

학술회의 총서 2001-06

**International Organizations'
Assistance to North Korea and
Inter-Korean Cooperation**

국제학술회의(2001.9.7) 발표논문집

International Seminar Organized by the KINU
and the Korean National Commission for UNESCO

통 일 연 구 원

Opening Address

Dr. Lee Kyungsook, Dr. Lee Jeongsik, Excellencies, distinguished guests, ladies and gentlemen,

It is my honor and privilege to welcome you all to this seminar.

In particular, I would like to extend my thanks to Dr. Stephen Hill, Dr. Kim Chinkyung, and Dr. Kenneth Kang, who came a long distance to present papers.

I am very pleased to have this opportunity to present the opening remarks at this international seminar on International Organizations' Assistance to North Korea and Inter-Korean Cooperation, which is organized by the Korea Institute for National Unification and the Korean National Commission for UNESCO.

This seminar will explore ways to enhance international organizations' assistance to North Korea and inter-Korean cooperation by reviewing the effect of cooperative projects toward North Korea in the past.

Currently, intergovernmental agencies and non-governmental organizations have launched a variety of multilateral humanitarian assistance and cooperative projects toward North Korea since the

historic South-North summit meeting last year.

Contrary to inter-Korean exchange and cooperation programs, which are often subject to domestic political considerations, cooperation toward North Korea by intergovernmental organizations will be less affected by politics at the multilateral level.

Currently, multilateral activities in areas such as economy, environment, education, and public health are being strengthened in North East Asia, and these multilateral cooperative networks will make a great contribution to the improvement of inter-Korean relations.

Continuing inter-Korean cooperation within a multilateral framework has the advantages in that it will facilitate North Korea's participation and help promote various projects based on international agreements.

Also, this inter-Korean cooperation within a multilateral framework has an additional advantage of enabling prompt international intervention and settlement in case of conflict.

This is why there must be continued independent and in-depth studies concerning inter-Korean cooperation at international, multilateral levels, which must be examined from many different angles.

Therefore, this international seminar is very timely and necessary.

A variety of diverse opinions and options will be presented throughout this seminar and later used as important policy materials, and they will also contribute to strengthening international mutual agreements and friendly efforts regarding assistance toward North Korea.

I hope that the sharing of ideas and the pooled wisdom of everyone taking part in this seminar will serve to further assistance to North Korea and improve inter-Korean cooperation through intergovernmental organizations.

Once again, I would like to thank all the participants in this seminar, and I look forward to having your active cooperation for our conference.

Thank you very much for your attention.

Dr. Seo Byung-chul

(President, The Korea Institute for National Unification)

<행 사 일 정>

9월 7일 (금)

09 : 00~09 : 30 등록 및 접수

09 : 30~10 : 00 개회식

- 개 회 사 : 서병철 (통일연구원장)

10 : 00~12 : 00 제 1 회의

『국제사회의 대북지원과 남북관계』

- 사 회 : 이경숙 (숙명여자대학교 총장)
- 발 표 : 이금순 (통일연구원 연구위원)
 장형수 (한양대학교 경제학부 교수)
- 토 론 : 박 진 (KDI 지식교류협력센터 소장)
 김훈아 (통일부 인도지원국 사무관)
 오승렬 (통일연구원 선임연구위원)

12 : 00~13 : 30 오 찬

<Seminar Program>

September 7, Friday

09 : 00~09 : 30 Registration

09 : 30~10 : 00 Opening Address

- Seo Byung-chul (President, KINU)

10 : 00~12 : 00 **Session I**

**「International Society's Assistance to North
Korea and Inter-Korean Relations」**

- Moderator : Kyungsook Lee (President, Sookmyung Women's University)
- Presenters: Keumsoon Lee (Research Fellow, KINU)
 Hyungsoo Zang (Professor, Hanyang University)
- Discussants: Jin Park (Director, Center for Knowledge Partnership, KDI)
 Hoona Kim (Deputy Director, Ministry of Unification)
 Seungyul Oh (Senior Research Fellow, KINU)

12 : 00~13 : 30 **Luncheon**

13 : 30~17 : 00 제 2 회의

『국제기구의 대북협력 유도방안』

- 사 회 : 이정식 (국토연구원장)
- 발 표 : 스티븐 힐 (유네스코 자카르타 사무소장)
김진경 (연변과학기술대학교 총장)
- 토 론 : 이명진 (과학기술정책연구원 대외정책연구부장)
김규륜 (통일연구원 선임연구위원)
김인숙 (한국지역사회복지회 상임이사)

15 : 30~15 : 50 휴 식

- 발 표 : 케네스 강 (IMF 경제분석관)
- 토 론 : 윤덕용 (대외경제정책연구원 연구위원)
김성철 (통일연구원 선임연구위원)

13 : 30~17 : 00 **Session II**

**「How to Encourage International Organizations
to Cooperate with North Korea」**

- Moderator : Jeongsik Lee (President, Korea Research Institute for Human Settlements)
- Presenters: Stephen Hill (Director, Jakarta Office of UNESCO)
James Chinkyung Kim (President, Yanbian University of Science and Technology)
- Discussants: Lee Myung-jin (Research Fellow, STEPI)
Kyuryoon Kim (Senior Research Fellow, KINU)
Kim In-sook (Executive Director, Save the Children Korea)

15 : 30~15 : 50 **Coffee Break**

- Presenter : Kenneth Kang (Country Economist, IMF)
- Discussants: Deokryong Yoon (Research Fellow, KIEP)
Sungchull Kim (Senior Research Fellow, KINU)

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제 1 회의

국제사회의 대북지원과 남북관계

- 사 회 : 이경숙 (숙명여자대학교 총장)
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오승렬 (통일연구원 선임연구위원)

Session I

International Society's Assistance to North Korea and Inter-Korean Relations

- Moderator : **Kyungsook Lee** (President, Sookmyung Women's University)
- Presenters: **Keumsoon Lee** (Research Fellow, KINU)
Hyungsoo Zang (Professor, Hanyang University)
- Discussants: **Jin Park** (Director, Center for Knowledge Partnership, KDI)
Hoona Kim (Deputy Director, Ministry of Unification)
Seungyul Oh (Senior Research Fellow, KINU)

Assisting North Korea by Intergovernmental Agencies and Non-Governmental Organizations: Current State and Implications

Keumsoon Lee
(Research Fellow, KINU)

I . Introduction

Since 1995, the international relief community has actively engaged in humanitarian assistance to North Korea, which has been listed as one of 21 complex emergencies¹⁾ by the United Nations. Compared with other complex emergencies, North Korea has surprisingly maintained a stable government during its humanitarian crisis. In spite of continued international assistance, the humanitarian crisis is not over and conditions still remain precarious in North Korea. Even though international assistance has been made in the name of humanitarianism, no one can deny that it has been much complicated by avoiding, for political purposes,

1) Current emergencies and countries of concern are Afghanistan, Angola, Balkans, Caucasus (Armenia; Azerbaijan; Georgia), Colombia, Congo, North Korea, East Timor, Eritrea-Ethiopia, Great Lakes (Burundi; DR Congo; Kenya; Rwanda; Tanzania; Uganda), Horn of Africa Drought, Indonesia - Maluku, Iraq, Russian Fed.-Chechnya, Sierra Leone, Somalia, Sudan, Tajikistan, West Africa, West Timor.

discussions considering the root causes of the current crisis in North Korea. In this paper, I would like to examine and analyze emergency relief and development overtures in North Korea made by intergovernmental agencies and non-governmental organizations. Based on my findings, future policy directions and recommendations will be proposed.

II. Humanitarianism and International Relief System

1. Humanitarianism and Humanitarian Assistance

Humanitarianism is a way of acting to alleviate suffering and promote the well being of people in crisis regardless of race, creed, or political persuasion. The origins of international humanitarian law can be traced to the “just-war tradition” (the principles of discrimination and proportionality), which protects non-combatants and the wounded from military attacks and prohibits mass-destruction in war.

Humanitarian assistance could be defined as unconditional aid that is carried out to realize humanitarianism based on impartiality, neutrality, and independence from political, religious, or other extraneous biases. The actors in the international relief system are diverse: individuals, NGOs, nation states, and intergovernmental agencies like the United Nations.

Although the types of humanitarian assistance can vary according to the nature of emergency, in most cases humanitarian aid to crisis areas should include various kinds of emergency assistance such as food aid, medical supplies and other necessities, health care, disaster rehabilitation, security, development, and settlement support programs.

2. The Current Status of The International Relief System

As humanitarian crises have rapidly increased in the post-cold war era, international concerns to promote new international rights and responsibilities of conflict management have overridden the protection of neutrality and national sovereignty. Therefore, since the 1980s, politics and aid have become explicitly linked because of the conditionality of human rights and democratization in recipient countries. The integration of foreign policy and humanitarian assistance has been further complicated by the use of third-party military forces in complex emergencies.

After ideological confrontation ended, there has been a growing competition in emergency areas, from military forces looking for work to companies looking for profits, and to the intercession of various new non-governmental organizations.

A. Humanitarian assistance to famine and impoverished areas

Humanitarian food aid to famine and impoverished areas has been made mainly through WFP. As drought-affected famine lasted for years in Africa in the 1980s, FAO developed the Global Information and Early Warning System on Food and Agriculture (GIEWS). Famine has resulted not just from the natural disasters like drought and floods, but also from regional conflict. In the case of Tajikistan, civil strife from 1992 to 1993 destroyed social and economic structures. Since the middle of 1993, WFP has undertaken relief distributions in Tajikistan with the cooperation with UNHCR. Development-oriented aid to emergency areas is based on the assumption that failed development strategies would bring about serious threats to the national system, the collapse of social structure, and finally, conflict in the region.

B. Dilemmas of humanitarian aid

In addressing humanitarian needs around the world, the international community has confronted many complicated problems.

First, in a number of cases, it is difficult to get access to target populations who desperately need humanitarian assistance. The reason aid agencies cannot deliver assistance properly is that vulnerable groups are located in zones of armed conflict, while in

non-conflict areas governments do not permit access to vulnerable groups for political purposes. Therefore, international interventions have been necessary to prevent human rights abuses and facilitate humanitarian relief works.

Second, the security of humanitarian workers could not be guaranteed because of conflicts. In fact, the lives of some relief workers providing humanitarian services have been sacrificed.

Third, humanitarian aid, once believed simple and pure, is complicated and politically implicated in today's international relations. Relief goods brought to conflict zones could be diverted or manipulated by warring parties and dictators to support their efforts or enhance their power over civilian populations. Ironically humanitarian aid can sometimes reinforce conflicts and human rights abuses.

Fourth, humanitarian action should be neutral, impartial, and independent by definition. However, international humanitarian aid has become politicized and used as a policy instrument of countries.

III. Current Status of Humanitarian Assistance to North Korea

1. Current Situation of The North Korean Humanitarian Crisis

The historic Summit Meeting between the leaders of South and North Korea in June 2000 has very much changed political climates on the Korean peninsula and aroused great expectations for solving humanitarian issues such as separated families and humanitarian crisis in North Korea. However, these improvements in inter-Korean relations have not yet had a significant impact on the humanitarian situation in North Korea, which is still estimated to be critical following a prolonged period of economic decline and a series of natural disasters and erratic weather patterns.²⁾ There have been food shortages of more than 1.3 million metric tons. Health services have been poor and had to rely solely on international assistance and there has been no sign of any significant improvement. Due to old and poorly maintained water and sanitation utilities, marked increases of diseases have been detected. Power shortages and environmental degradation continue to complicate current difficulties in the North. Education of school children remains threatened by a lack of resources and a depleted infrastructure. The lives of vulnerable groups and vulnerable regions continue to be extremely difficult. The 2001 Consolidated

2) United Nations, *Consolidated Inter-Agency Appeal for Democratic People's Republic of Korea 2001*, p. 1, www.reliefweb.int

Appeal emphasized continued humanitarian needs while calling for increased engagement in recovery and development activities. It also points out that the humanitarian situation in North Korea will not significantly improve without capital investments, infrastructure, industry, and agriculture.

A. Intergovernmental agencies

The United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA) coordinates the response of the United Nations system to major humanitarian emergencies, both natural and man-made, and promotes action to improve disaster prevention and preparedness. UNOCHA coordinates field missions sent by United Nations operational agencies to assess needs in crises areas and UNOCHA also issues consolidated inter-agency appeals for funding humanitarian assistance. After launching appeals, it organizes donor meetings and follow-up arrangements and monitors the status of contributions in response to the appeals. It also issues situation reports to keep donors and others apprised of developments.

Since September 12, 1995, UNOCHA(formerly UNDHA) has issued a UN Consolidated Inter-Agency Appeal for North Korea seven times at the request of the government of North Korea. The appeal has been formulated on the basis of need assessments, data, and substantive contributions of various UN agencies in the provision of emergency and development relief to North Korea. UN

agencies have implemented assistance activities for food aid, food security to assist in resuming normal food production, and for restoring basic health services. At early stages, CAP for North Korea focused on emergency relief, mainly food aid, through UN agencies. In response to a series of natural disasters, it has added food security, health services, disaster preparedness and development aid to its emergency relief. Also the projects of NGOs have been included into the UN Consolidated Inter-Agency Appeal for North Korea.

Among UN agencies, World Food Program (WFP) has played the most prominent role in emergency relief to North Korea. WFP began operations in North Korea in 1995 in response to the request for emergency assistance. Instead of simply channeling international food aid through the Flood Damage Rehabilitation Committee (FDRC), WFP has tried to move in more rehabilitative directions by expanding Food for Work (FFW) in key agricultural and rehabilitation activities.

The Food and Agriculture Organization (FAO) is a UN agency that aims to improve the living conditions of farmers and agricultural productivity. It works to help farmers reestablish production following floods, outbreaks of livestock diseases, and similar emergencies. With WFP, FAO has done Crop and Food Supply Assessment missions twice a year.

The United Nations Development Programme (UNDP) acts to help the UN become a powerful force for sustainable human development. In order to achieve sustainable human development, it carries out development programs in poverty eradication, the creation of employment and sustainable livelihoods, the empowerment of women, and the protection and regeneration of the environment. To meet the food security challenges, UNDP developed the Agricultural Recovery and Environmental Protection Program (AREP) to phase out the cost of international food aid programs through the restoration of sustainable food production. In 1998, Roundtable meetings on AREP approved the overall objectives and strategic options over 1998-2002 period. Despite the growing international concern for long term recovery and development in North Korea, UNDP has not attracted proper donors' supports for AREP.

The United Nations Children's Fund (UNICEF) is primarily concerned with the realization of Children's Rights, manifested in the Convention on the Rights of the Child and the establishment of children's rights as enduring ethical principles and international standards of behavior towards children. UNICEF emergency interventions focus on the provision of health care, nutrition, water supply, sanitation, basic education and the psychosocial rehabilitation of traumatized children. In 1998, in cooperation with the European Commission Humanitarian Office (ECHO) and the World Health Organization (WHO), it conducted a nutritional

survey that confirmed a high level of wasting and chronic malnutrition in children in the age group of 6-84 months.

The World Health Organization (WHO) Division of Emergency and Humanitarian Action (EHA) coordinates the international response to emergencies in the area of health. WHO provides expert advice to member states on epidemiological surveillance, control of communicable diseases, public health information, and health emergency training. EHA is responsible for emergency relief that includes the provision of emergency drugs and supplies, the fielding of technical emergency assessment missions, and for technical support. In emergency preparedness, it also aims to strengthen the national capacity of member states to reduce the adverse health consequences of disasters. With the Ministry of Public Health, UNICEF, IFRC and NGOs, WHO has carried out important health programs such as immunizations to control epidemics and TB, and for improving community-based health services.

International Fund for Agricultural Development(IFAD) has implemented the Crop and Livestock Rehabilitation Programme through micro-credit lending to individual households, particularly those headed by females, to increase meat and dairy production.

<Table 1> FAO/WFP Crop and Food Supply Assessment

(Unit:1,000MT)

Classification	97. 11/ 98. 10	98. 11/ 99. 10	99. 11/ 00. 10	00. 11/ 01. 10
	Total Availability	2,663	3,481	3,472
Total Utilization	4,614	4,835	4,765	4,785
Food use	3,874	3,925	3,814	3,871
Feed use	300	300	300	300
Other uses, seed & post harvest losses	440	610	651	614
Import Requirement	1,951	1,354	1,293	1,865
Commercial import	700	300	300	200
Concessional import	241	0	370	500
Uncovered deficit	1,010	1,054	623	1,165

Source: FAO/WFP Special Report: Crop and Food Supply Assessment Mission
to North Korea.

