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빈 면

## Still Stable Korean-type Socialism

Zhou Jianming and Wang Lingyi

Since the 8 July 1994 departure of Kim Il Sung, the party and state superleader of the Democratic People's Republic of Korea, there have been in the international society continuous doubts as to whether the DPRK can maintain stability. One reason is that the successor Kim Jong-il has assumed neither the party nor state top post. From 1995 on, due to the deterioration of the North Korean economic situation, international doubt and worry about North Korea has intensified. In 1995 when the DPRK suffered flooding, the government openly for the first time appealed to international society for aid. International aid donors investigated, and confirmed that there was indeed a grave shortage in North Korea. They appealed to all countries for necessary aid.

On 28 March 1996, testifying to the US Senate Armed Services Committee, General Gary E. Luck, then commander of the US Forces in Korea, said the question was not whether North Korea would disintegrate, "but rather, how will it disintegrate, by implosion or explosion? And when? We worry that in a very short period, this country will either collapse or take aggressive actions against the South . . ."

Whether the DPRK will fall apart has become an important issue in Northeast Asian affairs and it requires some clear judgement. For this reason, based on our knowledge about the DPRK, especially on our own life experience under the Chinese

socialist system in our period of economic difficulty as well as throughout our reform and opening, we believe that—even faced with grave difficulties as it is—the DPRK is still stable and will go its own way, clinging to Korean-type socialism without any possibility of collapse.

### **Korean-type Socialism and Present Tasks**

The Democratic People's Republic of Korea is a socialist country, but its institutional system is different from those of the Soviet Union, East European countries or pre-reform China. We call it Korean-type socialism. The road of Korean-type socialism was paved by former leader Kim Il Sung, its guiding ideology being *juche* thought. After he died his son Kim Jong-il, the new leader, stated his comprehension of socialism in a thesis: "Socialism is Science" which insisted upon *juche* ideology.<sup>1</sup> As to the operation of the institutional system of Korean-type socialism, there is lack of clear literature helping us to understand this; yet in light of what China experienced before reform, we could probably do so.

From its own perspective, the DPRK is now faced with four basic tasks:

1. As a socialist country, the DPRK persists in its target of national reunification. It insists upon "a federal system based on one nation, one state, two systems and two governments," that is to say, on the basis of mutual recognition and tolerance by the Southern and Northern sides over opposite ideology and institution, the two sides would participate on equal terms in a national uniform government under which they would practice autonomy with equal rights and duties, and would establish a federal system to realize reunification.<sup>2</sup> However, the main task to maintain the security and stability of the DPRK has become

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1 *Rodong Shinmun*, 1 November 1994.

2 Chinese edition of *North Korea Today*, of August 1995, p. 41.

how to handle the big gap between the two economies; what to do about the high tension over opposing ideologies, social systems and reunification goals but which is also due to the military confrontation; and how to handle relations with the South.

2. With the departure of Kim Il Sung and other leaders of the first generation, the DPRK has encountered the power succession issue among party, army and state, a transition of power into the hands of the younger generation.

3. The improvement and development of the North Korean national economy since the late 1980s stopped and began to decrease, and now the country is overwhelmed by difficulties. The last two years have witnessed flooding that exacerbated the troubles. Improving the economic situation and promoting economic development have become an essential task in front of the DPRK.

4. Diplomatic breakthrough: Diplomacy is an important sphere in which the DPRK seeks international support in order to gain superiority in the South-North confrontation. Pyongyang sets its current goal of diplomatic breakthrough on relations with the United States and Japan. After having reached a framework agreement with the US on nuclear issues, it brought up the issue of ceasing to recognize the validity of the Korean Armistice Agreement. It wants to talk directly with the US about signing a peace agreement and to negotiate with the US as well as Japan on affairs of establishing full diplomatic relations.

Of the above-mentioned four basic tasks, the first is a long-term strategic goal, while the other three involve present domestic political and economic circumstances and policies both internal and external. Whether the DPRK is stable or prone to falling apart will be mainly determined by the situation surrounding these three tasks, which are analyzed in turn.

### **Power Succession Steady and Domestic Politics Steady**

Since July 1994 there have been many comments by foreigners because Kim Jong-il put off formal succession to the top posts of the party and the DPRK state, hence the doubts about North Korea's political stability. It seems to us, the fact that Kim Jong-il has not succeeded to the highest post of party or state has no influence upon the progress of the power succession in this country. Having begun participation in the leadership of the Korean Workers Party (KWP) and the government in 1974, Kim Jong-il seems well qualified both in reputation and in ability to lead. As the sole current standing member of KWP Political Bureau and supreme leader of the armed forces, he has been conducting actual power of the top leader of the party, government and army of the DPRK. The North Korean people worship Kim Il Sung as the "fatherly leader," which strengthens the fairness of Kim Jong-il's replacing him. In such a cultural environment of a highly worshipped leader, there cannot possibly be power struggles that threaten the stability. The DPRK government's handling of some recent events shows that the operation of the top-level state power organs is efficient:

- October 1994, signed a framework agreement with the US on the nuclear issue.
- December 1994, shot down a US Army helicopter that flew into North Korean territorial airspace.
- March 1996, declared itself not responsible to respect the armistice zone, while speedily pressing the US to discuss issues of a peace agreement.

Various signs show that not only is Kim Jong-il's place as the inheritor stable, but also the cadres in the party, government and army of the DPRK are steadily becoming more youthful.

In October 1994, Chairman Rilinovsky of the Russian Liberal Party visited North Korea and made comments on the country's political situation. He said: "In North Korea, all things are in order and the political situation is stable. . . . There are not even minute factors of crisis. We saw the sight of the courageous youth

loyally defending their own motherland. . . . North Korea liberated itself from the rule of Japanese imperialism, frustrated the American attempt at aggression and so far has not been influenced by Western culture, nor was involved in the reform tide of Russia. North Korea's ideological system and social system are thus the most consolidated in the world."<sup>3</sup> Rilinovsky's statement confirms the smooth succession in the DPRK. Up to now there has been no new evidence showing disorder in North Korean life.

After the doubts about the power succession gradually die away, the doubt about political stability is relevant to North Korea's economic difficulties. Following the DPRK's appeal for international aid, international aid organs confirmed that there was a serious shortage of food in vast ranges indeed, and foreign media reported that economic refugees were fleeing to other countries. On this basis, some people think that grave economic difficulties in North Korea will probably threaten political stability, ultimately to the country's collapse.

Even though first-hand reference is lacking to prove the degree of North Korea's economic difficulties and grain scarcity, it is not overestimated to say the situation is already of definite severity. What needs discussion here is whether or not North Korea will suffer political disorder or turmoil or even collapse with these grave difficulties.

If we directly observe whether economic difficulties have affected political stability before discussing their origin, we may see such facts:

There might be different opinions on the reason for economic troubles, but there are neither political opposition factions nor open debates over policy in North Korea. The people are as usual closely united around the KWP Central Committee whose nucleus is Kim Jong-il, believing that the difficulties will be

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3 "The Problem of Leadership Succession Has Been Solved Perfectly," in *North Korea Today*, April 1995.

conquered in the end under his leadership. The political authority of the DPRK leaders has not been shaken.

In terms of North Korean society, the mind of the masses is not out of order as was the case when values became confused at the time former East European and Soviet Union socialism broke down. On the contrary, in the DPRK the masses support the leadership of the leader and the party heavily yet not compulsively. Backed by firm belief, the cohesion of a society can in fact be strengthened by difficult conditions.

In recent years, the DPRK made diplomatic achievements such as taking advantage of Western anxiety about nuclear issues to catch the US and sign a framework agreement in favor of solving North Korea's energy problems, drawing in Japan to make contacts for establishing diplomatic relations between the two countries, and holding out against pressure from South Korea. All these achievements plus the external pressures from the South will toughen the people's support for their leaders.

Difficult in economy though it has, the DPRK administration is effective in operation, and the government is fully capable of controlling and maintaining normal order.

The Korean people are famous for bearing hardships and withstanding hard work. They can grit their teeth to overcome difficulties. In hard times, the masses fix more hope than usual upon the leader, the party and the government, expecting that the party and government can guide them to the end of the tunnel. China experienced an extremely difficult period, too, in the course of socialist development. From 1958 to 1960, wrong policies followed by natural disasters also led to a big famine in China. However, in a socialist country where the party and government were heavily supported by the people, that event did not result in political turbulence because the party and government stood shoulder to shoulder with the masses against hard tides.

Some people explain the present circumstances of North Korea in terms of the crumbling of Romania in 1989, thinking that

North Korea will follow the Romanian pattern and that popular discontent with the government will lead to collapse through radical political change. This kind of analogy seems unpersuasive, because there is much difference between the North Korean-type socialism and Romanian socialism. Having experienced the democratic revolution, the Romanian people were more strongly autonomous in the selection of policies, leaders and institutions, and were widely influenced by the outside world before 1989. This means that it was easy for a political opposition faction to emerge and that the leader's reputation was limited. The moment a leader loses his prestige, the society can lose political control; in Romania a new political structure was easy to form but in North Korea the people's loyal piety to the party and the leader has been the universal ideology. In such a socialist country, even if they show disappointment over misguided policies, the people are always hoping that the party and the leader will correct their own mistakes, allowing no splitting of the central leadership or plots to replace the leader. Against such a cultural background, it would be unrealistic to assume that economic difficulties will lead the DPRK to collapse.

Recently, we learned that the Korean Workers Party made an appeal to party members, the army and the masses to enhance the spirit of the so-called Miserable March to turn 1996 into the year of fortune, and there was a widespread response. Miserable March means the "spirit of the most complete support for the leader, of firm self-reliance and revolutionary optimism" and "the spirit of devotion to guarding the leader of the revolution in the hardest surroundings" as well as "the belief that so long as Comrade Kim Jong-il is the great leader, victory is certain, which means a steel will to be with the General, living or dying, forever."<sup>4</sup> This ideological belief will support the lead of the

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4 "Live and Struggle in the Spirit of Miserable Marching," see *Rodong Shinmun*, 7 February 1996.

Korean Workers Party and Kim Jong-il and will help keep political stability.

### **North Korea's Current Difficulties and their Background**

Though we consider North Korean politics to be stable, we do not deny that the national economy is in an extremely difficult state. If this plight is not eventually solved and the economic situation improved, then judging from China's experience, it will ultimately threaten political stability and the existence of the socialist system. From China's experience, we know poverty is not socialism. If a socialist country cannot set free productivity and show advantages in developing productivity and in raising the people's living standard, then this institution is against the principle of socialism, hence without vitality. Viewed from this angle, North Korea is doubtless facing serious challenges.

Lacking reference, it is not easy to be sure of the roots of the economic difficulties in North Korea and the exact degree of difficulty, but on the ground of all circumstances it is no doubt grave. At the end of 1993, the end of the DPRK Third Seven-year Plan for Economic Development (1987-1993), the KWP held 21st Plenary Session of the 6th Central Committee on 8 December to summarize how the plan had proceeded and formulate policies of economic development for the future. According to the Third Seven-year Plan, the country's average annual economic growth rate should have been 7.9%. However, the bulletin of the 21st Plenary Session related that most of the targets on the Third Seven-year Plan had not been approached. The bulletin pointed out the external reasons causing the failure of the targets: the former Soviet and East European countries' socialism encountered frustration and the socialist market of the world fell apart, and DPRK trade contracts with the former Soviet Union and East European countries could no longer be carried out, bringing heavy damages to economic growth.

Such a reason is easy to understand. For many years, DPRK external economic relations have been mainly set up toward the Soviet Union, China and the East European countries. Most trading was done by accounted barter. The planned economy of North Korea has not been able to export goods to Western countries via international markets. Constrained by its limited resources and industrial structure, North Korea's economic capacity has not been self-sufficient and much depended on the Soviet Union for such strategic resources as energy. Yet, the Soviet Union eventually fell apart. The former Soviet countries not only cut their oil supply to North Korea by ninety percent, but also demanded hard currency payment for the rest of their supply. Meanwhile, the changes in the East European countries broke the traditional commercial relations with North Korea, as well. It is imaginable that if North Korea was not self-sufficient in strategic resources such as energy and its industrial structure heavily dependent upon the economic and commercial relations with the Soviet bloc, then the effect of these changes must have been very strong.

Facing this circumstance, the 21st Plenary Session of the 6th Party Central Committee produced a policy of economic development that was: agriculture first, light industry first and export first. This might be taken as a readjustment of industrial policy. Previously, the DPRK had been carrying out an autonomous and nationalistic line of economic construction; that was to make sure of political independence and autonomy by building an autonomous economy. On industrial policy, it had persisted in the priority of developing heavy industry yet nurturing light industry and agriculture at the same time.

Considering general experiences in development, we see it certainly correct to put priority on agriculture, light industry and export, in the first place. As the foundation of a national economy, agriculture is the key to feed the population and maintain stability in society; it also provides industries with raw materials. Light industry needs less funding and turns out more

consumer products than other manufacturing, and should have development priority. As a country rich in labor resources and short of funds, the DPRK might have comparative advantages in the labor-intensive export industry and might be able to import needed strategic resources after resulting international remittances. It is believable that North Korea's economy should be improved, readjusted according to this industrial policy.

However, conditions in the past two years have showed that the DPRK economy did not improve, and difficulties have become worse. This phenomenon can be partly explained by the 1995 flooding, so the government appealed for international humanitarian aid. The floods, however, were not the whole problem. Judging from China's experience, one cannot neglect the low efficiency caused by problems in the aspect of economic system.

Like China, North Korea built up a socialist economy through rural cooperatives, state-run industry, and allocated resources by means of planning that even includes rationed distribution of consumer goods. From China's experience in this matter, the phenomenon of low economic efficiency cannot be easily avoided.

The traditional socialist economic system has two rather obvious problems: one, the producer lacks initiative and incentive. Reasonable relations for workers and enterprises in production and distribution are not easily to set up, and the way in which national incomes are distributed fails to arouse producer initiative, so productivity is extremely low. Ideology is normally used to mobilize the workers but the effect is usually rather limited.

Two, without the market mechanism it is impossible to balance supply and demand and allocate resources efficiently. Generally the planning mode can modulate demand-supply relations to some extent, but it usually lags behind and is partial. Low efficiency on a the national scale is unavoidable.

It is believed that these illness in traditional planned economy may exist in North Korea and, so far, Pyongyang has not formulated any guiding thought towards reforming the economic system to give more room in its socialist economy to the market mechanism. Therefore, one might deduce that causes in economic system are probably the important factors hindering North Korea from developing agriculture, light industry and export. Thus the troubles brought forth by changes of external economic relations, for example the lack of basic resources and materials for the development of the national economy, enlarge the obstruction to readjusting industrial policies. Should this be correct, it might be considered that the improvement of North Korea's economic condition is to reform the economic system to some degree, at least to adopt some elastic policies good for mobilizing producer incentive such as those practiced during China's hard times in the early sixties: fixing the term output quotas for each household, enlarging family plots, and allowing a free market for farm produce, etc. This played an important role in restoring China's agriculture at that time.

A Reuters report on 7 February 1996 says the staff of the Pyongyang office of UNWFP observed that North Korea had loosened restrictions, allowing farmers to market grain against famine, so that the market witnessed trade in grain, fruit, vegetables, eggs, etc. This shows that the government has loosened its policy on the free marketing of farm produce, which promises increments of agricultural production.

Considering North Korea's conditions, even if there are no signs of mass reform of the economic system, then we might at least think that there are conditions in the rural area to adopt the household-contracted responsibility system with linked remuneration, which gained success in China. This kind of reform incurs smaller quake, neither affecting the urban state-run economy nor requiring a change of land ownership. The only condition is that regulations be made concerning rights and duties in terms of land use. The government need not invest

much money, merely proffer policies. Enjoying lofty prestige among the masses, the party and government are also qualified to carry out such a transfer of policy.

From this sense, it seems reasonable to believe that the improvement of North Korea's agriculture should not be too pessimistic a matter. And should it be able to find the solution to problems of agriculture, North Korea might also find the path proper to develop light industry and export.

In discussing the prospects for the North Korean economy, one has to pay attention to the possibility for North Korea to open to the outside world. The active significance for socialist countries to open to economic development has been approved not only in China but in Vietnam. Is there such a possibility, then, in North Korea?

The DPRK has declared its Rajin-Sonbong region as a window of opening, which might be regarded as the very first trial. Situated at the Tumen River delta, the Rajin-Sonbong region neighbors Russia and China and features rich forest and underground resources such as iron ore, coal, and gas, etc. If coordinated with the current Tumen River Development Zone program, it will have fine prospects. The North Korean government hopes to try new modes and ways of cooperation with foreign investors, turning the region into an important international cargo transfer juncture in Northeast Asia as well as an export manufacturing base and tourist spot by means of the Rajin and Chongjin ports. The government has issued laws and policies to attract foreign investment, and foreign investors are already coming for talks and deals. Until now, however, with a very limited amount of foreign capital coming in, the opening of Rajin-Sonbong region has not shown any active influence on whole economy. Whether North Korea could further open itself on a large scale has become quite an issue.

Viewed from North Korea's angle, to open on a large scale it has to solve at least two problems: The first is to evaluate and cope with the negative effect caused by opening, especially in an

antagonistic state of South-North relations with the North holding the poorer hand. Opening could easily give way to penetration by opposing forces and might induce value shock. If handled badly, that could threaten political stability and the consolidation of socialism. A grave external environment has restricted North Korea's steps of opening.

The second is that norms befitting a market economy have not been introduced into the North Korean economic system, so norms in accordance with international conventions will not be easily formed to deal with external economic and commercial relations brought about by opening. Such circumstances can only affect the investment atmosphere, and setting up a series of norms fitting international conventions must be based on market elements in the domestic economy. That, however, would at present seem difficult for North Korea to do.

