist countries reopened their foreign economic relations, encompassing from trade to investment, with the Western countries, including the United States. The introduction of market mechanism and reopening of foreign economic relations constitute the core of the reintegration of the socialist countries into the capitalist world-system.⁶

Russia reincorporated herself into the capitalist world-system 73 years after having severed herself from the system via the Russian Revolution in 1917. In his theoretical treatise for reform policies, *Perestroika*, Gorbachev argued that Russia's isolation is a sin. Economic intercourse makes the material foundation for building political friendship. The mutual interests nurtured by economic interaction are of help in the political stage. The strengthening of Soviet-American economic relations, increasing the trade and cultural exchanges hitherto insufficiently ongoing between the two countries would help to build up mutual trust. For Gorbachev, the essence of the reform was to get out of isolation and to reenter the capitalist world-system. Gorbachev maintained that reform must not meet the confrontational slogan of "catch up and get ahead of" anymore; instead, it should direct itself toward incorporating Russia more organically into the global process of

6. Paul Sweezy, "U.S. Imperialism in the 1990s," *Monthly Review*, Vol. 41, No. 5 (October 1989), p. 6.

economic development. In this way Gorbachev believed that Russia would achieve economic gains from cooperation with the Western bloc.⁷

The socialist reforms—from reform and opening in China since 1978, to Perestroika in the Soviet Union, Doimoi in Vietnam, and reform and opening in East European socialist countries—share their commonality in their trajectories of system change in that they all had once severed themselves from the capitalist world-system, and then, giving way under the isolation and containment policies of capitalism, reincorporated themselves into the capitalist world-system. They did not have any alternative but to reenter the capitalist world-system in order to save their withering economies. In this respect, the path for all socialist countries was identical.

The path North Korea is heading toward may not be an exception. The only way to solve its grave economic difficulty is to reform its system domestically and to reenter the capitalist world-system internationally. As a matter of fact, shortly after the socialist bloc collapsed in the early 1990s, North Korea made an attempt to integrate itself into the capitalist world-system by adopting the 1991 Basic Agreement with South Korea and by attempting to normalize relations with Japan. North Korea also tried to invite foreign capital to the newly launched Najin-Sonbong Free Trade Zone. However, the disclosure of its nuclear program in November 1992 frustrated the aforementioned survival strategy of North Korea.

Though North Korea wasted about 15 years since then, North Korea cannot help but to retrace the trajectories of other socialist countries. It is inevitable that its system reform internally

7. Mikhail S. Gorbachev, *Perestroika*, trans. by Myungsik Koh (Seoul: Sisayongosa, 1990), p. 34.

and open up externally to attract foreign capital. Without such reform attempts, it is impossible for North Korea to survive. Fortunately, it has the path of other socialist countries to follow, and North Korea is pursuing normalization with the United States as its ultimate goal in the six-party negotiation.

The path to reform and opening of North Korea is the way for North Korea, like other socialist countries, to take part in the capitalist world market. The Lee Myung-bak government's Vision 3000 supports North Korea to carry out reform and opening so that the country can be incorporated into the world market.

2. The Dialectical Theory of History

For socialist countries, reincorporation into the capitalist world market means economically to bring the element of the market and politically to bring the element of democracy. It can be understood through the lens of historical dialectics that since the socialist system was not only unable to satisfy the basic needs of the socialist countries' citizens, but also suppressed political and civil liberty, the citizens of socialist countries denounced socialism and chose capitalism. The abandonment of socialism and transition to capitalism and democracy were in many cases made by popular uprisings, although in some cases by the leadership's decision.

The recent changes in socialist countries may be interpreted as the development ultimately dictated by historical law, i.e., the principle of historical dialectics. Such changes as the collapse of the Soviet Union, the reform and opening of China, and the adoption of capitalist path after the reunification of Vietnam all fit the laws of dialectical history.

The principal contradiction before the reform and opening of China was economic difficulty and political repression. Since the reform and opening, Chinese history has been unfolding in the direction of capitalism enabling economic development and of democratization enabling freedom. In the Vietnamese case, the principal contradiction was the encroachment of foreign powers and economic difficulty. Vietnam drove out foreign imperialist powers by winning the Vietnam War, achieved reunification of the country, yet eventually chose a capitalist system to foster economic growth.

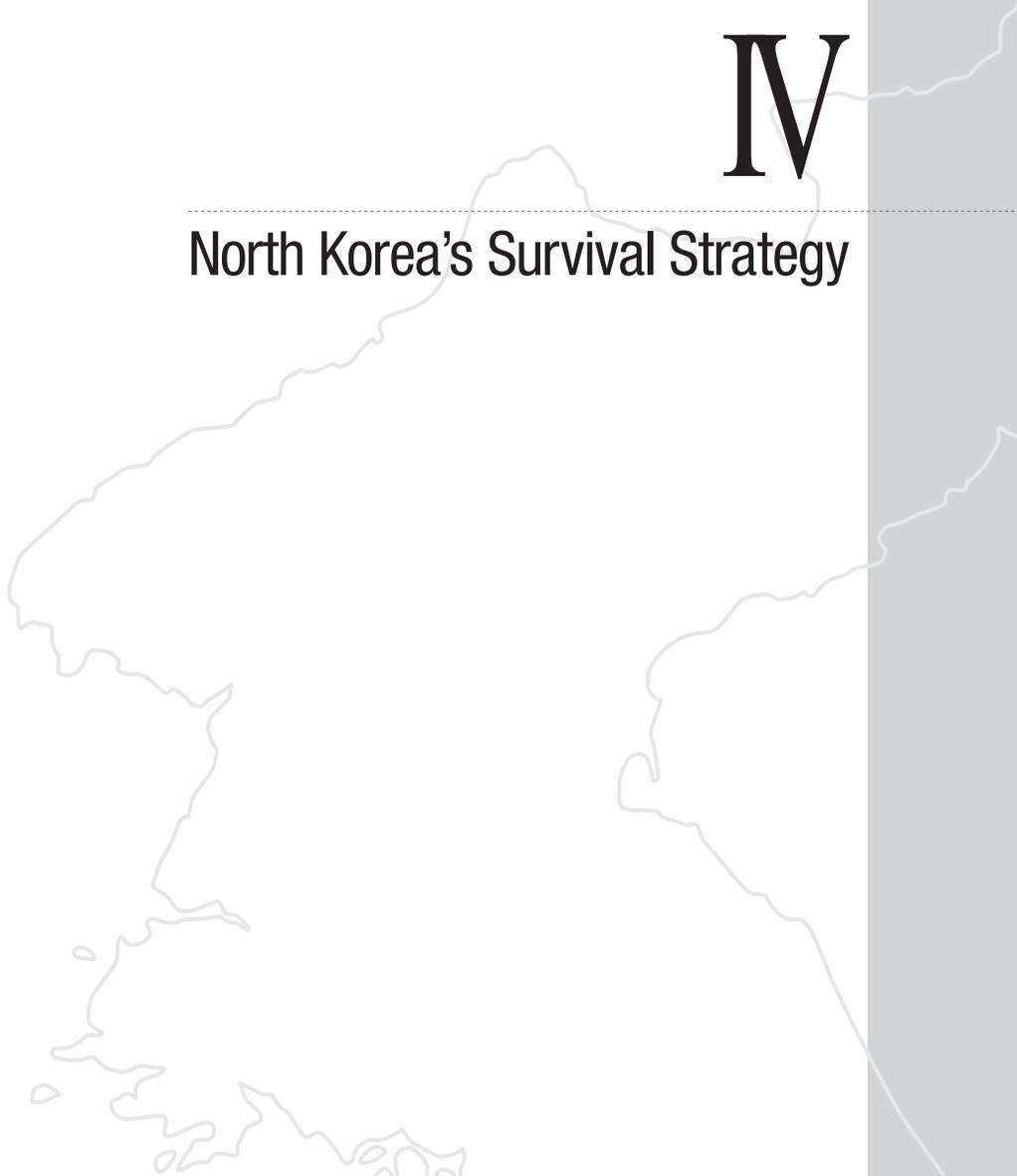
The trajectories of the changes in central Asian countries that were formerly under the Soviet rule were similar. Such countries as Kazakhstan and Uzbekistan, set free from Soviet rule after the USSR collapsed, traced the paths to marketization and democratization. Those countries are the exemplary cases in which historical inevitability overcoming systemic contradictions was realized. It was the most important historical imperatives for the central Asian countries to achieve national independence from Soviet rule. The process of historical development in Kazakhstan and Uzbekistan after their independence from such rule can be summarized as the building of their nation-state and national economy. Both Nazarbayev of Kazakhstan and Karimov of Uzbekistan have so far ruled their countries with political legitimacy on the basis of their initiatives for national independence. The second phase in materializing their nationalism is to expand their national competence by bringing economic growth. In the second phase of national independence, economic growth is becoming the basis for political legitimacy, justifying their dictatorial power. While political power seems stable in Kazakhstan, which succeeded in bringing stable economic growth,

the political situation in Uzbekistan, whose economic growth is sluggish, looks unstable, as was revealed in the uprising in Andizhan in May 2002.

The historical dialectics of socialist countries and the historical and dialectical process of development of central Asian countries offer North Korea an important implication. North Korea is confronting marketization and democratization, which are toward the historical direction most North Korean people want. Though the North Korean system is not yet beginning to change, North Korea will trace the path to change if an appropriate momentum for historical change is provided. The only difference is whether that momentum will come from above or below.

IV

North Korea's Survival Strategy



What is needed is an examination of the survival strategy of the North Korean regime and the country's economic and social changes as domestic backdrops against which North Korea may meet the policy initiative of South Korea's "Vision 3000 thru Denuclearization and Openness."

1. Efforts to Enter the International Community

Ever since the late 1980s when the socialist bloc collapsed, the North Korean system has been in an overall crisis. The regime continues to struggle to maintain itself. Though North Korean authorities, conscious of the fact that the collapse of the socialist bloc was largely caused by uprising from below, tightened their domestic control of the military and people, the more serious source of regime crisis comes from the country's economic crisis. North Korea developed two strategies as viable survival strategies in the midst of regime crisis: 1) a nuclear development program; and 2) rapprochement with Japan and the United States. Whereas nuclear development and normalization with the United States and Japan look mutually contradictory, viewed from the recent denuclearization negotiations, they also have a complementary aspect.

Promulgating a three-party declaration with Japan in the late 1980s, North Korea attempted to negotiate for normalization with Japan, as an initial step to engage with the capitalist world community. Adopting the 1991 Basic Agreement, North Korea agreed to set up and operate the Joint Economic and Military Committees with South Korea. North Korea also began to open externally by establishing the Najin-Sonbong Economic Special

Zone. However, all these North Korean attempts at reentry into the international community were frustrated by the disclosure of its nuclear development program in November 1992.

Even though the North Korean effort at reincorporation into international community was halted by the nuclear issue, the DPRK moved forward to rapprochement with the United States. Since North Korea believed that especially normalization of relations with the United States would relieve the country's economic difficulty and guarantee regime security, North Korea concentrated its efforts on its nuclear development program, aiming all the while at normalization of relations with the United States.