<Table 2> UN Consolidated Inter-Agency Appeal(1995.9.~2001.7)

(Unit: US\$1,000)

Year	Appeal Requirements	Pledges/Contributions	Donor Nations	Requirements Covered
1st (95.9~96.6)	20,320	9,270	USA 2,225 Japan 500	46%
2nd (96.7~97.3)	43,640	34,700	USA 7,170 Japan 6,000 ROK 3,390 EU 8,600	80%
3rd (97.4~97.12)	184,390	157,810	USA 45,370 ROK 26,530 EU 27,520 Japan 27,000	84%
4th (98.1~98.12)	383,240	215,870	USA 171,850 EU 1,3800 ROK 1,1000 Canada 3950 Norway 2390 Egypt 2800 Australia 1320 Czech 20	56%
5th (99.1~99.12)	292,080	189,800	USA 160,700 EU 7,980 Sweden 3,830 Canada 3,400 Australia 2,270 Denmark 1,940 Finland 720	51.5%
6th (00.1~00.12)	313,758	153,104	Japan 95,656 USA 29,228 Australia 6,510 Sweden 1,810 Norway 2,294 Denmark 1,526	48.8%
7th (01.1~01.12)	383,985	181,535		47.28%
Grand Total	1,621,413	942,089		58.1%

<Table 3> Consolidated Appeal 2001 Update (as of July 1, 2001)

Appealing Agency	Appeal Requirements	Requirements Pledges/ Contributions	Shortfall	% of Needs Covered
(Jan.- Dec. 2001)	(US\$)	(US\$)	(US\$)	(%)
FAO/UNDP	40,049,304	1,464,262	38,585,042	3.66
OCHA	1,301,275	489,880	811,395	37.65
UNFPA	750,000	0	750,000	0.00
UNICEF	10,502,940	2,346,398	8,156,542	22.34
WFP Emergency Op	306,589,444	175,523,859	131,065,585	57.25
WFP Special Op	9,330,980	219,299	9,111,681	2.35
WHO	8,350,280	892,711	7,457,569	10.69
NGOs	7,110,691	598,848	6,511,843	8.42
GRAND TOTAL	383,984,914	181,535,257	202,449,657	47.28

Source: www.reliefweb.int/w/Rwb.nsf/vID/1A4507251352410EC1256A87002ECCD4?OpenDocument

B. Non-governmental organizations (NGOs)

As the largest and oldest humanitarian organization, the Red Cross is comprised of the International Committee of the Red Cross (ICRC), International Federation of the Red Cross and Red Crescent

Societies (IFRC), and national Red Cross societies. ICRC works to protect and assist victims of armed conflict or disturbances. IFRC, composed of and representing 169 National Societies, works to prevent and alleviate human suffering in the event of disasters. National societies act as auxiliaries to their countries' public authorities by providing a range of services from disaster relief to social assistance to first aid courses. IFRC has launched emergency aid campaigns for North Korea since September 1995. At the beginning, IFRC took care of flood-victims in 15 counties and distributed relief goods to 130,000 people. Recently, IFRC expanded their service regions and changed their relief activities from emergency food aid to health services. The Federation has been focusing largely on health and water sanitation programs – particularly the provision of drugs and medical supplies to hospitals and clinics with a catchment population of 5.8 million people.³⁾

Médecins Sans Frontières (Doctors Without Borders) was the only NGO that the government of North Korea officially requested assistance from right after floods in 1995. At the beginning, very few European NGOs such as MSF and Oxfam had been allowed to stay in North Korea. Therefore, Food Aid Liaison Unit (FALU) was established at WFP office in Pyongyang to channel NGOs' aid into North Korea in 1997. European NGOs funded by the European Commission have expanded their works through the opening of

3) www.reliefweb.int/w/Rwb.nsf/480fa86b88bbc3c12564f6004c8ad5/cf82e55f48977ac8c1256aa20056fooc?PoenDocument

resident offices and deployment of international staffs. However, NGOs from countries having no diplomatic relations with North Korea have not been allowed to stay in North Korea for political reasons. American NGOs have worked together under the name of PVO consortium and withdrew from North Korea in 2000.

Immediately following the outbreak of North Korean floods in 1995, the government of South Korea allowed civil sectors' aid to North Korea only through the Korean national society of Red Cross. At the early stages, there were conflicts between the government and civil sectors in the South concerning humanitarian aid to the North. Since 1997, the Red Cross organizations of both South and North Korea have been able to maintain direct contact, and direct assistance has been given through these organizations. As the government permitted various direct channels of aid to the North in 1999 and supported NGOs through the South-North Cooperation Fund in 2000, the cooperation between the government and NGOs has made for more effective delivery of humanitarian aid to the North. The Civil-Government Policy Consultation Committee on Humanitarian Aid to the North was established in 2001. South Korea's non-government sectors have assisted with food and supplies worth \$122.18 million from 1995 to 2001.

<Table 4> Resident NGOs in North Korea

Name of Org.	Country	Duration of Work	Major Activities Sector	Funding Sources	Future Concerns
Concern Worldwide	Ireland	1997	Food Security(input supply for multiple cropping) Winterization(footwear, coal) Water and Sanitation (distribution of soap and water containers)	E C DG/DEV/ ECHO SIDA DFID NGO fund	Agricultural recovery Rehabilitating tree nurseries Health education
CAD(Children's Aid Direct)	England	1996	Food Security(input for greenhouses, rabbit breeding units) Winterization(winter clothes for children) Health(hygiene facilitating materials and health education) Water and Sanitation(water treatment kits)	E C DG/DEV/ ECHO SIDA NGO fund	Reduction of waterborne diseases Child focused health facilities
German Agro Action (DWHH/GAA)	Germany	1997	Food Security(agricultural inputs, rehabilitation of bakeries and local production of fortified biscuits, Greenhouses) Winterization(clothes) Water and Sanitation(rehabilitation of drinking wells)	E C DG/DEV/ ECHO SIDA	Integrated Natural Management on cooperative level
CESVI (Cooperazione e sviluppo)	Italy	1997	Food Security(double cropping programs, FFW for repairing embankment and reforestation) Winterization(clothes, blankets, coals, items to repair window, boilers, and pipes)	Private Donations, Italy E C DG/DEV/ ECHO SIDA	Improvement of water and sanitation Agricultural and Livestock Production(IFAD)
Triangle Generation Humanitaire	France	2000	Food Security(Hill reforestation and protection of environment-tree nurseries, reinforcement of irrigation networks, Soil rehabilitation by building 50 compost plants, Provision of inputs to assist crops - fertilizers, plastic sheeting, agricultural tools)	E C DG/DEV/ ECHO	Agricultural recovery with long-term solutions Income-generating activities like micro-credit and small-scale production Water and sanitation

Name of Org.	Country	Duration of Work	Major Activities Sector	Funding Sources	Future Concerns
Handicap International	Belgium	2001	Health(technical assistance to Orthopedic Factory and supplying equipment)	EC DG/DEV/E CHO	Technical aids to children with disabilities Strengthen the KASD(Korean Association for Supporting the Disabled) operational capacity
Cap Anamur(German Emergency Doctors)	Germany	1998	Health(providing medical and health care) Winterization(clothes and energy) Water and Sanitation(rehabilitation of sanitation facilities and kitchens in hospitals)	private donations, Germany	Rehabilitation of operating theatres
Campus for Christus	Switzerland	1995*	*donation of rice Food Security(modern technologies of pastoral agriculture, improved goat husbandry to permit private milk production for each family, milk processing for cheese and yogurt, goat hides)	EC DG/DEV/E CHO	training and extension work
ADRA(Adventist Development and Relief Agency)	Switzerland	1995* 1999	*Humanitarian Distributions(food, clothes, medicine for hospitals and orphanages, through FALU) Alternative Energy(production and installation of solar mirrors) Food Security	Church organisations, Switzerland German Government	Procurement of spawns to fish farms Winter clothes to school children Distribution of food aid and vegetable seeds
MSF	France	1995-98	Health(Supplying medical kits)	private donations, France	Medical treatment of patients
MDM	France	1996-98	Health(Supplying medical kits)	private donations, France	
OXFAM	England	1996-99	Water and Sanitation(field assessments and comprehensive relief proposals on drinking water, hygiene, public health, and nutrition)	private donations, England	
ACF	France	1997-2000	Food Security Water and Sanitation	private donations, France EC DG/DEV/E CHO	Feeding center for street children

<Table 5> South Korean NGOs

Name of Org.	Duration of Works	Major Activities	Funding Sources	Future Concerns
Eugene Bell Foundation	*1995 1997	*Emergency relief(food aid) Humanitarian Aid for the TB patients(TB medication, diagnostic kits, agricultural assistance, general medication work) through individual package programs and partner package program	private donations government	Diagnosis and treatment of TB
Forests for Peace Inc.	1999	Providing seeds, saplings, fertilizers, pesticide and insecticides, expertise and technology for erosion control Promoting academic exchange of forestry specialists	private donations	Renovation of tree nurseries Research exchange
General Assembly of the Presbyterian Church of Korea	1997	Emergency aid Research and education for unification Cooperation and exchange visits with the Korean Christian Federation of North Korea	private donations, church	Financing the Korean Christian Federation of North Korea for social programs
Good Friends: Centre for Peace, Human Rights and Refugees	1996	Emergency aid Forum for Unification and research projects Humanitarian Assistance to North Korean asylum seekers	private donations government	Life in a Backpack program Assisting Unaccompanied minors
Good Neighbors	1995	Project on the Milk Cows(1998-) Project for Children's hospital(2001-) Project on Children's residential institution(2000-)	private donations, government	Assistance to orphanages all over North Korea
Good People World Family	1999	Providing corn seeds and fertilizers Lunch program for primary schools	private donations, church	Education for unification
International Corn Foundation	1998	South and North Korean cooperation projects on agricultural technology National Campaign for Planting Corn in North Korea	private donations, government	Technological Consultation for agricultural research and development of North Korea
Join Together Society(JTS Korea)	1997	Providing therapeutic mix for children Agricultural assistance	private donations, government,	Agricultural Improvement of techniques

Name of Org.	Duration of Works	Major Activities	Funding Sources	Future Concerns
Korea Food for the Hungry International(K.F.H.I)	1994	Sending powdered milk Medical equipment Construction and management of fertilizer factory Hydroponics and dairy goat program	private donations	Expanding agricultural development projects
Korea Association of Health	1998	Parasite control Health examination of non-infectious chronic degenerative disease Health education	K.A.H. funding	Gradual extension of parasite control
Korean Committee for UNICEF	1996	Emergency relief Nutritional survey	donations	child health and nutrition
Korean Sharing Movement	1996	Food and general donations Agricultural technology Goat support program Lunch for children	private donations, government	Health and Medicine program
Korean Welfare Foundation	1997	Health and medicine(modernizing children's hospital, providing medicine and ambulance, establishing heart disease center for children) Food(bread distribution, sending nutritional supplement)	private donations, government	Continuation of anti-parasite program
National Coalition of NGOs for Inter-Korean Agricultural Development and Cooperation	1998	North-South cooperation on growing seed potatoes Operation of Information Center for North-South Agricultural Exchange	private donations	Promoting the awareness of agricultural cooperation
National Council of Saemaul-Undong Movement in Korea	1998	Agricultural assistance(cooperative farm project, sending the Unification hand-drawn carts and insecticides) Winter clothes	Interest income from general fund, state-bidden program, other income	Community development campaign

Name of Org.	Duration of Works	Major Activities	Funding Sources	Future Concerns
Oke-dongmu Children: South-North Korean Children Friends Forever	1996	Food and medical support for North Korean children	private donations, government	Establishing the children hospital with center for psychological treatment and cultural facilities
SeoBu Annual Conference of the Korean Methodist Church	1994	Exchanges between the two Korean churches, Humanitarian assistance to North Korea through the Central Committee of the Korean Christian Federation Cooperative project on Theology education	Fund from the member churches, donations from the supportive(affiliated) groups	Helping collective farms, Supporting the Pyongang Seminary
South-North Sharing Campaign for Peace and Reunification	1997	Emergency relief(food, medicine), Campaign for rice sharing with the North Koreans, Providing transport device	private donations	Constructing a community center(chapel ,hospital and a nursery) in the Special Autonomous Economy Area
Ven. Mother Park, Chung Soo Won Buddhist Relief Foundation	1995	Emergency relief(through other NGOs and UN agencies), Powdered milk campaign for North Korean children	private donations	
World Vision Korea	1994	Noodle factory program(1996-) Vegetable greenhouse farming(1998-) Seed-Potato program(2000-) Agricultural recovery project(1998-) Medical care program(1999)	private donations, government	Hydroponics greenhouses

C. National foreign aid agencies

The United States has played an important role in emergency relief to North Korea through UN agencies like WFP and NGOs. The United States Agency for International Development (USAID), along with development assistance programs, administers humanitarian assistance programs such as Food for Peace programs (Public Law 480 - Title II), the Food for Development program (Title III), and international disaster assistance funds.

The European Commission Humanitarian Office (ECHO) was set up in 1992 to oversee and coordinate the European Union's humanitarian operations in non-member countries. ECHO has played a leading role in international humanitarian aid, accounting for a quarter of all international assistance. It responds to all types of crisis through emergency aid, food aid, and aid to refugees and displaced persons. Instead of carrying out its own projects, ECHO operates through partners, NGOs, and the specialized agencies of the United Nations by supporting operation funds. The EC's Directorate General for Development has focused its activities on support to agricultural rehabilitation through a number of projects for soil conservation, rehabilitation of irrigation systems and sustainable upland hillside conservation and reforestation.

Some countries have made direct assistance to North Korea since 1995. The direct aid made by neighboring countries like Japan,

China, Russia, and Taiwan constituted a considerable proportion of the total assistance to North Korea. The South Korean government extended material assistance to North Korea totaling some \$391.28 million between 1995 and 2001. Recently the government has focused its North Korean aid program on improving North Korea's agricultural productivity and offering public health and medical services as well as providing emergency relief.⁴⁾

The Swiss Agency for Development and Cooperation (SDC) has distributed relief goods such as rice, frozen meat and baby foods, both bilaterally and through NGOs.

D. Evaluation

The international community has encountered several problems in its efforts to assist North Korea. First, one of the most serious problems is that accurate assessments of North Korea's crisis situation and of its overall supply/demand status have not been available. Thus far, North Korea has imposed restrictions on relief workers that prevent them from making on-site surveys by requiring strict prior-clearances. This has effectively cut off the means to collect detailed information in especially vulnerable sectors and has led to divergent estimates among countries and organizations trying to determine North Korea's food situation.

4) Ministry of Unification, "Toward an Era of Peace and Cooperation," *Policy Series* (June 2001), p. 50.

Also, the lack of information has led to overestimating and overreacting to the food shortages in some selected areas that North Korea has chosen to reveal to outside the world.

Second, the international community's assistance could be being utilized as a complement to North Korea's public distribution system. The fact that international assistance has to go through North Korea's central distribution channels could mean that parts of the assistance would be diverted as special rations to the military and other powerful sectors on whom North Korea has always placed priority consideration. At the early stage, these practices would make it very difficult for the South Korean government and civilian organizations to expand their relief efforts for North Korea.

Third, the North Korean practice of concentrating relief materials on chosen areas and diverting them for other purposes would hamper the efforts to reach the more vulnerable persons and regions. It is widely known in the international relief community that only about 40% of the total relief material actually reaches the target groups. Even if room were allowed for such weakness, it would seem clear that the relief efforts thus far have been lopsided in favor of possible leakages along the distribution channels. This would hamper the efforts to reach the vulnerable and the weak, and ultimately aggravate the situation for starving populations.

Fourth, the international community has not had productive and constructive discussions regarding North Korea. The government of North Korea has regarded their difficulties as a temporary condition caused by natural disasters. At the beginning, the Flood Disaster Rehabilitation Committee (FDRC) could not handle non-food assistance, nor did it want to. FDRC explicitly criticized UN/DHA, UNICEF, and UNDP and viewed any non-food assistance as an unwelcome waste of resources that otherwise could have been used to purchase emergency food aid.⁵⁾

As a practical matter, it is very difficult to precisely estimate the impact of international assistance on North Korean society because, to date, North Korea has not allowed reliable socio-economic data on the use of humanitarian aid to be collected. Therefore, a systematic study on the impact of international assistance on North Korean society has not yet been tried.

International assistance to the North to this point has had some fundamental limits because it has been channeled through the Public Distribution System (PDS) and therefore just complemented North Korean control over the society. Nevertheless, we cannot deny the humanitarian dimension of international aid in that it has prevented further development of mass famine.

5) Sue Lautze, "North Korea Food Aid Assessment," USAID/OFDA, www.reliefweb.int/emergenc/korea/source/usaidd/assess/060696.html

International food aid has stimulated private markets and reduced the price of food in the markets 25–35 percent.⁶⁾ As a result, it has promoted individuals' coping mechanisms for survival. Also, the international community has engaged with the government of North Korea and built confidence at the provincial level. Most importantly, it has undermined central government propaganda concerning South Korea and the U.S., and to some extent it has eased tensions on the Korean peninsula.

Residing in North Korea for relief works, UN agencies and NGOs have expanded the opportunities to understand North Korean society. Despite some limitations, they have tried to find a way to help North Korean people overcome the current crisis by themselves. NGOs could play a major role in generating and transferring knowledge about better farming practices and in helping cooperative farms and other rural institutions adapt to changing farming needs. Despite the lack of professional staff, institutional depth, or money to implement works directly, NGOs have tried to act as crucial catalysts in building new skills and revitalizing existing institutions.⁷⁾

6) Andrew Natsios, "The Politics of Famine in North Korea," *Special Report* (US Institute of Peace, August 1999).

7) Thomas McCarthy, "NGOs and Agricultural Development in the Democratic People's Republic of Korea," a paper presented at the 3rd International Conference on Humanitarian Assistance to North Korea (Yongin: June 2001).

IV. Conclusions and Recommendations

Considering that the government of North Korea still keeps pervasive control over its society compared to the governments in other emergency areas, the international community's efforts in North Korea should be taken more seriously. The United Nations agencies and NGOs should cooperate to make more accurate and profound assessments on the North Korean humanitarian crisis.

First, in order to prevent international humanitarian aid from being used as a political instrument of the government, thus perpetuating human rights abuses of the vulnerable, international organizations should share their information and opinions through regular meetings and try to learn the scope and location of vulnerable groups and proper distribution methods. Future humanitarian assistance to North Korea should be targeted through development relief projects directed primarily toward vulnerable groups such as children and female heads-of-household. Water and sanitation projects have been implemented in North Korea and some organizations have tried to assist child institutions by building greenhouses for vegetables and producing nutritious food. These works of clear purposes and with clear beneficiaries, though simple and small, have supplemented humanitarian relief with a development dimension.

Second, distribution channels of humanitarian aid to North Korea

should be diversified. Instead of relying on the public distribution system of the central government (the Flood Damage Rehabilitation Committee), the international community must find more efficient ways to give intensive aid to the vulnerable, including the internally displaced.