If this is correct, then the prediction is: over the coming two or three years, North Korea's opening will remain in the trial stage and any positive effects on the economy will be limited. An improvement in South-North relations would help Pyongyang to broaden its scope of opening. And whatever its beginning and its degree may be, reform of the economic system at home will be the essential condition for opening.

To conclude the above, looking forward to the whole 1996, the North Korean economy will not easily escape its difficulties. Yet, it is unrealistic to conclude that North Korea will eventually fall apart. The fact of economic hardship will force North Korea to probe the socialist path of development in its own way. China's experience shows that a socialist country will be able to find the road of development appropriate to its own characteristics, so long as the party and the government put economic growth above all else and regard the socialist principle as the development of productivity and the raising of the living standard of the people.

## **Autonomous Diplomacy that Has Resisted Pressures**

In the overall state strategy of the DPRK, diplomacy takes an extremely important place. Especially in the circumstance that South-North relations are sharply antagonistic, after the South established diplomatic relations with socialist and former socialist countries through its Northern Policy while the North faces economic difficulties, it will be essential to materialize the normalization of diplomatic relations with the US and Japan so as to take a relatively profitable position in South-North relations. In this respect it is fair to say that DPRK diplomacy has made progress corresponding to its aims.

Since the late 1980s Seoul has been carrying out its Northern Policy and has established diplomatic relations with Hungary and other East European countries, the Soviet Union, and China in 1992, gradually taking the upper hand in the competition win the heart and mind of international society. If Pyongyang is slow in improving relations with the US and Japan, it will be thrown into passivity. Therefore, in recent years the DPRK has been actively broadening its relations with the US and Japan while keeping those with China, Russia and Southeast Asia. The framework agreement Pyongyang reached with the US on nuclear issues in 1994 might be regarded as success in this diplomacy.

Regarding the nuclear issue, making use of the anxiety on the part of the US, Japan and ROK about North Korean development of nuclear weapons, Pyongyang created the opportunity to negotiate with the US and has persisted in dealing with it alone. By promising not to develop nuclear weapons, North Korea received 50,000 tons of heavy oil, and the promise of 100,000 every year as well as light-water reactors worth \$4 billion to be built by the Korean Peninsula Energy Development Organizations in order to help solve North Korea's energy problems. As members of KEDO, the US, Japan and the ROK harvested a promise by Pyongyang not to develop nuclear weapons, while

the DPRK made diplomatic and economic achievements under the condition of losing nothing. It is notable that in dealing with the US, Pyongyang had no delusions about the US because it signed the framework agreement. In December 1994 an American military helicopter entered North Korean territorial air and was shot down, which shows that the DPRK is good at protecting its own interests by means of force as well as negotiation.

Negotiating on the nuclear issue, the DPRK seceded from the 1953 Korean Armistice Agreement, insisting on the US rather than the ROK as its negotiation partner to sign a peace agreement. In 1996, as it had obtained no active response, Pyongyang declared that it would no longer shoulder any responsibility towards the Demilitarized Zone. Thereupon the grave military situation on the peninsula was further intensified. To solve this problem, on 16 March Presidents Bill Clinton and Y. S. Kim jointly suggested that the US, China, and North and South Korea negotiate over the issue of a peace agreement for the Korean Peninsula. So far the DPRK has not given a final reply.

If the proposal is accepted, it means that Pyongyang may gain scores in diplomacy, for meanwhile, bilateral talks with the US may escalate to the issue of establishing diplomatic relations based on current subjects such as non-proliferation of missiles, return of the remains of American soldiers from the Korean War and setting up liaison offices in each others' capitals. At the same time, accepting the proposal will also create conditions for winning further economic assistance and foreign investment from outside. It would not be an unexpected result if the economy were to reap something from this.

If Pyongyang declines the proposal of four-way negotiations it will lose nothing; keeping pressure on Seoul and Washington concerning security, the DPRK might choose a more favorable opportunity to resume talks on this issue.

While actively developing relations with the US, Pyongyang is also contacting Japan on the issue of establishing diplomatic

relations. No doubt, in the case of stagnant South North relations, better relations between Pyongyang and Tokyo will impose pressure upon Seoul. Meanwhile, Pyongyang has not lowered its requirements for setting up diplomatic relations with Japan, that is to demand the precondition that Japan offer an apology and indemnity for the offences and crimes of the war of aggression.

Due to the collapse of the Soviet Union and its former policies towards the Korean peninsula, Russia can no longer play the role entirely as its predecessor did on the issues regarding the peninsula, yet Russia's status as a power in Northeast Asia has not changed at all. Pyongyang still regards it as its own strategic partner, which means increasing the ability to counterbalance the South by maintaining and developing relations with Russia.

In the meantime, the DPRK launches active diplomacy towards Southeast Asia, looking to Thailand as an important partner. Through Bangkok, Pyongyang does further work on Brunei, the Philippines and Burma. The progress of the relations with Southeast Asia will help Pyongyang someday take part in the regional forum sponsored by ASEAN. If the DPRK participates, this will protect its state interests more effectively.

To the DPRK, China means not only traditional friendship but strategic partnership. Therefore, Pyongyang lays much stress on relations with China. On the 46th anniversary of the People's Republic of China in 1995, the Pyongyang press published a warmth-brimming article. It says: "The people of our country are heartily pleased by the achievements made by the brotherly Chinese people in revolution and construction. The [Korean] Workers Party and the DPRK government express their support and understanding for the line and policy brought out by Chinese [Communist] Party and government." The article stresses: "The Korea-China friendship was cemented with blood in the protracted common struggle against imperialism and has endured repeated tests, so it is unbreakable. Under the leadership of Great Leader Kim Jong-il, respecting the will of the

departed leader, the people of our country endear the friendship with the Chinese people and will go on making effort to strengthen it.”<sup>5</sup> The relations between the DPRK and the PRC will grow on.

On the whole, Pyongyang’s diplomatic strategy has protected the nation’s interests, and has played an active role in keeping political stability at home.

### **Conclusion**

Judging by domestic politics or internal economy or diplomacy, one cannot draw the conclusion that the DPRK will collapse. Of course North Korea currently faces economic difficulties, yet they are not insurmountable. It seems to us, the Korean Workers Party and the North Korean people ultimately do have the ability and the approach to conquer economic difficulties and hammer out their own path. As close neighbors of the Korean peninsula, we do sincerely hope that the two sides can get out of the cold-war mood, realize dialogue, reach national reconciliation and cooperation, and make efforts for the reunification of the Korean nation.

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5 “Warmly Celebrate the National Day of the People’s Republic of China,” *North Korea Today*, October 1995.

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## The Present Situation and the Prospect of North Korean Ideology

Takashi Sakai

Since the death of Kim Il Sung many opinions have been expressed about the prospects for the Democratic People's Republic of Korea. They contain two major points.

The first, a short-term question, is whether Kim Jong-il can fulfill the power succession, and the key to this is whether or not there exists a power struggle among the North Korean leadership group. Since Kim Il Sung's death, however, it is obvious that Kim Jong-il's authority has been outstanding; there is no evidence to rationalize the view that anyone in the leadership group might be challenging him. The second point, a middle- to long-term question, is whether the regime will be able to maintain its stability after Kim Jong-il's power succession.<sup>1</sup> Whether a substantial conversion of political line or policy in the direction of pragmatism (hereafter called reform) can be accomplished successfully is the key of this question, because many views

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The views in this article are completely personal and do not have any connection with any organization or government.

1 In this article, short term refers to the time it takes to establish the Kim Jong-il administration. It may be one or two years. The middle term is the time it will take the policies of this administration to be realized and the results to appear to the people. This could be about five years. Long term would mean after the turn of the century.

agree that without such reform, the current North Korean leadership group cannot maintain the regime over the long term.

This article examines North Korean ideology, especially the possibility of its reorganization, as an important factor with a vital influence on reform. As a due process to such discussion two questions should be examined. One, is it possible to perform partial reform, limited to the economic field, without ideological reorganization? The second question is whether the leadership group might arbitrarily manipulate ideology—if so, there would be no need to examine it as an independent factor.

The answer to the first question is that the North Korean economic and political administration systems are connected so indivisibly that it is not realistic to think of such partial reform. The only possible way might be through so-called open economic policy, in which the basic management system of the economy is maintained and only external relations are changed. However, in such policy Pyongyang would not be expected to introduce foreign capital in full scale—yet that will be vital for reconstruction of the economy. Regarding the second question, of course the North Korean ideology was created by the leadership group but that does not necessarily mean the leaders can change it as they like. After permeating among the people, ideology attains an independence. If the leadership were to present a new ideology or fundamental policy that contradicts the extant ideology, unless they could convince the people the reason they could lose their legitimacy.

## **North Korean Ideology in the Post–Kim Il Sung Era**

### **The Characteristics of the Extant Ideology System**

The North Korean ideology, which has been explained in various ways, could be described by three points: it has been organized under the name of *juche* thought, its main purpose is to maintain the so-called *suryong* system, and it defines the basic nature of North Korea as the “democratic base” for South Korea.

*Juche Thought*

When we say that North Korean ideology is the system of *juche*, there are two aspects. The first is that North Korea insists upon the *juche* system. According to their explanation, the system is organized according to (1) the philosophical principle of *juche* which is the core of the system, (2) the socio-historical principle of *juche*, and (3) the guidance theory. The second is that aspect which has come to be organized over a historical process.<sup>2</sup>

According to the aim of this article, which considers historical change, it might be better to consider *juche*-ism through the latter aspect. The historical development of *juche* thought consists of three phases as follows.

In the first phase, North Korea started to insist in their policy line upon *chajusung* (independence) vis-à-vis other countries. They did not claim they had their own ideology system different from Marx-Leninism; they insisted that they were applying the Marx-Leninist principle in their own situation. In the 1960s, the *juche* line was further systematized under the slogan, "*Juche* in ideology, *chaju* in politics, *charip* (self-reliance) in economy, *chawi* (self-defence) in military."

In the second phase Pyongyang developed its own ideas such as "the construction process of socialist society" and other philosophical concepts. They asserted that they were the successors to Marxism-Leninism and had overcome its historical limitations. In 1967 Kim Il Sung created his own definition of the "transition period" to communist society. At the same time, he also made up the concept of the *suryong* (supreme leader). In the early 1970s he presented a series of works about his ideas on the nature of human beings, which later came to be called "*juche* philosophy." His son Kim Jong-il systematized these ideas as

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2 For the process of forming *juche*, see Jong-Sok Lee, *A Study of the Korean Workers Party* (Seoul: Yoksapipyongsa, 1995 [In Korean]).

more of a theoretical system in his 1982 article, "On Juche Thought."

In the third phase a very peculiar concept emerged, the "socio-political life" or "socialism in our own style." North Korea tried to demonstrate that these ideas are completely different from the socialism of any other country. Mainly Kim Jong-il presented the ideas in his articles of the middle 1980s, in particular "On Some Questions on the Edification of Juche." It is obvious that the aim of reorganizing juche like this was to insist upon the difference between it and international socialism, which was in decline at that time.

#### *The Suryong System*

North Korean ideology serves to justify not only the North Korean regime in general but also its unique ruling structure, which I term the *suryong* system.<sup>3</sup> The top leader, called the *suryong*, is expected to guide the party and the people. This is different from Leninism in which the party is the most important guiding vanguard.

The *suryong* system was initiated overtly in 1967 after Kim Il Sung and his anti-Japanese partisan group had acquired exclusive power, purging the Kapsan group from the leadership group. It was established substantially by Kim Jong-il in 1974 when as the successor of Kim Il Sung, he started to convert the style of activity and organization of the Korean Workers Party (KWP).

In North Korean ideology, various rhetoric has been cooked up to justify the *suryong* system. In the 1970s a certain idea was presented about human beings: although human nature consists of *chajusung* (self reliance), *changjosung* (creativity), and *uisiksung* (consciousness), these aspects could be consolidated properly

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3 For the process and concept of the *suryong* system, see Masayuki Suzuki, *North Korea: Resonance socialism and tradition* (Tokyo: Toukyoudaigakusyuppankai, 1992 [In Japanese]).

only under the condition that one accept and obey the guidance of the suryong because each person is a social entity.<sup>4</sup> In the 1980s as mentioned, the theory of socio-politico life was introduced. According to this idea people could have socio-politico life, which is eternal and more valuable than limited physical life, under the condition that they accept and obey the guidance of the suryong, because the suryong is the core of socio-politico life. In the 1990s Confucian ethical ideas such as loyalty or filial piety, which were very traditional concepts in Korean culture, were utilized to support the suryong system. Everyone should be not only a loyal vassal but, further, a dutiful child of the suryong who gives the people not only infinite benevolence but also socio-politico life. It was insisted that the people should pay greater attention to the suryong, who grants socio-politico life, than to their own parents who give physical life, because socio-politico life is more valuable than physical life.

The suryong system is realized in North Korean politics in the following forms. The first is the necessity for a successor to the suryong. The suryong is a human being so his life cannot be eternal, but for any society to continue eternally it needs a suryong. That means the suryong should be succeeded by an appropriate person. The second is the absoluteness of the suryong's guidance. People should obey and make the maximum effort to carry out orders from the suryong as well as those from the party. The party concretizes the suryong's guidance into the form of policy. Even until death, people have no rights before having completed the mission given by the party. Third is the infallibility of the party line. On the condition that the suryong

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4 Kim Jong-il said, "The people as the masses are the creator of history, but they cannot play the role as the subject of development of society and history without correct guidance. . . . Only by accepting the appropriate guidance of the party and the suryong, the working class and the people as the masses can develop the serious and complicated struggle for reconstructing nature and society, realize the liberation of the nation and the class, build socialist and communist society successfully and manage them correctly." Kim Jong-il, *On Juche Thought* (Pyongyang: Korean Workers Party Publishing House, 1982 [In Korean]).

is holy and that the party substantializes the suryong's guidance into policy, every extant line and policy must be consistently correct. If any mistake were to be recognized officially, it would mean that such conditions are also wrong, so in no way can North Korea recognize its own mistakes.

*The Democratic Base*

North Korea has from the time of its birth defined itself as the democratic base for South Korea, that is the base by which South Korea will be democratized. Born as a country divided from its Southern brother, Pyongyang needs to deny the legitimacy of the Seoul government in order to maintain its own legitimacy. Surely, there is some change in North Korean line regarding South Korean revolution, in particular during the 1990s. North Korea has insisted repeatedly that the principle of "one nation, one state, two systems, two governments" should be the basis of unification of Korea. In this stage, it is controversial whether democratizing South Korea has any real substance in North Korean policy. Nevertheless, in spite of such change of real policy, the leadership group and the people have shared the identity of their regime that the word "democratic base" might symbolize. It was imprinted in the regime and the people at the time of the birth of the DPRK.

Through the 1970s when partisan activities of Kim Il Sung group started to be regarded as the root of North Korean revolution the word "base" was added to impart the image of partisan base.<sup>5</sup> The slogan, "Keep the style of the anti-Japanese partisans in daily life, on the production line and in study," was

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5 Haruki Wada used the expression "partisan state" for such tendency. Haruki Wada, *Kim Il Sung and the Anti-Japan War in Manchuria* (Tokyo: Heibonsya, 1992 [In Japanese]).

said to be proposed by Kim Jong-il, and it signifies the intention to reorganize the entire society under this image.

The self-definition as democratic base has had significant influence on internal and external policy in North Korea. For internal policy it has promoted the construction of the power base, not only in the military field but also in culture or the economy, by which North Korea could democratize South Korea. It has also convinced the people that the country was in an emergency situation under threat from international imperialism, so that they should accept not only strong control and mobilization by the government but also a low standard of living. Regarding external policy, this self-description has been pushing North Korea to be superior—at any cost—to the South in the international realm; it has also led to the policy of rendering Seoul's international position as low, and the stability of the South Korean government as weak, as possible.

The self-definition as democratic base has given a great advantage to the Pyongyang leadership group towards keeping themselves in power. It also formed a policy toward South Korea based on zero-sum-game thinking, which in turn has strongly influenced the leadership group.

### **The North Korean Ideology after the Death of Kim Il Sung**

For two years after the death of Kim Il Sung, among ideological articles carried in North Korean media it has been difficult to find any indication of significant change. A non-Kim Il Sung phenomenon that many expected would be inevitable has not happened, at least so far. Here is the present situation in each of the aspects mentioned above.

#### *Morality-oriented Tendency of Juche Thought*

Moral factors, the insistence upon which has been stepped up since the beginning of the 1990s, are being pushed even more frequently now. Political factors are mentioned relatively less

frequently. One example: Kim Jong-il recently declared collectivism to be "the essential concept."<sup>6</sup> He explained it as the root of socialist society, the essence of socialist ideology, the opposite of individualism (the nuance of which here is close to egoism), placing greater priority on the interests of the whole than on that of the individual. He could be interpreted as saying that socialism as a political concept will change to a more universal moral concept through the renunciation of egoism. Another example can be seen in his insistence, trying to prove the need to maintain the extant policy lines, upon the obligation of morality.<sup>7</sup>

*Substitution of Suryong with Ryongdoja*

After Kim Il Sung's death, Kim Jong-il, who is not called *suryong*, is executing the roll of *suryong*. He has been called *ryongdoja* (a superior leader) since the autumn of 1993 when Kim Il Sung was still alive.<sup>8</sup> Although the concept of the *ryongdoja* is not established in North Korean ideology as a specific position or role as is the *suryong*, regarding its function and roll it has been mentioned in almost same way as that with which *suryong* has been identified by the North Korean media since that time. Especially recently, *ryongdoja* and *suryong* are almost completely substitutive. For example, instead of "Great Suryong Comrade Kim Il Sung," frequently used is "Great Ryongdoja Comrade Kim Jong-il." With the exception of *suryong*, every title that had been used for Kim Il Sung is used today for Kim Jong-il.