Though it is widely observed that North Korea would never give up its nuclear program, Christopher R. Hill, Assistant Secretary of State of East Asian and Pacific Affairs, who was chief negotiator with North Korea on denuclearization, has testified that what North Korea most wants is normalization of diplomatic relations with the United States. If the DPRK intends to normalize relations with the United States, Pyongyang will not be able to achieve its objective without clearing up the nuclear issue. In this regard, the policy direction of North Korea can be seen as similar to that of other socialist countries in the sense that it is aiming at reincorporation into the capitalist world market.

The history of North Korea for the past 15 years may be called one for rapprochement with the United States. The 1994 Geneva Agreed Framework, U.S.-DPRK Joint Communiqué in 2000, and the agreements reached at the Six-Party Talks (i.e., the September 19, 2005 Joint Statement and February 13, 2007 Action Plan) were all agreements between North Korea and the United States, in which the latter moves toward normalization with the former in exchange with the former's abandonment of its nuclear

development program.

North Korea has not been able to achieve normalization of relations with the United States over the past few years. Hostilities between the two states deepened after the George W. Bush administration charged North Korea as being a “rogue state,” part of “the axis of evil,” and “an outpost of tyranny.” However, the United States changed direction with its policy toward North Korea when it signed the February 13, 2007 Action Plan. North Korea is likely to take advantage of this new opportunity to get maximum reward in exchange for abandonment of its nuclear program, and to opt for normalization of relations with the United States. For this reason, the ROK government devised its policy of Vision 3000 thru Denuclearization and Openness toward North Korea in a way so that the DPRK could pursue this strategic choice.

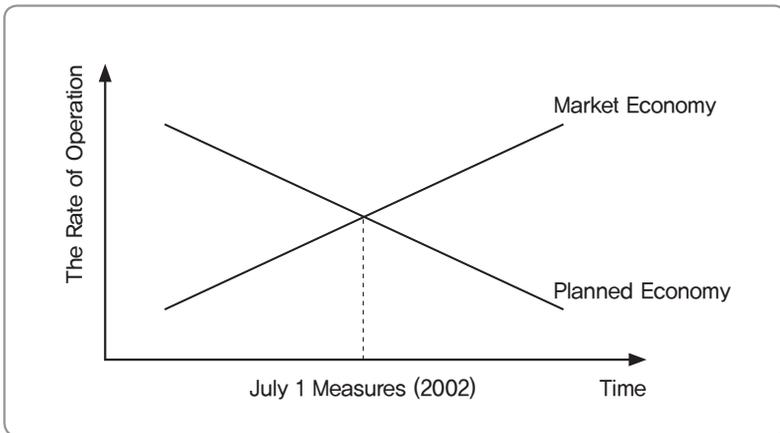
2. The North Korean Economy: An Assessment

The ROK policy toward North Korea must be based on assessment of the direction of systemic change in North Korea. The North Korean economy is officially a centrally planned economy, but ordinary people depend more on the informal market economy. That is, whereas the centrally planned economy is paralyzed, the informal economy is being newly created. In this respect, it is hard to assert that economic difficulty is a signal of regime breakdown in North Korea.

The official economy of North Korea is substantially broken down, as is indicated by the fact that the rate of operation of factories is just about 10 to 20 percent, and the black market is prevailing in the informal sector. Even major state institutions,

including the Ministry of People's Armed Forces, meet their budget by operating their own business institutions and collecting revenues from them. Ordinary people find jobs in private business firms established by state institutions or get licenses from state institutions to make their living by engaging in private trade. Poor people manage their livelihood by peddling in the marketplace. Overall, while the trend is toward collapse of the socialist system, a new phenomenon is emerging in North Korea. That is, market economy is replacing the centrally planned economy. The relationship between the two is illustrated in *Figure 1*.

Figure 1. The Relationship between Centrally Planned Economy and Market Economy in North Korea



Though the official socialist economy has collapsed, the prevailing black market economy is becoming a new basis for livelihood. Massive starvation occurred in the mid-1990s. The central government of North Korea, unable to provide state institutions, local governments, and individual households with budgets and rations, urged them to “fend for themselves.”

Subsequently, the authority and power of the central government eroded and viable systems unique to households, firms, and local governments were built.

In other words, while North Korea went through economic difficulty—or as they call it, “the march of hardship”—the original form of the socialist system in North Korea was dismantled. In its place rose elements of petty commodity, primitive market, and disarticulated and network economy. These emerged as people struggled to find new means to survive. Most people in North Korea have developed such diverse means for survival as commerce, farming, gathering, domestic handicrafts, and foreign trade.

Thanks to their remedies for self-help, now citizens in the North do not starve to death. The inefficient socialist economy has crumbled, and a new system for survival is taking root. For a new primitive market economy is feeding the people. This is one of the reasons for the durability of the North Korean system amidst the grave and ongoing economic difficulties. That is, though the socialist economy has collapsed, individual viability has been strengthened—a strange case of good coming out of evil.

The threshold for system change in North Korea has been passed. Change is irreversible. Though the North Korean authorities are exerting efforts to restore “the original form of socialism,”⁸ their efforts are having little effect. For the trend of marketization is proliferating.

North Korea may achieve what economists call “a soft landing” if the regime takes advantage of the current stream of system change by legalizing and approving the marketization trends. It should be noted that in the case of the DPRK’s July 1,

8. New Year Joint Editorial, *Rodong Shinmun*, January 1, 2008.

2002 economic adjustment measures, Pyongyang shifted its policy direction toward legalizing commerce by newly establishing general markets. This was done in the face of the people's refusal to join the regime's attempt at incorporating the informal sectors into official sectors by simply raising wages and revitalizing state-run stores.

Although in the short term North Korea clings to restoring its "own style of socialism," in order to achieve a soft landing with its economy, the regime cannot help but pursue the historical imperatives of reform and opening. Ignoring the historical trends of socialist countries will not enable North Korea to sustain its regime. Since the authorities have already lost control of the economy, they may not be able to go against the stream of the germinating primitive market economy.

Policies that promote the changes already taking place in the system may prove to be more effective than trying to initiate system breakdown or collapse. Though North Korea right now opposes "Vision 3000 thru Denuclearization and Opening," the spread of market elements are affecting the country's internal conditions in a way complementary to the plan.

3. North Korean Society: Passing the Threshold

North Korea has also passed the irreversible threshold in terms of the society's value system and social order. In the past, class background and party loyalty were crucial for an individual to succeed. They were the criteria for social selection. Those who had good class background and were loyal (in deed and in thought) were chosen as party members and were eligible to be cadres.

However, these days, wealth, rather than class background or party membership, is recognized as the most important thing. If one has enough money, one can join the party and become a manager of a factory.⁹

The standard of the value system has changed and so has the “index of fullness.” The index of fullness is no longer one’s loyalty but money. Most people now hold the view that North Korea is no longer a socialist society. They think that since North Korea has allowed capitalism, they should have money. They recognize that other socialist countries’ transition to capitalism has rendered socialism in North Korea dead. They realize their trust in the state would lead them to starvation. They themselves make their livelihood while the state provides nothing. They are getting used to saying “I do not believe the state.” The very fact that so many people starved to death during the period of the “march of hardship” in the 1990s fundamentally changed what North Koreans believe about the state.

The most important change in the people’s behavioral modes is the dominance of commercial transaction. In the past, mutual help in socialist community and collectivist communal living were the most important behavioral modes; but now people recognize that money equals survival, and “time is money.” North Koreans now calculate the cost and price for every act. Nothing is free anymore, not even a ride in the car of an acquaintance.¹⁰

It seems that the institution called “material gain socialism” which prioritizes the commercial interests of an individual is virtually settling in. People’s attitudes have changed, as they now emphasize money for service. People are different now. In the past,

9_ Testimony of defector Lee OO.

10_ Testimony of defector Lee OO.

they could be politically mobilized for free; but after the “march of hardship,” they, from children to old men, refuse to provide free service, and concentrate on commercial business. Now they have no interest in government or in ideological thought whether it is capitalism or socialism. A return to socialism is unthinkable. Earning money to make a living is all that is on their minds. Their values have firmly changed.¹¹

The economic and social sectors underwent change. The changes were caused more by the North’s economic difficulties than by South Korea’s Sunshine Policy. The centrally planned economy collapsed because of economic difficulties. The collapse drove people to develop a black market and make and sell handicrafts as self-help. This contributes to the transition to a market economy. As a result, social consciousness also changes in correspondence to the market system.

Vision 3000 needs to be carried out in the direction toward helping the changes that are already happening in North Korea. A policy supporting North Korea to join the international community may likely be opposed by North Korea in the short term, but the change occurring inside the country is calling for reform and opening. The dynamics of social change will drive the policy change. Particularly, if the survival strategy of North Korea is to be seen as normalization with the United States in the course of negotiations on the nuclear issue and joining the international community as a normal member, it should be noted that there are some aspects of congruence in interests between the North Korean strategy and the Lee government’s Vision 3000 plan.

11_ Testimony of defector Cha OO.



V

Possible Solutions to the North Korean Nuclear Issue

1. Inducing North Korea's Entry into the International Community

The Vision 3000 plan is an approach to solving the nuclear problem. President Lee Myung-bak, in the capacity of President elect, once pointed out that since the sources of North Korea's nuclear development are its concern about regime security and economic hardship, we need to help the North rid itself of the two sources of concern. He also pointed out that the exchange for regime security and economic recovery is North Korea's abandonment of its nuclear development program.¹²

North Korea is seeking to solve its economic difficulties and security concerns via normalization of relations with the United States and Japan. Thus, the North Korean nuclear issue can be fundamentally solved only within a comprehensive framework that takes into account these issues.

The reason why this approach is realistic is because North Korea is pursuing normalization with the United States as priority number one for its regime survival. To solve the nuclear problem, South Korea must support North Korea's desire for U.S.-DPRK normalization. Vision 3000 is designed to do so.

The U.S. foreign policy toward North Korea also adopts a comprehensive approach. The February 13 Action Plan agreed to at the Six-Party Talks seeks to normalize U.S.-DPRK relations, build up the peace system, and denuclearize the Korean peninsula. The "Zelikow report" written in early 2005 by Professor Philip Zelikow from the University of Virginia, policy aide to former Secretary of State Condoleezza Rice, is the comprehensive approach from which the February 13 Action Plan is derived. The Zelikow report contends

¹² Lee Myung-bak, "Press Conference of the President Elected," January 14, 2008.

that there was only one road to denuclearization in the hitherto American approach to North Korea. In reality, one road to solve this complicated problem is not enough. Several—at least five—roads or approaches are needed. That is, a three-dimensional approach that simultaneously solves the North Korean nuclear problem and mitigates North Korea’s overall concerns—such as removal of the DPRK from the list of countries supporting terrorism, provision of energy and economic support, normalization of U.S.-DPRK relations, and conclusion of a peace treaty to end the Korean War. This is a new approach to dealing with North Korea, what we would like to refer to as a “comprehensive approach.”¹³

2. The Six-Party Talks and International Cooperation

Because South Korea alone cannot solve the North Korean nuclear issue, the Vision 3000 plan regards cooperation between Korea and the surrounding countries including the United States as important and concentrates its efforts on solving the problem within the framework of Six-Party Talks. Vision 3000 can be seen as an additional incentive to the agreements reached at the six-party negotiations. The Lee Myung-bak government’s policy toward the North Korean nuclear problem differs from that of the preceding Roh Moo-hyun administration, which emphasized China’s role in solving the problem. For the Lee government, the role of the U.S. is more crucial.