Third, in monitoring North Korea's response to crisis, active relief organizations and nations should demand the North Korean government take proper self-help measures. It is widely recognized that the current crisis in North Korea is not just a natural disaster, but also a structural problem. The North Korean food shortage problem is not likely to go away even with assistance from the international community until the North Korean government decides to help itself and the nation by addressing the energy shortage issue, by increasing the production of agricultural supplies such as fertilizers and pesticides, and by offering concrete incentives to peasant farmers through economic reform.

Fourth, international relief organizations must try to utilize this opportunity for strengthening the autonomy of local government structures by giving more development-oriented aid to vulnerable areas with weak economic bases. Since 1996, the central authorities have responded to the food crisis by decentralizing responsibility to local leaders. Therefore, more community-based programs should be introduced to build a local level relationship with people.

Fifth, donor nations such as countries in the EU and the U. S. should closely evaluate the humanitarian activities conducted by United Nations agencies and NGOs. Human rights concerns should be officially raised to prevent the marginalization of disenfranchised social groups.

Sixth, future international aid should be constructed to induce the establishment of local NGOs in North Korea. In their efforts to find alternative sources of funding, the Chinese have had their mass organizations sponsor the establishment of secondary associations. The Communist Youth League founded the China Teenagers' Association, to raise money in Hong Kong and overseas for the Project Hope, which enabled children to go to school. Similarly, the Women's Federation set up the China Children and Teenagers' fund for educational projects. The Official Chinese Protestant Church created the Amity Foundation in 1985 to carry out development work and raise funding from abroad.⁸⁾

Seventh, as mentioned in the UN Consolidated Inter-Agency Appeal for North Korea, women's participation should be actively promoted in development relief works. Even though women have been victims of poverty resulting from embedded structural discrimination, they can play a major role in poverty reduction and community and national development. The international community

8) Jude Howell, "Prospects for NGOs in China," *Development in Practice*, Vol.5, No.1 (1995) p. 7.

should increase the effectiveness of development programs by expanding women's participation.

Eighth, the international cooperation system should be strengthened to effectively implement development relief works through sector specializations. The international community has tried to build cooperative mechanisms by organizing international conferences three times to date. Nevertheless, there still exists a gap of understanding on the issues of security and national unification. Future international assistance to the North should be made in a way to promote peace and reconciliation on the Korean peninsula. In this context, the South Korean NGOs should be invited to consultations or conferences on North Korea hosted by UN agencies. Also, the opening of a NGO service center in Seoul⁹⁾ should be made to promote practical cooperation among the international community.

9) Oh Jae-Shik(World Vision Korea), "Partnership between NGOs, UN agencies, Government and Cooperations," *The 3rd International Conference on Humanitarian Assistance to North Korea* (Yongin: June 2001).

Agenda for International Cooperation on Mobilizing Development Assistance for North Korea

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Abstract

South Korea does not have enough financial resources to support the rehabilitation of the North Korean economy. On the other hand, the international community will recognize the economic benefits of an increasingly stable and secure Korean peninsula as the North-South dialogue progresses, and be ready to make due contributions. This paper puts forward two conceivable proposals. One is the establishment of a multilateral assistance mechanism (MAM) through which financial, as well as technical, assistance to North Korea will be channeled and a multilateral policy dialogue with North Korea will be maintained. The participants could include major donor governments, major IFIs, the UNDP, NGOs, and international aid agencies. A multilateral coordination mechanism is better suited to preventing aid duplication and for assuring the transparency of the economic

assistance provided. Such a mechanism is also needed for the swift provision of much needed economic assistance to North Korea. The second proposal concerns North Korea's external debt problem. Without the initiation of debt relief talks on rescheduling or reductions, North Korea is, for all intents and purposes, out of the international financial market. It is time to think about the participation of the Paris Club official creditors in the debt relief negotiation process. Furthermore, the utilization of NGOs in the course of clearing the insolvent debts through debt-for-equity swaps could be considered as a complement to straightforward debt relief.

I. Introduction

The first year of the New Millennium has witnessed several important developments on the Korean Peninsula. The first significant event took place in a location with both symbolic and historic significance, where the Berlin Wall came down more than 10 years ago.¹⁰⁾ President Kim Dae-jung made an announcement, on March 9, 2000, that South Korea is willing to engage in economic cooperation with the North at the governmental level. He proposed large-scale economic cooperation with the North, including

10) On October 3, 1990, Germans began to share the same country name. Coincidentally, the date also marks National Founding Day on which Korea was founded 4,323 years ago. Every year Koreans celebrate the October 3rd and will remember the unification of Germany.

investments in infrastructure and agriculture. The Presidents address, dubbed “the Berlin Declaration,” embodies the South’s confidence stemming from the strength of the economic recovery over the past two and half years, following the financial crisis that erupted in the winter of 1997/98.

Next, in April, came the striking announcement of North-South Korean summit meetings. The highly acclaimed summit yielded “the North-South Joint Declaration” on June 15, 2000.¹¹⁾ Since the announcement of the summit, an enormous amount of attention has been paid to how to promote North-South economic cooperation. Many correctly point out that North Korea is in need of basic infrastructure, such as roads, railways, power plants and port

11) The North and the South: (1) agreed to solve the question of the country’s reunification independently by the concerted efforts of the Korean nation responsible for it. (2) recognizing that a proposal for federation of lower stage advanced by the North side and a proposal for confederation put forth by the South side for the reunification of the country have elements in common, agreed to work for the reunification in this direction in the future. (3) agreed to settle humanitarian issues, including exchange of visiting groups of separated families and relatives and the issue of unconverted long-term prisoners, as early as possible on the occasion of August 15, 2000. (4) agreed to promote the balanced development of the national economy through economic cooperation and build mutual confidence by activating cooperation and exchanges in all fields, social, cultural, sports, public health, environmental and so on. (5) agreed to hold dialogues between the authorities as soon as possible to implement the above-mentioned agreed points in the near future.

facilities, in order to accommodate meaningful investment from outside.¹²⁾ As discussions on North-South economic integration become increasingly deep and complex, the issue of who is going to pay the associated costs will gain more and more attention.

The relentless trend of the severe economic conditions in North Korea, since 1990 - including the shortages of food, raw materials, and foreign exchange - is likely to continue in the short to medium-term, at the very least.¹³⁾ The economic integration of the two Koreas will inevitably induce an additional fiscal burden on South Korea. South Korea's economy has also recently been challenged by its own financial crisis and, as a consequence, the weight of the burden has become even heavier. The fiscal burden, arising from the financial sector recapitalization to recover from the recent financial crisis, already amounts to a huge price tag and will continue until the government reimburses the public bond issues.

The motivation for this paper comes from the fact that South Korea, unfortunately, does not have enough financial resources to support the rehabilitation of the North Korean economy on its own.

12) Although large amounts of food aid and humanitarian assistance have been delivered since 1995 from the international community, including the FAO, the WFP and UNICEF, as well as the US, Japan and South Korea, the low levels of commercial imports, owing to shortages of foreign exchange and stagnant agricultural output proved, not to be enough to fill the gap between production and the minimum level of consumption required for normal lives.

13) See Cho and Zang (1999).

Some have talked of “complacency” as having been one of the fundamental causes of the recent Korean financial crisis. It is imperative that we learn from our past mistakes and avoid any complacency when dealing with the issue of financial support for North Korea. The identification of South Korea’s limitations has prompted me to delve into this paper’s issue: an agenda for multilateral international cooperation for the rehabilitation of the North Korean economy. Among others, discussions on the establishment of a development aid coordination mechanism would produce feasible action plans for engaging North Korea in the international community. The research will also propose a way of utilizing non-governmental organizations (NGOs) in dealing with North Korea’s debt problem.

II. Internationalization of The Financing Burden

The German experience reveals that the budgetary costs of unification were actually much larger than originally envisaged due to the fact that East Germany’s pre-existing economic difficulties were severely underestimated. Since the German unification, the total unified German government expenditures that have poured into the former East Germany have been equivalent to approximately 5-6 percent of the West German GDP per annum.

Table 1 compares differences between East and West Germany in 1989, when the Berlin Wall collapsed, with those between North

and South Korea in 1999. North Korea's population is about half of South Korea's, while East Germany's population was about one-quarter the size of West Germany's. The per capita income of East Germany was estimated to be approximately one-fourth to one-fifth of that of West Germany. In contrast, North Korea's per capita income is estimated to be less than one-tenth of South Korea's. This comparison suggests that South Korea would have to spend much more than West Germany has done, probably more than 10 percent of its GDP per year, on top of the fiscal burden already imposed by its financial crisis recovery, in order to provide North Korea with a similar cash infusion.

<Table 1> Two Korea's (1999) and two Germanys (1989) - Comparative Economic Indicators

	Unit	S.Kor (A)	N.Kor (B)	A/B	Unit	W.Ger (C)	E.GER (D)	C/D
1. Population	Millions	46.9	22.1	2.1	Millions	61.7	16.4	3.8
2. Nominal GNP	\$billion	402.1	15.8	25.5	DM bn.	2,260	230-300	9.8-7.5
3. GNP Per Capita	US\$	8,581	714.0	12.0	DM	36,629	14,024- 18,293	2.6-2.0
4. Total Trade	\$billion	263.4	1.48	178.0	DM bn.	1074.9	82.25	13.1

Source: Bank of Korea (2000)

Given the impact of the financial crisis and the fact that Korea does not have the same economic standing as the former West Germany, South Korea will, out of necessity, have to opt to 'internationalize' the financial burden of the rehabilitation of the North Korean economy by means of international cooperation.¹⁴⁾

The debt-stricken South Korean corporations do not have enough financial resources to pour into risky social overhead investments in North Korea. South Korean financial institutions, anxious to maintain the BIS capital adequacy ratio criterion, will not lend spuriously to support any significant North Korea projects.¹⁵⁾

It is obvious that North Korea needs a substantial amount of foreign funding for the rehabilitation and reconstruction of its economy, and it is also obvious that South Korea is not rich enough to cover all of the expenses. Thus, the financing needs stemming from Korean economic integration should be satisfied by foreign financing on a much larger scale than in the German unification case.

Foreign financing can be categorized into private financing, including commercial loans and foreign direct investment, and official development assistance, such as grants and concessional public loans. The possibility of North Korea's attracting private foreign financing seems very dim since North Korea has been

14) For a comprehensive but succinct survey on the evolving arrangements of international cooperation since the Second World War, see Streeten (1989).

15) Furthermore, borrowing of South Korean financial institutions from abroad to finance North Korean projects would be virtually uneconomical since very high risk premiums would be asked by international investors. Currently, even risk premium associated with issuing South Korean government bonds runs over 200 basis points over LIBOR, about same as Thailand's. Note that country ratings of South Korea by major credit rating agencies barely escape non-investment grade.

virtually in default on its external debts since the mid-1970s. Although some trade credits continue to be provided, in small amounts, to North Korea, virtually all other foreign financing channels have been blocked. No fresh money will be available from international private lenders unless North Korea's external debt overhang could be alleviated. Thus, the only conceivable option remaining is to resort to official development assistance, which would require a great deal of international cooperation.

<Table 2> Aid-financed Imports Relative to Total Imports of South Korea, 1953-75

Year	Total Imports	Aid-Financed Imports							
		Total				U.S.Share			
		Grant ^a		Loan ^b		Grant ^c		Loan	
	1,000	%	1,000	%	1,000	%	1,000	%	
	USD		USD		USD		USD		
1953	345	201	58			171	50		
1954	243	149	61			132	54		
1955	341	233	68			215	63		
1956	386	320	83			304	79		
1957	442	374	85			369	83		
1958	378	311	82			314	83		
1959	304	211	69			220	72		
1960	343	232	68			245	71		
1961	316	197	62			199	63		
1962	422	219	52			323	55		
1963	560	233	42			216	39		
1964	404	143	35	25	6	149	37	25	6
1965	463	136	29	2	0	131	28	2	0
1966	716	148	21	50	7	103	14	47	7
1967	996	152	15	80	8	97	10	38	4
1968	1,463	168	12	90	6	106	7	70	5
1969	1,824	155	9	169	9	107	6	71	4
1970	1,984	187	9	101	5	82	4	51	3
1971	2,394	126	5	193	8	51	2	34	1
1972	2,522	66	3	342	14	5	0	194	8
1973	4,240	23	1	224	5	2	0	123	3
1974	6,851	30	0	186	3	1	0	20	0
1975	7,274	37		348	5				

Source: Edward S. Mason et al., *The Economic and Social Modernization of the Republic of Korea* (Cambridge: Harvard University Press, 1980), p. 206; reproduced in *Krueger and Ruttan* (1989), p.232

a. Total grant aid includes Japanese grant funds from 1965 on.

b. Loan aid includes loans from international organizations and public bilateral loans.

c. U.S. grant aid includes technical assistance costs in addition to commodity imports.

South Korea's experience in financing the reconstruction of the South Korean economy during 1953–1975 should provide some insights in this regard. Table 2 shows the evolution of the share of South Korea's aid-financed imports relative to total imports. South Korea's development needs were increasingly met by foreign private financing during the period 1965 – 74, when South Korea was able to demonstrate its potential for rapid growth.¹⁶⁾ However, before attaining membership in the World Bank in 1962, more than 50 percent of its imports were financed through aid from the US, which was virtually the sole donor country at the time. After the normalization of relations in 1965, Japan was added as a major donor. Since then, the share of US aid had dropped rapidly. Besides Japan, the World Bank also played an important role for relieving the burden of US aid to South Korea. The World Bank established in 1966 and had presided successful Consultative Group meetings for Republic of Korea to mobilize and coordinate development assistance to the country. Alternatively, it was named by the South Korean government as International Economic Consultative Organization for Republic of Korea (IECOK), which was dissolved in 1984.

North Korea needs donors who are able to assume the same role the U.S. played in the course of South Korea's economic recovery some 40 years ago. Unfortunately, South Korea alone cannot do it. To this end, there is a need for creating a framework for initiating

16) Krueger and Ruttan (1989), p. 233.

multilateral international cooperation. On the other hand, the international community will recognize the economic benefits of stability on the Korean peninsula as the North-South dialogue progresses, and be ready to make due contributions.

As a source of bilateral official development assistance, North Korea must have in mind a substantial amount of foreign currency injection through Japanese reparation/compensation payments to North Korea once diplomatic relation between North Korea and Japan normalizes. Indeed, a major issue in the normalization talks between the two countries has been the amount of reparation/compensation payments. Although official figures have not been released at all by either side, it has been reported that Pyongyang is demanding a minimum of \$10 billion up to \$20 billion, while Tokyo seems to have in mind a package of \$5 to \$10 billion [Manyin (2000)].

As a benchmark for the amount, one needs to look at Japan's 1965 economic aid package to South Korea.¹⁷⁾ The final deal, totaling a package of \$800 million, settled in 1965 consisted of a grant of \$300 million, a concessional public loan of \$200 million, and a private loan from Japanese banks and financial institutions of \$300 million. It should be noted that all three categories of payments were to be disbursed over a 10-year period. Further, an accrued South Korean debt to Japan of \$46 million was subtracted from the grant amount.

17) For more information, see Kim (2000) and Shin (2000).

We would conjecture the final amount settled between North Korea and Japan to be between \$5 billion and \$10 billion. For instance, Manyin (2000) used consumer and producer-price inflation in Japan for the period 1965 - 1999 to adjust the 1965 South Korean package and obtained an estimate of \$9.2 billion for the North Korean package, which would be classified as a higher number. The total would consist of a grant of \$3.45 billion, a concessional government loan of \$2.3 billion, and private credits of another \$3.45 billion. We would need to subtract from the grant amount an amount of North Korean debt to Japan. The accumulated debt amount as of today is not known, but an estimate suggested a total of \$530 million accrued as of 1989 (Table 4). In this case, the total free money provided to North Korea from the Japanese government would be \$2.92 billion and the total reparation/compensation package would reduce to \$8.67 billion, assuming no accrued interest since 1989. Then, annual inflow into North Korea would be \$867 million, assuming a 10-year disbursement period, of which an annual free and concessional public loan would amount to just \$522 million.

The amount seems to be substantial compared with North Korea's annual imports of \$1.47 billion in 2000. However, before the collapse of the Soviet Bloc in 1989, North Korea had normally imported annually as much as \$3 billion. As Table 2 shows South Korea's aid-financed imports had been more than 50 percent of its total imports before joining the Bretton Woods institutions in early 1960s. Japan's money would certainly help survive the shrunk

North Korean economy, but may not be enough even to return to the level it achieved before 1989. For the North Korean economy to take-off, as South Korea did in the late 1960s, more than just injecting cash into the country would be needed. What is more important is to build international assurance that the country will provide stable and favorable environment for foreign private investment.

III. Agenda for International Cooperation

1. North Korea's Admission to International Financial Institutions (IFIs)

Since South Korea's fiscal contributions to North Korea will only be able to make up a limited portion of the astronomical costs associated with the rehabilitation of the North Korean economy, direct investment by foreign private sectors, in alliance with South Korean enterprises, will become a crucial and magnanimous source of funds. Accordingly, the inducement of foreign direct investment in North Korea not only remains, but also will continue to remain, as an important component of the much-needed international cooperation. In this regard, the importance of the role of international financial institutions cannot be underestimated. Without assurance from IFIs, in particular from the IMF, the World Bank and the Asian Development Bank, foreign private firms will not invest in North Korea as the accompanying high degree of risk will be taken solely by themselves. By following this train of

thought, guiding North Korea to participate in the international community, on official terms, by first helping it to join the international financial institutions, would likely prove to be the most practical way of facilitating North–South economic integration.