Why, then, is Kim Jong-il not called *suryong*? The idea of the *suryong* system has not been renounced. Kim Jong-il repeatedly

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6 Kim Jong-il, "Giving priority to ideological activity is the indispensable request for the achievement of great socialism," *Rodong Shinmun*, 21 June 1995.

7 Kim Jong-il, "Respecting Veterans of the Revolution is the Noble Obligation of the Revolutionary," *Rodong Shinmun*, 25 December 1995.

8 For the process in which Kim Jong-il became to be called "Ryongdoja," see Takashi Sakai, "Kim Jong-il: The Road to Power," *Kaigaijijou*, Vol. 43, No. 2, February 1995 [In Japanese].

insists that suryong is the top brain of the revolution and that maintaining loyalty for the suryong from one generation to the next is for a revolutionary the highest expression of morality.<sup>9</sup>

Ryongdoja might only be a temporary name for the transition period of power succession; Kim Jong-il will probably be called suryong when he is elected to general secretary of the party and as president of the DPRK. Of course, being elected to such positions does not necessarily mean *being* the suryong, but the suryong, which is an ideological position, may reveal its power in real politics *through* such positions. In fact, in the Kim Il Sung era the position of president was explained as that position of state in which the position of suryong was embodied.

*Emphasis on Military Affairs*

After the death of Kim Il Sung, North Korea believes it is in an emergency situation and seems to have strengthened its self-perception as a militarily based entity. The main reason may be that Kim Jong-il is ruling the country as chairman of the National Defense Committee and the supreme commander of the Korean Peoples Army (KPA).

Such tendency could be expected to bind the people more tightly, so the North Korean leadership group may be enjoying the effect of this perception especially in this stage at which social control could well loosen due to the power succession and, more significantly, the serious economic difficulties.

It is thus possible to say that the leadership has need to emphasize military affairs in order to maintain internal tension due to the improvement of relations with the United States, which has traditionally been a major enemy. Pyongyang's recent military provocations might be a typical example of such policy. In fact, since this spring the Northern media has reported many

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9 Kim Jong-il, "Respecting Veterans of Revolution is the Noble Obligation of the Revolutionary."

meetings all over the country at which young men and women expressed a strong desire to join the KPA. Also, the “democratization” policy toward South Korea has been persistent, even if not so aggressive as in the past. The negative stance against South-North dialog and severe criticism against the Kim Young Sam administration are expressions of such line.

## **Possibilities of Reorganization of North Korean Ideology**

### **Reorganization Scenarios**

Were there to be any reorganization of North Korean ideology, what kind of change would occur? The most important condition would be to keep a consistency between old and new ideologies. Thus any reorganization that would require clear self-criticism of the North Korean extant leadership group or substantial criticism of past line or policy cannot be expected. For any leadership group, an ideology reorganization—certainly requiring exactly such criticism—would be difficult, but it would be especially difficult for Pyongyang because the regime has been supported by a myth of infallibility. Of course if the leadership were to change then such a limit would need no consideration. In this article, however, the possibility of reorganization of North Korean ideology will be examined under the condition that the extant leadership group stay in power.

Placing this condition is not merely for saving discussion. In fact, it is not expected that any new leadership group that would deny the authority of Kim Jong-il could long maintain its position. Following are four unlikely models of new leadership.

- Maintaining the present leadership group eliminating only Kim Jong-il but maintaining the authority of Kim Il Sung
- Maintaining the Korean Workers Party but eliminating Kim Jong-il and denying the authority of Kim Il Sung
- Maintaining the socialist system and dismantling the party
- Maintaining a North Korean regime without socialism

Concerning model 1, it would be difficult to say that Kim Jong-il is wrong but Kim Il Sung was correct because in the propaganda disseminated since the 1970s or at least since 1980 when Kim Jong-il appeared in public the authority of both leaders has been integrated. Kim Il Sung repeatedly expressed his absolute trust in and praise for Kim Jong-il.

Model 2 is also not to be expected for a similar reason: the authority of Kim Il Sung and Kim Jong-il and the authority of the KWP have been thoroughly integrated in the propaganda that the KWP was founded and established by the two men, and that the *raison d'être* of the party is to realize the *suryong* ideology.

Model 3 would also be difficult to realize because the historical limit of Marx-Leninism has already been announced in the propaganda. It is also trumpeted loudly that North Korean-type socialism is correct and should be protected because their leaders are great. Without the authority of the two leaders and the party, it might be impossible to justify a socialist system in North Korea.

In model 4 it is difficult to explain, if the systems of both sides are the same, why the Korean peninsula should be divided. North Korea would lose its legitimacy. Through the democratic-base concept, the North Korean people keep a same-nation feeling of togetherness with the South Koreans.

It might therefore be said that once any of the above models were to be realized—and the possibility cannot be eliminated completely—the leadership would not stand long and political confusion could not but increase until the collapse of the whole regime. Under such conditions, and according to the present situation of North Korean ideology outlined above, three scenarios might be assumed as forms of future reorganization of ideology in North Korea.

*Enforcement of the Mass Line*

The first scenario is to enforce the "mass line." Although this has never been realized in real experience, it has the potential to expect and to encourage the initiative of the masses. In North Korean society there could be two concrete methods for enforcement of the mass line. The first is political, through the function of representative organizations such as Supreme People's Assembly (SPA) or the various local People's Assemblies, as the constitution describes. The function of those organizations is to supervise all administrative organizations, and they have been retained legally—but in actuality that function has been completely ignored. For example, the SPA has not held session even a single day since the death of Kim Il Sung. If this function were really to be carried out, some of the problems of bureaucratism in the administration system—which Kim Il Sung criticized repeatedly—might decrease and the efficiency of carrying out policy might increase.

The second way, in the economic sphere field, would be to retain the functions of the party committee of each enterprise so that they could realize the authority to manage themselves under the principle of "Tae'an style" of business administration, a collective management through the party committee by the enterprise director, chief managerial staff, and labor representatives. Real control, however, seems to be handled by the party secretary group who are supposedly selected by party committee but who in fact are subordinate to the upper party hierarchy. If the party committees, in which representatives of labor are included, were to gain real power then the workers might end up with better incentives.

Such methods would not contradict the extant North Korean ideology. Both Kim Il Sung and Kim Jong-il have insisted upon the need for enforcement of the mass line, especially to exterminate bureaucratism—which, they said, can only ruin the foundation of the socialist system. Of course, this way has its limit

because ultimately the idea of the mass line might contradict the idea of guidance by the *suryong*. The authority that each representative organization could have would be limited to planning and to checking details; the administrative organizations would execute the policies decided by the upper organizations. Certainly this would not be a thorough way, but it might significantly change the overall system which has been so rigid and closed.

*The Road to the Moral State*

The second scenario is the way to the "moral state." Moral state, not an expression in North Korean ideology but the author's own term, means a state in which legitimacy is established upon morality, a more universal concept than any specific ideology. In North Korea, changing to a moral state would mean that the idea of socialism or *juche* would diffuse and lose real influence over society, and the ideas from Confucian ethics would become a more important factor for maintaining social integration. As mentioned above, some indication of such tendency can be seen established even in recent works by Kim Jong-il.

In this scenario there might be two sub-scenarios, because the political implications of such Confucian ethics are so vague that opposing interpretations would be possible.

The first sub-scenario is the way in which these Confucian ethics would be separated from real politics and policy would become free from any ideological spell. Policy would be more realistic and pragmatic. In this case, the role of the top leader, whoever he is or whatever he is called, could only be symbolic. Also, the role of the party would decrease. On the other hand, the role of so-called technocrat group would increase.

The second sub-scenario would be to go the more mystical way in which rather emotional factors are emphasized such as mysticism or nationalism. It might be called the road to a

religious state. In this case, the top leader could keep absolute power, supported perhaps by the "greatness" of his personality or by some more mystical idea rather than the concept of the *suryong*. Nevertheless, even in such case it is possible that the North Korean economy might shift to step up foreign relationships and bring in outside capital through exploitation of domestic labor source coordinated with the leadership group.

*Regression to Original Juche Thought*

The third scenario would be for the present *juche* system, eliminating surplus ideological decorations such as Confucian and mystical ideas, to be reorganized to its original posture in which *chajusung* (self-reliance) is the core. Symbolically that would mean to go back to the situation before 1967.

In this case, *juche* would be regarded as the system of creative performance of the Marxism-Leninism principle applied to the actual conditions in North Korea. The concept of *suryong* would be renounced. Under such situation it would be less difficult to enforce the idea of mass line mentioned above. Also the tendency to pragmatism might increase, at least to a point greater than exists now.

**Possibilities for the Reorganization Scenarios**

These scenarios are theoretical, but the possibilities of their actually being realized is a different problem. First, positive and negative factors common to those scenarios will be examined, then specific factors in each scenario and their respective chances of coming about.

The most important positive factor is that the North Korean leadership group needs something new by which it can increase the efficiency of the whole system and enforce the mobilization of the masses, because it has no effective way to settle recent serious economic difficulties. Neither is Kim Jong-il's charisma enough to integrate and mobilize the people for socialist con-

struction, especially compared with how powerfully Kim Il Sung did. It must also be pointed out that the leadership group, at least a part of it, seems to recognize that they need some change for survival and development of the regime.

On the other hand, there are negative factors. First of all, the resistance of people who by reform would lose their vested interests should be considered. The second factor is that there is an established belief within the North Korean leadership group that if the party central command system were to loosen even a single notch, it would inevitably introduce the collapse of the whole socialism system, as per the lesson with international socialism. Third, North Korea has historically always hesitated to introduce reform even though they had the theoretical possibility and the opportunity to do so. Finally, it should be mentioned that there is no social foundation to request or support any ideological reorganization as Christian society did in Eastern Europe.

Regarding specific factors and possibilities in the mass-line scenario the most serious point would be that all the bureaucrats of the party and administrative bodies might form an opposition league and resist the implementation of the new line in order to protect their common interests. Such resistance would seem to be so strong that the necessity of reform would be ignored.

In the moral-state scenario, each sub-scenario should be examined. While the pragmatic line would be the most suitable for pushing reform, the leadership group might be anxious that they lose their ideology to integrate the people. They have no experience to rule without it. Of course, it might be said that granting the dream of development and prosperity would be preferable to enforcement of empty ideological control, but the problem would be to convince the leadership. It would seem a big risk for them to choose such a course, and the attitude of Kim Jong-il might be an important negative factor; although his personality is not clear it is difficult to imagine that he would agree to decrease his power.

On the other hand, in the mystical-way scenario the resistance of bureaucrats may be relatively weak. Only some of the technocracy, scientists, or people with much contact with the outside might resist such a line, but they would seem to have little influence on ideological affairs even if they would be expected to play an important role in the nation's future development. Although it might seem that choosing such a line might not to be able to solve North Korea's basic problems, the idea itself might be adaptable to the political culture in North Korea where democratic politics have never in history been realized.

In the original-juche scenario, there is a serious difficulty because it would deny almost everything that Kim Jong-il has done since he became the successor of Kim Il Sung in 1974. In fact, converting original juche to the present style has been one of Kim Jong-il's most important achievements. It could only damage his authority, and not only his but also the authority of everyone who has been working with him. This must be a vital point to the leadership group, so it is very difficult to expect this scenario to be employed by the present leadership.

## **Conclusion**

The conclusion of the above considerations is that the possibility of any reorganization of North Korean ideology, by which reform of North Korean politics would be encouraged or at least allowed, is extremely low. Even if any reorganization were to happen, the only way might be to take a rather non-rational approach. Here might be the only way for Pyongyang to achieve its so-called soft landing, if such a thing is possible, realizing economic development and changing its political system to an authoritarianism system like the way in which South Korea succeeded. However, this process would certainly be accompanied by serious difficulty such as intensification of social instability. North Korea would be unable to succeed without almost

a miracle such as South Korea realized in its “miracle on the Han River.”

Because North Korean ideology lacks flexibility, it is almost impossible for the leadership group to reform the system significantly and successfully, even if they know they need it and want to do it. If they would try to proceed by force, serious confusion might occur due to the contradiction between *juche* and the new policy line. Certainly, any country employing a new line might experience some conflict with the existing line, so this is not a fair way to predict the failure of a new policy. In fact, as we all know, China has been going forward with substantial reform even with serious difficulties such as the Tienanmen affair. But North Korea is not China. The Pyongyang regime seems unable to withstand such a crisis. China does not need to be anxious about being absorbed by Taiwan, whereas North Korea does need to worry about being swallowed by Seoul. It is thus natural that the North Korean leadership is more insecure than is the Chinese.

It is thus reasonable to estimate that the North Korean leadership group will avoid reform until the end of its regime.

As an additional consideration, the sustainability of North Korean regime will be examined very briefly. On this point, the most important factor is regime support by the people. Simply speaking, the regime may face serious instability even in the middle term, because it is natural for the people to expect at least some change of the system in the post-Kim Il Sung era. As mentioned, however, the leadership will shun it. Especially, the start of the Kim Jong-il administration might be the very moment when the people begin to feel frustration about the rigidity of the regime. (If this idea is correct, it may explain why Kim Jong-il did not rise to the position of state president and general secretary of the party. He needs time to prepare something new.) Surely, aid from outside may ease such frustration, but whatever aid North Korea might be presented with will only be symbolic unless the country changes its system visibly. Actually, it could

become difficult for North Korea to obtain such aid if frustrations explode in one form or another and the human rights problem is posed in full scale. If the regime loses support from the people completely then nobody from the outside would, nor probably should, support it.

As an extension of the above context, the people of concerned countries should recognize the need to discuss the collapse of the North Korean regime. The discussion should cover three points as follows. The first is how to deal with various situations that would be occur in the process of the collapse. Such contingencies would not be limited to a military invasion by the North. For example, an uprising in the North Korean area bordering South Korea might create a serious dilemma. Another point is how to proceed with the process of reunification. There are many serious problems not only concerning the basic method to integrate both areas but also rather detailed problems, such as how to deal with the rights of old landlords in North Korea, and how and whom to punish among those who engaged in state terrorism inside and outside the area. A third point is what relationship should be established between unified Korea and other countries. These problems are too serious and complicated to be solved instantly by a limited group of people. Especially, under some urgent situation which may happen even in the near future, it would be difficult to keep discussions cool and prudent. These discussions should start, therefore, as soon as possible by many people from various fields, not only those of politics and economy but also religious, ethics, history, etc.

## North Korea: Hard March

**Yuri V. Vanin**

**N**owadays North Korea attracts the special attention of the world public, especially after the July 1994 demise of Kim Il Sung, the founder and impregnable leader of North Korean society and the ruling Korean Workers Party. The long delay in the legal establishment of the new leadership of the party and state as well as the complicated character of the country's economic and social situation has brought about a controversy of estimates and prognostic forecasts of the country's future and perspectives for development. As a rule, these forecasts and estimates are to be looked upon with skepticism because they are mainly based on casual studies and speculative discourses, which is understandable due to the lack of reliable information North Korea furnishes about itself. Unfortunately, some speculations are quite malicious and are dictated by a prejudiced and hostile approach to the North Korea's social system, leadership, and policies. The present article has no ambitions to provide an absolutely precise picture of the reality of North Korea. The author has no unique or sensational information about the processes of the country. He has no more hard information than any other foreign researcher. The article sets about the modest task to express the author's views on some burning issues of the North Korean situation. His observations are to a considerable extent based on personal impressions during his trips to North

Korea in 1991 and 1994. The author naturally makes no claims for the absolute validity and accuracy of his estimates.

There is no secret at all that the economic situation in North Korea is quite hard these days. It is noteworthy, however, that the North Koreans themselves make no secret of this fact. For the first time in their history they acknowledged, in 1993, the partial failure of the third seven-year plan of economic development. Although during the seven years (1987–1993) the country's economic power grew 1.5 times, in some spheres the economic plan was not fulfilled and a so-called adjustment period was to be introduced for two or three years. The Pyongyang leadership was not silent about the disastrous consequences of the unprecedented flood of 1995 which affected seventy-five percent of the territory and caused mammoth losses (US\$15 billion, according to some estimates). Similarly for the first time in its history, North Korea has openly sought for help, especially food aid, from the world community. In North Korea, the activities of the anti-Japanese guerillas led by Kim Il Sung have always been traditional models. One of the bright pages of their history is the march of his guerillas towards the Paektu region at the end of 1938 and the beginning of 1939 during a severe and snowy winter. The starving soldiers had to fight the Japanese army units who were chasing them.<sup>1</sup> The official North Korean historiography calls this 100-day trek the "hard march" or "miserable march," and the present difficult period in the country's history is being referred to as another hard march. There are numerous reasons for the present economic hardships. We will mention some of them, the most essential ones according to this author.

The collapse of the world socialist system brought many hardships upon North Korea. It is well known that in his later years, Kim Il Sung opposed the USSR's appeals for Pyongyang's active involvement in the world socialist integration, membership in the COMECON. It seems paradoxical but this position

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1 *Modern History of Korea* (Pyongyang: 1979), p. 147–53.

turned out to be rather reasonable for it helped the country to prevent some of the more disastrous consequences of the events in the USSR and East European countries. Nevertheless, North Korea has suffered intensely. Although North Korea was not a COMECON member, it had vital links with the COMECON countries, especially with the USSR. It can be safely presumed that North Korea's third seven-year plan (with too-high targets, one may assume) was in many spheres oriented towards financial support, supplies of raw materials, equipment and oil, trade exchanges, etc., from the USSR. Various other ambitious projects were planned to be jointly implemented by the year 2000. The immediate breakup of this cooperation and the shift to hard-currency accounting, plus world-prices trade, in 1991, brought about the failure of some of the North Korea's plans and caused great problems in its economy. The only big partner, itself hardly able to redress all losses, is the People's Republic of China. In order to clarify Pyongyang's position, we must closely examine the example the Unggi Oil Refinery, the biggest in the North. It was built with Soviet help and was fully oriented towards the processing of Soviet oil to produce petrol, diesel oil, etc. (Chinese oil is not suitable for these purposes there). It is rather simple to understand the present state of this industrial giant with a capacity of two million tons per year, when we realize that the oil supply has gone down by a factor of twelve. A similar situation exists in other industries such as auto batteries, electric motors, or certain factories producing consumer goods for a Soviet market that is no longer interested in them. After a long breakup period, Russia is now making first steps to revive economic relations with North Korea, which is witnessed by the resumption of the Joint Commission on Economic and Scientific-Technical Cooperation and by the visit to Pyongyang by a high-ranking Russian delegation headed by Deputy Prime Minister V. Ignatenko in April 1996.