Vision 3000 sees the improvement in ROK-U.S. relations as helpful to improving DPRK-U.S. relations, and improvement in the latter in turn to be of help to solving the nuclear problem.

13. Robert Zoellick, “Long Division,” *The Wall Street Journal*, February 26, 2007.

The United States is the country that North Korea is most looking forward to rapprochement. If the ROK-U.S. relationship deteriorates, the DPRK-U.S. relationship will follow suit and result in deeper isolation for the North. Looking back at the era of the Roh Moo-hyun administration, U.S.-DPRK relations were aggravated when U.S.-ROK relations deteriorated. The United States tended to aggravate North Korea more when the ROK-U.S. relationship deteriorated. The Roh Moo-hyun administration hoped to make use of the Chinese leverage to solve the nuclear issue, but China could not play as important a role as believed because North Korea remains wary of China. Unlike its predecessor, the Lee Myung-bak government is carrying out its policy in a virtuous cycle—from improvement of ROK-U.S. relations, to improvement of DPRK-U.S. relations, to improvement of inter-Korean relations.

3. The Role of Korea in the Process of Solving the Nuclear Issue

The Vision 3000 plan sees the nuclear issue as a problem to be basically solved through Six-Party Talks, with South Korea capable of playing an important role as catalyst in the process. Above all, from the perspective of inter-Korean relations, South Korea arbitrates that various bilateral issues arise out of the process of negotiation between North Korea and the United States, and between China and the United States. As has been so far, under the Lee government, South Korea can play a more active role in Six-Party Talks. For Vision 3000 gives South Korea an effective road map to persuade North Korea to choose denuclearization.

Second, South Korea, together with the United States, can

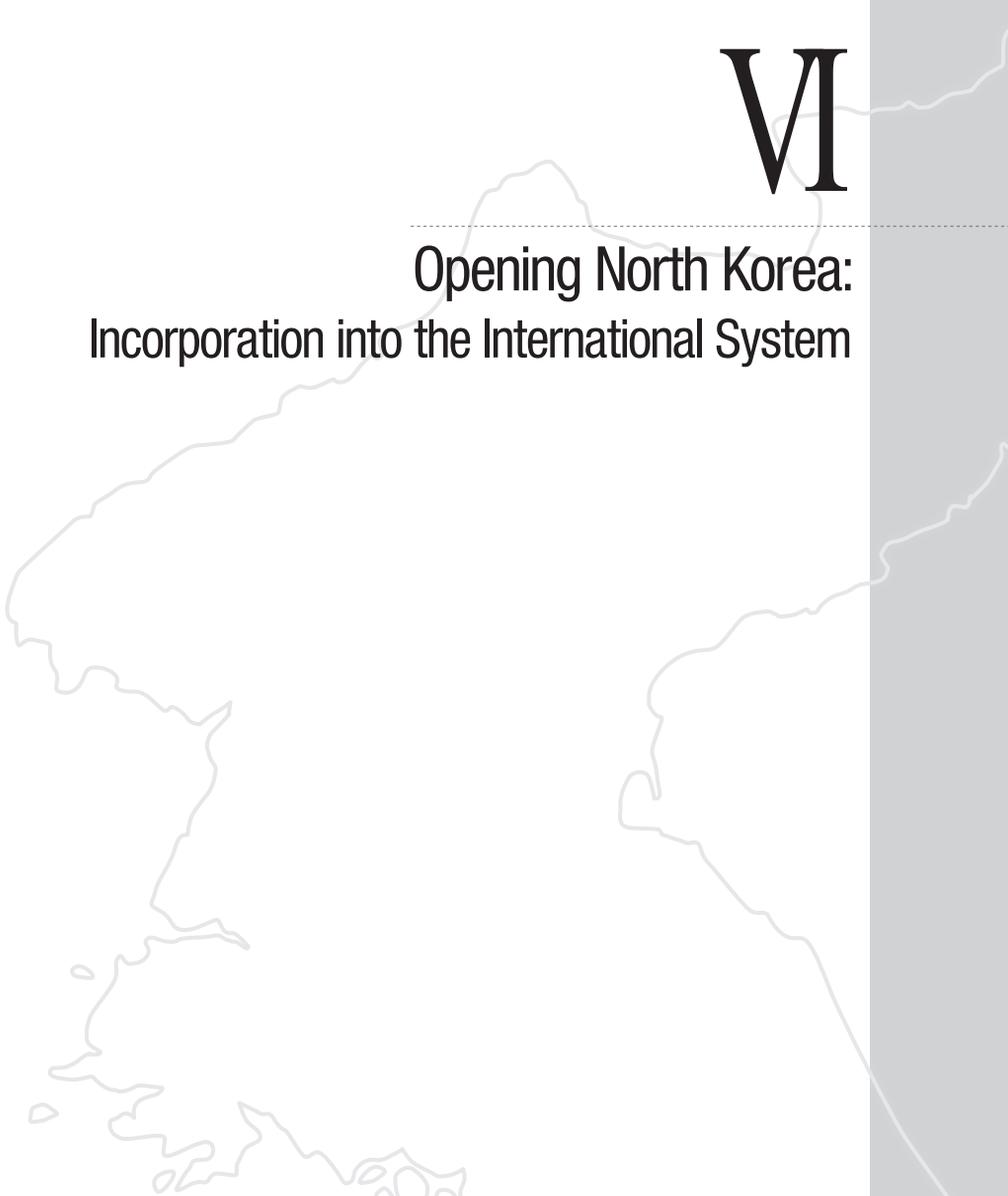
actively persuade North Korea to carry out its part of the September 19 Joint Statement and February 13 Action Plan. South Korea's significant role is to explain to North Korea what it will gain from making the strategic choice to denuclearize. Furthermore, the South can persuade North Korea to trust the United States, as well as international community. It can help most in this capacity by being ready to engage in bilateral contact or dispatch a special envoy to North Korea. The South Korean policy toward North Korea, in respect to encouraging the North to take the road to denuclearization laid out before it, is similar to that of the United States.

The United States' foreign policy toward North Korea is to induce North Korea to make a strategic choice in accordance with the principle of "action for action," which was written into the September 19 Joint Statement.¹⁴ Former U.S. Secretary of State Condoleezza Rice, taking the example of Libya, pointed out that the hitherto enemy can get economic gains and security support after making its strategic choice of abandoning its WMD and joining the international community as a normal member. Secretary Rice indicated that North Korea would get the recognition as a normal member of the international community and security guarantees if it made the right choice, and pay a heftier price—e.g., stronger international sanctions from the UN Security Council—if it made the wrong choice.

What South Korea is persuading and urging North Korea to do is very similar to the U.S. strategy—telling the North what it has to gain if it chooses denuclearization, including mutual benefits and common prosperity for the two Koreas.

¹⁴ Secretary Condoleezza Rice, "U.S. Policy Toward Asia," Address at the Heritage Foundation, Washington, D.C., June 18, 2008, p. 6.

VI



Opening North Korea: Incorporation into the International System

I. Normalizing U.S.-DPRK Relations

Opening of the North Korean system means the incorporation of the DPRK into the international community. North Korea's incorporation into the international community requires its normalization of relations with the United States. Without such normalization, the North will be unable to gain access to funding from IFIs or access to international export markets.

The opening of socialist countries in the 21st century means their incorporation into the capitalist world market. The incorporation into the capitalist world market signifies minor or major introduction of market elements into the former socialist planned economy, and means yielding to the standard and order of the capitalist world.

However, it is not a matter of choice for socialist countries to join the capitalist world market. One needs the acceptance of the suzerain of capitalism, the United States. To win the acceptance of the United States, the U.S. interest must be met bilaterally. For example, Chinese incorporation to the capitalist world market derives from U.S.-Chinese collective strategy to check the Soviet Union during the Cold War. The Richard Nixon administration which was inaugurated in January 1969 hoped to open a communication channel with Beijing as a means to keep Moscow in check. China considered the Soviet Union, not the United States, its primary potential enemy and thus made the move to improve the Sino-U.S. relationship. The common ground for these two countries led to the historical "ping-pong diplomacy," started by the U.S. ping-pong team which was visiting China on April 10, 1971. On June 10 of that same year, Nixon revoked the embargo on China, and Henry Kissinger, ordered by Nixon, visited China and discussed the details. Nixon visited China on February 21,

1972 and announced the Shanghai Joint Communiqué with the Chinese leader. It states: both countries would maintain international relations, meeting every country's interest, and not to seek hegemony in the Asia-Pacific region. It also states that problems between China and Taiwan should be solved by the Chinese themselves, and the United States acknowledged Taiwan as part of China. This kind of appeasement policy of the United States toward China led to the severance of diplomatic relations between Washington and Taipei, and brought the withdrawal of U.S. troops stationed in Taiwan. The United States Congress also passed the Taiwan Relations Act and the United States-Taiwan Mutual Defense Treaty was officially repealed. On January 1, 1979, a formal diplomatic relation was established between the United States and China. The normalization of relations with the United States would be the decisive opportunity to the declaration of reform and opening in China in December 1978.¹⁵

The Soviet Union's incorporation into the capitalist world market can also be seen as the result of the United States' invitation. That is, the U.S. factor was important for the Soviet re-admission to the world capitalist system. The excessive arms race between the United States and the Soviet Union destroyed the Soviet economy, but also had a considerable impact on the U.S. economy as well. Although the strategy to block socialism was successful, after the rough-and-tumble conflict with the Soviet Union, the U.S. economy also declined. The decisive moment of the acceleration of its demise was during the Ronald Reagan era (1981-1988). The acceleration of arms build-up, following the dream of restoring the great bygone era, exacerbated the economic

¹⁵ Tim Luke, "The Other 'Global Warning': The Impact of Perestroika on the U.S.," *Telos*, No. 81 (Fall 1989); Arthur MacEwan, "International Trade and Economic Instability," *Monthly Review* (February 1989).

downturn. When Reagan was inaugurated as President, the United States was the largest creditor nation in the world. But by about the time he left, it was the country with the largest debt in the world. The capitalist world economy at the time was not under American hegemony, but was under a triumvirate system with Japan and Germany. After the collapse of the Bretton Woods system, the advent of OPEC, and independent action of the EC, the U.S. position was threatened more by the economic conflicts within the capitalist countries, rather than by the Soviet Union.¹⁶

The process how Vietnam established diplomatic relations with the United States is more or less different from the Chinese and Soviet cases. After the communist unification of Vietnam, the United States imposed an economic sanction on Vietnam, and completely banned the exchange of Vietnamese goods, services, and technology. Especially, after the Vietnamese invasion of Cambodia ruined Vietnam's relations with the West, the United States continued the economic sanction even after Hanoi adopted an all-out reformation policy. As its efforts for economic development were fruitless, because its relations with other Asian countries and the United States were not improved, the Vietnamese leaders eventually made a strategic decision to improve relations with Thailand and China. Ensuing results of economic growth became evident. We can see the effects of improved foreign relations on economic growth in Vietnam's case.¹⁷

Establishing diplomatic relations with the United States was the most urgent matter to Vietnam, not only because the United

16_ Luke, "The Other 'Global Warning,'" p. 51.