Moreover, to the extent that the various international financial institutions’ economic support of North Korea could prevent its economic over-dependence on any particular country, the North Korean leadership would find it advantageous to accommodate the aforementioned inducement on the grounds that it would help maintain the stability of its political power base. Therefore, a search for multilateral international cooperation has become all the more attractive and critical for North Korea.¹⁸⁾

In fact, North Korea demonstrated its enthusiasm for participation in the international financial community as early as 1997. In April 1997, it officially applied for membership to the Asian Development Bank (ADB), and in September of the same year, it received a fact-finding visit from the IMF. Furthermore, North Korea invited and hosted a senior World Bank official in

18) IMF membership is a prerequisite to receiving aid and loans from the World Bank. Membership will require North Korea to report accurate, transparent, prompt, and full data on national and external accounts, prices, external debts, budget (including military), and monetary statistics. Furthermore, after formal membership is granted, in most cases, the country needs to “discuss and negotiate” with the IMF and the World Bank its medium-term policy framework and to accept the IMF’s surveillance procedures.

February 1998. Given this trend, North Korea appears to have made some progress in improving its relations with the international financial institutions.¹⁹⁾ Despite some “skeptical” views about North Korea’s suspected nuclear sites, satellite (missile?) tests, North Korea’s relationships with the international financial institutions are expected to progress.

Once North Korea joins the international financial institutions, it will be able to receive financial assistance on concessional terms, as well as technical assistance, from the IFIs. The possibilities of such assistance would include the PRGF (Poverty Reduction and Growth Facility) fund of the International Monetary Fund, the IDA (International Development Association) fund of the World Bank, and the ADF (the Asian Development Fund) of the Asian Development Bank. Furthermore, should North Korea successfully implement the reform programs required by the IMF and the World Bank, then North Korea would be qualified to receive external debt relief through the Koeln Initiative (enhanced version of the HIPC²⁰⁾ Initiative) of the IMF and the World Bank. Under the Initiative, qualified countries could receive up to 90 percent funding for debt relief in net present value terms. Furthermore, major donor countries have committed to provide official assistance only in the form of grants to HIPC countries.

19) See Babson (2000).

20) Highly Indebted Poor Countries.

Helping North Korea to join these international financial institutions would be the first step in laying the foundation for a practical framework for international cooperation.²¹⁾ The South Korean government formally asked the members of the ADB to support North Korea's efforts to join at the Bank's annual meeting held in Thailand on May 7 this year.²²⁾ However, in order to clear the way for North Korea's membership, U.S.-North Korea and Japan-North Korea relations will have to improve. Of particular importance is that North Korea will need to remove itself from the U.S. Administration's terrorism list in order to gain admission to the IFIs.²³⁾ Under a domestic law, the U.S. Administration is required to oppose the provision of financial assistance from IFIs to countries on the terrorism list.²⁴⁾ We would not expect that the

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- 21) President Kim Dae-jung appealed on May 15 for the international community to assist the ROK in its efforts to achieve reconciliation with the North Korea and help its economy. He said, " I believe it is time for the global community and international organizations to participate in efforts to provide North Korea with economic assistance if the North requests it."
 - 22) At the ADB Annual Meeting held in May 1997 and the IMF/World Bank Joint Annual Meeting in September 1997, the South Korean government had announced a position in support of North Korea's joining the international financial institutions.
 - 23) North Korea has been on the list since January 1998. Seven nations are currently on the list. Six others are Cuba, Iran, Iraq, Libya, Sudan and Syria.
 - 24) The U.S. eased sanctions on North Korea on June 19, 2000, in categories that fall under the Trading with the Enemy Act, the Export Administration Regulations, and the Defense Production Act. This easing of sanctions, however, does not affect counter-terrorism or non-proliferation controls on North Korea, which prohibit exports of

Bush administration lift the restriction in a short time span. Further, it should be noted that being removed from the list would not automatically lead to being admitted to the IFIs.

2. Economic Support for North Korea as a Non-Member State

The process of North Korea gaining membership in the key IFIs will take some time in order to clear all the hurdles. Therefore, it is equally important to discuss what other modes of support are available to North Korea in the context of its current non-member status. It should be noted, however, that North Korea needs to request, on its own, any conceivable support it requires from the international community.

Technical assistance can be delivered to non-member states if both sides agree.²⁵⁾ In the case of Vietnam, all of the IFIs lending to Vietnam was suspended following its 1979 invasion of Cambodia.²⁶⁾ Before resumption of the IFIs lending in 1993, it had received, on a number of occasions, technical assistance from the World

military and sensitive dual-use items and most types of U.S. assistance. Statutory restrictions, such as U.S. missile sanctions, remain in place. Restrictions on North Korea based on multilateral arrangements also remain in place.

25) David Coe, IMF's former resident representative in Korea, told in a press conference in April 2000 that the IMF would provide technical assistance to North Korea with approval by major stakeholders.

26) Although Vietnam maintained its membership status, it had been treated virtually as a non-member state until 1993.

Bank's Economic Development Institute, starting in 1991.²⁷⁾ The provision of technical assistance to North Korea, such as educational training programs, as a measure to involve the international financial institutions for the short run, needs to be looked into. The benefits of educational programs for North Korea, such as an increased knowledge of international financial institutions and the market economy, as well as recent trends and flows of capital and trade, will altogether assist North Korea in becoming a part of the international community.²⁸⁾ Another area of technical assistance that should be provided would be to help establish a "research institute for international economics" in North Korea. The institute could be a gateway for the absorption and dissemination of knowledge on the market economy, information technology, and other areas of the global economy.²⁹⁾ The international private sector - including colleges, research institutions, and non-governmental organizations (NGOs), and the UNDP - as well as international financial institutions, could also offer technical assistance.

Finding financial resources for technical assistance poses no severe challenge in that some of the trust funds,³⁰⁾ which the

27) See Leipziger (1998). For a study of the evolving relationship between China and the keystone international economic organizations, the IMF, the World Bank, and GATT, see Jacobson and Oksenberg (1990).

28) For an excellent review of North Korea's non-governmental foreign contact, see Park (2000).

29) Mr. Babson of the World Bank reports that North Korea showed a keen interest in establishing the institute while he visited Pyongyang in February 1998.

major countries have deposited with the international financial institutions, can be used to deliver the necessary technical assistance to non-member countries. However, the current economic difficulties in North Korea necessitate additional funding for the recovery and reconstruction of the North Korean economy. South Korea would like to provide some assistance, to this end, as proposed by President Kim in the Berlin Declaration. Given South Korea's limited ability to support North Korea's rehabilitation expenses, and presuming that North Korea shows its sincere efforts to reform its economy, the international community may want to consider several options. A conceivable option is to establish a Trust Fund for North Korea at IFIs prior to North Korea's membership.

There already exist several precedents. Before gaining formal membership to the World Bank, the West Bank and Gaza were able to receive financial assistance from the Bank. The World Bank established a 'special' trust fund –the 'Trust Fund for Gaza and the West Bank'– to provide financial support to the Palestinian authorities, clearly a non-member state. With the political and diplomatic support of the United States, the Trust Fund has been a source of substantial economic benefit to the Palestinians as a non-member state. Such had been the case for both Bosnia and Herzegovina before they became members of the World Bank.

30) A trust fund is a fund administered by the World Bank in accordance with the terms of an agreement with a donor (World Bank, 1997).

Each of these cases involved critically significant amounts of financial support as well as technical assistance. The list also includes East Timor and Kosovo.

The magnitude of the financial assistance provided given to the Palestinians from the international community, in a period of less than 5 years, is enormous given that the Palestinian authorities officially govern only 2 million people.³¹⁾ Since the establishment of the Trust Fund in October 1993, total commitments from the World Bank, and additional assistance from the international donor community through the Holst Fund and the Technical Assistance Trust Fund (TATF), amounted to as much as 670 million USD, of which 506 million USD had already been disbursed, as of August 1999.³²⁾ Moreover, the number does not include the bilateral assistance pledged by major donor countries, of 2.75 billion USD, during 1994–98.

3. Establishing a Multilateral Assistance Mechanism for North Korea

The establishment of “The Trust Fund for North Korea” requires prior consultation with the World Bank and its major stakeholders. As mentioned above, the policies of the U.S. and Japan would act as key factors, albeit to a lesser degree than for the case of admission to the IFIs.

31) See World Bank (2000).

32) World Bank (1999).

Given the limitations, the segment of the international community that is interested in developing North Korea, may need another conceivable mechanism. The mechanism need not involve substantial financial assistance from the major IFIs and, as such, it would be able to evade the domestic legal problems of the major stakeholders. This is also needed for the swift provision of needed financial and technical assistance to North Korea. Even once all the hurdles inhibiting North Korea's admission to the international financial institutions are cleared, the actual disbursement of substantial financial assistance would take some time. The mechanism could act as an interim assistance mechanism during the transition period.

A multilateral aid coordination group meeting was held for the first time for North Korea in May 1998, at the request of North Korea.³³⁾ During the UNDP-sponsored thematic roundtable meeting on agricultural recovery and environmental protection (AREP) in Geneva, North Korea presented an ambitious plan to double its agricultural production in three years, and requested grants totaling USD 300 million to complete that plan.³⁴⁾ The Round Table for North Korea marked a meaningful start in this business of international cooperation for the rehabilitation of the North Korean economy. Nonetheless, to help North Korea get out of its

33) The first Round Table was held for Lesotho in 1972.

34) See UNDP (1998). The second roundtable was held on June 20-21, 2000, in Geneva. North Korea asked donors to provide 250 million USD for North Korea's agricultural development programs.

seemingly endemic situation, a much broader mechanism than a Round Table is needed not only to cover the agricultural sector but also to include all of North Korea's other economic sectors since its problems, in general, are rooted in its economic management.³⁵⁾ It seems that international cooperation to develop closer linkages among the World Bank, the UNDP and the Development Assistance Commission (DAC) of the OECD could be considered. There is a need for creating, to this end, a multilateral assistance mechanism for North Korea through which financial, as well as technical, assistance to North Korea will be channeled and a multilateral policy dialogue with North Korea will be maintained. Participants of the mechanism would comprise major donor governments, major IFIs, the UNDP, NGOs, and international aid agencies.

There are broadly two kinds of multilateral coordination groups: UNDP-sponsored Roundtables (RTs) and World Bank-led Consultative Groups (CGs).³⁶⁾ In general, CGs mobilize financial resources for and discuss the overall economic policies of the larger and more technically equipped developing countries. CGs are usually chaired by the World Bank, which is responsible for convening and preparing background materials. The RT meetings

35) The World Bank proposed North Korea to jointly conduct a baseline country study covering all of North Korea's economic sectors. No response has yet come out.

36) For a succinct comparison of these two, see Hopkins (1998), Silva (1999) and UNDP (1999).

perform a similar role for smaller and world's least developed countries, though they are generally chaired by recipient governments and organized by the UNDP with frequent World Bank participation to provide supporting documentation. In general, a CG is closely linked to the World Bank's normal country work programs, while RTs and UNDP's country programs are at most times separated. Moreover, RTs' substantive work is carried out by outside experts, whereas a CG preparation is done by the World Bank in-house technical capacities. This is an irony in that, more technically equipped countries submit to a greater leadership role by the World Bank, while less equipped countries, at least in theory, have a greater voice in the organization of the RTs. The UNDP plays a facilitating and supporting, rather than a management role in the RT process. CGs are more inclined to induce intensive policy discussions than in RTs due, in part, to the fact that the agendas and the documentation presented to the CGs are not by the recipient government but by the World Bank.

The benefits of a multilateral assistance mechanism are as follows. First, assistance through a multilateral mechanism is less susceptible to political concerns than bilateral channels, for both the donor and recipient countries. Second, a collective approach for coordinating resource mobilization is cost-effective and also compensates for the recipient country's lack of diplomatic capacities to reach out to many donors. Although North Korea has recently strengthened its diplomatic ties with European countries, it will

certainly benefit from collective diplomacy. Third, from the donor's point of view, a multilateral policy dialogue mechanism is better suited to preventing aid duplication and for assuring the transparency of the economic assistance provided.³⁷⁾

Moreover, under the umbrella of the multilateral cooperation mechanism, Japanese, US and European firms, in alliance with South Korean firms, can effectively participate in building much needed basic infrastructure projects in North Korea and share in the benefits.³⁸⁾ A multilateral assistance mechanism would be a promising vehicle on which the international community could ride, in this regard.

4. Dealing with North Korea's External Debt Problem

North Korea's external debt situation is gloomy. North Korea's accumulated external debt was estimated to be 6.8 billion USD in 1989, the last reasonably detailed estimate available (Table 4). Most of North Korea's external debt is owed to Russia and China, and projected to have increased to around \$12 billion in 1999 (about 120 percent of its GDP). According to a recent report, North Korea's total debts owed to 111 Western commercial banks amounted to 2.33 billion USD as of 1995. Some of these defaulted debts have been traded on the secondary

37) The KEDO would be a good example of this kind of international cooperation.

38) For advocating the utilization of Japan's ODA funds by South Korean firms, see Fukagawa (2000).

market in the range of 6 to 10 cents per face value of one USD (i.e. at a discount of 90 to 94 percent).³⁹⁾

<Table 3> External Debt of North Korea

	1975	1980	1986	1989	1992	1993	1994	1995	1996
Total	2.10	3.46	4.06	6.78	9.72	10.32	10.66	11.83	12.00

Source: Young, Lee and Zang (1998, Table 5, p. 256)

<Table 4> Composition of North Korea's External Debt by Creditor (End-1989)

	External Debt	Share(%)
OECD Countries	2.74	40.4
Morgan Grenfell	0.24	3.5
Anz Band	0.64	9.4
Japan	0.53	7.8
France	0.23	3.4
Germany	0.35	5.2
Sweden	0.15	2.2
Austria	0.10	1.5
Others	0.50	7.4
Socialist Countries	4.04	59.6
Soviet Union	3.13	46.2
China	0.90	13.3
Total	6.78	100

Source: Young, Lee and Zang (1998, Table 6, p. 257)

39) The price went up to 50 to 55 cents sometime in 1997. After the historic summit meetings and agreement in June 2000, however, no significant change in the debt price occurred.

Because of North Korea's default history, without collateral or guarantees, the international financial community would not normally provide new loans until North Korea's debt overhang problem has been cleared.⁴⁰⁾ Practically, without initiating debt relief talks on rescheduling or reductions, North Korea will be effectively out of the international financial market not receiving any commercial bank loans, and therefore, the burden of official donors will be even heavier. It is time to think about bailing-in international private sector creditors to North Korea, let alone the Paris Club official creditors participation, in the debt relief negotiation process.

Even with North Korea still not having been introduced into the international financial community, utilizing non-governmental organizations (NGOs) in dealing with North Korea's commercial debt overhang, could be of some practical use. The following proposal could be considered as a complement to straightforward a debt relief.

Nowadays, there are increasingly many cases in which economic assistance is funded by donor governments, especially delivered through NGOs. Greater participation by NGOs in aid operations would be more acceptable to North Korea than would explicit provisions by donor governments. An interesting example of the

40) If North Korea enters the IMF and The World Bank and makes progress in economic reforms, then it would be qualified for a debt relief under Koeln Initiative.

utilization of NGOs in the course of clearing the insolvent debts of heavily indebted countries through debt-for-equity swaps needs to be examined.

A debt-for-equity swap is a deal converting a debtor country's foreign debt into foreign equity in domestic assets. Let's assume that a country defaults on a payment of its external debt with a face value of one dollar. Due to the default, the market price of the debt would drop to 10 cents in the secondary market. Then, the debt relief required for clearing all the debts of the country would cost only 10 cents. Now, suppose that a donor country makes a contribution of 10 cents, buys the debt in the secondary market, and gives it to an NGO. The NGO goes to the debtor country and swaps the (foreign exchange denominated) debt for local currency, with some degree of discount being applied (e.g. the equivalent of 5 cents). With the local currency, the NGO conducts projects to meet its own objectives. The idea of "swapping" debt for some kind of domestic asset that provides a guarantee that the NGO will be able to protect the debtor country's natural resources may be termed "debt-for-environment" or "debt-for-nature."⁴¹ If the objective of the NGO is the provision of development assistance, then we may call the scheme "debt-for-development" or "debt-for-aid."

The donor community does not lose too much since the debt is already in default and 10 cents is the prevailing price on the

41) The first countries that employed the scheme were Bolivia and Costa Rica in mid-1987. In these cases, however, NGOs involved themselves financed the repurchases. See the UN (1990).

secondary market. The debtor country ends up by clearing its debt of one dollar by paying only 5 cents in local currencies and also receiving either environmental or developmental assistance. The debtor country's central bank, however, ends up with domestic monetary liabilities or domestic debt. Whether the deal is beneficial for the debtor country depends on two considerations.⁴²⁾ One is whether the project is "extra" or one that would have taken place, anyway. The other concern is whether the interest costs associated with completing the new domestic project could be covered by the amount of discount at which the central bank redeems its external debt.⁴³⁾ The North Korean economy has plenty of room for accommodating "additional" investment projects.⁴⁴⁾ I think that North Korea may very well be interested.

A pitfall of this scheme is that once the donor's intention of repurchasing the debt on the secondary market is known to market participants, the price of the debt would go up.⁴⁵⁾ Thus, the important point here is that the price at which the "open" buy-back is undertaken is set appropriately.⁴⁶⁾ This involves a

42) For details, Cardoso and Dornbusch (1989) p.1432.

43) By assumption, the debtor country is in default and has not paid any interest on its external debt.

44) The schemes could be used for retiring official public loans as well.

45) For a detailed exposition of this point, see Appendix.