The loss of its main trade partners worsened the already unfavorable external factors of North Korea's existence. For

many years, the USA and their allies were talking about cross-recognition of South Korea by the USSR and China, and of North Korea by the USA and other leading powers of the world. From 1990 to 1992 the first part of the formula was realized when the USSR and China recognized the Republic of Korea and began steadfastly to develop all kinds of relations with it. However, the second part of the formula has not been implemented even until now. The framework agreement between the USA and North Korea which was signed in October 1994 brought some hopes of breakthrough in this direction, but the long-expected changes are coming too slowly. There is no need to emphasize the importance for North Korea and its economy to normalize relations with the leading powers of the world, and to have all discriminatory measures against the country lifted. However, now the USA and her allies are exhibiting a double standard approach: on one hand, they reproach North Korea and accuse it of isolationism, urging more openness; on the other hand, they do practically nothing to destroy the wall of prejudices, direct bans and hostility in order to help it open up and let it overcome the borders and obstacles separating it from cooperation with the outside world.

The Republic of Korea deserves a special mention. For quite a long time, the two parts of Korea discussed the priorities of their pathway to mutual understanding. The North preferred the military-political sphere, arguing that without their settlement and elimination of military tension, no other problems could be solved. The South, on the contrary, made a special stress on economic cooperation, insisting, and with good reasons, that only this type of cooperation was able to create an atmosphere of mutual trust, and do away with confrontation and all obstacles on the way to unity. However, after the historical North-South agreement was signed in 1991, both sides have strangely reversed their positions. The North began to insist on economic cooperation and with this purpose in the summer of 1992 then-Deputy Prime Minister Kim Tal-hyong arrived in Seoul for

talks. But the South Korean government unexpectedly broke off all newly established contacts bringing forward military-political demands such as "settling of the nuclear problem," etc. Nowadays the South is sending some signals of its readiness to resume contacts, but the Northern side, despite all economic hardships, is in no hurry to respond.

Economic cooperation between North Korea and other countries is to some extent being held back by the hopes cherished by some forces who feel that a delay will weaken the existing regime and thus achieve the desired changes in North Korea's social system and model of development. These hopes seem naive at best. First, the North Korean economy and society are no strangers to living and developing in isolation. Second, the continuation of the isolation policies along with the efforts to turn them into a blockade of North Korea are instrumental only in creating there a besieged fortress mentality and strengthening the ruling regime. It is high time to realize that economic cooperation is the shortest and most realistic way to have North Korea be "opened" and be included in the positive world processes. No doubt, this cooperation has to be equal, mutually beneficial, and devoid of any kind of preliminary conditions, as envisaged by some forces. Military tension on the Korean peninsula is a constantly negative factor affecting the North Korean economy. Periodic flash-ups of conflict demand maximum detention of forces as well as means from the economic sphere and problems. It would be out of place here to analyze the sources of tension and accusations hoarded by the North and the South against each other. But one has to note the one-sided and partisan approach to the situation on the Peninsula as exhibited by the Western and South Korean media. Pyongyang's military preparations are exaggerated while similar steps by the South are underestimated or hushed. Meanwhile noteworthy is the position of a well-known specialist in Korean problems, Samuel Kim, according to whom between 1990 and 1993 South Korea has increased its military spending from \$10,620,000,000 to

\$12,060,000,000, while the North has reduced its own from \$5,230,000,000 to \$2,190,000,000.<sup>2</sup>

Whatever one's opinion on the preciseness of these estimates may be, it has to be admitted that they reflect a truthful picture of the tendencies prevailing in the North and the South. As a result of the present author's decades-long contact with North Korea, it can be assumed that neither the leadership nor the people there want a war. First, they have not forgotten the tragic lessons of the Korean War of 1950–53 which caused heavy human losses and devastation. Everybody realizes that if war breaks out, now it could bring even more suffering and more victims. Second, North Korea no longer has strong allies to lean upon as it did during the Korean War in the USSR and other socialist countries. Moscow has broken its military-political alliance with Pyongyang, while China with its reforms is interested in lasting peace on the neighboring peninsula. Third, Pyongyang is certainly taking into consideration the prevalent anti-war mood of the world community; lessons were learned from the events in the Persian Gulf, Bosnia, etc. Fourth, a country preparing for a war would never have such a massive construction works in industrial, civil and cultural spheres, which any observer may see every time he or she comes to North Korea. Last but not least, the Pyongyang leadership realizes quite clearly that the military and economic potential of the South is much higher than that in the North. Kim Il Sung was sincere saying in 1985: "We have no intentions to attack the South and no strength for that."<sup>3</sup> For an ambitious leader, accustomed to being proud of his country and army, these are significant words, without a doubt. Amidst all difficulties experienced now by the North it is very hardly possible that it would allow such a waste of resources. Anyway, the often suggested scenario that the North Korean leaders might

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2 *Asian Survey*, 1995, Vol. XXXV, No. 1, p. 21.

3 Kim Il Sung, replies to the questions by the editor in chief of the Japanese political and theoretical journal *Saekai* (Pyongyang: 1985), p. 4 (Russian translation).

provoke a war to escape from economic hardships makes no sense. Whatever attitude to these leaders one may have, they are not suicidal. At the same time, one may be sure that sparing no efforts to overcome the difficulties, the North Korean leaders will never weaken their concern about the security of their country. It will be even more so if the Republic of Korea, according to the media, plans to double its military budget by 2001 as compared to 1996.<sup>4</sup> North Korea will look for an adequate answer, however difficult it may be. Such a "competition" in military spending benefits neither North nor South, whose financial capacities are in no way limitless. Thus the Northern proposals mutually to cut military spending and armaments are to be taken seriously.

We have already mentioned some external reasons for the hardships experienced by the North. It would be wrong, however, to negate the internal factors as well. North Korean leaders themselves make no secret of them. Published speeches by Kim Il Sung and Kim Jong-il at the plenary meetings of the Party's Central Committee, at the conferences of party and administrative officials contain frequent and critical analysis of economic problems. Mistakes and shortcomings are pointed out in economic management works of various bodies and industries. Foreign researchers interested in objective study of the North Korean society should not ignore its leaders' addresses.

It is well known that the economic system of North Korea is based on the planned-administrative principle common to many socialist countries and based on the state and cooperative forms of property with an overwhelming prevalence of the former. In previous stages of development, this system was beneficial.

Financial resources and manpower centered in the hands of the state, strict all-embracing planning, and state control over each and every economic unit allowed the country to solve many problems of post-war rebirth and further development, as well as uplifting the living standards of the people. However, the

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4 *Korea Observer*, Vol. XXVII, No. 1 (Spring, 1996), p. 9

growing scope of economic development and social requirements have brought about new challenges and various shortcomings have come to the surface, such as the growing bureaucratization of management, blocked initiative on the part of local officials or industrial managers' reluctance to introduce new technologies, breaks in discipline, too much waste, etc. No doubt, these blemishes affected the development and effectiveness of the North Korean economy and the fulfillment of social purposes. It has to be noted that the North Korean leaders see these shortcomings and try to correct them. There is hardly a big industrial enterprise or a cooperative where Kim Il Sung and Kim Jong-il have not come many times to look personally after the problems there. Measures are being taken to upgrade the structure and functioning of the economic bodies. Planning takes into consideration the suggestions by enterprises and cooperatives themselves as well as their self-estimates. Party organs and working collectives exercise more control over the administrative bodies. The center of organizational work has to a considerable extent been shifted to provinces and regions. With these purposes, the local prerogatives have been widened. Administrative-economic committees have come to the forefront, and they are responsible for local planning and budget. One of the main tasks of the local bodies is considered to be maximum mobilization of all local resources and raising their contribution to the country's economic development. The *juche* ideology and politics which determine all sides of North Korean life and society include the well-known concept of self-reliance. This concept, brought to life between the 1950s and 60s, has played a certain positive role, freeing North Korea from an over-reliance upon foreign aid, establishing the priority of national interests, and focusing the attention of the people and leaders on the search for national development resources. This concept, however, has had a weak side also. North Korea was separated from the world technological progress and has had a dangerous tendency to ignore the experience and achievements of other nations. It was

a precondition for North Korea to lag behind other countries in many spheres of economy, science, technology and culture. Meeting the leading party workers in August 1985, Kim Jong-il said: Now our leading party workers think that inculcation of the newest technological achievements is contrary, according to them, to the requirements of the juche development of science and technology. If some of our comrades, fresh from foreign visits, mention the development of science and technology there, some people raise hue and cry: look, they have forgotten the juche spirit, they are sycophants, and so on. Naturally, many comrades say that there is nothing to learn there. Having seen the overseas modern industries, newest tools and equipment, they do not want to introduce these technologies here.<sup>5</sup>

Kim Jong-il had to press upon the audience and through them the whole of the party apparatus: "All leading officials must actively inculcate the developments of the progressive foreign science and technology. They must clearly understand, however, that it in no way contradicts either the juche development of national science and technology, or of the self-reliance principles."<sup>6</sup> To overcome the lag in the economic sphere and speed up economic growth became one of the most important targets of Kim Il Sung's visit to the USSR and other countries in 1984 and 1985, which was followed by several agreements terminated, unfortunately, at the beginning of the 1990s. Technical revolution was declared a priority of North Korean economic policies. Along with such overall economic planning the government began to work out special plans for the development of science and know-how, and material and moral stimuli for the research bodies grew: a practice was developed of sending brigades of scientists to facilitate the technological development of factories and plants, and incentives for innovators and inventors were

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5 Kim Jong-il, *On the Further Development of Science and Technology* (Pyongyang: 1989), p. 12 (Russian translation).

6 *Ibid*, p. 13.

introduced. After a long period, young people began to be sent for education abroad along with the delegations of researchers to study progressive technologies and purchase equipment and know-how from abroad. This author witnessed some of these efforts to bring North Korea closer to the world technological progress. In September 1991 he visited together with some colleagues the electro-mechanical enterprise in Taean near Nampo, one of the country's mightiest industries. Apart from its industrial achievements the enterprise is known for its "Taean system" of economic management, created here by Kim Il Sung in 1964.

The essence of the system is collective management through the party committee with the participation of the director, chief managerial staff and representatives of the workers. Nowadays the Taean plant leads the amalgamation of eight industries united on a cooperative basis. The plant produces power generators, transformers, welding machines, and all kinds of equipment for mining, metal, and chemical industries. The workshops visited by the author were equipped with modern machinery from Sweden, Germany, Japan and elsewhere.

In November 1994, the author visited the even more modern United Cement Works near the capital. The plant's capacity is two million tons of cement plus one hundred thousand tons of potash fertilizer. The plant has a staff of 380 and is fully automatized with no menial labor. The core of the plant is a control room where shifts of four engineers control the process through a TV network and computers. Computers also control the composition of raw material (limestone and gypsum). More than twenty-five percent of the cost of the facility had been dedicated to ecological safety both within the premises and outside. The plant earns a share in sales of the products abroad and uses hard currency to buy new equipment.

Recently the North Korean leadership is paying more attention to computerization. Schools, universities, and pioneers' clubs have computer classes. This development is led by the Korean

Computer Center in Pyongyang which the author visited in 1994. The Center was established in 1990; more than five hundred specialists were specially trained for the project in North Korean universities. A computer institute was also established with the same purpose. The center's main task is to produce control systems for different fields in the economy. One concrete example is a fully automated mine. Software developed by the center is used domestically and sold abroad by a specially established trade firm, and part of the hard-currency income is used for the center's needs. One of the center's works, a fingerprint identification system, was awarded at an international exhibition in Switzerland. Even though the center was established in the atmosphere of blockade by the developed countries, it succeeded in buying modern equipment from the USA, Japan, Taiwan, and other countries. Many things not available to the North Korean specialists were created on the spot. The center's staff follows recent developments in computer technology through journals, catalogues and foreign trips.

The author is fully aware that he has been shown the best instances of the North Korean technical revolution, patronized by the state. It can be hardly believed that similar achievements are traceable everywhere in the country. But these trailblazing examples are noteworthy as a trend in North Korean economic modernization.

A most significant factor testifying to the new turn in North Korea's economic policies is the adopted course of maximum cooperation with other countries and invitation of foreign capital investment. Here one may observe a significant deviation from the hard-line self-reliance policies. As early as in 1984, laws were passed to facilitate the development of foreign trade and joint ventures with foreign industrial and financial circles. In the list of measures regulating the economic situation (after the not very successful implementation of the third seven-year plan), topmost has been a priority on foreign trade. For the development of foreign trade the number of export-oriented enterprises and

firms has grown and they are granted full state protection. More recent activity has been coordinated by the state departments of foreign trade. Nowadays when the whole world is engulfed by the fighting for markets, North Korea's possibilities are indeed very limited, but it has to be noted that Pyongyang spares no efforts to solve the problem.

There are many problems in the establishment of joint ventures. Nevertheless more than 140 such ventures have been established, mostly with the Koreans residing in Japan and other countries. In Russia there are about 40 such joint ventures with North Korea.<sup>7</sup> As a rule they are relatively small and operate in the sphere of consumer industry, agriculture and services, but North Korea must have benefited of them because it continues efforts to establish more.

The most important measure to facilitate foreign investments is the program to establish the Tumen River free economic zone in the extreme north-east of the country (six hundred square kilometers near Rajin-Sonbong). Neighboring states such as the Republic of Korea have already expressed interest in the project. Concrete steps are being made to implement it. There is an idea for another free economic zone near the port of Nampo on the western coast. Some years back there was talk of a free economic zone around the 38th parallel, but it seems to have come to a dead end due to the deterioration of North-South relations. Of importance for both the North and the South is a planned gas pipeline from Jakutia through the Korean peninsula.

The North Korean side is doing much to attract foreign capital investment into the national economy. The renewed text of the constitution, adopted in April 1992, contains the new Article 37 which states, "The state encourages joint and cooperative ventures of our country's enterprises, factories and firms with private persons and corporations from abroad."<sup>8</sup> The new text

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7 *Nezavisimaya Gazeta*, 4 October 1996.

also states: "The DPRK guarantees legal rights and interests of foreign citizens on its territory."<sup>9</sup> Pyongyang has worked out and published various laws and ordinances determining the rules for foreign firms in North Korea, their rights and duties, the taxation system, guarantees for property and income, etc. According to some experts, Pyongyang has offered foreign firms and companies even more favorable conditions than have China and Vietnam.

The influx of foreign capital into the North Korean economy is being blocked by the instability of military-political situation on the Korean peninsula and periodic flashes of tension. The USA has loosened but not lifted its anti-North Korea trade embargo, though the Framework Agreement of 1994 contains a provision for the embargo to be lifted entirely. The Republic of Korea also has just now started to move away from its bans on economic contacts with the North, bans which have a negative influence on the whole political climate on the peninsula. Perhaps Pyongyang has also not done what it was supposed to do in order to inform the world business community about the situation in the country and the policies of the ruling party. Despite all difficulties the officially confirmed foreign investments in the North Korean economy amounted to \$140 million in 1995. It may seem too little but there are hopes for further development of the process.

In North Korea they do not like so much the talk of the "Chinese example" followed by Chinese leadership in economic reforms. They prefer to talk about their specific type of socio-economic system, the "Korean type of socialism," although the Korean leaders have visited China many times and learned from the Chinese experience. Be that as it may, it can be safely presumed that North Korea has set foot on a pathway similar to

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8 *Socialist Constitution of the People's Democratic Republic of Korea* (Pyongyang: 1993), p. 7 (Russian translation).

9 Article 16. *Ibid.*, p. 3.

that of China and Vietnam, who have allowed a wide liberalization of their economies with the preservation of the existing socio-political system based on the leading role of the Communist parties. We may suppose that North Korea's move will be slower and more careful, under full control of the party and the state, with much less pluralism in the sphere of property, etc. The motion has started, however, and the tempo along with the distance passed will depend considerably upon further development of the situation on the peninsula and in North-South relations.

In discussing the steps taken by the North Korean government to overcome economic hardships, we have to note social policies. All socialist countries have held in common that the feature of social sphere be less significant than the burning necessities of creating mighty economic and defence potential. North Korea's situation was even worse because it was little involved in the economic integration of the socialist states and followed its own self-reliance course, so these burning necessities consumed nearly all of North Korea's economic activity. The constant tension existing between the North and the South also demands great spending on the part of Pyongyang.

Nevertheless it would be wrong to say that North Korea is neglecting the social needs of the people. Since 1984 no taxes have been levied from the population there. In 1992 wages were increased about 1.5 times, as well as pensions and student grants. It is impossible to discuss here at length the development of the higher education network (there are 283 universities now), to describe the development of the secondary school system, health centers (with special attention to the prevention of disease), etc., as well as the development of Korean national culture, sports, etc. Perhaps compared with the achievements of other nations the North Korean progress in this sphere seems modest, but it would be just to compare it with the recent past, when almost everything started from zero.