17_ Balazs Szalontai, "Crossing the Line between Muddling Thru and Radical Reform: The Influence of External Factors on Vietnamese and North Korean Economic Policies," a paper presented at a joint workshop by the Friedrich Naumann Foundation and the Institute for Far Eastern Studies, Kyungnam University under the title *North Korea's Path to Economic Modernization*, June 10, 2008.

States has enormous power over many international aid and investment institutions, but also because the United States itself is a huge market. Vietnam worked hard to establish relations with the United States.

After the withdrawal of the Vietnamese army from Cambodia, developed countries in the West went into Vietnam, and the United States followed suit in August 1990 by resuming dialogue with Vietnam for settling peace in Indochina, focusing on the Cambodia issue.¹⁸ The United States presented a timetable for normalizing relations with Vietnam, under the premise of solving their MIA issue. In April 1991, U.S. Assistant Secretary for Asia Pacific Richard Solomon presented a road map on normalizing relations with Vietnam. Step-by-step measures were taken until a temporary liaison office opened in December 1992.

Finally, in August 1995, full diplomatic relations were established between both countries. Even after the normalization, however, there was no trade agreement. Negotiations for a trade agreement were undertaken after the normalization, starting from 1996; but Vietnam resisted the U.S. demand for economic liberalization. They came to the basic agreements for a trade treaty in July 1999. Eventually on July 13, 2000, both countries signed a trade agreement.

The relationship between the two countries was normalized both on paper and in reality, when Vietnam and the United States officially agreed to sign a trade agreement on July 13, 2000. Vietnam's economic growth has been accelerating ever since.¹⁹

¹⁸ Yule Kwon, "An Analysis on the United States-Vietnamese Trade Agreement and Countermeasures for Korean Businesses," online at <http://bbs.kcm.co.kr/NetBBS/Bbs.dll/wdatavn/dwn/zka/B2-kBI3t/qqfdnum/11/qqfname/doc>.

¹⁹ See online at http://www.kotra.or.kr/main/trade/foreign/vietnam/vietnam_01_01.jsp.

North Korea is a case where the country still is unable to establish relations with the United States. The country is still being put under political and economic blockade by the United States. North Korea has been blocke by the United States no less than the Soviet Union had been. Since immediately after the Korean War broke out (June 28, 1950), the United States has been keeping various laws and regulations and comprehensive and strict sanctions on the North. Details consist of prohibition of trade and financial transactions, freeze on North Korean assets in the United States, restrictions to economic support and aid, denial of the most favored nation status, ban on arms trade and on export and import regarding military related industry, and so on.²⁰

North Korea's pursuit of improved relations with the United States is similar to those of other socialist countries including the Soviet Union. However, North Korea's approach to the capitalist world system and the United States' approach to North Korea are very different from cases of other socialist countries.

The United States has denied North Korea's incorporation into the international community for a long time. With the end of the Cold War, the United States reconsidered its policy toward the Korean peninsula, but after the North Korean nuclear crisis, it stopped. Instead, the United Stated defined and called North Korea a terror-sponsoring country, a rogue state, a part of the "axis of evil," an advance base of tyranny, and continued its hostile policy toward North Korea.

Now, the U.S. policy toward North Korea is changing. Since the February 13 agreement, the United States' policy on the Korean peninsula is being reconsidered, and its policy on North Korea is

20. Congressional Research Service, "Korea: Procedural and Jurisdictional Questions Regarding Possible Normalization of Relations with North Korea," Washington, D.C.: Library of Congress, November 29, 1994, pp. 21-36.

changing as well. In the February 13 Action Plan agreement, the United States promised North Korea normalization of relations if it gave up its nuclear weapons programs. The United States already responded to North Korea's nuclear disablement and removed North Korea from the list of terrorism-sponsoring states. That is what North Korea has been yearning for. Being removed from the United States' list of terrorism-sponsoring states signifies the escape from the application of Export Control Act, Foreign Aid Act, International Financial Institution Act, International Arms Trade Act, Trade with Hostile Countries Act, and so on.

The reason the United States has turned toward trying to normalize its relations with North Korea is not solely for the North Korean nuclear abandonment. U.S. policy on the Korean peninsula has been influenced by its post-Cold War strategy, and by its policy on China. The construction of a multilateral security system in Northeast Asia agreed in the February 13 Action Plan agreement is one example.

2. Entering the International Community as a Normal Member

For North Korea to normalize its relations with the United States, elimination of its nuclear weapons is a pre-condition. If we consider the extreme distrust between North Korea and the United States, it is hard to win the agreement of the U.S. Congress and the experts' endorsement without a complete eradication of the North's nuclear weapons.

From that standpoint, it is not enough for North Korea to just give up its nuclear development to normalize relations with

the United States. The U.S. domestic politics should accept the establishment of diplomatic relations between the U.S. and North Korea. But the premise for such acceptance requires North Korea being a normal state. For North Korea to become a normal state, it should not only solve the nuclear issue, but also improve its human rights record, resolve the Japanese abductees issue, solve its proliferation of WMD issue, and so on.

Before North Korea is normalized, it cannot establish relations with the United States even if it wants to. The reason North Korea has been desperate in its effort to normalize its diplomatic relations with the United States but failed is because it did not fulfill the conditions as a normal member of the international community.

3. The Role of South Korea

The Vision 3000 thru Denuclearization and Openness plan is directed toward supporting North Korea's opening and normalization process, and incorporating it into the international community as a normal member. What the South Korean government can do is to mediate the reconciliation between North Korea and the United States.

The biggest problem in the U.S.-North Korea relationship is mutual distrust and hostility. Neither party trusts the other. Thus, they verify every measure taken at the nuclear negotiations. Therefore, in the process of U.S.-North Korea rapprochement, the South Korean government can act as the most important catalyst. What Seoul can do is persuade Washington to compromise and form diplomatic relations at the proper level of nuclear abandonment, because it is hard for North Korea to accept and

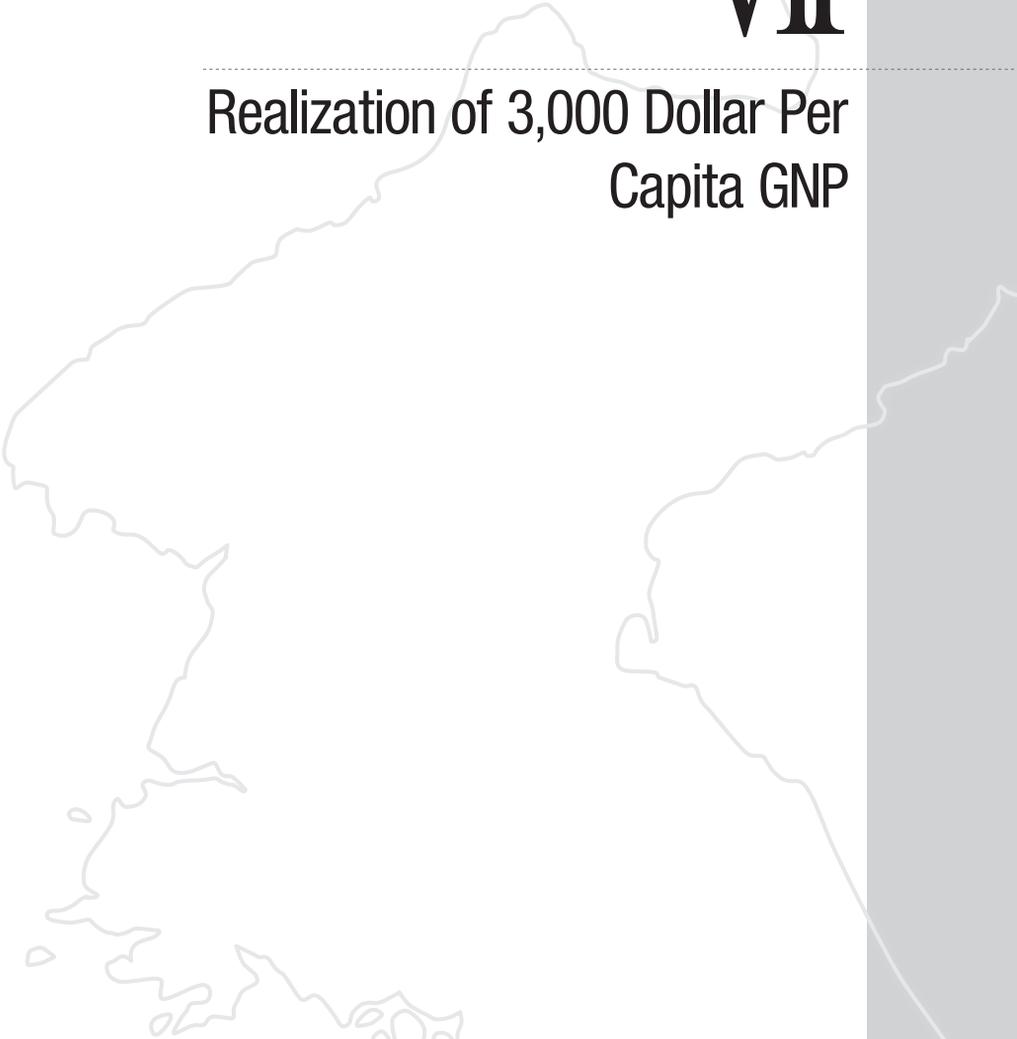
execute too strict of standards on issues such as human rights.

The Vision 3000 plan is a policy that can lead to the improvement of the U.S.-DPRK relationship by corresponding to this kind of change in U.S. policy toward the Korean Peninsula and North Korea, and also to induce reform and opening by incorporating North Korea into the international community.

South Korea can also provide information exchange and technical support for North Korea to prepare for its joining international financial institutions and attracting foreign investment. It is necessary to support North Korea to normalize itself through reforms on its internal system with the aforementioned support.

VII

Realization of 3,000 Dollar Per
Capita GNP



In the Vision 3000 plan, the realization of the 3,000 dollars per capita income is promoted by a three-track approach. One is to continue the inter-Korean economic cooperation regardless of the denuclearization. Right now, regardless of the nuclear crisis, development of the Gaeseong Industrial Complex continues, with plans for expansion of the project at a later date. In addition, food aid and fertilizer to the North continues to flow.

Second is the improvement of the internal and external environment that the denuclearization and opening of North Korea would bring to the country's economic development. North Korea would earn the trust of the international community by denuclearizing and establishing, through reformation and opening, an internal environment and condition for improved productivity.

Third are the five development package programs for supporting North Korean development.²¹ These are related to the improvement of the North Korean nuclear issue. With the progress in denuclearization, these package programs can be started, and remain on track until the North reaches complete abandonment of its nuclear weapons programs. North Korea's per capita GNP of 3,000 dollars would be the eventual result of this three-track approach.

1. Parallelism

Even now, before the nuclear crisis is completely solved, the Lee Myung-bak government is promoting inter-Korean economic

²¹ They are 1) the promotion of North Korean export companies, 2) the fostering of the industrial work force, 3) the financing of international cooperation funds, 4) the building of a highway to connect the entire Korean peninsula to the continent, and 5) the support to provide North Korea's people with a life that upholds their basic human rights.

cooperation. Gaeseong Industrial Complex development is still going on. If the second stage of denuclearization is completed, the second phase of expansion in the complex will be promoted. Besides, industries that fit into the four principles of economic cooperation will be selected and get promoted from the business agreed in the October 4 Summit Declaration. There is a slight linkage for this, but basically inter-Korean economic cooperation will be kept going, and actually development of the GIC has continued to improve even after the Lee Myung-bak government took office.