46) Buybacks that can be done "secretly" are free of the problem. On the other hand, as Bulow and Rogoff (1988, pp. 690-91) pointed out, the debtor has many ways to compensate by itself. For instance, the exchange rates used for converting foreign currency debts into local currencies could yield significant discounts to the

comprehensive *ex ante* agreement with creditors to preclude free-riders on the matters (Cohen, 1992, p. 78). An extreme way of facilitating the “open” buy-back at an appropriately set price would be in the form of an announcement by the donors and the debtor country that they will not buy-back, afterwards, any portion of the debts not purchased in the original buy-back offer. If credible, the donors would purchase all initial debts at any positive price offered, since the expected price of the remaining debt after the buy-back would be zero (Dooley, 1988, p. 226). Successful international cooperation to this end is obviously crucial.⁴⁷⁾ The task would be made more feasible under a multilateral coordination mechanism in which a policy dialogue among major donors as well as with the recipient country is well coordinated.

IV. Concluding Remarks

Some talked about “complacency” as having been one of the fundamental causes of the recent Korean financial crisis. It is imperative that we learn from our past mistakes and avoid any complacency when dealing with the issue of financial support for North Korea. The identification of South Korea’s limitations has prompted me to delve into this paper’s issue: an agenda for

debtor country with highly overvalued currency.

47) Bulow and Rogoff (1988) also argued that debt-for-equity swaps or buybacks should be considered as part of larger plans, including some compensating concessions by creditors.

multilateral international cooperation for the rehabilitation of the North Korean economy.

It is time for us to consider creating an international coordination mechanism comprised of major donor governments, major international financial institutions, the UNDP, NGOs, and international aid agencies, to develop a framework for international cooperation on the Korean peninsula.⁴⁸⁾ A multilateral coordination mechanism is better suited to preventing aid duplication and for assuring the transparency of the economic assistance provided. Such a mechanism is also needed for the swift provision of much needed economic assistance to North Korea. Under the umbrella of this mechanism, it is time to consider the possible debt negotiation process of the Paris Club official creditors. Debt-for-equity swaps, especially those conducted through NGOs, would be a good starting point.

On the other hand, the international community will recognize the economic benefits of an increasingly stable and secure Korean peninsula as the North-South dialogue progresses, and be ready to make due contributions. It should be noted, however, that North Korea needs to request, on its own, the international community of any conceivable support, and do what it should do.

48) Some along this line of research were done recently by Young, Lee and Zang (1998).

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Session I Discussion Papers

International Society's Assistance to North Korea and Inter-Korean Relations

1. **Jin Park** (Director, Center for Knowledge Partnership, KDI)
2. **Hoona Kim** (Deputy Director, Ministry of Unification)
3. **Seungyul Oh** (Senior Research Fellow, KINU)

<Discussion Papers>

Jin Park (Director, Center for Knowledge Partnership, KDI)

The economic aid by intergovernmental agencies and NGOs to North Korea has played an important role not only in helping North Korea cope with the economic plight but also in stabilizing the Korean peninsula by providing a consistent dialogue channel with the North to the rest of the world. Until a few years ago, South Korea's position toward North Korea was rather unpredictable swing from the one extreme to the other. We have witnessed this abrupt change of the government position in the course of South Korea's historic food aid to the North during 1995-96 when an excitement once rocket-high was easily blown by the flag and detention incidence. Intergovernmental aid to the North during that time was an international pressure asking for a more consistent policy toward North Korea.

This is a really timely paper. We are now experiencing domestic conflicts between different ideas toward the North. Touched off by inadequate behaviors by the delegates to North Korea during the independence day ceremony at Pyongyang, there are now mounting criticisms to the engagement policy that this administration has strongly advocated. I think that it is time again to look around to

see what the rest of the world is doing.

The author examines and analyzes emergency relief and development overtures in North Korea made by intergovernmental agencies and NGOs. I think that this paper by Dr. Lee well summarizes what she has intended to present. The list of the resident NGOs, international or South Korean, in North Korea is especially helpful. She evaluates the *status quo*, which I all agree with. She emphasizes that accurate assessments of North Korea's crisis situation and more transparent distribution channels are important, which leave much room for improvement.

Based on this evaluation, the author proposed several policy directions. By and large, I agree with Dr. Lee's basic principles, but it would have been better if they had been accompanied by more concrete action plans. The author's propositions were: to learn the scope and location of vulnerable groups in North Korea, to diversify a distribution channel, to demand the North to take proper self-help measures, and to strengthen effective relief work through sector specializations. These are all correct recommendations, but to be a more value-added paper, it should be followed by how to accomplish them.

Some of the author's recommendations are providing us good policy targets, but they seem to be a long shot. Dr. Lee emphasizes a role of the local government in distribution method.

She thinks that the relief organization should strengthen the autonomy of local government structure and even the establishment of local NGOs in North Korea. These are all ideal propositions, but do not seem to be very realistic.

In a couple of recommendations, the author's explanation was not sufficient. Women's participation should be expanded in all areas, but why it is more important in this relief program has not been explained enough. Another is the human rights issue. Whether the international community should officially raise this issue needs a serious discussion.

In my opinion, international organizations now should expand the scope of relief from food to knowledge. In fact, North Korea has shown signs of change. By Kim Jung-Il's instruction that people have to understand the way of thinking and management skills of large enterprises in capitalist economies, the Institute for Capitalism Study was established under the Department of Trade to focus on fact-gathering on market economy. For these positive signs to be realized, North Korea needs to enhance the capacity of human resources. We should note that a number of officials educated in capitalist countries are driving the open-door policy in China and Vietnam.

To expand North Korea's capacity of raising foreign capital, there have been efforts to induce support from Western nations

and international organizations such as the ADB, the IMF, the IBRD, etc. In the ADB General Assembly on May 7, 2000, Minister of Finance and Economy of South Korea requested for the cooperation of North Korea's affiliation to the ADB. But there are many political obstacles to overcome before North Korea joins these leagues. Before then, I think that we should rely more on knowledge exchange cooperation with North Korea because those programs are less directly influenced by the international political condition. International organizations should not waste this valuable possibility.

Hoona Kim (Deputy Director, Ministry of Unification)

- I. Considering South Korea's financial situation, the idea of setting up an international mechanism to assist North Korea is very constructive. But before establishing such mechanism, several preconditions should be fulfilled.

Those preconditions are changes in international circumstances surrounding North Korea. Above all, the US-North Korea relations should be improved. The US-North Korea rapprochement can lead international financial institutions and/or banks to participate in programs that support economic development in North Korea.

In addition, the alleviation of North Korea-Japan relations would be a critical factor in inducing international financial institutions and/or banks to invest in North Korea. Financial assistance from Japan will be symbolic in that it can lead other nations to participate.

Progress in inter-Korean relations is also very important. As South Korea's role would be an essential one in any economic program in North Korea, changes in inter-Korean relations can be a factor that decides the outcome of Multilateral Assistance Mechanism (MAM) in support of North Korea.

As the South Korean government views, direct support could

contribute more to the improvement in the inter-Korean relations, which works with a principle to aid North Korea directly.

The South Korean government has donated tens of million dollars worth of food, fertilizer and other in-kind aid to North Korea through UN agencies. Also, the South Korean government understands the significance of international agencies' aid to North Korea. But for the time being, it is expected that the South Korean government will emphasize direct aid to North Korea.

II. What can be an incentive to induce the international community to participate in Multilateral Assistance Mechanism (MAM)?

For the successful establishment and management of the MAM, there should be enough incentives to induce the international community to participate in the MAM and support North Korea?

Incentives can be both economic and non-economic. But economic benefits would be the best incentive to induce other nations to participate.

What kind of benefit or outcome can donor countries expect from a rehabilitation project in North Korea, and is it enough to satisfy participant (donor) countries?

III. What would be a primary goal of the MAM?

We need to define a clear goal before setting up any kind of the MAM. Also, there should be some indicators to estimate probable outcomes during the middle of project.

Although “Peace of Korean Peninsula” can serve as a general direction it is too vague as a goal for the MAM. There should be a clearer goal which can attract the international community to participate the MAM.

In this regard, North Korea must show its willingness to change and their own efforts to rehabilitate their economy, and to join the international community. Their efforts should not be limited to an economic side, and they can be a political one in nature such as a promise to reduce the WMD (Weapons of Mass Destruction) or conventional weapons.

Results of rehabilitation project through the MAM should lead to the improvement and change in North Korea. What can be a development indicator such as the MAM to estimate outcomes?

IV. The MAM and South Korea’s role

If the MAM is established, it is expected that South Korea will have considerable financial obligations. It is inevitable that South

Korea plays a key role for North Korea to support the MAM.

When it comes to investment in North Korea, inter-Korean trade or economic cooperation, South Korea wants to achieve the improvement in such investment. What can South Korea expect from participating the MAM?

Seungyul Oh (Senior Research Fellow, KINU)

Professor Zang's paper deals with a very important issue in relation with the inter-Korean economic cooperation. Given a deteriorated economic condition in South Korea, a major concern of our government and the general public has been concentrated on the feasibility of North-South economic cooperation project in terms of its profitability and financing capability of the related participants. In the paper, Dr. Zang provided a constructive idea of Multilateral Assistance Mechanism (MAM) through which financial as well as technical assistance to North Korea can be channeled. His second proposal is debt-for-equity swaps to resolve North Korea's external debt problem. Basically, I agree to Dr. Zang's proposition. Nevertheless, I would like to add some complementary comments to make the proposal to be a more practical one.

First, Dr. Zang emphasizes the need of international cooperation mechanism considering the weakness of South Korean economy compared to enormous magnitude of financial resources demanded in the process of the North-South economic integration. But we should distinguish real demand of financial resources from an ideological or subjective estimation of 'unification cost.' Thus, it would be convenient for us to categorize the inter-Korean economic cooperation into four areas according to their objectives: humanitarian aid, economic assistance for political reciprocity,

private investment, and aid for North Korea's economic reform. Among them, the volume of private investment will and should be decided by private business, and a possibility of assistance for North Korea's economic reform depends upon the speed and scope of North Korea's policy change. Therefore, at the moment, I think realistic inter-Korean economic cooperation projects in the context of humanitarian aid and economic assistance for political reciprocity can be properly supported by utilizing South-North Cooperation Fund.

Second, Dr. Zang argued in his paper that the MAM is needed for a swift provision of much needed economic assistance to North Korea. Generally speaking, however, a decision-making process in a multilateral mechanism is considered to be more tedious than a bilateral one. Moreover, as a socialist country, North Korea seems to prefer a bilateral approach to a multilateral one in dealing with diplomatic affairs. Given conflicting national interests among the major powers surrounding the Korean peninsula, it will not be an easy task to reach a practical agreement on the method and scope of economic assistance for North Korea.

Third, Professor Zang made a proposal for debt-for-equity swaps to clear the insolvent debts of North Korea. But such a drastic measure for debt relief can be pursued only when we are convinced with North Korea's intention for market-oriented economic reform. Even in case that a debt-for-equity scheme is

adopted, there is no guarantee that North Korea's investment environment for private business can be improved. Thus, the alleviation of external debt burden for North Korea in once and for all manner cannot be regarded as an efficient way to promote a change in North Korea.

Finally, I would like to ask a question from the paper. According to Dr. Zang, in order for North Korea to receive financial assistance on concessional terms from major international financial institutions such as the ADB, the IBRD, the IMF, etc., North Korea should join an institution first. In your judgement, how long will it take for North Korea to get a membership from major international financial institutions?

제 2 회의

국제기구의 대북협력 유도방안

- 사 회 : 이정식 (국토연구원장)
- 발 표 : 스티븐 힐 (유네스코 자카르타 사무소장)
김진경 (연변과학기술대학교 총장)
케네스 강 (IMF 경제분석관)
- 토 론 : 이명진 (과학기술정책연구원 대외정책연구부장)
김규륜 (통일연구원 선임연구위원)
김인숙 (한국지역사회복지회 상임이사)
윤덕용 (대외경제정책연구원 연구위원)
김성철 (통일연구원 선임연구위원)

Session II

How to Encourage International Organizations to Cooperate with North Korea

- Moderator : Jeongsik Lee (President, Korea Research Institute for Human Settlements)
- Presenters: Stephen Hill (Director, Jakarta Office of UNESCO)
James Chinkyung Kim (President, Yanbian University of Science and Technology)
Kenneth Kang (Country Economist, IMF)
- Discussants: Lee Myung-jin (Research Fellow, STEPI)
Kyuryoon Kim (Senior Research Fellow, KINU)
Kim In-sook (Executive Director, Save the Children Korea)
Deokryong Yoon (Research Fellow, KIEP)
Sungchull Kim (Senior Research Fellow, KINU)

The Role of Science and Technology in Building International Political Relations and Peace

Stephen Hill
(Director, Jakarta Office of UNESCO)

“Make the world your homeland, and humanity your
country.”

Victor Hugo

Mr. Seo Byung-chul, President, Korea Institute for National
Unification

Mr. Yersu Kim, Secretary-General, Korean National Commission
for UNESCO

Mr. Jeongsik Lee, President, Korea Research Institute for Human
Settlements, and Moderator

Distinguished Fellow Participants

Ladies and Gentlemen

Let me start by expressing my appreciation for the opportunity you have provided for me to be here to share ideas with you on an issue concerning the Korean Peninsula that is as important to UNESCO as the topic of today's seminar – fostering a dialogue of peace.

My focus may seem indirect, that is to see peace through the eyes of science. But it is not. For the dialogues of science share the values of the dialogues of successful peace making. Science – as an a-political entry point, can therefore open a door for a dialogue of peace through a wall that may have been erected as a result of political division. It is the purpose of my talk to show you how this can be, and is, being done.

To achieve this I must commence by going back to basics – to the way that science and peace connect within UNESCO.

It is the *principal* mission of UNESCO to foster peace.

The basic assumption on which UNESCO was founded was that the two devastating global wars that had been waged before we were even halfway through the 20th Century were *born in the minds of men* – in ignorance, prejudice, and sense of separateness that twisted the use of even the greatest of humanity's intellectual and scientific achievements into the means for peoples to destroy each other. As Koichiro Matsuura, Director-General of UNESCO,

observed when awarding the 1999 UNESCO Prize for Peace Education, the chain reactions that follow on from *ignorance* “insidiously foster rejection of the other, fear and even hatred of differences; they pit individuals, groups and cultures against one another and eventually make us inward-looking; they are the worst enemies of dialogue, without which there can be no healthy, balanced awareness of the other.”⁴⁹⁾

The founding fathers and mothers of UNESCO saw that *cure* for the divisive and hateful power of ignorance to give rise to war lay also in the minds of men and of women – in knowledge and sharing. Hence the domains of UNESCO were put together – education, cultural understanding and communication ... and science.

The power of science to dispel ignorance and political division was well understood. For scientific knowledge is an independent arbiter over divisive argument about how things are.

Scientific knowledge can only be acquired and practiced with the precision, certainty and discipline that allows it to be shared and tested by *anyone* with the right skill and equipment. Scientific knowledge therefore retains an objectivity that is independently verifiable in any institution or country, no matter what the particular institutional or political interests there might *wish* people

49) Kochiro Matsuura, “Address on the occasion of the awards ceremony of the 1999 UNESCO Prize for Peace Education,” *Document DG/99/5/KM* (Paris: UNESCO, 13 December, 1999).

to believe. Even, for example, to take a lesson from history, though the priests and officials refused to look or to see, the *evidence* Galileo could demonstrate in the early 17th Century through the lens of his telescope – of Jupiter's moons, the phases of Venus and the face of the sun – made it dramatically clear that the earth could not be seen as the centre of Aristotle's immutable Cosmos any more, no matter what the authorities of the day asserted. The dialogue of science is intrinsically an a-political dialogue that refers beyond political interests to the evidence.

Access to scientific knowledge also offers the power to solve the problems that hold societies in the grip of underdevelopment, to overcome economic stagnation through innovation, to provide food when traditional production is over-reached, remove endemic illnesses and threats to early mortality, and empower communities – to remove the economic-based divisions that threaten peace.

This emancipatory power is however qualified. Rich countries, with the most developed scientific research resources, have unequally favourable access to the benefits of scientific knowledge through the window to global knowledge that their own scientists provide. And the *application* of knowledge in a science-rich nation or corporation may yield precedence of immediate self-interest over the good of broader humanity. For example, the focus of research concentration may promote industrial progress at the expense of increased environmental and health impact, development of new

products that eliminate the traditional markets of underdeveloped countries, application of information-communications technology that exacerbates rather than reduces the 'digital divide,' or invention of new high technology armaments with appalling killing power in countries that can't afford to purchase them.

Science *can* be put to use for good or evil, or more commonly, for broadly accessible vs. privileged economic and social benefit. As was well expressed in the Declaration on "Science and the Use of Scientific Knowledge" that was produced by the UNESCO-sponsored World Conference on Science in Budapest in 1999, it is UNESCO's role to remind the world how to maintain the balance towards the good and towards 'access for all.' For, in keeping with UNESCO's mandate of peace, division across nations in access to the products of scientific advance is a key source of political instability and tension.

As a direct demonstration of this conclusion – that access to the flows of scientific knowledge can dissolve political divisions, we have only to look at the recent history of the Peoples Republic of China. In this case, removing barriers that isolated Chinese science from the international community had to come first, but the product of the consequent international scientific dialogue was both substantive economic progress and the establishment of internationally open political presence. Chinese President Jiang Zemin made this observation in May 2000 in an interview with the journal *Science*. He noted that China, with a long history of

splendid achievements in science and technology, started to lag behind in the last years of the Ming Dynasty. The reason lay with the feudal system in China. During the Ming Dynasty the Great Wall was renovated and strengthened. The feudal rulers forbade travelling abroad and later imposed restrictions on entry into and exit from China via sea – closing the door to external exchanges between China and the rest of the world. Recapturing international scientific presence was founded on strong policy moves in the mid-1980s. China has now signed agreements on scientific cooperation with the governments of 95 countries and established scientific links with 150 countries and regions, whilst Chinese scientists have participated in 800 scientific collaboration projects launched by international organizations.