It so happens that this author visited North Korea for the first time in 1966 and next time not until 1987. The country was really difficult to recognize; it has changed dramatically and positively. Every new visit brings about opportunities to see new residential areas and social buildings occupying the place of the low and unpleasant buildings of the past. Modern construction techniques are successfully combined with the national traditions of architecture. Each time, you can see newly built houses, bridges, tunnels, sports complexes, cultural centers, etc., built by the state in the cities as well as in the countryside. Sometimes the projects even seem too costly. Like many other visitors, the author was quite impressed by the gorgeous interiors of the new Palace of Pioneers and Schoolchildren in Pyongyang (the old one, more modestly built, also operates). The author's remark that the construction might have been a little too expensive, was answered: "We spare nothing for the children." Similarly rich and beautifully built is the Palace of People's Study (National Library), Mansudae Theater and other public buildings in the capital. On the provincial level everything is made in a more modest way, but lovely buildings can be seen there as well. In the cities streets are clean with much greenery. In Pyongyang, for example, there are forty-eight square meters of greenery per resident.

Even the appearance of the people is changing. The acceleration process has also spread among the Korean youth. Many people are much better dressed, and the Pyongyang residents, young women in particular, are hardly different from Muscovites in their dress styles. Despite the prevalent atmosphere of arduous labor, people in general seem to have more leisure time. Anyway, in Pyongyang's mammoth Culture Park near the Mangyongdae house of Kim Il Sung the author has observed during working hours big crowds of young people enjoying themselves there, women strolling with children, etc. On the banks of the Taedong and Potong rivers fishermen sit all day long watching the oarsmen train for competition. Fabulous

Kumgang and Myohyang mountains are frequented by tourist groups, and the health resorts there are never empty. Big factories and cooperatives have their own rest houses and health centers.

Food and consumer goods supply are indeed an acute problem. There is a food rationing system providing 700-900 grams rice and other cereals per worker per day for minimum price (other categories of population receive less). There is a periodical centralized distribution of kimchi cabbage and fish. Other foodstuffs are obtained from the market. The northern part of Korea has always been agriculturally much less favorable than the south. Once the author's praise of the scenic beauty of the mountains was countered by the bitter remark of his guide: "What is the use of these mountains? No bread grows there!" In the Nampo region near the famous Taedongang dam, built for agricultural needs, one can observe a huge project to wrest some cultivable land from the sea; they plan to gain 300 thousand chongbos (hectares) in this manner.

The author received some information about North Korean agriculture from his visit to the Haksang cooperative near Pyongyang. It was created in 1964 especially to supply foodstuffs to the capital. Kim Il Sung visited twenty-one times, Kim Jong-il has been there twice. The cooperative has 1,500 hectares of land, 700 for rice and the rest for corn, vegetables, etc. There is a special cattle-breeding team. The cooperative owns eighty tractors, twenty trucks, and thousands of rice-planting and harvesting machines. There are three thousand workers, including 500 specialists. Every family has a 0.01 hectare plot of land (the same size all over the country) attached to its house as it wishes, and some keep cattle. The average monthly wage is 150 Won, and daily foodgrain allowance per worker is 800 grams. At the end of the agricultural year every family receives, according to its labor achievements, a certain part of the produce remaining after the planned delivery to the state. Extra rice is sold to the state (rice is a state monopoly), other crops are allowed to be mar-

keted. The cooperative has a shop in Pyongyang, a hospital, health centers, a kindergarten and nursery for every team, a hairdresser's salon, bath house, club, etc. The author was given an opportunity to visit both a traditional Korean-style house and a modern flat in an apartment building.

Dress, shoes and other consumer goods are obtained by the North Korean population at minimum prices from the state. As a rule, these goods are distributed on occasions such as birthdays of Kim Il Sung and Kim Jong-il which are celebrated as national holidays. But the shops are never empty and it seems that people do have money to buy things. Hard currency shops in Pyongyang and other cities, where previously only foreigners have had access, are surprisingly full of local residents who not only look at window displays but also buy shoes, cloth, cameras and household appliances. Prices as converted into dollars are much lower than in Moscow. Hard currency can only be coming from relatives in Japan, China or other countries, or from those employed in joint ventures; neither can the black market be excluded. A number of privately owned foreign-made cars have appeared, a totally new phenomenon for the North.

The above-mentioned facts are not for the sake of window-dressing and painting a rosy picture of North Korean life and the country's regime. It hardly needs to be proved that an objective analysis is impossible if one's approach is partisan and limited, that any country's development has positive and negative sides, none of which should be neglected or distorted for the sake of vested interests. Due to various reasons North Korea lives a difficult life, enduring so many obstacles; measures are being taken to counter some of them, perhaps not always with success but always with enthusiasm. What should not be ignored is that work goes on to improve the situation. As a rule the existing problems are not solved immediately; they need time and efforts which are unfortunately being diverted to needs such as defense. It is no mere accident that North Korea must repeatedly return

to problems in the efficiency of agriculture, mining industry, energy supply, consumer goods production, transport, etc.

Of a seriously disastrous effect was the natural calamity in summer 1995, which affected the greater part of the country. To withstand it all, forces were mobilized including the army. In some places people had to be evacuated by helicopter. Observers usually mention the loss of the major part of crops, but residential houses, bridges, factories, roads, irrigational systems, etc., were also destroyed. Their rebuilding will require great expenditure. International assistance offered by foreign states and organizations is important but constitutes only a small part of what is needed. It can be supposed that the consequences of the natural calamity will be a great obstacle along North Korea's road to economic reforms.

The food situation, the problem that it has been, became even worse. Maximum daily rations went down to a maximum of 650 grams (including 400 grams of rice), and there must be some delays in food supply. But according to objective estimates there is no starvation; those who state the opposite do so with some unclean purpose in mind. A section of the world media has expressed the opinion that help offered to North Korea from abroad may be used for filling military stocks. Red Cross personnel and representatives of other international organizations working in Pyongyang and controlling the distribution of aid have disproved this many times and stated that the entire amount is reaching the population. In estimating the North Korean situation observers from abroad usually discuss only the state system of supply, but there are other sources perhaps less significant but not to be neglected. Many big factories have farms. The above-mentioned Taean plant has 200 chongbos where vegetables are cultivated, in addition to a milk farm and a poultry farm. Such additional facilities are being used, no doubt, to help overcome the food scarcities.

The North Korean press, giving no overall estimates, regularly reports about this or that economic news. During the disastrous

1995 a new bridge and a new tunnel were completed in Pyongyang, along with a road connecting the capital with the resort area of Myohyangsan and the electrification of a part of the railway in the northeast. Some new factories started such as the export-oriented cloth factories in Kangson and Pyongwon. Some factories and mines have been renovated, their technological processes developed, and new production has been adopted. Similar information appears this year also. It disproves the verdict of certain foreign experts that the North Korean economy is breathing its last. On the contrary, it lives despite so many hardships, and continues to develop and create premises for overcoming the difficult situation. Moreover, even some South Korean publications, making an objective analysis of the economic failure in the North, do mention the trend of a cease in the production decline.<sup>10</sup>

Negative estimates and gloomy prognoses coming from abroad are in many cases brought about by the peculiarities of the political situation in the North. Two years have passed since the demise of Kim Il Sung, general secretary of the Korean Workers' Party and president of the republic. He was succeeded by his son and official heir Kim Jong-il, entitled "the great leader (*Ryongdoja*)." Officially Kim Jong-il still holds only the posts of chairman of the Defense Committee and commander-in-chief of the armed forces, and he is the only living member of the Presidium of the Central Committee of the party. He has not formally and fully assumed, however, the legal status of the official heir of the deceased leader. There are many speculations on this matter, but the North Koreans seem to be sincere explaining the delay by the old Korean tradition of mourning observed by a son after his father's death, during which no festivities and ceremonies accompanying the new leader's inauguration are possible. They also add that Kim Jong-il is keeping everything under control and everything goes on

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10 *Vantage Point*, November 1995, Vol. XVIII, No. 11. (Seoul: Naewoe Press), p. 9.

smoothly in the country. Perhaps this is really the case even though there are problems. For example, after the death of Kim Il Sung there was no session of the Supreme People's Assembly, which is supposed to adopt the country's economic plans and budget, hear the reports of their implementation, etc. This may presumably have a negative influence on the working of the state mechanism. Many efforts have come about to explain the incomplete inauguration of Kim Jong-il by some serious contradictions in the country's leadership, but two years would seem to be sufficient for all contradictions to have come to the surface—if they really exist. A contradiction actually seems absent, at least in the form hoped for by some of these foreign analysts. Over his half century in office Kim Il Sung has done away with all opposition menaces, made his position strong, and prepared a basis for his son and heir.

For more than thirty years Kim Jong-il was included in North Korean leadership; for the last two decades he has continued to be number-two in the state hierarchy, enjoying a firm position. The far-sighted Kim Il Sung had by the end of his life made the junior Kim commander-in-chief of the army, thus strengthening his position there as well, and for quite a long time Kim Jong-il has had North-South relations in his hands. For years and years the North Korean people have been seeing Kim Jong-il as the closest associate and successor to Kim Il Sung, thus the transition of power was looked upon as something quite natural and corresponding to the will of the deceased leader. The author witnessed this during his visit to North Korea in 1994, talking to rank-and-file people and top officials alike. They all talked of the new leader with sincere veneration and full confidence in the legitimacy of his rights. It can hardly be presumed that in the atmosphere of all-round recognition anybody would have courage for any opposition.

Political leaders of North Korea have in most cases started their careers under Kim Jong-il and naturally with his sanction. They all may be styled as "Kim Jong-il's team." The team is

cemented by several of Kim Il Sung's elderly associates, but prevalent are people close to Kim Jong-il regarding age or viewpoint. As a rule they are experienced pragmatics, some with scholarship degrees, differing from their predecessors by their better education and training, wider outlook and ability to see, despite all ideological dogma, the real necessities of the society and to find adequate solutions for the existing problems. Stability in the ruling team can be testified by the fact that within two years there have been practically no changes apart from the replacement of deceased members. It does not mean that no changes are possible in the future, when Kim Jong-il occupies his post in full. We should not, at least theoretically, rule out certain problems within the team, mostly linked to the economic situation or to the way in which recent problems can be solved.

The character of the ruling team is embodied in the person of Kim Jong-il. The author has had no opportunity to meet him (no foreign delegations have been received by Kim Jong-il over the last two years because of the mourning), but what appears from the available materials and discussions with people is the image of a knowledgeable, realistic-minded and brave leader. He may not have enough experience of state administration, as Kim Il Sung did have along with charisma, but experience will come. What he already has is the ability to assess realistically the situation and to feel the necessities of renewal and of finding adequate ways and means—of course, within the framework of the existing system. It can be supposed that the recent image and the above-mentioned modernization processes are what North Korea owes to Kim Jong-il. Perhaps new steps along this way are to be expected from Kim Jong-il and his team, mostly due to the challenges of recent economic problems.

It seems in some cases that certain political circles in the Republic of Korea are not helping the activization of the North-South dialogue hoping that the North Korean regime will collapse soon under the heavy burden of difficulties and that all obstacles for national unification will disappear by themselves.

Sometimes it seems that certain people are tempted to "push" such a development, especially during the periods when tension on the peninsula grows. It is a grave and dangerous mistake. The North Korean regime appears to have a considerable survival capacity and strength, and it is able to increase this capacity, if necessary. Catastrophes may be possible, but with dire consequences for the whole of Korea and its neighbors. It should not be forgotten that half a century of the present regime has brought people up in a certain spirit. There is a huge social layer which owes everything to the regime and is ready to fight for it to the end.

North Korea is now really on the "hard march," but not in an acute crisis as many would presume. It appears from the tendencies analyzed in this article that the aspiration by the leadership and the people to modernize the country, their readiness to adopt new ideas and experience, to maintain contacts with the leading forces of the world economic and scientific-technological progress bring hopes for the overcoming of all hardships and the renewal of the country's movement towards progress. This movement needs all-round assistance to be on the path of the world civilization development. World community and most of all Korea itself are vitally interested in the establishment of peace and stability on the peninsula. It can never be achieved without North Korea or contrary to it. It can only be realized if the idea of isolating North Korea be dropped, if equal and mutually beneficial relations with it be maintained by all countries, if assistance be offered to it without humiliating conditions, and if the country's openness to the world be ensured and real impetus be given to the far-reaching socio-economic reforms, to the policies fully corresponding to the requirements of peace and security on the Korean peninsula and peaceful unification of Korea.

## The Stability and Durability of the Kim Jong-il Regime

Moon-Young Huh

**M**ore than two years have passed since the death of Kim Il Sung in July 1994, but his son and anointed successor Kim Jong-il has not yet emerged officially as the head of state. The posts of general secretary of the Korean Workers Party (KWP) and president of the Democratic People's Republic of Korea have remained vacant, encouraging North Korea watchers around the world to make various predictions regarding the time and method of his official succession to power. The junior Kim also made the time of mourning one year longer than expected by those watchers who thought he would take over at least of one of the two vacant posts at the beginning of the third year.

Pyongyang's ruling hierarchy has now escalated propaganda campaigns calling upon the people to uphold him as incarnation of the late Kim Il Sung and to safeguard "our-style socialism," abiding by the instructions the late Kim left behind. In the meantime, Pyongyang's foreign policy has concentrated on promoting relations with the Western world, taking advantage of international concerns over the nuclear issue and recent flood damages. They have succeeded in inducing Washington to full-scale talks for the improvement of relations, and in getting Tokyo and other countries to offer aid for its flood victims—they

even received 150,000 tons of free rice from their archenemy, South Korea.

The situation in the North is complicated enough to produce widely varying speculations: the junior Kim might have been virtually removed from power; the military is in power;<sup>1</sup> he shares power with Politburo members in a new collective leadership; he is exercising monolithic power. None of these can be cited as the most reliable, but one observation in common is that he himself is eminently safe at the moment.

There are two views on how long the Kim Jong-il regime will last after its official inauguration: early collapse and long duration. The current director of the CIA stated at a hearing of the Senate Information Committee this year—the first such statement by an official of the US administration—that collapse of North Korea is quite within the bounds of possibility.<sup>2</sup>

This writer will try to answer: Is Kim Jong-il's leadership position stable? Is he exercising monolithic power? Will his leadership last very long?

## Framework of Analysis on Changes in the North Korean Political System

### Main Factors and Classifications

S. M. Lipset argues that the stability of a regime "depends not only on economic development but also upon the effectiveness and the legitimacy of its political system."<sup>3</sup>

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- 1 William Colby, former American CIA director, guessed that the military has been ruling the country by exploiting the junior Kim merely to protect the legitimacy of the regime. *Joong-ang Ilbo*, 16 October 1995.
  - 2 *New York Times*, 18 February 1996. In addition, the *Los Angeles Times* reported that the North Korean situation is similar to that of early stage of collapse of the Eastern European socialist countries. *Los Angeles Times*, 11, 16 February 1996.
  - 3 Seymour Martin Lipset, *Political Man* (New York: Doubleday, 1963), p. 64

He defined actual performance as effectiveness, the extent to which the system satisfies the basic functions of government as most of the population and such powerful groups within it as big business or the armed forces see them. He thought that legitimacy involves the capacity of the system to engender and maintain the belief that the existing political institutions are the most appropriate ones for the society. According to him, a system with high effectiveness and legitimacy is stable, with low effectiveness, unstable; crisis in effectiveness and legitimacy brings about crisis in system change.<sup>4</sup> Based on Lipset's theory<sup>5</sup> and the unique situation of North Korea, this writer would like to look at legitimacy, efficiency, coerciveness and solidarity.

- The legitimacy of a regime can be judged by whether it was established through legal procedures and whether the people approve. The legitimacy of Kim Jong-il's regime could be judged by the durability of ideological factors such as revolutionary ideology regarding the great leader, the "theory on socio-political life," and the "theory on the successor."
- Efficiency can be judged by a regime's ability to resolve pending problems, how efficiently it copes with the material demands of the people. North Korea could be analyzed by how well its policies can solve the urgent economic problems (shortages in food, daily necessities, foreign currency and energy), diplomatic isolation and the sense of security crisis.
- Coerciveness is an important factor, whether or not a regime can force the population to obey. North Korea can be judged by

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4 Here are two other studies correlating system change and the advent of crisis. H. J. Wiarda classifies crises that socialist systems face into those in ideology, institution, society, leadership, economy, morale, and international society. Howard J. Wiarda, "The Future of Marxist-Leninist Regime: Cuba in Comparative Perspective," presented at a conference, The Durability and Direction of the Four Remaining Socialist Countries: China, Vietnam, Cuba and North Korea, jointly held by the Korean Association of International Studies on 27-28 May 1994. J. Habermas offers as symptoms of crisis in a political system: crises in legitimacy, economy, rationality, and incentive. Jurgen Habermas, *Legitimation Crisis* (Boston: Bacon Press, 1973), pp. 2-4.

5 Lipset, pp. 64-86.

- analyzing the switch of the institutional and human bases from those of the Kim Il Sung regime to those of Kim Jong-il regime.
- Solidarity refers to support from allied and other countries, a matter regarding national security including domestic challenges as well as external invasion. Solidarity for North Korea can be judged by its relations with socialist, capitalist and non-aligned countries on the basis of its policy line of "strengthening international revolutionary forces."

For the short term, regime stability will be affected mostly by legitimacy and coerciveness, but for long-term durability all four factors must be considered.

To forecast changes in the North Korean political system, let us also classify them by: whether they are initiated from above by Kim Jong-il, bureaucrats or the military, or from below by the masses or by an emerging citizenry; by whether they are progressive towards a new reformed society, or retrogressive towards more oppressive dictatorship or an even more closed society; whether superficial or fundamental (which could be further divided into changes in policy, leadership, regime, system or state); and whether fast or slow. Scenarios can be generated by combining legitimacy, efficiency, coerciveness and solidarity with these four variables.

### Scenarios of Change

For example, if coercive power and political legitimacy weaken, then those suffering from too many shortages, especially food, could riot—which unless suppressed early could spread, gain the alignment of the suppressing forces and develop into a national revolt.