Despite the interruption of inter-Korean dialogue, exchange and cooperation in the private level is increasing. For the companies in the Gaeseong Industrial Complex, the yearly output in 2008 was 250 million dollars, which is a 36 percent increase compared to the same period of 2007. By the end of December 2008, there were 38,931 North Korean workers working in the complex, a 72 percent increase compared to the same period of 2007.²²

If there is an improvement in the nuclear crisis, the inter-Korean economic cooperation will expand further; if the denuclearization moves on to phase three, it will be highly likely that the second-phase expansion of the GIC and some of the projects that were agreed to in the October 4 Summit Declaration will be promoted.

We have to pay attention to the fact that China signed the Encouragement and Protection of Investment Agreement with North Korea in March 2005, and that Chinese investment in North Korea is expanding. China is pouring 70 percent of its investment in North Korea into mineral resource development and also is expanding its investment in the manufacturing sector. It is aiming to increase North Korea's dependence on China by dominating the

22_ Gaeseong Industrial Complex (GIC), statistics, online at <http://www.unikorea.go.kr>.

domestic market through investing in consumer products such as cigarettes, computers, slates, glass, tractors, bicycles, slippers, and so on.²³

There is a need to promote expansion of the inter-Korean economic cooperation from a viewpoint of profitability, and separate from the nuclear issue. We need to find a way to both advance and access the North Korean domestic market by linking natural resource development to light industries, and expand joint agricultural and farming businesses.²⁴

2. Building an International Environment

It has been emphasized enough that for North Korea to take on economic development, resetting its international relations is the most important point. To revive the North Korean economy, it is absolutely necessary to take out loans from international financial institutions, to attract foreign direct investment, and to secure export markets: but achieving these goals is impossible without improvement of relations with the United States and Japan.

The reason South Korea's economy grew so fast was because, after the Korean War, its relations with the United States and with Japan were defined in amity. Through the Korean War, the United States stationed its troops in South Korea and became a military ally, and later in the process of South Korea's high economic growth, the U.S. became a military umbrella, supporter

23. Younggeun Kim, "Trends and Policy Implication of Chinese Investment in North Korea" (in Korean), *Tongil Kyeongjae* (Unification Economy) (Summer 2008), p. 62.

24. Unification Farming and Fishery Business Group, *Keumgang Mountain and Gaeseong Cooperative Farming Business* (in Korean) (2008).

in obtaining loans from international financial institutions, and a market for Korean exports.

Normalization of relations with Japan was another important basis for South Korea's high economic growth. When South Korea established diplomatic relations with Japan in 1965, Japanese industries were undergoing a transition, moving away from light industry and toward heavy and chemical industries. Thus equipment in Japan's declining labor-intensive light industries found its way to South Korea. Equipment from Japan's light industry were moved to the Ulsan industrial complex, Masan Free Trade Zone, Guro light industry complex in Seoul, textile mills in Daegu, and was combined with South Korea's abundant labor to produce light industry goods for export to the U.S. market, which helped the ROK earn foreign currency. Introduction of technology and equipment from Japan, the labor force of South Korea, and export market of the United States all combined, becoming the international foundation of South Korea's high economic growth.

North Korea is still maintaining hostile relations with Japan and the United States. North Korea, in turn, has refused the economic growth and security cooperation that South Korea received from its amicable relations with the United States and Japan. North Korea promoted the hostility toward Japan to take advantage of Kim Il-sung's armed struggle against Japan during the colonial period. This has buttressed the regime's ruling ideology. Promoting this ideology has meant the maintenance of a hostile policy toward Japan. The regime's legitimacy is still based on its anti-Japanese and anti-American struggle, at the expense of economic Development.

If anti-Japanese and anti-Americanism is North Korea's choice, the nuclear problem is also its choice and an obstacle to its

development. Unless North Korea completely abandons its nuclear programs, it will not be able to normalize relations with the United States or with Japan; without the normalization of relations, it is hard to expect economic growth under a “friendly structure of international division of labor” as South Korea experienced.

Since the settlement of the North Korean nuclear issue relies on the framework of the Six-Party Talks, if the agreements of the Talks are to be implemented according to the agreed principle of “action for action,” and if the Vision 3000 plan is to be implemented according to the principle, it is possible to finally solve the nuclear issue. If that is the case, according to the February 13 Action Plan agreement, North Korea will be able to normalize its relations with the United States and Japan. If North Korea succeeds in normalizing its relations with the United States and Japan, it will be an epoch-making turning point for drawing financial aid from IFIs and attracting foreign investment.

Methods to Secure Production Factors and to Improve Productivity through Reform and Opening

A practical pre-requisite for North Korean economic development is to secure production factors and to improve productivity. North Korea does not have any production elements at hand—neither capital, technology, raw material, human resource, or any infrastructure such as electricity, communications, and roads. Everything needs to come from the outside. This is possible only when relations with the international community are normalized.

Productivity is another problem. Under the socialist system of North Korea, the people’s will to work is extremely low. They could not motivate people simply with the slogans of *Juche* ideology, saying that the people are the master of construction and

revolution. Eventually, since the July 1, 2002 economic adjustment measures, North Korea introduced into its system material incentives and parts of the capitalist wage labor system that pays people according to what they can produce.

However, North Korea still does not allow individuals to participate in the labor market through free contract; the government assigns every individual to certain institutions or jobs, thus violating the freedom of choice for one's job. Most of the young males and females are sent to workplaces that are not operational due to the country's lack of electricity, fuel, and raw materials.

In North Korea, even now they promote competitive production campaigns such as Earning Three Red Flags Movement or Earning Military First Signal Fire Movement in factories not even in operation. *Chosun Shinbo* reported that in every production unit of the country the socialist competition for Earning Military First Signal Fire Movement, a collective innovation movement, is actively promoted.²⁵ The newspaper explained this movement started in 2000 and that it is active together with the Earning Three Red Flags Movement. It also said that the movement is to set the implementation of the government production plan as its goal.²⁶

For North Korea to increase productivity, it should reform this kind of collectivist labor assignment and management. It should introduce and switch to a labor market system and let each individual participate in labor and earn wages according to his or her choice and contract.

If North Korea opens up and foreign companies invest, it will help introduce a highly productive labor market system

25_ *Rodong Shinmun*, May 2, 2008.

26_ *Chosun Shinbo*, May 21, 2008.

to the country. The best and most effective method to increase North Korea's productivity would be through opening up. Signing investment contracts with various international firms from Japan, the United States, Europe, and so on, and thus globalizing its economy is the way to increase North Korea's productivity.

3. Implementation of the Five Development Package Programs

Besides the existing economic cooperation plans, the Vision 3000 plan presented five development package plans to North Korea. Although a more detailed execution plan should follow, raising export industry, manpower training, raising international cooperation funds, reconnecting inter-Korean rail lines and highways, providing welfare support to improve the lives of the people, and so on, are included in the plans. These plans are important for North Korea's productivity to increase.

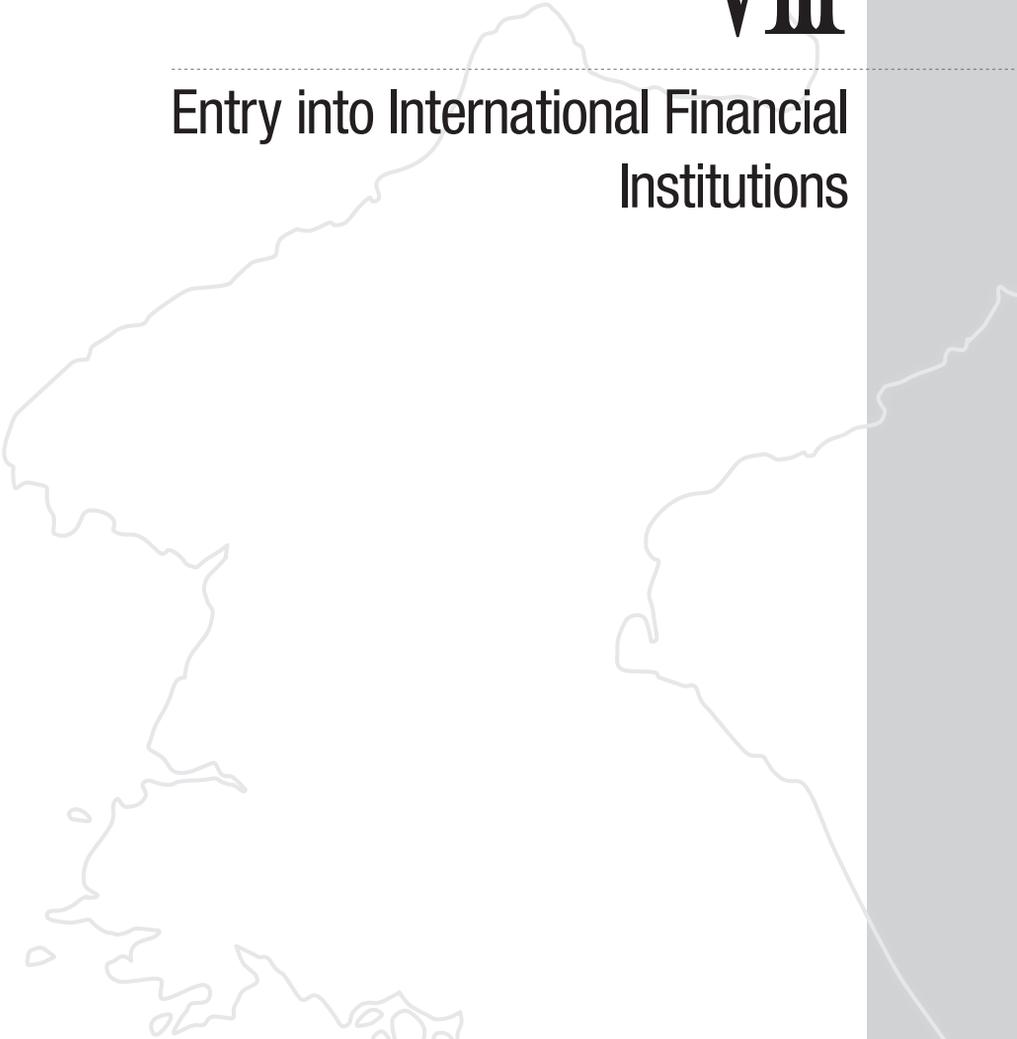
To execute these plans along with North Korea's progress in denuclearization, the ROK government intends to hold consultations with North Korea. In the second half of this year, when the Six-Party Talks are held and the North Korean report on nuclear programs is reviewed and verified, then the second phase of the denuclearization process will be declared complete and the process will move on to the third phase. It is planned that when North Korea enters the third phase of denuclearization, a government institution to implement these five development package programs will be set up and will begin its operation. Also, when North Korea enters the nuclear abandonment phase, these package programs will be executed in full.