President Jiang Zemin observed the condition however, “as long as we follow the principles of equality, mutual benefit, sharing achievements, and respecting intellectual property rights, there should be no risks involved.”⁵⁰⁾

The message of President Jiang Zemin of a ‘win-win’ dialogue benefiting PR China whilst reducing the tensions of isolation is a message of the promotion of science within a framework of values that emphasize *openness of access, sharing of benefits, and equality in participation*.

50) ‘China’s Leader Commits to Basic Research, Global Science,’ *Science*, 288 (16 June, 2000), 1950–53.

UNESCO has taken this dialogue of science another step further towards a dialogue of peace.

The *world* to which science refers is not divided by political or national boundaries. Animals do not check in at passport control as they cross national boundaries; the productivity of plants depends on the quality of nutrients and climate and not on ideological exhortation. Thus, politically derived territorial boundaries, source of many conflicts of national interest in the world, often cut through the middle of ecological systems and habitats and migration routes of animal species. Yet, *management* of these ecological systems as a whole can be critical for sustain ability of the biological resources that the world's nations depend upon. When a national territorial border separates one nation's conservation practice from another, it is the animals and their habitats that suffer. Poachers, for example, when threatened with pursuit can simply escape across the national border to the other side where police or rangers cannot follow; scientific information is likely to be inconsistent when both sides count the same animal twice; management practices across the habitat are likely to be inconsistent – because they are derived from varying governmental frameworks. As a consequence there is great potential in trans-boundary cooperation in the management of conservation. Science, in this enterprise, then leads intellectual and environmental management cooperation across national boundaries. But, perhaps more importantly, this dialogue potentially opens up wider political discourses and cooperation as

well. UNESCO has put this philosophy into practical application under its 'Man and the Biosphere' or MAB programme - in the creation of Trans-boundary Biosphere Reserves zoned for conservation and complementary economic activity *across* national borders.

UNESCO, through the UNESCO Jakarta Office, established its East Asian Biosphere Reserve Network (EABRN) in 1995 to bring together five Member States - North Korea, Japan, Mongolia, PR China, Rep. of Korea (and later the Russian Federation) into a conservation management network dedicated to the development and application of UNESCO's Biosphere Reserve Programme, within which the pursuit of Trans-boundary Biosphere Reserves has become a priority. Work has progressed particularly to bring together PR China, the Russian Federation, Mongolia and Kazakstan in a cooperative project for the Altai Mountain Ranges; with support from UNESCO's Man and the Biosphere programme (MAB) and EABRN. MAB-Russia and MAB-Japan took the initiative together with IUCN Japan and prepared a scientific workshop in January 2001 in Tokyo that produced a joint resolution 'On a new approach to the Kunashiri, Iturup, Shikotan and Habomai Islands issue,' the first time in history for both countries to produce a *joint* resolution in dealing with these disputed territories.

Further south, the UNESCO Jakarta Office has established

agreement with ASEAN and is cooperating towards identifying and nominating Trans-boundary Biosphere Reserve sites through Southeast Asia. There is strong interest at high political levels in Malaysia, Indonesia, the Philippines and Thailand. Meanwhile, detailed feasibility studies have commenced on the potential of the De-militarized Zone (DMZ) area in the Korean Peninsula as a possible Trans-boundary Biosphere Reserve. Whilst of interest to *both* the North Korea and the Republic of Korea – where the idea has attracted President Kim Dae-Jung’s personal attention, there remain both political and technical issues to resolve (in particular, the restrictions that landmines place on monitoring activities). But the ground for dialogue has been opened.

As in this enterprise the dialogue of a science that empowers is a dialogue of peace. It is a dialogue that opens up the opportunity for political dialogue by opening a door that allows the communication of the values that are common to both science and peace, that is, the establishment of trust in the common principles of *access, sharing* and *equality*.

Finally, to focus specifically on the Korean Peninsula, the Republic of Korea has a very strong scientific capacity, forged out of direct application roots in the 1960s, and sharpened by the restructuring from 1998 onwards that followed response to economic downturn accompanying the Asian economic crisis of 1997. North Korea meanwhile has a quality scientific workforce

that is well disciplined in scientific fundamentals, but disadvantaged by lack of access to the movement of scientific endeavour within the international scientific community over the last decade or so. Scientific cooperation based on the principles of 'access, sharing and equality' could well offer an excellent early step in a path towards wider and more specifically political dialogue. This is an a-political step that aligns directly with UNESCO's mission to promote access and dialogue for both science and peace.

The UNESCO Jakarta Office has formed a partnership with the Academy of Science of North Korea and has been assisting the building of international scientific connectedness over the last four years – presaging and working in parallel with North Korea's new initiatives to find ways of opening up the country's society to closer cooperation with the international community. As part of this programme, UNESCO offers two travel grants to North Korean participants at *all* international scientific network meetings that UNESCO stages in Asia, an offer that is now consistently accepted. As Director of UNESCO's Regional Office for Science and Technology I visited North Korea in 1999 and followed up in 2000 with a subsequent mission involving a team of scientific specialists drawn from other countries in Asia to develop a UNESCO scientific support programme for North Korea. This has already resulted in training and exchange opportunities with PR China and a mission sponsored by the Australian Academy of Technological Sciences and UNESCO of senior scientists from the

DPR Academy of Science to Australia to explore exchange and collaboration. Meanwhile, with encouragement from UNESCO, North Korea is positively exploring the use of internet through a scientific gateway to support wider access of the country's scientists to international scientific information.

UNESCO is of course a *multilateral* agency. North Korea and the Republic of Korea are Member States and in this sense 'own' the organization as representative of their own interests. Both need to, and can, *trust* UNESCO to be a 'fair witness,' not operating for the national interests of any one of its Member States over the interests of the others. Meanwhile, science is intrinsically an *international* activity, and not an activity that can or should be the exclusive territory of bilateral relations. As under the EABRN umbrella, UNESCO is therefore in the position to bring together the countries of the region in cooperative self-benefiting science programmes that all parties can trust. In keeping with UNESCO's mandate to promote peace, UNESCO's initiative provides a doorway of trust for subsequent bilateral and political exchanges.

However, it needs to be noted that in keeping with the common science/peace principles of access, sharing and equality, the development of such bilateral relations within the context of patient multilateral sharing cannot be ruled by alternative principles of control, impatience or one-sided definition of activity – from either side. I would note the wise observations of Dr. Moon-Young Huh

of KINU at the 29th KINU Conference here in Seoul in February 1999, "North Korea should be regarded as ... an *equal partner* with whom to discuss unification."⁵¹⁾

As an excellent signal of what is thence a dialogue that needs to be built on trust and, at its starting point, suspense of direct self-oriented interest, the Republic of Korea is considering the establishment of support for the multilateral umbrella that brings together the science and peace principles across the Korean Peninsula. Such an arrangement, the establishment of a 'Funds-in-Trust' mechanism, is very familiar to UNESCO and allows UNESCO to act as 'fair witness' and technical support agency, whilst involving all partners in overview of the programme and its direction.

Political winds formed by the climate of wider international interests can be expected to gust backwards and forwards for a while yet over the Korean Peninsula. So, the proposed development of unification dialogue needs to be viewed with patience, with multilateral support being seen as one step in a longer path that can only be taken one step at a time.

What will maintain the trajectory of this path is obedience to the science/peace principles - *openness of access to knowledge*,

51) "Dissolving the Cold War Structure in the Korean Peninsula (1): A Long-term and Comprehensive Approach," *KINU News* 8, No. 1, (1999).

sharing of benefits, and *equality in participation*, conditions of a relationship that stands on the bedrock of the joint values – respect for each other, and a focus on solidarity rather than division and control.

UNESCO's role is, in particular, to assist through continuing to assure and promote the equality of rights and interests of all sides in this dialogue, the principle that is basic to UNESCO philosophy in both science and peace initiatives.

UNESCO in its Medium-Term Strategy for 2002–2007, entitled by the way, “UNESCO Contributing to peace and human development in an era of globalization,” has specified the Korean Peninsula as an example of a very few countries to be the “target of increased, coordinated efforts by the Organization.” UNESCO therefore stands ready to assist in the development of the science/peace trajectory in any ways we can.

To conclude, I draw your attention to the quote you will find at the start of the written version of this speech, a quote from Victor Hugo: “Make the world your homeland, and humanity your country.”

There are not two humanities. Not three. Not a hundred. Just one! We have simply invented divisions based on ignorance. The a-political power of science is the legacy of a *single* humanity.

Science can lead us back across the bridge over the artificial divisions we have created – to peace. We believe UNESCO can assist the peace-through-science dialogue in the Korean Peninsula.

The Role of International Organizations for Enhancing Cooperation with North Korea in Education and Environment

James Chinkyung Kim

(President, Yanbian University of Science & Technology)

I. Introduction

The North and South Korean Summit Conference held in June, year 2000 became a decisive turning point for the past North-South relationship that had been consistent with mutual criticism and hostility. At the time of natural disaster or economic crisis, South Korea assisted North Korea on the humanitarian basis, but it has not resulted in improvement of mutual relationship. Although there was a communiqué about mutual cooperation, it is true that the spirit has not been carried out smoothly. However, after the North-South summit, the relationship, unlike in the past, has turned for better. With this opportunity, the hostility against North Korea has been much eliminated. The separated families in North and South Korea since the Korean War of 1950-53 have visited with each other. The North Korean products are exhibited

in South Korean department stores. It is expected that the South-North relationship quit the past mutual criticism and the two sides become the partners of cooperation and move up to preparation for unification. In contrast, recently there are some negative opinions like criticism on the President of South Korea, Kim Dae Jung's Sun Shine policy, which will result in the domestic conflicts of South Korea.

The recent North Korean economy has resulted in drastic reduction of grain and it faced the difficulty regarded as critical situation. Collapse of the industry has brought hardship in production of daily essentials. Whether the cause is on the system or on natural disaster, we cannot overlook the situation from the humanitarian viewpoint and furthermore we should as the same nationality workout positive assistance policy. Fortunately although Korean government, civilian groups and international organizations have been engaging in various support policies, it is not sufficient in scale to improve the economic situation.

From the supporters' side, there has been challenge against effectiveness of the relief and negative attitude of North Korea. Also there has been the opinion that more emphasis should be placed on raising self-reliance ability of North Korea as well as providing emergency relief of food and medicine.

As I have been engaged in various projects of South and North

Korea since 1987, my intention is to present necessity of raising North Korean industrial man power and develop support projects that breeds self-reliance in economy by grasping today's North Korean education reality thus assisting North Korean education. Also introduction of significance of establishing PUST (Pyongyang University of Science and Technology) and appeal for international participation in the project is intended.

II. Education Status of North Korea

1. Education System

North Korean children are taken care of in daycare centers until age 3 and when they reach age of 4 they enter kindergarten. Its education is two-year course of lower class (age 4) and higher class (age 5). Living rules, music, fine art, gym, national language, and mathematics are taught. Also they are to listen to stories about childhood of Premier Kim Il Sung and Chairman Kim Jung Il.

Elementary education, People's School is four-year course, and Korean language, mathematics, music, fine art, and gymnastics are taught. Also childhood stories of Premier Kim Il Sung and Chairman Kim Jung Il are told and their important quotations are memorized. In the fourth grade, foreign language (English, Russian) education starts.

As middle education course, there is six-year high middle school. Here, besides Korean language, mathematics, physics, chemistry, biology, foreign language, music, and gymnastics, revolutionary activities of Kim Il Sung and Kim Jung Il, party policy, history, geography are taught. In the 5th grade, they join "Red Youth Corps" to receive national defense education. The 11-year education is mandatory.

Higher education, starting at the age of 16, includes four to six years of college, three years of teachers college, and two to three years of specialization college. Entrance of college is through recommendation of high middle school and passing the entrance examination. About 20 percent of the high middle school graduates are recommended for college and the rest either joins military or is assigned to factories or farms. There are three universities in North Korea: Kim Il Sung University, Kim Chaek Technology University, and Koryo Sunggyoonkwan Institute, and each province has Normal College, Teachers College, Medical College, Agriculture College, and there are 250 colleges including Forestry College, Marine College, Special College and Single Major College.

Education period is four years for general colleges and six years for university study. University offers bachelor and masters degree courses, one-year preparatory course, three-year general basics, one-year special basics, and one and half year for graduation dissertation. Additionally, six-month college student military service

is included during the second and third year of college.

As a doctorate course, there is two-year doctorate institute. This institute for training college professors and leaders of science and technology fields and higher level researchers is installed within the government research institutes such as universities, technology institutes and medical institutes.

An extra educational course refers to educational steps during work life after high middle school graduation. There are factory higher specialization schools and factory colleges.

2. Education Environment

There is a great difference between urban and rural education environment. High middle schools in urban areas are separated from People's Schools and they are independent, but the People's Schools are often located within high middle school buildings in rural areas. The number of students in urban area is 40 to 50, and in rural area 15 to 25.

Teachers are reluctant to being assigned to rural area and teachers in the area are in short supply. As for facilities, high middle schools in Pyongyang are equipped with indoor gymnasiums and modern facilities, but in rural area the situation is not so good and those rural area residents wish to live in Pyongyang.

As for the content of education, emphasis is put to the importance of politics and ideology education, and in the area of natural science about 30 percent of education time is focused on political ideology education of Kim Il Sung and Kim Jung Il. And, in spring and autumn, four months a year is allocated to farm village activities such as rice planting, autumn harvesting, and construction site campaign, reducing actual academic learning period.

Especially due to crisis of North Korean economy, textbooks, not to mention of notebooks, are made of gray recycled paper, making letters hard to read. The textbooks are passed down to the students from their seniors. The computers are provided to a specially relevant institutions. The information science of North Korea is at the beginning stage. Experiments and onsite education are done in way of minimizing cost and science technology education environment is especially unfit. They put stress on the spot experiences and on the experience accumulation and attempt to minimize the gap between theory and practice.

3. Special Education

North Korea's genius education is relatively well organized. As intermediate education courses, each province has First high middle schools where genius education is offered, and at Revolution Institutes military staff, political staff, and diplomats are educated.

Only those with good family background can enter these special institutes. As college courses, PyongSung Science College can be singled out. Students are selected from those who won at least the 5th place in the national science project contests. It receives budget assistance from Labor Party and study abroad after graduation is guaranteed. They can enter this institute regardless of their family background only if their grade is good, and it reveals their keen interest and enthusiasm in science technology education. Additionally, there are art and gymnastics special ability schools such as Pyongyang Gymnastics College and Pyongyang Movie College.

Recently, North Korea is much interested in computer software and no efforts are spared in policy consideration for this area. In each city and county, genius schools were set up in 1999 and computer programs classes were installed, and in late year 2000 four computer genius training sites such as ManKyung College Students Boys Palace and Pyongyang Students Boys Palace and their attached schools such as the First and the Second high middle schools were established. In 1999, Computer Department of Kim Il Sung University was enhanced to Computer Technology Institute and in year 2000 Electronic Calculator College was enhanced to Computer Technology Institute in Pyongyang and Hamheung. In the future, North Korea's special education will concentrate on Information Technology.

4. Characteristics of North Korea's Education

In North Korea where “Juche” ideology is deep-rooted in socialistic system, education has characteristics clearly different from other countries,⁵²⁾

First, in the entire category of education, ideology education has the highest priority, especially concentrating on Kim-Il-Sungism and Kim-Jung-Ilism. They advocate that education should reinforce quality of the party and the labor class, thus giving higher priority to political ideology education over specialization education. Even in the field of science and technology, they teach that one must be revolutionary before being a scientist. This sort of ideology education is being carried out not only in regular education process but also in whole lifetime learning.

Second, as the method of education, organized living based on collectivism is considered important. Children join boys club, youth Socialism Labor Youth League, and grownups various leagues to learn and act as a group and to watch over each other through self-criticism and others-criticism called “chonghua.” Freedom and individualism is regarded undesirable. Entire social structure has been forming one education system under the goal of training revolutionary human resource for construction of communism.

52) Choi, Yung Pyo et. al., *North Korea's Education I received* (Hankook Education Development Institute, 1994).

Third, Kim Il Sung and Kim Jung Il's quotations consist important learning content and it cannot be the object for discussion or criticism, giving it absolute authority above law. This type of education has been going on for decades in the reclusive society and it makes restoration of identification of south and north take long time. Such education culture has made North Korea's science and technology slide backwards and has made its foreign exchange negative, creating remote causes of economic crisis incapable of the Chinese style reform open policy.

III. South and North Cooperation in Education Area

1. South and North Exchange Records in Education

According to Unification Ministry, South Korean visitors of North Korea from 1989 to the first half of year 2000 are 14,208 (excluding Kungangsan tour). They visited North Korea mainly on tourism, light water reactor project, and economy matters. And, in the area of science environment, 65 visited North Korea, and in education theory 41 did. It is less than 1 percent of the entirety. The total number of contact with North Korean residents through the third countries during the same period is 11,711, of which education theory area is 1,976, and science environment area is 293. Thus, south-north contact in the area of science and technology has been done mainly through the third countries such as China

and Japan.

This statistics shows providing systematic conditions for south-north cooperation in science theory area is much less than its need. Scholars of South and North Korea wish to meet and promote exchanging theories and cooperating in projects, but difficulty in obtaining government permission makes them to meet in China or Japan.

As a South Korea's civilian organization, "Northeast Asia Education Culture Cooperation Foundation" (headed by executive chairman Kwak, Sun Hee) solely once promoted establishing the "House of Children" and a university. The House of Children opened in December 2000 and it has been in operation successfully, and the university site has been changed to Pyongyang and its construction is in progress.

2. The Importance of North-South Cooperation in Education

Peaceful unification between North and South should be accompanied with consensus of ideology and culture. Our ultimate unification model is 'one country one system' although 'one country two systems' may take place at a transitional stage. Both North and South Koreas have so far educated their people based on their own constitution. It made the division firm. Each government has given the opposite ideology education and promote mutual hostility;

it is undeniable that there has been distortion in education.