Or, if coercion remains strong but international solidarity and system legitimacy weaken, information from outside will flow in and transform the political consciousness of the people from that of loyal subjects towards something more like modern-state citizens. The people could lose their identity with the North Korean system and potentially stage not riots but civil revolu-

tion. If Pyongyang goes ahead with reform and opening in order to solve its economic problems, the truth about the outside world will penetrate, and a politically awakened group will appear. Reform will breed wealth, create a gap between rich and poor, differentiate and complicate the society, and increase the autonomy of all individuals. These are all components of civil society. People will come to realize they have been deceived by the Kims, and citizen groups centered upon technocrats, intellectuals, those who studied abroad, and university students may attempt organized demonstrations.

Third, if both international solidarity and efficiency weaken, utilitarian and reformist bureaucrats who have opposed the policies made by conservative party officers could come into power and support "gradual reform." If Kim Jong-il fails to solve problems including economic headaches from which people suffer, ruling forcefully through the ideologues from his Three Revolutions Teams who have been basis of his power, one million and three hundred thousand bureaucrats and technocrats, who have been brought up since the North Korean regime was inaugurated, might change their attitudes and even take lead in promoting reform. Over the matter of what should be the primary policy of reform and opening and how fast it should occur, disagreement between conservative and reformist groups could grow into a full-blown power struggle.

Fourth, if coerciveness and efficiency weaken, the military could even carry out a coup. If Kim Jong-il cannot hold power firmly and a vacuum appears at the top, and if complaints about shortages increase, reformist groups among regimental and battalion commanders who have relatively low loyalty to Kim Jong-il would be the ones most likely to stage a coup d'état. Unless these groups, however, would assume power early on, conservatives to protect their positions would very possibly carry out a reactionary coup. A civil war, then, could break out in North Korea.

Fifth, if the Kim Jong-il regime does handle well this difficult situation and is successful to some extent in efficiency, legitimacy, solidarity and coerciveness, it can be inaugurated on firm ground. Succession to his father's rule, which started with the Three Revolutions Teams beginning in February 1973 and his working-level leadership, would succeed—unless something drastic were to happen. In order to gain popular support through solving the economic problems he can be expected, cautiously, to develop policies for reform and opening.

### The Current Status of the Kim Jong-il Regime

#### Legitimacy<sup>6</sup>

To legitimate himself Kim Jong-il is clinging tightly to the Kim Il Sung line. He has emphasized the "teachings of Kim Il Sung," created an image as *the* successor to Kim Il Sung's thought, and maintained policies to idolize himself.

First, as soon as his father died, instead of adopting new policy Kim Jong-il gave top priority to following the old line. Ever since the middle of August 1994 the North Korean media has been reporting rallies promoting the realization of Kim Il Sung's teachings. At the second anniversary of his death, Pyongyang reconfirmed that the future of North Korean socialism will be established upon the heritage of the Great Leader Kim Il Sung.

Second, the junior Kim has directed concerted efforts to solidify his position as the sole ideological successor to his late father, by presenting various theses regarding *juche* thought—five, in fact, since death of his father. For example, in a thesis entitled, "Socialism is Science" (1 November 1994), he insisted that the collapse of socialism in so many countries was not due to the failure of socialism itself, which is a science, but that true socialism had been undermined by selfish, opportunist leaders.

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6 Moon-Young Huh, "The Power Footing and the Future Policy of Kim Jong Il's Regime," *Kukdong Munje*, October 1994.

He repeatedly emphasized: "The North Korean form of socialism will never face failure because it is a human-centered and scientific socialism." In a thesis, "To Place Priority on Ideological Indoctrination is a Prerequisite to Carrying Out the Great Socialist Task" (19 June 1995), he emphasized the need to intensify ideological indoctrination programs, calling upon party officials to step up efforts to arm all the people with *juche* ideology.<sup>7</sup>

In "The Workers Party Is the Party of Great Leader Kim Il Sung" (2 October 1995), he called upon everyone to abide faithfully by the instructions that Great Leader Kim Il Sung left behind, with the emphasis that "imperialist maneuvers to impose political and diplomatic pressure on North Korea, as well as an imperialist economic and military threats, must be repelled."

Third, for the past 20-odd years since 1973, North Korean ideologists have been engaged in strenuous campaigns to inculcate the people with the belief in the legitimacy of the junior Kim's successorship. For example, they have concocted various theories to justify the successorship, such as "the theory regarding successorship," "the theory on the successor," "the theory on the shift of generations," "the theory on the historical preparatory stage" and "the theory on Kim Il Sung's incarnation," among others. After the death of Kim Il Sung they have tried to endow the junior Kim with the same charisma his father possessed.

Fourth, since the death of Kim Il Sung, North Korean ideologists have developed another theory which claims "the Father and Great Leader (Kim Il Sung) is none other than Dear Leader

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7 In this thesis, Kim Jong-il presented four warnings and guidelines: (1) the inclination of betrayers to economic gains ruins socialism, (2) individualism, private ownership, the free market system, religious idealism, pluralism and openness must be repelled, (3) the North Korean form of socialism is *Juche*-oriented collectivism and (4) no relaxation in indoctrination. *Rodong Shimmun*, 21 June 1995.

Comrade Kim Jong-il, and the Dear Leader is the Great Leader himself.”

In short, the Kim Jong-il regime has reached a high degree of legitimacy through more than twenty years of symbol fabrication, and regime legitimacy is assessed as even higher than that immediately after his father's death. He will never match his father's charisma, however, because Kim Jong-il experienced armed struggle against neither Japan nor the United States. The legitimacy of his regime, therefore, will probably maintain its high degree for a while, but as time goes by it can be expected to weaken gradually.

### Coerciveness

#### *An Institutional Foothold*

First, by having been assigned to key posts in the party, the government and the military, Kim Jong-il has been sent up the power ladder. On 12 February 1974 during the 8th plenary session of the 5th-term KWP Central Committee, the party named him as sole successor.<sup>8</sup>

During the 6th Party Congress in October 1980, he was named a member of the Presidium of the KWP Politburo, and concurrently a member, and secretary, of the KWP Central Military Committee—thus becoming the second most powerful man in the North Korean power hierarchy. He became the supreme commander of the People's Army in December 1992, marshal of the army in April 1992, and the chairman of the National Defense Commission in April 1993. He now appears to be ruling the country in the capacity of army supreme commander and chairman of the Defense Commission.

Second, the junior Kim, even before the death of his father, held tight control of all organizations of the party, the govern-

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8 *Rodong Shimmun*, 5 February 1992.

ment and the military through enforcing a "daily report system through three channels," which refer to the KWP Organization and Guidance Department, the Ministry of the State Security (secret police) and the Ministry Public Security (police), and the Armed Forces General Political Bureau.

Third, since the death of Kim Il Sung, Pyongyang has concentrated on enhancing the junior Kim's image, depicting him as a "man of virtue and benevolence who works only for the people." The media emphasizes the need to intensify *juche*-oriented ideological indoctrination programs, but they also have stressed that under the junior Kim's leadership, people's ideological value will be evaluated, unlike in the past, more upon their current loyalty towards the leader rather than upon their class (that is, their family background), which had for decades been the central criterion for favorable or unfavorable treatment in North Korea. Recent trends indicate that in order to obtain the unity of the people the ruling hierarchy has employed a double-faced policy of appeasement and yet simultaneously, coercion. As a small but typical example, the government was reported recently to have ordered some Pyongyang residents, considered "impure elements," to move out of the city and live in remote farm areas.

Fourth, the installment of Kim Jong-il in December 1991 as the supreme commander of the army, in place of his father, was a major step towards solidifying his successorship. Since then, in particular, Pyongyang has enforced a military-first policy calling upon the people to prioritize military affairs before anything else and ordering the population to provide soldiers with moral and material support.

Meanwhile in an effort to solidify his position as the supreme commander, Kim Jong-il in April 1992 promoted some 660 generals simultaneously, even pinning the stars on them in person. Since the death of Kim Il Sung he has rarely appeared in public, but he does occasionally visit military units, an indication that he resorts to the military to strengthen his political position.

In any nation where the power succession process is abnormal, military support is the key to keeping power. In an interesting move, the junior Kim raised the 25 April anniversary of founding of the Korean People's Army to the rare status of national holiday.

*Main Figures Backing Kim Jong-il's Leadership Position*

Three aged marshals, Armed Forces Minister Choe Kwang, Public Security Minister Paek Hak-rim and bodyguard chief Li Ul-sul, appear to be among the major figures backing Kim Jong-il's leadership position. Currently most general-grade officers in their fifties can be said to be loyal to Kim Jong-il, if for no other reason because they were promoted by Kim Jong-il himself.<sup>9</sup>

Such figures as Vice Marshal Kim Kwang-jin (deputy armed forces minister), Vice Marshal Kim Yong-chun (chief of the general staff of the KPA), and Vice Marshal Cho Myong-rok (chief of the Armed Forces General Political Bureau) also appear to be faithful followers of Kim Jong-il.

Kim Jong-il began to establish a nepotic ruling system as far back as the 1970s when he was named Party Organization and Guidance Department chief. At his instructions his relatives or close schoolmates were placed in important positions in the party, the government and the military; these people now occupy some 90% of ministerial-level posts in the KWP and the government.

In 1973, Kim Jong-il organized the so-called "Three-Revolution Team" under his direct control. Team members were chosen from among college students, given intensive ideological training, and then dispatched to schools, workshops and farms in every corner of the country, ostensibly to supervise the three

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9 Banning Garrett & Bonnie Glaser, "Looking Across the Yalu: Chinese Assessments of North Korea," *Asian Survey*, Vol. 35, No. 6 (June 1995).

(ideological, cultural and technological) revolution movement. Their real mission, however, has been to get rid of all anti-Kim elements opposed to the hereditary succession plan.

In short, the regime's organizational and personal coerciveness will probably continue its intensity over the short run, and perhaps even for the middle and long terms. If economic difficulties continue, however, a dispute over the appropriate reform and opening policy will probably be raised within the elite who are loyal to Kim Jong-il. Moreover, if relations with Western countries improve rapidly, we cannot exclude the possibility of weakening coerciveness against the population.

### Efficiency

Currently Pyongyang has been pressing ahead with a three-year stop-gap economic plan (1994–1996), adopted after an unsuccessful completion of its previous economic plan (1987–1993) and designed to place priority on agriculture, light industry and foreign trade.<sup>10</sup>

This indicates that it now faces an urgent need to solve the shortages of (1) food (2) commodities and (3) foreign exchange.

First, the status of the grain shortage has become a matter of life or death. As part of its efforts to boost grain production, in December 1994 North Korea converted a cooperative farm in Mangyongdae, near Pyongyang, into a state farm, then established a "county agricultural complex" in Sunchon County combining some 20 cooperative farms. In May 1995 it embarked upon a vigorous diplomatic campaign to obtain food aid from abroad, for example, by dispatching Li Song-rok, chairman of the Committee for the Promotion of External Trade, to Japan. The result was contracts with foreign countries to import a total of 1.1 million tons of rice: 300,000 tons of rice in trade from

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10 An analysis of a plenary session of the North Korean Workers' Party Central Committee and a Supreme People's Assembly session in December 1993 (RINU, 1993).

Thailand, 54,000 tons of corn in trade from a US company, 150,000 tons of free rice from South Korea, and 150,000 tons of free rice and 350,000 tons of rice on credit from Japan. Heavy floods over July and August in both 1995 and 1996 brought about severe damage not only to farms but also to much infrastructure including transportation and communication networks and power plants, thus worsening the already aggravated economic situation. North Korea is expected to suffer from a shortage of some 2.5 to 3 million tons of grain in 1996.<sup>11</sup>

Second, despite its emphasis on light industrial production, commodity production still relies on small-to-medium or local factories. Moreover, Pyongyang has been calling upon everyone to speed up the so-called August 3 Commodity Production Project, which is designed to encourage the workers to utilize all locally available resources for commodity production—but the stark reality is that the economy has little chance to recover from its chronic stagnation due to the lack of raw materials, investment and advanced technology.

Third, North Korea's foreign trade volume has been in continuous decline. Pyongyang has recently escalated its efforts to boost foreign trade, for example by inviting some eleven American business delegations to visit North Korea, and by dispatching an Asia-Pacific Peace Committee delegation (headed by Li Jong-hyok) and another delegation from the Committee for Korean Residents Abroad (headed by Chon Kyong-nam) to the U.S., in the first half of 1995. In the meantime, the DPRK Committee for the Promotion of External Economic Cooperation has been struggling heroically to induce foreign investment in the free economic and trade zone in the Rajin-Sonbong area by holding various briefings in Beijing and other parts of China.<sup>12</sup>

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11 DPRK Flood Damage Rehabilitation Committee Report, 26 September 1995.

12 *Joong-ang Ilbo*, 5 September 1995.

However, Pyongyang has yet to gain any success from such efforts,<sup>13</sup> though a North Korean diplomat stationed in Paris was reported to have told reporters there that some two hundred business groups from the US, the United Kingdom and Japan have visited North Korea, and that such American firms as Coca Cola and GM have already begun investing.<sup>14</sup>

Fourth, Pyongyang's foreign policy has focused on improving relations with the Washington and Tokyo, especially since the conclusion of the Geneva nuclear framework agreement with the United States in October 1994. Such a policy trend should be cited not only as part of Pyongyang's political efforts to cope with its current diplomatic isolation but also as part of its strenuous efforts to induce economic aid from them.

In short, although the Kim Jong-il regime is trying to solve pending problems through food diplomacy, limited opening policy for foreign trade and improving relations with the US, it suffers from fundamental problems caused by structural contradiction within the socialist system, exhaustion of its resources, and faulty investment conditions including infrastructure. The efficiency of the regime will, therefore, maintain the status quo for a short time. It will probably weaken, however, over the middle and long term.

### Solidarity

First, despite the collapse of the socialist camp, Pyongyang is still sticking to its efforts to maintain solidarity with the socialist or "progressive" forces of the world. In 1994 North Korea sent an air force delegation to Iran, sent other military delegations, led by Choe Kwang and others, to China, Cambodia, Vietnam, Laos and Cuba, and invited military delegations from China, Cambo-

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13 As of 1994, a total of 149 foreign firms are reported to be operating in North Korea, among them 139 (90%) are funded by the pro-Pyongyang Korean Residents Association in Japan. *Joong-ang Ilbo*, 26 September 1995.

14 *Chosun Ilbo*, 13 November 1995.

dia, Vietnam, Laos and Nigeria to visit Pyongyang. But in its diplomacy with China and Russia, Pyongyang appears to be placing heavier importance on promoting economic, rather than ideological ties. In fact, Russia virtually gave an ideological brush-off to North Korea in September 1995 by informing it of Moscow's decision to scrap the existing Moscow-Pyongyang friendship treaty, a military pact concluded in 1961 and stipulating Russia's automatic support of North Korea in case of war. Currently Moscow and Pyongyang are mulling over a new treaty to replace the old one.

Second, Pyongyang still poses as a member and a strong supporter of the nonaligned bloc by announcing its determination to promote solidarity with the Third World.<sup>15</sup>

But its diplomatic activities in the Third World have been on the decline, mainly due to lack of money; for example, in 1995 alone, North Korea closed down its embassies in twelve countries (Hungary, Portugal, Burkina Faso, and Burundi in March, Tunisia, Cameroon, Congo, Mozambique in April, Nicaragua in June, and so on).<sup>16</sup>

Third, since its engagement in negotiations with the US and Japan for the improvement of relations, Pyongyang has escalated its anti-Seoul propaganda activities. This attitude should be cited as part of its policies to keep its populace constantly under the status of vigilance against their main enemy. The ruling hierarchy until recently has been able to justify its revolutionary policies by spurring the people to devote themselves to anti-imperialist struggles, labelling the US and Japan the sworn enemies. Now, however, Seoul is the new bogeyman. Domestic indoctrination programs regarding the anti-imperialist struggles are still under way, but the political decision to improve relations with these sworn enemies has in fact weakened the "popular

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15 Joint editorial by newspapers of Korean Workers Party, the army and the Youth League. *Rodong Shimmun*, 1 January 1995.

16 *Kookmin Ilbo*, 19 September 1995.

vigilance against imperialism." One noteworthy point is that quite contrary to its anti-Seoul activities, Pyongyang has been seeking ways to induce South Korean businessmen into promoting economic ties with North Korea—but over the head of the South Korean government. In fact, inter-Korean trade volume recorded some \$190 million in 1994 and \$165 million in the first half of 1995.<sup>17</sup>

In short, North Korea has improved somewhat its relations with the Western countries in the post-Cold War world environment. Due, however, to the fall of the socialist bloc as well as to its own economic difficulties, it cannot solidify the relations with international revolutionary forces as it had previously enjoyed. So far as the Kim Jong-il regime keeps an ideological rather than pragmatic attitude towards them, however, the North Korean relations with international revolutionary forces can be expected to continue in the short run, or perhaps even quite a while.

### **The Future of the Kim Jong-il Regime**

#### *Stability*

It should be cited that through twenty years of intensified campaigns to solidify his ideological and political footing, the legitimacy and coerciveness of Kim Jong-il's successorship had already been secured while his father was alive. Since his father's death, the junior Kim has also been successful in equipping his leadership position with solidarity and efficiency, and therefore, his position as the successor should be cited as stable, even though he has yet to inherit officially the two supreme titles.

Then what is the delay? He appears simply to be refraining from taking over power officially—not because he lacks legitimacy but because the situation in and out of the country is not stable enough to guarantee a long term of his leadership. The

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17 ROK National Unification Board, *Monthly Trends of South-North Economic Exchanges*, No. 49, July 1995.

ruling hierarchy in Pyongyang is facing an urgent need to boost its sinking economy and to find solutions to unclear issues before it can enthrone Kim Jong-il officially as head of state.