If we maintain the stable basis of inter-Korean relations by continuing inter-Korean economic cooperation, and also expand economic cooperation and support to North Korea in response to the progress of North Korea's denuclearization, improving the domestic and international conditions for economic growth, within 10 years the goal of 3,000 dollars per capita GNP can be achieved. These projects are not something that South Korea can impose one-sidedly. North Korean cooperation is an absolute must. North Korea's cooperation cannot be the passive reception of South Korean aid; rather, it must demonstrate the will and policy for economic growth. Therefore, what should be discussed between the two Koreas is that North Korea shall make development programs, and South Korea, with the international community, shall support them.

If the North Korean nuclear problem is solved and North Korea opens up, businesses from South Korea and the international community would naturally invest in North Korea to tap its cheap labor force. In response to the progress of the nuclear settlement and the opening, as the investment environment improves, more and more companies would invest. Thus, if North Korea denuclearizes in a short-time period and promotes enough reform and opening, it would be easy to achieve the 3,000 dollar per capita income within 10 years. However, if the denuclearization process is slow, and the reform and opening go at a snail's pace, it would be hard to even reach a per capita income of 1,000 dollars after 10 years. The speed of North Korea's economic growth ultimately will depend on the North's efforts.

VIII

Entry into International Financial Institutions



1. International Financial Institutions

North Korea was concerned about its economy becoming too dependent on South Korea and China, so was interested in diversifying economic cooperation, but has been rebuffed by the international community because of the nuclear issue. If the nuclear crisis is solved, North Korea can join international financial institutions and receive development aid through normalization of relations with the United States. From that aspect, as the nuclear settlement is making progress, North Korea might be very interested in IFIs.

International financial institutions²⁷ were founded for financial cooperation of capitalist countries and financial support for new countries being incorporated into the capitalist world economic system. Also, the International Monetary Fund (IMF) and the World Bank have been the source of various material and technical support needed by socialist countries in their reform and opening process, and have acted as the essential gateway for those countries' incorporation into the capitalist world economy. These international financial institutions took the role of presenting policies that would help a country operate market economy properly and systematically support the countries which transitioned from planned to free market economy.

It is necessary to refer to the existing studies on political characteristics of international financial institutions including the World Bank. These studies analyze aid negotiation process, and show IMF's and IBRD's roles in imposing conditions for a recipient

27. International financial institutions that can offer aid to North Korea include the IMF, World Bank, and Asia Development Bank. The World Bank consists of IBRD, which support long- and intermediate-term development funds, and IDA (International Development Association) which dispenses concession funds.

country to keep receiving funds. The studies argue that there is no better way to change socialism to capitalism than by giving development assistance because the development assistance of the World Bank consistently demands trade liberalization and investment liberalization.²⁸

Even with these conditions, it is inevitable for North Korea to join IFIs because ever since its economic crisis hit and deepened in the mid-1990s, North Korea has been unable to accumulate capital from domestic savings, and so has no other choice but to seek development funds elsewhere.

Also, North Korea can attract a great number of private investors through the increase of its foreign credit rating by joining international financial institutions. In reality, there are few private firms that invest in countries that are not confirmed by IFIs, including the IMF.

Under the current international economic order, if the whole economy is not confirmed by the IFIs, massive private investments become hard to get. Therefore, in order for North Korea to overcome its economic crisis, it will need the help of IFIs. By receiving indirect economic support through international financial institutions, the regime in Pyongyang can prevent the possibility of external economic dependence, and perhaps better maintain its political power and its system.

Western private firms rarely feel it necessary to invest in North Korea, because of its inferior infrastructure, low level of technology, lack of domestic purchasing power, and so on. South Korean private companies might actively consider investments out of nationalistic sentiment; but they will require the support

²⁸ Robert Wood, "Foreign Aid and the Capitalist State in Underdeveloped Countries," *Politics and Society*, Vol. 10, No. 1 (1980), pp. 5-6, 33.

of domestic politics. Therefore, North Korea cannot help but be interested in international financial institutions from which it can receive stable low interest loans and high level of technology transfers.

Especially when building an industrial complex, the construction of roads and harbors, activation of manufacturing industry, and so on are hard to accomplish without foreign capital. The most preferable partner for economic cooperation is an international financial institution. Each country's government can only move according to the logic of its politics, while private investment decisions are made according to profitability. Private financial institutions need a guarantee that they will get profit if they invest in North Korea.²⁹

The financial aid North Korea would receive by joining international financial institutions would be decided by various variables. Since North Korea is one of the poorest countries, rarely capable of redeeming debt, it cannot receive the World Bank's IBRD loan or Asia Development Bank (ADB)'s OCR loan, which are granted to mid- to low-income countries capable of redemption; it can, however, receive concession grants. Concession fund granted by the World Bank's IDA and ADB's Asia Development Fund is based on performance-based allocation system. According to this allocation method, the lower the income level, the smaller the concession funds. Eventually, it is said that if a country joins the IMF, World Bank, and ADB, carries its obligations and maintain a favorable cooperative relationship, that country can receive 20-40

29. Seongwook Nam, "Plans for Raising Funds, Domestic or Foreign, for North Korean Economic Development after the Six-Party Talks" (in Korean), a paper presented at the seminar commemorating the 50th anniversary of the Korea Development Bank, April 30, 2004.

billion dollars as concession grants every year.³⁰

If the amount that North Korea can receive is only this much, the question why North Korea should join these international financial institutions arises. North Korea's joining of the international financial institutions and reception of concession funds is the essential process for it to be able to "certify" its entire economy and thereby attract international private capital. Multinational international cooperation is more complicated and takes more time, but has greater effects than bilateral cooperation. Official development assistance (ODA) by the major developed countries' is also affected considerably by whether North Korea joins the IFIs, and by its cooperation level after joining those institutions.³¹

2. North Korea's Efforts to Join International Financial Institutions

Although domestically it refers to the international financial institutions' loan and aid provision as imperialist devices of control, in fact North Korea is longing for IFI support.

After the mid-1990s food crisis and famine, there has been intermittent contact between North Korea and international financial institutions. In April 1997, North Korea officially applied to join ADB. However, at that time, the ADB Board of Directors

30_ Hyeongsu Jang, "Plans of International Cooperation for North Korean Development Cooperation" (in Korean), in *Inter-Korean Economic Cooperation Plans for Advancement of the Korean Peninsula*, a paper presented in a seminar jointly sponsored by KINU and Hyundai Economic Research Institute, February 21, 2008, p. 55.

31_ Ibid.

rejected the application because of the opposition of the United States and Japan. Later, North Korea unofficially contacted the IMF and World Bank in June 1997, and IMF sent an inquiry commission to North Korea and inquired about the actual condition. In February 1997, a head advisor of the World Bank's Vice President for Asia-Pacific region visited North Korea. Following the unofficial contact, in 2000 North Korea was officially invited as a special guest to IMF and World Bank annual meetings. However, North Korea turned these invitations down, and official contacts died out after October 2002 when the second nuclear crisis emerged. North Korea's possibility of joining the IMF and IBRD—which was brought up when former U.S. president Bill Clinton was talking about visiting Pyongyang—subsided when U.S.-North Korea relations were exacerbated as the Bush administration was inaugurated.

The relationship between North Korea and international financial institutions will be decided by two factors: North Korea's will to receive aid from IFIs to solve its economic crisis; and environment surrounding the Korean peninsula such as the U.S.-North Korean, and North Korean-Japanese relationships. Although North Korea joined the World Health Organization (WHO) in 1973, UNDP in 1979, and UNICEF and the World Food Program (WFP) in 1986, these institutions stood by the way side during the North Korean famine: the reason is said to be the uncomfortable relations between North Korea and the United States. According to the U.S. national law, so long as North Korea is on the list of countries sponsoring terrorism, the Treasury Department's financial resources cannot be used to help the North, even if the United States wanted to.³²

32. Bradley Babson, "An Interview with RFA," September 16, 2000.

North Korea is not able to join any international financial institution yet. Among all the socialist countries, the only ones which are not members of the World Bank at present are North Korea and Cuba.³³

3. Conditions for North Korean Entry

There are reasons why North Korea is unable to join any IFIs. As to the IMF and World Bank, North Korea avoids joining them because North Korea is wary of their policy controls; on the other hand, in the case of the ADB, North Korea strongly wants to join, but has been unsuccessful because of U.S. and Japanese opposition.

Therefore, the problem is that North Korea is not ready internally, nor is the United States or Japan ready to allow them to join. These two problems are all hard-to-solve variables. To join, North Korea must follow the rules of the game, which means it will have to release statistics and numbers concerning the national economy and have to allow IMF or World Bank inspectors in occasionally. To North Korea, this is a critical decision. The most important factor is North Korea's will to join. Although North Korea hates the words "economic reform," it is obvious even to Pyongyang that the North Korean economic system is not working well. It is impossible to join international financial institutions unless one makes a decision to jump into the global market.³⁴ For North Korea to join international financial institutions such as

33_ Jaeryong Lee, *Raising a Development Fund for North Korea and the Role of International Financial Institutions* (in Korean) (Seoul: Korea Institute for Industrial Economics and Trade, 2008), p. 43.

34_ Babson, op. cit.

the IMF, World Bank, and ADB, it needs to satisfy all the possibly annoying conditions for admission. If North Korea joins the IMF, it has to provide the IMF with its macro and micro economic statistics, and it also has to report social index such as social welfare, education, and health regularly to the World Bank, along with the foreign loan statistics according to a global standard.

Also, to receive greater financial aid, it has to discuss with the IMF and World Bank how to run a restructuring program covering the whole range of macroeconomics. In addition, it needs to officially deliver them its will to follow these pre-conditions for admission.

However, North Korea is unable to compile internationally reliable statistics, and also seems to think that if the statistics are released to the public, it will become an obstacle for maintaining its regime. Furthermore, if it complies with the IMF Executive Board's demands, it will need to reform various economic policies up to the demanded levels. No one is certain if North Korea would accept this.

Second, for North Korea to join the World Bank, it has to improve its relations with the United States and Japan, the largest shareholders. The United States, Great Britain, and France provide a significant amount of the IMF's quota. Therefore, if North Korea wants to join the IMF, it is essential to get the support of these developed countries.

4. The Role of the South Korean Government

It is hard for North Korea to join international financial institutions without the support of the South Korean government.

Since 1991, the South Korean government has repeatedly said that it agrees with North Korea's participation in the general assemblies of IFIs like the IMF, World Bank, and ADB.

South Korean government announced, in 1991 at the IMF general assembly, through a keynote speech delivered by Minister of Finance Lee Yongman that it did not oppose North Korea's joining in. Following this, in April 1997 during the ADB general assembly in the Philippines, Vice Premier and Minister of Finance and Economy Kang Kyungsik declared that he would actively support North Korea's entry into the ADB.

In August 2000, Governor of the Bank of Korea Jeon Cheolwhan attended the Conference of Governors of Central Banks of Southeast Asian countries, New Zealand and Australia which was held in Colombo, Sri Lanka, and said that North Korean economic stability is not just a problem within the Korean peninsula, but it contributes to Southeast Asia, the Pacific, and world peace and economic developments and asked each country to support North Korea's entry into international financial institutions.³⁵

In 2001, the Kim Dae-jung administration set the focus of our diplomacy on North Korea's reform and opening, and set the goals to actively promote activities such as mediating relationship between the international community and North Korea, and North Korea's joining international financial institutions.