From our viewpoint in settling opposite systems and preparing for the unification, there is no alternative in solving hostility and getting rid of ideological rivalry other than both parties' overcoming with a long range education policy with patience and perseverance. There is an opinion that although manpower training education of North and South Korea seems to oppose each other, it can complement each other.⁵³⁾ This issue must certainly be taken up for discussion when agreement is reached by both parties in their scenario going towards unification.

North-South Cooperation in education will play an important part in overcoming ongoing economical crisis of North Korea. South Korean assistance for North Korea as the same race is beyond the humanitarian aid by international organizations or other developed countries. Cooperation in education that brings up industrial human resources should precede restoration of humanity and identification. Important is that it is necessary to persuade North Korea not to refuse aid of South Korea and the U.S. regardless of the different system.

53) Han, Seung Jo et. al., *Human Resource Training & Ideology Education* (Seoul: Jip Moon Dang, 1998).

IV. International Organizations' Aid for North Korea

1. Aid Status and Problem

A Number of international organizations have sponsored North Korea based on humanitarian spirit since its independence from Japanese colonization. UNDP, UNICEF, UNHCR, WHO, FAO, WFP and other organizations have provided various aid program including food supplies and medical relief, calamity restoration, engineering training, etc, but the effect is estimated below the expectation.⁵⁴⁾

The first reason is that North Korean crisis could not be accurately appraised for no reliable data can be collected due to its strict society control even though it is not conflict situation. Accordingly, each organization has different statistics for grain-production, demand, damage scale and aid standard.

Second, food relief, the largest aid, depends on public distribution system due to the lack of information about distribution method and needy people, which resulted in that those excluded from the distribution do not benefit the aid. Because the public distribution mainly focuses on southern part and urban area from Pyongyang,

54) Lee, Keumsoon, *Example of Humanitarian Assistance of International Organizations and Non-Government Agencies* (Seoul: Korea Institute for National Unification, 1997).

the reality remains that people in northern mountain area and eastern part receive relatively less benefit.

Third, the emergency of North Korea is distinguished from natural disaster famine in Africa. However, international aid for North Korea has problems from the beginning to now. Different approach from mere humanitarian aid is required.

Nevertheless, it is appraised to be effective assistance that UNDP sponsored in establishing research institute and an electric power-house and supplied research equipment worth of million dollars every year in order to build North Korean industry foundation. Yet, there has not been any instance to establish and support educational institute.

2. International Organizations' Aid for North Korean Education

Regarding the method of assisting North Korea, there can be different viewpoints. International organizations are now expected to pay attention to assistance in establishing industry foundation in order for North Korea to have self-reliance ability. We face the critical point to support engineering education in agricultural and engineering industries as well as upbringing fundamental industries such as electric power, cement, steel, petroleum, chemical fertilizer, etc. This is similar process as how South Korea overcame "Bori Koge," spring famine in the 1960s. I consider it is the appropriate

approach to help North Korea equip itself with self-reliance ability although the important factors are North Korean government's strong will of development, loan secure, restructure, etc.

Among them, the most essential is international organizations' assistance for education of the North Korean youth and their vocational education. Higher priority should be given to agriculture and technology education such as automation technique for improving productivity, flood control, irrigation technique, civil engineering, English, and dairy farming. Although it may take North Korea's willingness to get out academic isolation to join the world community, international organizations and advanced nations' cooperative projects will play worthy roles. However, education lacking application purpose should be avoided. Industry training plans must precede education training plans and it should be carried out under thorough manpower planing to make it effective.

3. Assistance Methods of International Organizations

As a method of assisting North Korea's industry technology education, one is that UNESCO or UNDP assist education training with its own fund and the other is that international organizations request the education training as international cooperation programs of individual advanced nations. As to the education period, long term (1-5 years) and short term (1 week - 10months) must be preceded by establishing an organization that is solely responsible

for proper link of educational needs and overseas education organizations.

It seems to be another effective method that international organizations establish and operate education organizations in North Korea. This seems to have a good possibility of being carried out considering the situation of North Korea's system although facility investment and task of securing professors and staff may be immense. In general, a method of assisting the existing education organizations in North Korea seems to be negative as of now because assisting with experiment facilities and learning materials may not result in training industry workers needed in the present situation.

The method of international organizations requesting advanced nations to assist North Korea's education seems to be quite effective. North Korea has been almost isolated in diplomacy as well. A Role of mediator of International organizations is very important when diplomatic relationship with individual countries is not healthy.

V. Establishment and International Support of Pyongyang University of Science and Technology (PUST)

The world has been moving towards the more and more globalization and information technology as we have entered the new millennium. Now the predominance of steel, oil, electric power, and manufacturing industries are being replaced by computer, information technology, and contents industries.

North Korea's immediate needs are food and other daily necessities. After five to ten years of receiving these from outside supporters, North Korea will eventually need to step into globalization and information technology. In the long run, helping them establishing Pyongyang University of Science and Technology may not be an easy task but this will be a very profound and meaningful event.

In response to this long-range strategy, North Korea shares the view giving the highest priority to human resource development of high-tech industry. They approved establishing PUST and authorized Northeast Asia Education Culture Cooperation Foundation (Chairman Kwak, Sun Hee) and Yanbian University of Science & Technology (President, Kim, Chin Kyung) that has been successful in People's Republic of China, the socialistic country.

PUST, being built on 1 million square meters of land in Pyongyang city, plans producing Ph.D. level students on IT and BT area as well as establishing Agriculture Life Science University and Technology University and training specialists of commerce through MBA programs. Most of faculty members and research staff will be Koreans abroad and foreigners. We will also establish information industry organizations in IT and BT areas in order to provide meetings for North Korea and other developed countries. Graduates of this school will be able to work with universities and other government institutions of North Korea and some will participate in establishing venture businesses in order to aid their economy. Presently, without the internet systems available in North Korea, producing a Ph. D. level program for 500 students may not be an easy task but we believe that North Korea government has shown us their understanding of the importance of establishing such institution when they granted us the permission to found this university and that they will continue to cooperate. Sponsorship and participation from international organizations and other developed countries would be a significant stepping-stone in helping North Korea join the rest of the world as a peer.

VI. Concluding Remarks

North Korean government, which has long been advocating its “Juche” ideology and the superiority of socialism to its people, hesitates to enter the international society. Although neighboring

countries and international organizations have various humanitarian aid programs in order to relieve economic crisis in North Korea, problems of structural nature have occurred. It is due to rejection by the North Korea government as they have many facts that they would prefer not to cooperate. There have been cases where they have outrightly refused assistance from the US, Japan, and South Korea. However, what remains indisputable is the need of international assistance. We need to provide relief on humanitarian basis. We need to restore national identification to co-exist in the earth village and to live together in the 21st century.

Until now, the aid of international relief agencies consisted mainly of food and medical supplies. However, there is a need for more substantial and long-term aid in order for North Korea to stand on its own. There is a particularly dire need for training men and women of talent in the areas of science, engineering and economics in order to promote the development of industries. North Korea government has actively expressed their interest in educational aid. If the international organizations recognize such factors more actively providing assistance in the area of education and urging the participation of developed countries, it would be the most proper form of assisting North Korea. We also look forward to the participation of international organizations in the building of PUST, which will soon be realized.

International Financial Organizations' Assistance to North Korea: Possibilities and Options*

* The opinions expressed in this paper are those of the author and do not necessarily reflect the views of national authorities or IMF Executive Directors. The author is solely responsible for any remaining errors or shortcomings.

Kenneth Kang
(Country Economist, IMF)

I. Introduction

This paper describes ways in which international financial institutions (IFIs), such as the IMF and the World Bank, can assist North Korea prior to membership. The IMF can provide financial assistance only to member countries. As North Korea is not a member, the Fund and the Bank can only provide non-financial assistance, such as training, technical assistance, and policy advice. Non-financial assistance has been provided to other countries and territories prior to actual membership, including Bosnia and Herzegovina, East Timor, and the West Bank and Gaza Strip, and

has focused primarily on establishing key economic and financial institutions (see Box 1).

North Korea's possible membership in the IFIs is crucially dependent upon progress made in advancing bilateral relations with its major shareholders. If called upon, IFIs can move quickly in the event that progress is made on the diplomatic front and an application is received. The provision of non-financial assistance is also only possible with the agreement of the Fund's membership and in response to a request from North Korea.

It must be pointed out at the outset that information on the North Korean economy is limited; the data are scarce and of questionable quality. As a result, much of the academic research on North Korea's economy is speculative and general. There is much that we do not know and without the benefit of a full economic assessment, it is difficult to make precise recommendations. As a result, any discussion of developing a detailed blueprint to rehabilitate North Korea's economy without a full economic assessment or input from the relevant authorities would be premature.

Box 1 : Fund Assistance to Countries Prior to Membership

In a number of cases, the Fund has provided non-financial assistance, in the form of technical assistance, training, and policy advice, to countries prior to actual membership. Notable examples include East Timor, Vietnam, West Bank and the Gaza Strip, and several of the countries of the former Soviet Union. The assistance provided to these countries can serve as a model for possible closer engagement with North Korea. This box summarizes the non-financial assistance that was provided to East Timor and the West Bank and Gaza Strip.

West Bank and Gaza Strip (WBGs) (1994 - onwards)

Following the agreement reached between Israel and the Palestine Liberation Organization (PLO), the Palestinian Authority (PA) in 1994 assumed responsibility for the public sector functions in the West Bank and Gaza Strip (WBGs). Both the Fund and the Bank have assisted the PA in assuming these responsibilities, but because WBGs is not a member, the Fund's involvement has been limited to the provision of technical assistance.

Fund assistance initially focused on establishing the key economic and financial institutions (Ministry of Finance and the Palestinian Monetary Authority (PMA)) and then moved to technical assistance in the areas of fiscal management and development of the financial system. The main areas included: improving revenue and expenditure management, establishing and strengthening bank supervision, and the operations of the settlement system, and creating reliable macroeconomic statistics. In 1995-96, Fund involvement expanded to providing macroeconomic policy advice, and in this context, the Fund assisted the PA in preparing the annual budget, monitoring budget performance, reporting to donors, and mobilizing external financing.

Several departments at the Fund were involved in the technical assistance program. The Fiscal Affairs Department (FAD), in conjunction with the Middle Eastern Department (MED), helped in establishing a modern revenue administration and a public expenditure management system, organizing tax departments, strengthening cash management, and setting up a government financial information system. The Monetary and Exchange Affairs Department (MAE) assisted the PMA in its organization as a monetary authority, the establishment of

Box 1 : Fund Assistance to Countries Prior to Membership (Continued)

an effective clearing and payments system, bank licensing and supervision, foreign exchange management, and the drafting of banking legislation. The Legal Department (LEG) also contributed to the drafting of various banking legislation including for the establishment of the PMA. The Statistics Department (STA) aided in the compilation of balance of payments, national income account and monetary statistics while the IMF Institute (INS) provided training to government officials both at headquarters and in the field.

East Timor (1999 - onwards)

Following the August 30, 1999 referendum on East Timors' independence from Indonesia, the Executive Board of the Fund, in response to a request from the UN Secretary General, approved the proposal to provide of technical assistance in its area of expertise. The Fund missions coordinated its work closely with the World Bank-led Joint Assessment Missions (JAM).

Immediate technical assistance was needed to: design and implement a general macroeconomic policy framework, establish a central fiscal authority (CFA), set up a tax system, organize tax and custom administration, prepare and execute the budget, draft various tax, budget, and financial regulations, decide on a common currency, introduce a central payment office (CPO), and draft new banking laws including licensing prudential regulatory framework and supervision. Technical assistance later shifted to helping these newly institutions (CFA and CPO) become operational. The Asia and Pacific Department (APD), FAD, LEG, and MAE were all closely involved.

Training programs were also conducted for the CFA central fiscal authority and the central payments office, and experts were provided to assist with the UN Transitional Administration in East Timor (UNTAET) during the transition to independence. The Fund has also provided technical support and financial assistance (through an administered account) for recruiting qualified staff for positions in key economic institutions.

Sources: Valdivieso et. al., "East Timor: Establishing the Foundations of Sound Macroeconomic Management," IMF, 2000; and Zavadjil et. al., "Recent Economic Developments, Prospects, and Progress in the Institution Building in the West Bank and Gaza Strip," Middle Eastern Department, IMF, 1997.

II. Potential Role of The IFIs Prior to Membership

Prior to membership, non-financial assistance would focus on institution building to lay the foundations for a transition to a more market-based system and to help promote economic cooperation between the two Koreas. The Fund would concentrate on its traditional area of macroeconomic policy issues, while the Bank would take the lead in social policy, poverty alleviation, sectoral development, and the environment. In addition, the Bank and the Fund would need to coordinate closely with other multilateral and bilateral agencies, such as the AsDB, the UNDP, and the EC, in the provision of assistance to North Korea. Looking further ahead, if North Korea were to join the Bank and the Fund, the focus could then shift to supporting economic rehabilitation and exploring possible strategies to help North Korea reform its economy.⁵⁵⁾

In September 1997, an IMF fact-finding mission visited Pyongyang at the invitation of the North Korean authorities. During the mission, the North Korean authorities expressed a strong interest in training and technical assistance. Specifically, they noted their interest in a workshop on the functions of the

55) Membership in the Fund is a condition for joining the Bank and its affiliates and qualifying for its financial assistance. Fund membership, however, is not technically required for admission to the AsDB.

Fund as well as training courses in economics. In addition, they mentioned the following areas for technical assistance: organization of the Ministry of Finance; compiling fiscal and other economic statistics; establishing links between the central and local governments; and computerization of Ministry of Finance accounts.⁵⁶⁾

Before non-financial assistance can be provided, the first step would be to conduct an economic assessment of North Korea. A fact-finding mission would serve to update our knowledge on the North Korean economy, assess priority needs for technical assistance and training, and establish relations with the key counterparts in relevant ministries. In addition, a fact-finding mission would provide North Korea with a valuable opportunity to see how IFIs operate.

Based on what is known about North Korea's economy, IFIs (in conjunction with other governments including South Korea) could consider technical assistance and training in the following areas: (i) compiling basic macroeconomic statistics; (ii) financial system reform; (iii) fiscal reform; (iv) external debt issues; (v) legal reform, and (vi) the formulation of macroeconomic policy.

56) Progress was made in identifying courses and seminars that could be conducted in areas such as the international monetary system and market economics, but these did not materialize as the North Korean authorities did not follow up on the proposed plans.

1. Compiling Basic Macroeconomic Statistics

North Korea occasionally publishes some official statistics, but the quality and coverage is generally very poor. The North Koreans have compiled GDP data with UNDP assistance based on standard national accounting principles through 1996 and also publish their annual budget although with some gaps. Outside observers have tried to produce their own statistics which may serve as a useful starting point for building an economic database for North Korea. Some South Korean agencies, notably the Bank of Korea, produce their own estimates on North Korean production and trade using official statistics and intelligence reports. Others have attempted to compile estimates of Korea's balance of payments position using mirror trade statistics and estimates on foreign aid flows.

An important step to better understanding the North Korean economy would be the production of a reliable and consistent set of statistics covering the basic areas of the economy. Such areas would include: national income accounting, balance of payments, monetary accounting, agricultural and industrial production, labor, fiscal performance, and social indicators.

2. Financial System Reform

Financial system reform to develop a modern competitive

banking system capable of supporting international transactions and the efficient allocation of funds. Early priority could be given to establishing a proper trade payment system which would help promote economic cooperation between the two Koreas and facilitate international transactions. Technical assistance and training could be considered in the following areas:

- ▶ *Basic banking practices and governance*, such as asset-liability management, credit risk analysis, accounting principles, liquidity management, foreign exchange trading, loan classification, and financial reporting.
- ▶ *Establishment of a clearing house and a nationwide network* to help facilitate the payment and settlement of transactions at both the regional and central level and modernization of the interbank and international payment settlement system to help promote external trade and foreign investment.
- ▶ *Banking supervision and prudential regulations*, including in the drafting and enforcement of regulations, licensing requirements, auditing standards, bank disclosure, and deposit insurance.
- ▶ *Instruments of monetary policy* to strengthen liquidity management and inflation control through monetary policy instruments and technical assistance to help establish an interbank market and a

market for government securities.

3. Fiscal Reform

Fiscal reform to establish an effective system of taxation and expenditure control and the use of fiscal policy as an instrument of macroeconomic management. Possible areas in which assistance could be considered include:

- ▶ *Tax reform* to set up an appropriate revenue function, prevent double taxation under international tax treaties, and expand international trade and foreign direct investment. Consideration could be given to replacing the old system of taxation through profit remittances and turnover taxes with a broader tax system which includes a personal income tax and indirect taxes, such as a basic VAT.
- ▶ *Strengthening tax administration* through training, organizational improvements, and computerization of the MOF's accounts.
- ▶ *Reorganization of government operations* and establishment of accounting links between the central and local governments.
- ▶ *Rationalization of government expenditure* to reflect more closely the priorities of the government and the proper classification of expenditure according to international standards and accounting.

4. External Debt

External debt including technical assistance in external debt management and assistance in normalizing relations with creditors of North Korea's large stock of external debt (estimated around \$10 - 15 billion), most of which is in arrears.

5. Legal Reform

Legal reform to create a legal framework that would support the development of a market-based economy and attract foreign investment and trade.⁵⁷⁾ In Vietnam, the early approval of a FDI law, which was considered liberal by international standards, was an important signal on the direction of the reform program and helped Vietnam to have one of the highest ratios of FDI to GDP in the world. North Korea has taken some steps to establish a legal framework for foreign investment (apparently modeled after China) and passed a series of laws identifying which sectors are open to foreign investment, the rights of foreign investors, tax benefits and other preferential treatment afforded to foreigners.