The ruling hierarchy seems to be trying to buy time for solving these problems, on the pretext that the nation is still in a mourning period that will last until July 1997. It is likely that the junior Kim will refrain from taking over the post of the party general secretary and the presidency until July 1997 or, if a buffer period is added, until the end of 1997 or early 1998.

### *Durability*

Regarding the durability of Kim Jong-il's leadership, two contrary viewpoints still argue.

Some scholars maintained that he will probably remain in power only six to eighteen months. This view, however, overlooks the extremely unusual North Korean political system, the strict civil control measures in which everyone is brainwashed that they must behave as loyal subjects of a feudalist king. The people have been well tamed to adapt themselves to the Stalinist North Korean form of socialism and have extremely little or no idea about the outside world.

Some North Korea watchers on the other hand believe Kim Jong-il's regime may survive seven to ten years or more—but this view too easily overlooks fundamental deficiencies in the political system. North Korea has registered minus economic growth every year since 1990, and the government has lost the capability to prevent corruption from spreading all over the country. Remedies such as a partial economic opening designed to defend the current system, if not preceded by fundamental reforms in the system itself, will fail to solve the economic stagnation and corruption.

This writer would like to predict that Kim Jong-il's leadership will face difficulties in three to five years after his enthronement. He did establish a solid foundation for succession, in terms of

legitimacy and coerciveness, and will thus face no problems in ascending to power officially. But in due course he is sure to face the need to revise or reform the system, and discord among members of the inner circle of the ruling hierarchy may well surface. In the meantime, the North Korean populace will wake up to the absurdity of the North Korean form of socialism that drives them to be satisfied with their serfdom. When the populace begins to demand rights as citizens of a modern state, then the Stalinist regime in Pyongyang will face a severe crisis.

It is another question, however, whether the collapse of Kim Jong-il's regime will mean the end of the communist regime in North Korea.

빈 면

## Development of Systemic Dissonance in North Korea

Sung Chull Kim

**N**orth Korea is undergoing a systemic change, not a simple reflection of inefficiency of the Stalinist economic model but a complex process of diffusion in every aspect of the system. Since the second half of the 1980s, an unofficial sphere has grown rapidly to erode the official sphere of the North Korean system. The change has been accelerated not only by the breakdown of socialist regimes in Eastern Europe and the Soviet Union but also through the death of the old charismatic leader Kim Il Sung and a rapid decline in the economy. It will probably not bring about any immediate breakdown of the entire North Korean system but merely foster dissonance or contradiction among the subsystems. In the long run, however, the dissonance is expected to lead to the breakdown of socialist regime or to a more fundamental change, disintegration of the entire North Korean system. This observation may be supported by the East European experience that the dissonance deepened extremely before the breakdown of the socialist regimes.

This paper has two purposes. First, it attempts to examine the ongoing systemic change from the perspective of systems sciences: emergence of duality in the North Korean system and the subsequent development of dissonance among subsystems. Second, it investigates the implications of this systemic change

for the future of the South-North Korean relationship. Of course, the two purposes are closely related. It is important for us students of North Korea to analyze the ongoing systemic change because it will help us understand the abnormal operation of North Korea in the post-Kim Il Sung era in a broader perspective than the elite composite centered around Kim Jong-il. This type of study of systemic change in North Korea is an important topic for another reason. In an analytical sense South and North Korea compose a set of "loosely coupled systems," and even small changes in North Korea have had enormous impact upon the South-North relationship. Accordingly, the systemic change in North Korea may develop into a fluctuation sure to be followed by a self-organizing process that would take the form of either a simple regime change in North Korea or the full-blown integration of South and North Korea.

First, this paper introduces three levels of change in order to foster an analytical understanding of the meaning of the changes. Second, it develops a conceptual frame for the systemic change, based on the concept of "symmetry-breaking process." Third, it employs the conceptual frame for a detailed analysis of the North Korean case. Fourth, in order to understand the actors besieged by the system, it examines how the North Korean political authorities surrounding Kim Jong-il respond to systemic change. Finally, the paper concludes upon the implications for change in the North for the future configuration of Korea as a whole.

### **Three Levels of Change**

The term "collapse" has been used by many laymen as well as scholars in describing a socio-political change. Nowadays the term is more frequently used than ever before in the examination of change in North Korea. The term does signify a radical change, but it is not an analytical term for explaining the domain or range of change. Accordingly, rather than helping us it brings on confusion when we examine such a complex social phenomenon.

The term does not specify whether it means a shift of the elite group centered around Kim Jong-il, a breakdown of the existing regime of "socialism of our own style," or disintegration of the entire North Korean system.

We need to identify different meanings of a change in general and the domain of the ongoing change in North Korea in particular. According to David Easton, change may occur on any of three levels: political authorities or elite, regime, or an entire system.<sup>1</sup>

First, shifts of political authorities can occur frequently without alteration of a regime. Occupants of authority roles are replaced by others either through an institutionalized way of selection, i.e., appointment or some type of election, or through conflict among individuals or groups. Whatever the means of change, a simple shift of political authorities does not necessarily bring about a change in the characteristic mode of interaction by which a system operates.

Second, a change of regime does take place sometimes. A regime change, which is more inclusive than a shift of political authorities, leads to fundamental alteration of the mode of interaction among the people. Not only are political authorities replaced but the structure of the system is also transformed. Classical revolution accompanying mass mobilization and collective violence may be a typical means of a change of regime, but this is not the only means for such a change. The democratic transition from authoritarian rule in developing countries of Latin America and Asia during the 1980s as well as the breakdown of socialism in Eastern Europe at the end of 1980s are other examples of regime change.

Third, transformation of an entire system may occur, but it is rare. This takes place when members of the system no longer share the existing rules of division of labor for the maintenance

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1 David Easton, "Systems Analysis and Its Classical Critics," *Political Science Reviewer*, Vol. 3 (1973), pp. 295-300.

of existing community, or when members of loosely coupled two systems agree to form a unified complex system, or when one system conquers another by force. In other words, transformation of an entire system occurs either by its disintegration or through integration of neighboring systems of common properties. This change is exemplified by the independence of Third World countries after World War II, the division of Korea, disintegration of the Soviet Union, unification of Germany, and so on.

There are two important propositions that should be noted in the discussion of levels of change. First, transformation of an entire system is the most inclusive among the three levels of change, thus it brings with it changes of the political authorities and of the regime. Likewise, a regime change is more comprehensive than a simple shift of political authorities, and thus the former should accompany the latter.

Second, the three levels of change are interrelated in the empirical world. A lower level of change may sometimes be followed in sequence by a higher, for instance, the process of establishment of military regimes in various developing countries, which were preceded by a shift of political authorities. The values and goals pursued by an existing regime are dramatically changed, and the mode of interaction between the new occupants of authority roles and the general public is transformed quite a bit. Such a sequential change may take place because the political authorities are obviously one of the most crucial elements for maintaining the existing regime or establishing a new order on the ashes of a previous one. Similarly, a regime change can be associated with the disintegration of the entire system or be followed by the formation of a new unified system, as in the cases of the secession of republics from the Soviet Union, or German unification.

What should be noted is that in principle, the first proposition comprises the second one in the following sense. Insofar as **hierarchy** of systems is an important logic of systems approach,

there exists a precondition for such sequential changes from lower to higher: mature structural transition on the part of the higher level of entity. In other words, any change at the lower level cannot be followed by a higher level change without there having been some degree of transition, even if incremental, in the higher and comprehensive entity.

A discussion of these three levels of change may enhance our ability to analyze changes of North Korea and the impact they may have upon the future of Korea as a whole. Now let us adopt the discussion in explaining North Korea. The first change would be limited to the fall of Kim Jong-il and his associates. Insofar as his foundation rests upon the legacy of his father Kim Il Sung, of course, a shift at the top would in itself be quite significant. The second would be a breakdown of "socialism of our own style," dominated by the Korean Worker's Party and legitimated by *juche* thought. This change would be very radical as it would derive from the structural contradictions within the system. The third means the disintegration of the entire North Korean system, which should be followed by the unification of South and North Koreas.

The North Korean system is based on the monolithic power of Kim Il Sung and Kim Jong-il and their ideological instrument *juche* thought. As mentioned, however, any change at the lowest level of changes may bring about a higher level of change. That is, insofar as top political authorities and some related components are essential for the maintenance of the characteristic trait of the given regime, a shift of the political authorities centered around Kim Jong-il could well be accompanied by the breakdown of socialism in North Korea, a regime change. The end of socialism in North Korea might also develop into a disintegration of the entire North Korean system, as happened in Germany.

It is hard to imagine, however, the toppling of Kim Jong-il and a regime change in sequence, provided there be no serious contradiction among parts of the existing regime. Likewise, a regime change cannot be followed by disintegration of whole

system unless there exists significant transformation at the level of suprasystem, in which South Korea has been the most important part because of its coupling with the North in so many ways. This paper will again discuss, in detail, the issue of possible relationships between the different levels of change. In this paper, "systemic change" in North Korea means an incremental process for a change of regime.

### **Conceptual Frame of Systemic Change**

The ongoing change in North Korea is a complex phenomenon. This paper divides the socialist system into four subsystems—political, ideological, economic, and cultural—and posits the relationships among the subsystems and between the system and its environment. Based on analyses of the four subsystems, it will develop a conceptual framework for examining the emergence of an unofficial sphere and symmetry-breaking in socialist regimes in general and North Korea in particular.

#### **Four Subsystems**

Our subsystem of a socialist regime does not refer to an institution but to a set of interactions between the people who are concerned with particular goals and values. In each subsystem only a few members are privileged to exercise influence actively; however, all the members of the system are involved in the subsystem composite either directly or indirectly.

First, the political subsystem is a set of behaviors that authoritatively allocates social values and binds the system as a whole. The socialist regime in general is highly politicized in the sense that it has a well-designed mechanism, i.e., the bureaucracy of party, state and military, to transmit intentions and policies made by political authorities to other parts of the system. The socialist regime does not allow any alternative political organization and

makes use of the bureaucracy as a mere nexus of the system; thus, it is said that socialism has mono-organizational characteristics.<sup>2</sup>

The political subsystem in North Korea is a peculiar form of the mono-organization, based on authority structure of the Korean Worker Party centered around the deceased but supposedly spiritually immortal "great leader" Kim Il Sung and de facto political successor Kim Jong-il.

Since the power transition in a socialist regime is not institutionalized, there might exist conflict among political authorities. In case of conflict, characteristics of the new elite composite may affect other parts of the system. This is so because a shift of political authorities may be closely connected with the authoritative allocation of social values to the members of the system. In this respect, we pay special attention to the emerging group of political authorities in the process of power transition. North Korea would not be an exception.

Second, the ideological subsystem in socialist regimes in general is Marxism-Leninism and the subsystem in North Korean regime is its "creative application to the Korean situation," *juche* thought. Whatever the official ideology, it serves as an instrument of the political authorities for rationalizing the given regime. That is, the ideological subsystem is utilized for the legitimation of the party's dominance over society, and the personality cult of the top leader through formal and informal education as well as through propaganda. Even though active participants in this subsystem are limited to the bureaucrats in the fields of propaganda and educational affairs, the general public are also significant actors because stability of the ideological subsystem will depend upon a relatively high degree of internalization of the official ideology among the people.

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2 T. H. Rigby, "Introduction: Political Legitimacy, Weber and Communist Mono-organizational Systems," in T. H. Rigby and Ferenc Fehér, eds., *Political Legitimation in Communist States* (New York: St. Martin's Press, 1982), pp. 12-16.

Juche thought, which spawned amid the political struggle between Kim Il Sung and anti-Kim factions during the 1950s, evolved into a sophisticated ideological composite. While adapting to changes in the international environment and domestic politics, it has introduced various propositions from Marxism-Leninism, such as collective consciousness and priority on moral incentive. Also it has presented peculiar propositions on Kim Il Sung's absolute power over society and the party and on the succession of revolution over more than one generation. In the process of development of juche thought, Kim Jong-il contributed to the formulation of new propositions and in turn, he became an exclusive authoritative interpreter of the ideology as well as Kim Il Sung's heir apparent.

Third, the economic subsystem of socialism is based on central planning, nationalization of the means of production, and rapid industrialization giving preponderance to heavy industry. Socialist economy may be superior to capitalist economy in efficacy on the one hand and inferior in efficiency on the other. The socialist economy is able to achieve an intended outcome through concentration of input to a particular industry and may yield rapid economic growth, but it brings maldistribution of resources and is unable to maintain rapid growth in the long run. In particular, such inefficiency leads to chronic shortages of consumer goods and to the emergence of a second economy.

Socialist regimes in Eastern Europe and China attempted to overcome economic decline by adopting reform and opening policies. According to Kornai, one of three conditions should be met for the implementation of such policies: alteration of authority structure and official ideology, change in ownership, or decrease of bureaucratic control over the economy.<sup>3</sup>

But it should be noted that to meet any of the conditions means erosion of characteristic traits of socialism. Furthermore, reform

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3 Janos Kornai, *The Socialist System: The Political Economy of Communism* (Princeton: Princeton University Press, 1992), Chap. 16.

and opening cause the general public as well as political authorities to become important actors in the economic subsystem.

The North Korean economy has changed since the mid-1980s when it adopted a joint-venture law and implemented an independent accounting system throughout the country in order to confront its economic problems that had deteriorated due to shortage of foreign currency as well as lack of material incentive. These initiatives, however, could not but be constrained by the preponderance of political reasons over economic ones. In other words, the two policies for economic adjustment were implemented without fulfilling any one of Kornai's three proposed conditions. Pyongyang lost the chance to escape its economic difficulties.

Fourth, the cultural subsystem is a behavior set in which intellectuals such as writers, artists, professors, teachers, researchers, technicians, physicians and clerical workers play important roles. Following Lenin's theory of class, most socialist regimes have defined farmers and workers as the basic social class, while regarding intellectuals or mental workers as a quasi-class. Accordingly, in a socialist regime the behavior space for the intellectuals is extremely restricted and often overwhelmed by the basic social classes.

However, a contradiction occurs. Compulsory education multiplies the number of intellectuals, and they become critical to the socialist regime by contributing to rapid industrialization. Here it should be pointed out that their role for a systemic regime change largely depends not only upon cultural and educational policies but also upon its previous historical tradition and the international impact. For instance, intellectuals of socialist regimes in Central Europe such as Poland, Hungary and Czechoslovakia built a relatively autonomous sphere owing to the historical tradition of their prestigious role—and to the international conference in Helsinki in 1975. In contrast, North Korean intellectuals lost their social status as a quasi-class because of the purge that started during the Korean War and due to

Pyongyang's unique policy of "revolutionization and working-classization of intellectuals" adopted in the mid-1960s.

### Symmetry-Breaking Process

It should be pointed out that three properties of the socialist regime contribute to a systemic regime change: internal system dynamics, interaction between subsystems, and exchange of information between the system and the environment<sup>4</sup>

Here we will discuss that those properties may lead to a change of regime, meaning the development and operation of an unofficial sphere and its following effect, disruption of symmetry among subsystems.

A social system is not static but dynamic, and thus it continuously evolves to the state of higher complexity.<sup>5</sup>

In this process, unexpected phenomena may take place. For example, in the process of the institutionalization of a socialist regime, the bureaucracy of the political subsystem expands rapidly. Various organizations in party, state, and military are enlarged, and their auxiliary organizations are established to function something like "transmission belts."<sup>6</sup>

Such process of increasing complexity is conducive to the development of a non-official sphere, i.e., the illicit space for bureaucratic pathology and the spread of deviant behavior among bureaucrats.

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4 On the discussion of the properties of the dynamic system in general, see David Easton, *A Framework for Political Analysis* (Chicago: University of Chicago Press, 1965); David Easton, *A Systems Analysis of Political Life* (Chicago: University of Chicago Press, 1965); Yong Pil Rhee, *The Breakdown of Authority Structure in Korea in 1960: A Systems Approach* (Seoul: Seoul National University Press, 1982).

5 For the introduction to the recent development of the concept of complexity, see Ervin Laszlo, *The Age of Bifurcation: Understanding the Changing World* (New York: Gordon and Breach, 1991); Ervin Laszlo, *Vision 2020: Reordering Chaos for Global Survival* (New York: Gordon and Breach, 1994).

6 Chalmers Johnson, "Comparing Communist Nations," in Chalmers Johnson, ed., *Change in Communist Systems* (Stanford: Stanford University Press, 1970), p. 17.

Dual operation of a given system means expansion of the non-official sphere, into which the goals and values pursued by the existing regime cannot penetrate. Dual operation may appear in the four subsystems at the same time. The second economy or black market expands to erode principles of a centrally planned economy. Malfunction of the official ideology is an indication that socialism is losing its attractiveness to the people. The emergence of counterculture and the widening gap between generations reflect diffusion of the cultural subsystem.

Since parts of the system are interrelated, the structuration of duality creates unexpected negative impacts upon the regime. Generally speaking, during the formation of a socialist regime, four subsystems are shaped into congruence: ideology, the state, the economy, and culture. The collectivization of agriculture, industrialization focused on heavy industry, establishment of compulsory education and presentation of Marxism-Leninism, Stalinism, Mao's thought or *juche* thought exemplified the process of maximizing congruence in the early stages of socialism.

Due to the structuration of duality in the subsystems, however, the socialist system cannot remain intact; it comes into a state of contradiction between subsystems. That is, the dual operation intensifies the dissonance, which is our symmetry-breaking process, and which can be seen in any socialist regime in a state that is far from equilibrium. Through it the system becomes heterogeneous. Notably, the symmetry-breaking is irreversible; the previous congruence between subsystems can never be restored.<sup>7</sup>

The deepening of the symmetry-breaking contributes to the decrease in system capacity for maintaining stability and in the long run brings about a regime change.<sup>8</sup>

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7 Ilya Prigogine and Isabelle Stengers, *Order out of Chaos: Man's New Dialogue with Nature* (New York: Bantam Books, 1984).