The Lee Myung-bak government's Vision 3000 supports the need for a nuclear settlement as soon as possible, and supports improvement of U.S.-North Korean relations in order to form a friendly environment for North Korea to attract international finance.

35_ *Yonhap News*, August 27, 2000.

Also, to stimulate and accelerate North Korea's joining in international financial institutions, South Korean government should study various and complicated past experiences of socialist countries, and promote such study jointly with experts in international institutions and North Korean counterparts via seminars and workshops.³⁶

To induce international cooperation to provide financial resources to the North Korean development, South Korean government can consider establishing a "Support Group for North Korean Development." The group can attract bilateral ODA funds of major donor countries and concession funds from international financial institutions. The group can also found a multilateral North Korean Trust Fund for technological support to North Korean economic development or opening. The group could also run a policy consulting agency with North Korea, on a regular basis, which makes mid- to long-term development plans for North Korea, and discusses plans for providing financial resources and technological support.³⁷

If North Korea joins these international financial institutions, it will accelerate improvement of inter-Korean relations. For example, if North Korea receives ADB funding, according to the ADB rules that project should be on an open bid and the ADB should keep monitoring the progress of the project. In this process, the free entrance and exit to that country should be guaranteed for the people related to the ADB. As the ADB personnel, there is a high chance for South Korean companies who know the local situation well to participate in North Korean projects. In addition, there are many South Korean citizens in the ADB and there is a high

³⁶_ Jaeryong Lee, *op. cit.*, p. 104.

³⁷_ Jang Hyeongsu, *op. cit.*, p. 59.

possibility that these people would frequently visit North Korea as inspection agents for certain projects. Through these processes, there exists a chance to activate inter-Korean exchange of human resources, goods, and information.

IX

Building an Inter-Korean Economic Commonwealth



1. Inducing Normalization of Inter-Korean Relations

There has been an argument that inter-Korean relations should be resolved through dialogue, exchanges and cooperation between North and South Korea because the relationship is a national problem. It was the underlying logic of the engagement policy toward North Korea for the last 10 years. But this argument is unrealistic in the respect that it neglects to see the international nature of the inter-Korean relationship. The advancement of inter-Korean relations will take effect when it is promoted in parallel with the internationalization of North Korea. The reasons are as follows.

First, the factor that causes the highest tension in the inter-Korean relationship is the enmity between the U.S. and North Korea. North Korea has kept up its offensive position in fear of U.S. attack on North Korea and distrusted South Korea, the ally of the U.S. North Korea's so-called strategy of talking only with the U.S. and ignoring the South has its origin in this context. In this regard, the normalization of the U.S.-North Korea relationship will be the first step toward inter-Korean reconciliation and cooperation. The normalization of the U.S.-DPRK relationship can help North Korea rid itself of its security fears and enter the international community as a normal member, which should then provide it confidence in developing its relations with South Korea in a stable security environment.

Second, the experience of active exchanges and cooperation with the international community will give North Korea the understanding that it also has to observe the norms proper for the international standard in its relationship with South Korea. It is desirable that we promote the economic cooperation proper for the global standard instead of the cooperation that considers

the peculiarities of North Korea. There will be real progress in the reforms and opening of North Korea when it enters the international community and transforms itself as a system accepting economic logic as its dominant norms. For example, if North Korea's entry to the international financial institutions is realized, reforms and opening are inevitable for North Korea to get the aid of IFIs. If North Korea enters the IMF, North Korea should accept policy consultation with the institution according to Article 4 of the IMF protocol. Though the IMF policy recommendation does not have any legally binding force, it should be accepted considerably for financial aid to be allowed to any country that wants the aid. It is the obligation of policy consultation with the international financial institutions and the conditions for financial aid that convince the decision makers of major member countries like the U.S. IFIs such as the IMF and World Bank are expected to demand continuously the reform and opening of North Korea.³⁸ It seems that North Korea cannot help but accept the IMF recommendations, as it cannot revive its economy without aid from the IFIs.

After all, the internationalization of North Korea is a short cut to the advancement of inter-Korean relations. North-South Korean relations will advance with the progress in the internationalization of North Korea. There is a critical view that the efforts for the promotion of inter-Korean relations through the introduction of North Korea to the international community will result in the externalization of inter-Korean relations. But the externalization of North Korea is necessary to make North Korea a normal state, which then help promote inter-Korean relations. If we take a

³⁸ Hyeongsu Jang, "North Korea and International Financial Institutions: Issues and Responses" (in Korean), *Sueun Bukhan Kyeongjae* (Spring 2008), p. 8.

prejudiced path in forming inter-Korean relations as North Korea does, it may block the advancement of inter-Korean relations. We would have no choice but to follow the North Korean logic. It is an irony that the internationalization of North Korea is the easy solution to the national problem. We have to admit it as a reality to deal with North Korea.

2. Plans for the Realization of an Inter-Korean Economic Commonwealth

The inter-Korean relationship will develop into a normal relationship when North Korea enters the international community and experiences the economic relations that follow the international norms. The normal inter-Korean economic relationship then will contribute to the realization of a North-South Korean Economic Commonwealth.

South Korean aid to North Korea until now has been made more on political consideration than on economic logic and North Korea has got economic benefits that have not been provided to other countries. North Korea had a difficult time during the years of the Bush administration, as Washington's policies exacerbated Pyongyang's isolation. But humanitarian aid and economic cooperation through Mt. Keumgang tours and Gaeseong Industrial Complex projects provided North Korea with the channel to get political funds to support its system without reforms and opening. All in all, North Korea policy for the last 10 years seems to have hindered reform and opening of the North.

The Lee Myung-bak government has suggested four criteria for inter-Korean economic cooperation such as progress in denu-

clearization, economic feasibility, financial capability, and national consensus. But North Korea does not want to accept those criteria. It keeps on slandering Seoul, demanding the full implementation of the October 4 Summit Declaration in 2008. What North Korea really wants with the policy of pressure on the South is not the implementation of the October 4 Summit Declaration but the repeal of the Lee Myung-bak government's four criteria for inter-Korean economic cooperation. North Korea wants the South to abandon the four criteria and to continue the former policy of economic cooperation by returning to the Engagement Policy of the past Kim Dae-jung and Roh Moo-hyun administrations, which continued economic cooperation with the North by investing national finance in disregard of the lack of progress in denuclearization, lack of profit for private businesses, and opposition of the South Korean people.

However, the Lee Myung-bak government does not want to make it appear that economic cooperation is going well at the civilian level between the two Koreas by inducing the participation of private businesses with government financial support even though there is no feasibility for such cooperation from an economic standpoint. The Lee government believes that, when economic principles work properly in inter-Korean economic cooperation, the inter-Korean relationship will develop into a permanent and normal trade relationship that is mutually beneficial to both North and South Korea. Inter-Korean trade will be made on normal economic principles when North Korea adapts itself to market principles by entering the international community as a normal member and doing business with international companies. North Korea's adaptation to economic principles then will increase South Korean companies' investments to the North

and contribute to the advancement of inter-Korean relations toward a full economic relation.

In his memoirs *There Is No Myth*,³⁹ President Lee Myung-bak wrote that, when he made an agreement representing Hyundai Construction Company with the Republic of Yakutia for natural gas development in Siberia in 1992, he started to conceive the idea of a northern policy that the Korean nation will advance into the northern territories through inter-Korean economic cooperation and establish a bridgehead in the Northeast Asian economic region. The transportation of natural gas needs railroad links, which depend on the improvement in the inter-Korean relationship. The real task is to establish the links for mutual benefits and common prosperity.

39. Lee Myung-bak, *There Is No Myth* (Seoul: Gimm-Young Publishers, 1995).



X

North Korea's Responses

The Vision 3000 thru Denuclearization and Openness plan cannot take effect without good responses from the North. North Korea's recent slander of the South is made on the pretext of demands for full implementation of the June 15 Joint Declaration in 2000 and October 4 Summit Declaration in 2007 and rejections of the Vision 3000 and pragmatism-based approach.

I. North Korea's Slandering of the Vision 3000 Plan

We can look at the reasons for North Korea's slander of the Lee Myung-bak government in two ways. First, North Korea may want to return the South's North Korea policy to the past format with its expressed demands such as the implementation of the October 4 Summit Declaration. The second—and real reason—is that the North Korea wants to control the speed of inter-Korean relations. As North Korea is cautious not to be absorbed by the South, it perceives the advancement of inter-Korean relations as a threat to its system.

North Korea has changed its target of slander from the U.S. to South Korea with the recent progress in the nuclear issue and the advancement in the diplomatic normalization with the United States. North Korea utilized anti-Americanism to consolidate its internal system for the last half century. When the Bush administration took a hard-line policy with sanctions against the North, North Korea got through the crisis receiving food, fertilizer, and dollars from the South. As the U.S.-North Korea relationship seems to improve, North Korea is returning to the traditional strategy of talking only with Washington and ignoring Seoul.

It is also suspected that the June 15 Summit Meeting in

2000 was not a substantial change in the North's strategy toward the South but utilized as a stepping stone for approaching the United States. As the strategy of communicating directly with Washington while shutting out Seoul did not take effect, North Korea took the strategy of approaching Washington via Seoul. When the United States started its missile defense (MD) program targeting North Korean missiles, China and Russia urged North Korea to have a summit meeting with the South and create a peaceful atmosphere on the Korean Peninsula in order to remove the pretext of the United States, MD program. Kim Jong-il visited China in May 2000, when North and South Korea had already agreed to have a summit meeting in June 2000. When Russian President Vladimir Putin visited North Korea in July 2000, it was reported that North Korea would abandon its missile development program if a third country were to launch a satellite on behalf of the North. Accepting the urge from neighboring countries, North Korea might have used the South temporarily in order to get through the economic crisis when its relationship with the U.S. was tense.

It is reported that North Korea is seeking a policy change by reviewing the achievements of inter-Korean exchange that was taken under the banner of "Korean people by themselves (*uriminjok kkiri*)" and in fear of the domestic impacts of the strategy. North Korean figures in charge of South Korea policy during the Roh Moo-hyun administration, such as Kwon Ho-ung, Jeong Un-eop, and Choe Seung-cheol, are reported to have been dismissed from office.

Besides, North Korea seems to make several new attempts for the promotion of cooperation with the international community. When the second phase of denuclearization is completed, North

Korea will try to create an image of openness by generating visible events between North Korea and the United States. It also will seek to improve its relationship with Japan. The recent increase in the number of EU countries entering into North Korea tells the significant changes occurring in this context. An example will be the resumption of the construction of the Ryugyong Hotel in Pyongyang by Egyptian capital.

It is probable that North Korea will seek to improve the relationship between North Korea and Japan and expand cooperative relations with western countries after the improvement of its relationship with the United States. North Korea may try to expand its exchange with the international community in a manner completely different from that of the past 10 years. It is expected that North Korea will try to counterbalance the influence of South Korea and China by expanding exchange and cooperation with the U.S., Japan, Vietnam, and other (western) countries. North Korea is trying to change its basis of survival strategy from exchange and cooperation with South Korea to international exchange and cooperation. Thus North Korea is expected to seek the strategy of breaking a path for its survival by expanding international relations while controlling inter-Korean relations as much as it possibly can.