57) In addition, other sectors in the legal framework of North Korea could be examined in order to assess their compatibility with internationally accepted standards in fields such as banking and financial market regulations.

6. Formulation of Macroeconomic Policy

Formulation of macroeconomic policy including training in the basics of macro (and micro) economic theory and international economics and policy advice in such areas as macroeconomic stabilization, exchange rate policy, currency reform, financial crisis prevention, social safety net design, economic governance, and trade reform. Technical assistance could also cover reorganizing the bureaucratic structure of the economic ministries and supervisory agencies and outlining their areas of responsibilities.

Session II Discussion Papers

How to Encourage International Organizations to Cooperate with North Korea

1. Lee Myung-jin (Research Fellow, STEPI)
2. Kyuryoon Kim (Senior Research Fellow, KINU)
3. Kim In-sook (Executive Director, Save the Children Korea)
4. Deokryong Yoon (Research Fellow, KIEP)
5. Sungchull Kim (Senior Research Fellow, KINU)

<Discussion Papers>

Lee Myung-jin (Research Fellow, STEPI)

First of all, I would like to thank Dr. Stephen Hill for a very informative presentation. His approach was to see peace through the eyes of science: an a-political entry point that can open a door for dialogue of peace through a wall of political division. He stressed the role of science and technology(S&T) in building international political relations and peace. As an example, he mentioned several UNESCO activities involving North Korea with other neighboring countries. His points are well taken and I agree to most of his views in principle.

My approach is actually the other way around. I would like to stress the role of international political relations and peace in achieving science and technology cooperation. Specifically, I would like to point out the importance of the role of multilateral relations including that of international organizations (IOs) in facilitating science and technology cooperation between North and South Korea.

There are several benefits involving international organizations in the scene of North and South Korea cooperation in

S&T. First, indirect relations through IOs could prevent a possible and quite plausible loss of face from the North Korean side. Under the bilateral relation between North and South Korea, differences in capabilities of science and technology would be clearly revealed. Second, when a conflict between the two occurs, a third party (here IOs) could enter the scene and decrease a possibility of expanding and worsening a conflict. Third, cooperation through IOs is multilaterally established in nature, therefore fostering more systematic and stable relations than the bilateral relation can.

Let's now move into possible ways of North and South Korea cooperation involving IOs. S&T cooperation between South and North Korea through IOs can be categorized into the following three types: purely scientific base such as through UNESCO, diplomatic base without tangible outcomes such as through APEC, and political base with tangible output such as through KEDO.

First is the UNESCO-type cooperation. UNESCO is an international organization in education, science and culture. The Republic of Korea and North Korea are both members of UNESCO since 1950 and 1972 respectively. As mentioned by Professor Hill, there are several programs of UNESCO that involve both Koreas. The UNESCO approach seems a-political, purely based on promoting science development of member countries through ways of researcher exchange, workshop participation, etc.

Second is the APEC-type cooperation. APEC is a regional economic cooperation forum composed of 21 member economies of Asia Pacific. At the APEC Seoul Forum in March 2000, President Kim suggested North Korea to participate in APEC Working Group activities as an observer status, which the APEC Leaders supported in response when they gathered in Darussalam, Brunei in November 2000. So far, North Korea has not shown any response yet. The reason could be a rather dim prospect of acquiring tangible benefits in near future by participating in working level activities.

Third is the KEDO-type cooperation. KEDO was established in 1995 based on 'Agreed Framework' in October 1994. Specifically, in exchange for North Korea to freeze and eventually dismantle its nuclear program, KEDO supplies North Korea with two proliferation-resistant light-water reactor (LWR) units and heavy fuel oil (HFO) for heating and electricity. The project is ongoing at present, even in the face of some important unresolved items. In mid-February of this year, KEDO provided North Korea with Preliminary Safety Analysis Report and Environmental Report in support for a construction permit, and worked cooperatively with the SNSRC (North Korea regulatory authority) during its safety reviews. The SNSRC is expected to issue the construction permit in early Fall of this year. Then, KEDO will start power block excavation. It can be said that the LWR project has been successful to date primarily because both sides view it as a

worthwhile project from economic, political and technical viewpoints.

To sum up, it is suggested that the S&T cooperation through international organizations has several benefits that the bilateral relation between the two Koreas could not have. An international political agreement and a tangible outcome need to be set out carefully for the North-South Korea cooperation to proceed effectively. The purely scientific base cooperation such as through UNESCO programs could pave the way to establishing a framework that is favorable to these developments.

Kyuryoon Kim (Senior Research Fellow, KINU)

We have seen the historic South–North Summit and Ministerial Level Talks between the two Koreas last year. However, this year we are now witnessing a period of adjustment, which may reflect last year’s speedy progress in improving relations between the two Koreas. Many observers would be dissatisfied with the current setbacks. But we have to understand North Korea’s hardship to adapt to the international changes.

Now let me turn our attention to the speech made by Mr. Stephen Hill from Jakarta Office of UNESCO. He noted that the power of science in various aspects. First of all, peace through science: Openness of access to knowledge, Sharing of benefits, and Equality in participation. Second, the power of science to dispel ignorance and political division because scientific knowledge is an independent arbiter over divisive arguments about how things are. Third, Access to scientific knowledge offers the power to solve problems that hold societies in the grip of underdevelopment and to overcome economic stagnation through innovation.

I fully agree to what he mentioned in his speech. Thus, I would like to make my comments, which will be out of perhaps my ignorance.

My first question is as follows. Even though science could bring

about peace, there should be some qualifications. Because we have seen many adverse cases: science in the hands of totalitarian states usually make catastrophic results. I would like to hear your opinion about measures to guard against malpractice of science in the hands of rogue states. What do you think about this? Do you have any thoughts about how to dissuade totalitarian leadership to use science for wrong purposes?

My second question is as follows: the relationship between science and freedom. I believe that there should be freedom of speech, invention, thinking, etc., to fully develop science. Without freedom, we cannot expect development. For example, you emphasized the use of internet in communicating with North Korean scientists. I believe the spread of internet has been possible due to the spread of democracy. More specifically, it is a prerequisite for the use of internet to provide people in accessing free flow of information and freedom of speech. What is your evaluation about North Korean scientists' freedom of invention?

Lastly, I would like to mention that we need to cooperate with North Korea in many aspects in bilateral as well as multilateral. Which comes first is not an important issue here. Rather, which issues could be accepted by North Koreans is more important. In other words, it is necessary for us to concentrate on the need of general public in North Korea.

Kim In-sook (Executive Director, Save the Children Korea)

Prof. Kim's introduction of North Korean school system from daycare centers, middle and high schools to special education, and an education environment including the characteristics with learning contents and method of education helped me see a big picture of North Korean education and its environment.

He suggested that peaceful unification between North and South Korea should be accompanied with the consensus of ideology and culture even though it seems to be very difficult because of big gap and great differences in education and its environment. Therefore, it badly needs patience and perseverance from both parties. And, he showed his keen interest in raising North Korean industrial man power for self-reliance in economy by assisting North Korean education.

Finally, he mentioned about the failure and success of international organizations' aid based on humanitarian spirit. And, he encouraged UNDP and other international organizations obtaining a hopeful and successful achievement relating to effective assistance of establishing research institutes and other organizations' aid for North Korean education.

And, he proposed and introduced the project of establishment of

Pyongyang University of Science and Technology (PUST), and appealed for international support and involvement in this plan, which should be more substantial and long-term aid for North Korea to stand on its own.

It seems that the design of PUST establishment, and the ideas of recruiting qualified IT experts and management specialists in commerce are ambitious and hopeful for better future. If this project is successfully implemented and achieved, there might be a great change in North Korea. IT experts can play a role as a change agent in their society to become an active global family. With these good reasons, I basically agree to Prof. Kim's ideas and his ambitious project.

Nevertheless, as a person who has been working with and for children, I am much concerned about North Korean children, especially about their survival and development issues. Education means empowerment, opportunity and development.

At the Third International NGO Conference on Humanitarian Assistance to North Korea held in South Korea in June 2001, UNICEF (Richard Bridle) reported some major issues affecting children in North Korea. They are as follows:

- * Moderate and chronic malnutrition levels remain high while a high incidence of acute and chronic malnutrition shows an

improvement;

- * Inadequate and imbalanced food intake due to chronic food shortages;
- * Increase in an incidence of low birth weight;
- * Prevalence of micronutrient deficiencies;
- * Low immunization coverage;
- * Collapsed social infrastructure. Water and sanitation facilities are in disrepair. Health facilities lack drugs, equipment and heating. Health providers' skills and knowledge need upgrading;
- * Educational institutions lack reading-learning materials. Curriculum renewal and upgrading the skills of teachers remain as a priority. Papers for printing textbooks are in short supply;
- * Inadequate heating at home and in children's institutions contributes to a high incidence of acute respiratory infections especially during harsh winter;
- * Knowledge gap of care givers and health providers.

In addition to major issues reported by UNICEF, we have recently collected various information relating to children in especially difficult circumstances in the North.

“Education is the single most powerful weapon against poverty. It saves lives. It gives people the chance to improve their lives. It gives them a VOICE.” That’s why we should now think about a

rate of school enrollment and completion, quality of education and education environment. And, all information relating to children's issues has made us worry that there might be a majority neglected in the North.

Before concluding my comments on Prof. Kim's paper, please let me remind you briefly of the UN Convention on the Rights of the Child (UNCRC), which is the only international human rights treaty to include both civil and political rights and economic, social and cultural ones. It is the most widely ratified international instrument, the vast majority of countries' having agreed to its principles. All the rights of the Convention are categorized into four major contents: Children's Rights of Survival, Protection, Development and Participation.

Children cannot wait for long for survival and development. The standard of health and medical care, food, clean water, energy, health education and a safe place to live is not only children's needs and wants but also their Rights for Survival. Protection from discrimination, abuse, neglect, violence and sexual/labor exploitation, and protection for children without families and for refugee children are Protection Rights of Children. Formal and non-formal education, a standard of living being adequate for a child's physical, mental, spiritual, moral and social development to grow up safely with family and recreation must be properly provided as their Development Rights. To express their views in all matters affecting them, to

have their opinions seriously taken, and to participate in culture and community activities through freedom of thought, conscience and religion is Children's Participation Rights.

Both the North and South Korean governments signed and ratified UN Convention on the Rights of the Child (UNCRC) in 1990 and 1991 respectively. The two governments with other 190 countries pledged to give every child better life and promising future. To keep this promise, it is strongly mentioned in the UNCRC that every state party, international organization, NGO and individual has a responsibility.

It is time for all of us not only to cover immediate humanitarian needs but also to prepare for a larger scale development that will be required to overcome the existing problems with children's issues in North Korea. A dedicated partnership among governments, international organizations, NGOs and active intervention must be expanded and deepened within a long-term strategy to ensure and protect the rights of children in North Korea.

Deokryong Yoon (Research Fellow, KIEP)

Dr. Kenneth Kang from the IMF has written about what International Financial Institutions (IFIs) can do right now and their conditions.

I am happy to hear that the IMF is preparing to help North Korea, and I feel relieved that it is in good hands.

I completely agree to Dr. Kang that IFIs should concentrate on teaching about the market economy and rural development in a given situation. And, in this case, the most feasible and needed education would be one that can be applied to foreign business.

Because Dr. Kang mainly explained the official position according to the rules of the IMF, there is not much to comment on. However, I have some questions.

My first question is about financial limits on technical assistance. Dr. Kang says that IFIs can only provide technical assistance. However, they require money to finance technical assistance. How great then could the financing volume be for providing technical assistance?

The second question is about the rules for deciding which

sectors will receive technical assistance. North Korea's most important and urgent problem is the energy one. Providing a small generation system in rural areas does not cost so much, and I think it could be included in the technical assistance program for rural areas. But, Dr. Kang's proposal for technical assistance does not include energy improvement. I want to know if there are any restrictions on deciding which areas receive technical assistance.

The third point is that Dr. Kang's paper mainly represents the position of a supplier or provider. However, assistance means helping others. If you help other people, you must care about the situation of those being helped. North Korea needs capital to alleviate the energy problem, and to improve infrastructure and production facilities. They need urgent capital assistance because people are starving in North Korea. Although North Korea is in an emergency situation, this urgency is not being considered. Because of this, I want to know if there is any possible way to receive financial assistance in this kind of emergency.

Sungchull Kim (Senior Research Fellow, KINU)

It is very meaningful to discuss about the possibility and options, considering the desperate situation of North Korean economy. Since Dr. Kang, as Country Analyst in the IMF, has observed both South and North Korean economy for several years, this paper, I believe, is one of the major contributions to policy prescription for the governments of South Korea and the United States, which have been deeply involved in the relationship to North Korea.

I fully agree that IFIs' role, particularly that of the IMF and the World Bank for North Korea, is and will be significant for the security as well as prosperity in Northeast Asian region. Therefore, South Korea and other concerned countries should support the development of relationship between North Korea and IFIs. In particular, they should support IFIs' access to the North Korean economy and finally their non-lending assistance before a membership and lending assistance after that. Let me note some points to discuss here.

There are two major concerns in the discussion of IFIs and the transition economy in socialist systems. The first is IFIs' role in the process of reform and opening, and it is an important issue for IFIs themselves. This is so because IFIs intend to transform the planned economy into the market-oriented economy. The second

concern is the effect and contribution for the rehabilitation of devastated economy. Client countries who receive assistance wish to recover the economy while minimizing its impact to the party-state domination as much as possible. This is particularly true in China and Vietnam, where a party still dominates the society. My point is that today it is hard to compromise between IFIs' concern about building market-oriented economy and North Korea's political concern to maintain the security of the existing party-state system and Kim Jong-il's power base.

Moreover, there are some limitations and problems in North Korean situation, which bring about some skepticisms on any immediate consequences of IFIs' non-lending assistance, as Dr. Kang noted in this presentation.

1. On compiling macroeconomic statistics: This should be a first step for IFIs to assess and better understand an economic situation. But there are a few reasons for the difficulties in compiling statistics.

(1) Kim's personal arbitrary management style. Not only does he decide some parts of the public spending based on his whim, but also he runs his own informal financial office to deal with political money. For him, there is no clear difference between official budget and private savings and spending.

(2) Military expenditure. A large portion of North Korea's annual budget is allocated for the official spending on the military buildup. Specific parts of military buildup, like nuclear and missile development project, proceed through confidential mechanism. These kinds of spending on high-tech weapons are not reflected in the official budget. In addition, it is very difficult to discriminate the spending on public economy and on military. For instance, in many state-owned enterprises and factories, the parts of military equipments are produced. Fans, chains, wheels and pipes are produced for the purpose of assembling an armored vehicle in tractor factories. This prohibits IFIs from categorizing the budget and spending in the process of compiling macroeconomic statistics.

2. On fiscal reform: There was an important change in the relationship between the central and local governments in North Korea's economy, after the collapse of socialist systems in Eastern Europe and the Soviet Union. The North Korean economy experienced severe shortages of resources, particularly oil and foreign currency, and this brought about more self-reliance of the local government in an economic sense. This change occurred not through authorities' formal decision-making and policy implementation, but it was regarded as a natural and tacit adaptative process in the shortage economy. Without the allocation and distribution of food, daily necessities and other resources, the planning from the top could not be penetrated into the local

government. The degree of self-reliance of the local government has rapidly increased during the 1990s. The budget of state level came to be a fiction or a fake in a sense. Given this situation, it seems skeptical that any fiscal reform suggested by IFIs may yield immediate positive results from the central to the local.

3. On legal reform: In order to introduce Foreign Direct Investment (FDI), it is a significant step to take a legal change and adopt new institutional arrangements, which meet international standards. Just as other socialist countries such as China and Vietnam, North Korea adopted “law of foreigners’ investment” and established Najin-Seonbong Free Economic and Trade Zone in 1991. However, this change was not successful in inducing FDI from the West and South Korea. One of the major reasons for the failure was an immature or premature environment for investment, in particular, lack of infrastructure such as container system, telecommunication, transportation, road condition and so on. In other words, non-lending assistance from the IMF and the World Bank for legal reform, mentioned by Dr. Kang, cannot guarantee any success without supplementary infrastructure. In this respect, North Korea is in chicken and egg limbo.

All the limitations and problems originate from different concerns between IFIs and North Korea. For IFIs, a gradual approach will be more appropriate in taking reform measures, as in China and Vietnam. Because North Korea lacks confidence about the

maintenance of regime security, any demanding approach for drastic transformation of institutional arrangements will be too much challenging for North Korea. It seems to me that non-financial assistance, quoted in the paper by Dr. Kang, for Palestine and East Timor in general might be too challenging one for North Korea. This is so because North Korea, on the one hand, and Palestine and East Timor, on the other hand, have critical differences in their economic systems and experiences.

Here the most important measure among non-financial assistance should be a training program of the North Korean officials. In other words, a change in mind-set of the officials has the highest priority among non-lending assistance from IFIs. Both UNDP and IFIs should consider the extension of training program of the North Korean officials.

One more point for North Korea. The Vietnam's case exemplifies IFIs' positive and critical role in the process of transitional period. Considering the size of economy and relationship with the United States, North Korea and Vietnam have more commonality than any other socialist countries in IFIs' contributions to the reform of national economy. Just as Vietnam, North Korea has long history of economic sanction by the United States. Vietnam could receive IFIs' lending assistance only after the lift of the United States' embargo, so could North Korea enter the IMF and the World Bank after the solution of strategic security issue such as missile and

nuclear project. The same as Vietnam, the North Korean economy is a small size and has to rely upon financial sources from outside. Even though North Korea has emphasized self-reliance or *Juche*, its economy has largely relied upon the former Soviet Union and China, particularly in the security-related resources like energy. The economic deterioration after the socialist collapse proved this. Whatever North Korea intends, economic rehabilitation or reform, it should open up for the negotiation with the United States and for IFIs' assistance, as Vietnam had done.