It is highly probable that the survival strategy of the Kim Jong-il regime will be that of minimizing the possibility of absorption into the South by inducing various foreign capital and investments. It means that North Korea is taking the course of anti-unification.

2. Reasons Why North Korea Cannot Drive Inter-Korean Relations into Collapse

It is not highly probable for North Korean policy to block inter-Korean relations while Pyongyang tries to expand relations of exchange and cooperation with the world. The world still does not trust North Korea. In addition, U.S.-DPRK relations are as yet to unfold without any interruption. The third phase of denuclearization will take quite a long time as will normalization of U.S.-DPRK relations.

Between North Korea and the U.S., there are other pending issues in addition to the nuclear problem, such as the missile proliferation, bio-chemical weapons, and human rights issues. The U.S. Department of State presented issues needing intensive negotiation with North Korea in its report for business plans for fiscal year 2008 published on February 5, 2007. The missile issue and bio-chemical weapons issue are not mentioned in the September 19 Joint Statement or in the February 13 Action Plan, but were presented as objects for negotiation in the report.

The report read that the U.S. aimed to complete nuclear negotiations by early 2008 and to start the dismantlement of nuclear weapons and their programs together with the verification system. As for the missile issue the State Department revealed a goal to begin missile negotiations in 2008, with North Korea to dismantle all North Korean long- and medium-range missiles. Particularly, the State Department announced that it would also begin negotiations for verifiable control and export ban on North Korean missile programs including elimination of all missile programs related to missiles with over 500kg warheads and ranges of over 300 kilometers, targets of 1st category of MTCR.

Regarding chemical weapons, the State Department offered a

timetable which sought to complete the negotiations by early 2008. It was also announced that the United States will continuously monitor and appropriately counter the chemical weapons trade through Australian Group, the chemical weapons export control regime.

As for the biological weapons of North Korea, the State Department said it would continue to press North Korea to abide by the Biological Weapons Convention and to reinforce strategies for this purpose. In addition, the United States needs to clear its position on North Korean human rights issues. Former Assistant Secretary of State Christopher Hill mentioned at a seminar in Washington, D.C. on March 26, 2007 that North Korea should satisfy international standards, to which North Korea is not apt to respond such as human rights, in order to forge a complete normalization, i.e., to maintain good relations with the United States.⁴⁰

Due to the delay of North Korean nuclear disablement as well as a full report on nuclear programs, negotiation on the above issues could not move forward. It is expected that the negotiations will begin in the third phase of the denuclearization process. Joseph DiTrani, U.S. special envoy for Six-Party Talks and former Director of European Operations at the CIA, already revealed such position. At a workshop on the Six-Party Talks sponsored by CSIS on May 29, 2008 DiTrani emphasized that at the third phase of denuclearization, normalization of North Korean-U.S. relations would be discussed and in order to reach the normalization it is absolutely necessary to face the human rights issue, abductees issue, and missile issues, which has been repeatedly told to North Korea and was clearly stated in the September 19 Joint Statement

40_ *Chosun Ilbo*, March 28, 2007.

as well as in the October 3 Agreement.⁴¹

There is another reason why the North's strategy of talking only with the United States and ignoring the South cannot succeed. It is highly possible that the North Korean economic crisis would be aggravated if North Korea keeps inter-Korean relations confrontational. If the economic crisis worsens, changes in North Korean system will be accelerated. As mentioned earlier, expansion of market and changes in social consciousness in North Korea were possible because of the demise of its official command economy. This means that the negative effects of economic crisis are much worse than those from South Korea. If North Korean leadership understands such fact, it will soon acknowledge how dim-witted it would be to cut off inter-Korean relations and focus on internal control.

It is also to be noted that North Korean authorities repeated the promise of building a "strong and prosperous nation" (or *gang sung dae guk*) by 2012 in order to quell popular disturbance under the economic crisis. Again in the joint New Year's editorial, North Korea declared the completion of a *strong and prosperous nation* by 2012, the 100th anniversary of Kim Il-sung's birth. Recently *Rodong Shinmun* spread, in its editorial titled "A Road to Paradise," a fantasy about the *strong and prosperous nation* to be built by 2012, only four years away.⁴²

A reason for North Korean peoples' discontent is repeated failure of the regime to keep its promises: right from the beginning, the regime promised to supply rice and beef soup, traditional symbols of abundance, but ended instead providing starvation on a massive scale; 10 goals for a bright future intensively propagated

41_ *Dong-A Ilbo*, May 30, 2008.

42_ "A Road to Paradise," *Rodong Shinmun*, June 7, 2008.

also turned out to be another empty slogan. North Korean leadership knows too well that if such distrust of government continues to build up, it would lead to systemic resistance of the regime. If the regime fails to even mimic the slightest feature of a *strong and prosperous nation* by 2012, its future becomes uncertain. It is extremely difficult for North Korea to revive its fallen economy by excluding South Korea because there are few foreign businesses, if any, that would invest in North Korea under the current frozen inter-Korean relations. It is a mystery how North Korea will build a *strong and prosperous nation* within just four years. *Rodong Shinmun* also seemed to know this: it read that four years is a short time and that the future of the republic depends on how the struggle is made in this period.⁴³

Another reason why North Korea should change its South Korean policy is its heavy dependence on China. For the past several decades or so, North Korea became heavily dependent on China because of its worsening economic crisis. As a result, Chinese political influence on North Korea increased. North Korean leadership is worrying whether the increased Chinese influence could affect even Kim's stay in power. North Korea wants Chinese economic support to increase, yet it must find a way to reduce Chinese political influence.

As the early stage of Chinese economic development witnessed a heavy dependence on capital mobilized by Taiwanese and Chinese compatriots overseas, North Korea cannot think of an easier economic development path without capital investment from South Korea. Without South Korean capital investment, it would be extremely difficult for North Korea to win the confidence of the international community.

43. Ibid.

3. South Korean Measures

As shown above, North Korea is in dilemma. On the one hand, North Korea wants to avoid contact with the South so that it can lessen the potential damage that might come with increased contact. On the other hand, North Korea needs to maintain an appropriate relationship with the South so that it can obtain economic benefits as well as the confidence of the international community. What is South Korea's option if North Korea refuses contact?

Even if North Korea avoids South Korea, as far as they increase international cooperation with other members of the international community, it will be desirable for their reformation and opening. We can see from the past 10 years of experience that it will not be easy for the South to take initiative for reforming and opening of North Korea. Granted, it would be good for the ROK if North Korea decides to expand their current reformation and opening policy through relations with the U.S. or other western countries. It is advisable that even if North Korea is passive when it comes to South Korean relations, as far as they are able to increase international cooperation with other countries, it will help stimulate structural change. This is much better than no change at all. Even if transactions with South Korea are not active, if North Korea becomes an active participant in cooperating within the international community, eventually they will come into contact with the South.

In such a situation the question remains: Will South Korea take a passive or aggressive form of action? It is necessary for us to find an appropriate harmony between international mutual cooperation and inter-Korean cooperation. Further down the road, the ROK will need to form a strategy to induce North Korea's

attitude toward the South—for example, by carrying out business to build trust and building upon small activities that can be done between North and South. There will be instances for some projects, that if we do not stand as guarantors it will be difficult for North Korea to receive the necessary funding from abroad, meaning that it is difficult for North Korea to rely wholly on the international community. The ROK will need to make some form of contribution in order for North Korea to bring in foreign funds. Therefore even if North Korea decides to use a strategy that seeks to exclude the South, the South will still have room to influence the North. In short, normalizing North-South Korean relations through the globalization of North Korea will prove to be a cost effective and highly efficient strategy.



XI

Conclusion

The empirical ground of this monograph is that the entries of socialist countries to the international community is a universal path chosen by them so far, and that North Korea will not be an exception. This study suggests that the Vision 3000 thru Denuclearization and Openness plan of the Lee Myung-bak government should be a policy that can lead North Korea to this universal trend in history.

This study also begins from the premise that although South Korea's engagement policy toward the North during the past 10 years improved the bilateral relations between the two Koreas, the inter-Korean relations still proved volatile and vulnerable. This study argues that the reasons for the volatility are basically North Korean perception of insecurity due to its isolation from the international community, economic difficulties in North Korea, and its worries of being absorbed by South Korea. This study's main focus is, thus, to develop South Korea's policy toward North Korea to cope with the sources of North Korean anxiety listed above.

For the development of a normal inter-Korean relationship, it is indispensable to have a policy that can relieve North Korean anxiety for security, a policy that can get rid of elements of North Korean insecurity, and a policy that can support North Korea to make a breakthrough for its development. These are the very reasons why South Korea needs a policy of mutual benefits and common prosperity. This is why the Vision 3000 thru Denuclearization and Openness plan was offered—as a means to achieve mutual benefits and common prosperity of the two Koreas. The Vision 3000 plan is a policy to solve the nuclear issue, opening, and economic development of North Korea by incorporating North Korea into the international community.

Compared to the approaches of previous ROK administrations, the Lee Myung-bak government's approach to inter-Korean relations aims to induce changes in North Korea in line with the historical universality of reform and opening by other socialist states. This approach will lead North Korea to be a normal state in the international community, which will also lead to a normal development of inter-Korean relations.

If we understand the North Korean survival strategy as one aiming to accept denuclearization through the Six-Party Talks, to achieve the normalization of its relations with the United States, the entry into the world capitalist economy, and economic development as a result, such strategy has much in common with the Vision 3000 plan. This is why the plan can be called pragmatic and sound.

North Korea faces a total catastrophe from economic crisis, international isolation, and insecurity. Even the power elites in North Korea have become restless, as they have no exit strategy. Vision 3000 offers North Korea a survival strategy, an emergency exit. By supporting North Korea to achieve normalization of relations with the United States and by supporting North Korean entry into the international community, Vision 3000 can create a turning point in North Korean history, pointing us in a new direction.

The Vision 3000 plan has already attracted considerable interest among North Korean elites and residents alike. The Kim Jong-il regime fears this tendency, and thus raised the level of its criticism against the South while flatly rejecting the plan. We should persuade North Korea that what is beneficial to residents will also benefit its leadership.

As a short-term objective, North Korea will approach only

the United States or other western countries, while ignoring South Korea in order to influence South Korea's North Korea policy—much as the North has done in the past. Even though North Korea tries to control the pace in inter-Korean relations, it does not have a capability to lead long-term. Since the settlement of the nuclear issue and the stalemate in North Korean-United States relations are expected to be drawn out over a long period of time, North Korea will eventually return to inter-Korean dialogue due to its interests in inter-Korean economic cooperation. The situation is unfolding in North Korea toward a breaking point where North Korea cannot resist its incorporation into the international community even if it wants to. It is necessary for South Korea to employ a policy to lead, not to be led by, North Korea.

Nevertheless, South Korea should uphold its North Korean policy. It should be one beneficial to both North and South Korea, and one that can draw support from both conservatives and progressives alike. The Vision 3000 thru Denuclearization and Openness plan is a practical policy because it is based on historically proven cases of many socialist states. North Korean entry into the capitalist world economy is a goal North Korea hopes to, and should, achieve. Vision 3000 will support North Korean entry into the international community, and help its economic development, which will lead both Koreas to mutual benefits and common prosperity.

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