8 Harry Eckstein, *Division and Cohesion in Democracy: A Study of Norway* (Princeton: Princeton University Press, 1966), pp. 234-53.

Symmetry-breaking will accelerate as the system has more, and more intense, interactions with the fluctuating environment. As mentioned, every system is basically open and unable to be strictly isolated from its environment.<sup>9</sup> A socialist regime is no exception, though there may be variations in the degree of openness. An important concept to elaborate interaction with the environment is the "coupling effect."<sup>10</sup>

Frequent and intense relationships between system and environment may lower the degree of independence, easily transmitting environmental fluctuation to the system.

The coupling effect will cultivate the symmetry-breaking in the system. For example, in the wake of the 1975 Helsinki conference, intellectuals in East European socialist regimes were able to exchange intellectual activities with their counterparts in the West, and they played a leading role to build civil society in their own countries. Furthermore, they contributed to the acceleration of symmetry-breaking by criticizing the official ideology and the repressive state. Finally, the symmetry-breaking brought about sequential breakdown of the socialist regimes in 1989.

We have to differentiate North Korea from Eastern Europe and the Soviet Union in terms of the vulnerability to the coupling effect. North Korea has succeeded in keeping a relatively high degree of independence on the basis of *juche* thought, which during the Sino-Soviet conflict put forward four principles of self-reliance in ideology, economy, defense and international relations. Furthermore, North Korea has pursued "socialism of our own style" since the breakdown of the socialist regimes in the East European countries, in order to discriminate itself from

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9 L. von Bertalanffy, *General Systems Theory: Essays on its Foundation and Development*, rev. ed. (New York: George Braziller, 1968).

10 On theoretical discussion on the concept, see Robert B. Glassman, "Persistence and Loose Coupling in Living Systems," *Behavioral Science*, Vol. 18 (1973), pp. 83-98; Herbert A. Simon, *The Science of the Artificial* (Cambridge, MA: MIT Press, 1981), 200-2. For its application to social sciences, see David Easton, *The Analysis of Political Structure* (New York: Routledge, 1990), 248.

former socialist regimes. It has thus been able to keep a very low level of vulnerability to the coupling effect.

### **Dual Operation of the North Korean System**

All the subsystems in North Korea have dual aspects, even though there exists variation among them. Illicit behavior on the part of bureaucrats has gradually eroded the nexus of the political subsystem, whereas the spread of the second economy has corroded the public sphere of the socialist economic subsystem. And the malfunction of the official ideology, *juche* thought, has degraded the legitimacy of the regime, while the spread of compulsory education has brought not only an increase in number of the intellectuals but also a distortion of the meaning of modernity in the socialist cultural subsystem. This section attempts to show these dual aspects in the four subsystems of the North Korean system, which lead to the symmetry-breaking process that will be discussed later.

#### **Deviant Behavior of Bureaucrats**

The social effects of the illicit behavior of bureaucrats in socialist regimes are more significant than in capitalist societies. The socialist regime has an extremely politicized bureaucracy. The bureaucracy not only dominates the public sphere but also overwhelms the private life of the people. In the North Korean socialist regime, deviant behavior takes place among bureaucrats as well as between bureaucrats and the general population, and extends the private sphere beyond official control.

It should be pointed out that occurrences of deviant behavior of the bureaucrats for private gain have increased in number since the late 1980s in North Korea. The adoption of the joint venture law and the initiation of the consumer goods production drive brought an influx of foreign currency and led to the development of a black market. In this context bureaucrats have come to be involved in embezzlement of foreign currency as well

as public resources and raw materials, accepting bribes in exchange for providing advantages in people's daily affairs, managing illegal private businesses, and so on.<sup>11</sup>

Some scholars have argued that such illicit behavior in general helps narrow the gap between the bureaucrats and the general public by providing them with informal behavior space: it may help to integrate the society by humanizing the political authority.<sup>12</sup> It also alleviates tension between the bureaucrats and the people, and thus restrains political activism.<sup>13</sup>

This logic may be applied to North Korea. Recently security officers have come to have a closer relationship with the population than ever before, and the people are able to appeal to them their discontent about the regime.

However, the illicit behavior cannot in the long run contribute to the interest of the regime. The bureaucratic deviance has brought duality of the political subsystem in general and the following consequences in particular. First, such illicit behavior degrades political control over society. By humanizing the relationship between the bureaucrats and the people, the misdeeds limit their ability to supervise and control them. Accordingly, in recent years security officers have come under more frequent attack by the people for delays in distribution of goods and other business.

Second, the deviant bureaucratic behavior may yield relative deprivation among the general public who cannot benefit from it. Bribes are taken for housing allocation, travel certificate, etc, but only those few who can obtain foreign currency or products

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11 Sung Chull Kim, "Bureaucratic Corruption and Its Social Effects in North Korea," in Douglas R. Imig and Pamela Slavsky, eds., *Synopses of Nonviolent Sanctions Seminars* (Program on Nonviolent Sanctions and Cultural Survival, Center for International Affairs, Harvard University, Fall 1994), pp. 7-14.

12 J. S. Nye, "Corruption and Political Development: A Cost-Benefit Analysis," *American Political Science Review*, Vol. 51 (1967), p. 420.

13 Leslie Holms, *The End of Communist Power: Anti-Corruption Campaigns and Legitimation Crisis* (Cambridge: Polity Press, 1993), p. 204.

through relatives in Japan, the United States or Siberian logging camps are able to provide them. Those who do not experience the relative deprivation, leading to skepticism about a "classless society."

Finally, the deviant behavior leads to a loss of public confidence about the regime. Pyongyang has proclaimed that bureaucrats must "work for the people" and pursue "socialism of our own style centered around the people"; most people, however, are likely to denounce the officials when they witness the contradiction between official slogans and actual behavior.

There is little evidence to indicate that bureaucrat deviant behavior will lead to widespread collective political activism in North Korea. With the understanding, however, that corruption was one of the reasons for student discontent in Tiananmen Square in 1989, we realize that the illicit behavior and encroachment of political authority in North Korea may indeed escalate to threaten the maintenance of the existing regime.

Political authorities in North Korea have begun to recognize the danger of the deviant behavior and have initiated a two-year anti-corruption campaign between 1991 and 1993 on a massive scale. Moreover, Kim Jong-il himself came to express in his papers publicized after the death of Kim Il Sung a deep concern at the widespread bureaucratic pathology and illicit behavior. But the concern of the political authorities seems not yet to have brought about any observable outcome.

### **Spread of the Black Market**

North Korea has to confront two serious economic problems: sharp decline in the official economy and the spread of the second economy. In particular, we have to mention that the centrally planned economy focused on heavy industry results in chronic shortages of consumer goods, and that a second economy cannot but emerge to solve the problem. The significance of the second economy in a socialist regime is significant because it

expands the non-official sphere deviating from the basic principles of the planned economy. Therefore, it can be said that the development of the second economy reflects de facto decentralization of economy.<sup>14</sup>

North Korea's second economy has spread rapidly since the second half of the 1980s. It is a fact that bureaucrats in particular are involved in the black market. Factory managers have become involved in illegitimate production through illegal shifts of manpower and resources assigned for the planned sector. On the one hand the original function of the farmer's market for the exchange of farm products has been perverted. On the other hand the people are literally forced to purchase the illegally produced and distributed consumer goods at prices much higher than official.<sup>15</sup> In other words, the illicit behavior of bureaucrats and development of the second economy are intertwined.

The expanded black market centered around the farmer's market attracts our special attention, not only because it diminishes political control over the economy but because it provides the people with a place for exchanging information. As the function of the farmer's market has been distorted, its composition also has been changed. Not only are farmers from the local community present, but also profit-seekers from various cities and merchants from across the Chinese border. Chinese Koreans or Chinese cross the border and sell Chinese or South Korean products such as radios and cassette tapes. In a society where mass communication is strictly controlled by the party, information spreads rapidly from mouth to mouth in the market.

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14 Gregory Grossman, "The 'Second Economy' of the USSR," *Problems of Communism*, Vol. 26 (1977), p. 40; Barbara N. Sands, "Decentralizing an Economy: The Role of Bureaucratic Corruption in China's Economic Reforms," *Public Choice*, Vol. 65 (1990), pp. 85-91.

15 Sung Chull Kim, *Is North Korea Following the Chinese Model of Reform and Opening?* (Institute Report of East Asian Institute, Columbia University, December 1994), p. 10.

Accordingly, the black market offers a space that hinders official efforts to control mass communication.

### **Malfunction of Official Ideology**

Vaclav Havel, president of the Czech Republic, said that the people seem to act in accordance with the official ideology but they do so only for the purpose of receiving public recognition:

The manager of a fruit and vegetable shop places in his window, among the onions and carrots, the slogan: "Workers of the World, Unite!" Why does he do it? What is he trying to communicate to the world? Is he genuinely enthusiastic about the idea of unity among the workers of the world? Is his enthusiasm so great that he feels an irrepressible impulse to acquaint the public with his ideals? Has he really given more than a moment's thought to how such a unification might occur and what it would mean? . . .

Obviously the greengrocer is indifferent to the semantic content of the slogan on exhibit; he does not put the slogan in his window from any personal desire to acquaint the public with the ideal it expresses. This, of course, does not mean that his action has no motive or significance at all, or that the slogan communicates nothing to anyone. The slogan is really a sign, and as such it contains a subliminal but very definite message. Verbally, it might be expressed this way: "I, the greengrocer XY, live here and I know what I must do. I behave in the manner expected of me. I can be depended upon and am beyond reproach. I am obedient and therefore I have the right to be left in peace."<sup>16</sup>

This analogy describes the duality of consciousness or preference in the age of decaying socialism.<sup>17</sup> It raises a question of how

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16 Vaclav Havel, "The Power of the Powerless," in Vaclav Havel, et al., *The Power of the Powerless: Citizens against the State in Central-Eastern Europe* (New York: M. E. Sharpe, Armonk, 1985), pp. 27–8.

17 Timur Kuran, "Now out of Never: The Element of Surprises in the East European

well *juche* thought functions in North Korea and how well it is internalized among the people.

Because it is difficult to measure such a thing, this paper will introduce a means of analyzing it in an indirect way: scrutinizing the statements made by top political authorities. In 1987, Kim Jong-il mentioned a difficulty in the mechanical method of indoctrinating *juche* thought: "Some cadres believe that either to collect statistical data or to organize a question-and-answer contest is enough to enhance revolutionary zeal among the people. They do not develop the contest into a discussion for delving into specific propositions of the ideas in depth but simply induce the competition of mechanical memorization."

Another way of analyzing the degree of its internalization is to evaluate the level of support for major elements. The first is the level of support for the top political authorities, Kim Il Sung and Kim Jong-il. Some 60–70% of the people at the minimum, and 99% at most, supported Kim Il Sung; while only 40–50% have shown support for the junior Kim.<sup>18</sup> Such difference suggests that some half of the people may not regard Kim Jong-il as the legitimate leader of the country.

A second support level is that for the collective consciousness, one of the most important elements of the official ideology. In North Korea the general public carries dual views on collective consciousness. They accept it as a public value under the concept that individualism is the evil of socialism. In fact, however, their internalized value is individualism. It should be noted that individualism does not resemble that of the West but is closer to "amoral familism," the mentality of an underdeveloped society: people prefer an advantage and convenience for their own

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Revolution of 1989," *World Politics*, Vol. 44 (1991), pp. 7–48; Timur Kuran, "The Inevitability of Future Revolutionary Surprises," *American Journal of Sociology*, Vol. 100 (1995), pp. 1528–51.

18 Byoung-Lo P. Kim, "Kim Jong-il's Leadership and Political Changes," in *Major Powers and Future Security in Northeast Asia* (Conference Proceedings of the Institute for Far Eastern Studies, Kyungnam University, 1995), p. 10.

family to all other values.<sup>19</sup> Amoral familism in North Korea is intertwined with the Confucian tradition of respect for the elders; it is quite different from the pure sense of Confucianism, however, in that people show respect only to their parents but not to other elders. They consider the family the most important social unit not only for pursuing social values, whether material or non-material, but also for preserving privacy under the coercive regime.

Third would be the level of support for the official regime value of socialism of our own style. In comparison to the above two elements, the people show a relatively high degree of support towards such values as the authority structure centered around Korean Worker's Party and self-reliant economy. Furthermore, even those who are dissatisfied with the regime sometimes find the rationale for their humble life through misdeeds of the middle-range bureaucrats.

In general, this duality in the ideological subsystem in North Korea is not so serious as it was in the socialist regimes in Eastern Europe right before their breakdown. While Marxism-Leninism in Eastern Europe had seriously eroded due to reform and opening, *juche* thought in North Korea still functions to integrate the people because of the peculiar condition, division of Korean peninsula. However, it may become a weak link vulnerable to the coupling effect from fluctuation of the international supra-system due to the notable relatively low degree of support both to collective consciousness and to Kim Jong-il.

### **Distorted Modernity in Culture**

The socialist regime has pursued rapid industrialization and modernization. One of the most distinctive phenomena of modernization may be the expansion of higher education. In North

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19 Edward C. Banfield, *The Moral Basis of a Backward Society* (New York: Free Press, 1958), pp. 83-101.

Korea, thanks to compulsory education for eleven years and expansion of two-year technical colleges and four- or five-year universities, the number of intellectuals has come to exceed 1.6 million.

Furthermore, in the modernization process to help legitimize the regime, the political authorities in Pyongyang introduced values reflecting modernity such as liberation, freedom, and democracy. But these values have now eroded the official sphere of the cultural subsystem. They distorted the genuine meaning of modernity in that they have never had a chance to be realized. They provided, however, the general public with the opportunity of learning something about participatory political behavior.<sup>20</sup>

Accordingly, the duality of the cultural subsystem is under structure in North Korea, even though the process is slower than in the other subsystems.

### **Symmetry-Breaking in the North Korean System**

The problem of dual operation of the system is that it disrupts the congruence among the subsystems. The more that the duality in each subsystem proceeds, the more the property of isomorphism disappears in the system and the subsystems as well. In North Korea such dissonance has intensified in recent years. This section will attempt to investigate the symmetry-breaking between the ideological and the economic subsystems, particularly in the era of Kim Jong-il.

#### **Economic Change vs. Maintenance of Official Ideology**

The structuration of duality in economy necessarily brings contradiction between economic and ideological subsystems. The development of the second economy, closely intertwined

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20 S. N. Eisenstadt, "The Breakdown of Communist Regimes and the Vicissitudes of Modernity," *Daedalus*, Vol. 121 (1992), pp. 21-41.

with the illicit behavior of bureaucrats, is in particular contradiction to the values stressed in *juche* thought, preference of political and moral incentive to material incentive.

Previously, upward social mobility—to become a party member in particular—had been preferred over all other values. This was so because in the time of chronic shortages only party members, by taking advantage of their privileged status, had access to consumer goods. For example, they were able to utilize improper distribution mechanisms or their acquaintance with the managers of direct sales outlets. Prior to that, money had been useless unless products were stocked in the state-managed stores.

Owing to the spread of the second economy, however, money has become one of the most important values. Since the general public now has another mechanism for exchanging consumer goods, the black market, in daily life money has become as important as party membership. In particular, foreign currency has caught special attention since the Third Seven-Year Economic Plan from 1987 to 1993 which stressed international economic relations. It has enormous power especially insofar as it comes to be recognized as a useful means of bribery and accumulation of wealth.

The dissonance between the real economic situation and the official ideology has deepened because the changes in the former were not followed by any change in the latter. *Juche* thought still maintains such socialist values as collective consciousness and moral or political incentives. Furthermore, despite severe food shortages, Kim Jong-il and North Korean propaganda try to enhance revolutionary fanaticism by comparing the current hardships to the painful experiences during the anti-Japanese struggle. In sum, the dissonance between the two subsystems in particular reflects a very rapid erosion of symmetry between them.

### **Mobilization of Ideological Symbols vs. Lack of Economic Incentive**

As mentioned earlier, the low level of support for Kim Jong-il is one of the weakest components of the current North Korean system. This has been especially true since the death of Kim Il Sung in July 1994, because unlike his father Kim Jong-il lacks charismatic leadership. He and his associates have tried to solve this problem through the mobilization of ideological symbols. It is a peculiar problem stemming from the attempt to pull off a political succession between father and son, which has never happened in any other socialist regime.

In general, power transition from the revolutionary generation to post-revolutionary one in a socialist regime is accompanied by alteration of the official ideology. In other words, a socialist regime under the second generation pursues legitimation of the given regime not through disseminating revolutionary values but by the introduction of rationality in economic policies. The transfer of power from Kim Il Sung to Kim Jong-il, however, has not been followed by modification of *juche* thought. Rather, Kim Jong-il rose to power through developing propositions of *juche* thought and touting himself during 1970s and 1980s as *the* authoritative ideologue. After the death of Kim Il Sung, North Korea has tried to erect the junior Kim's leadership image by proposing an ideological symbol that equates him with his father. That is, Pyongyang is attempting to transfer Kim Il Sung's charisma to Kim Jong-il by depicting the latter as the personification of the former.

Furthermore, North Korean mass media makes every effort to propagandize Kim Jong-il as a genius in dealing with foreign affairs as well as, in particular, conducting military operations. For example, in order to disseminate Kim's image of charismatic leadership in foreign affairs, the spokesman for Ministry of Foreign Affairs has been quoted as saying that Kim Jong-il gave the final say to the negotiation team in the nuclear issue between

the United States and North Korea in October 1994. As the chief priority in foreign policy has been given to revitalization of the crumbled economy through normalization with the United States, such an attempt to draw Kim as a capable diplomat may contribute to the elevation of his charismatic status and rationalization of the regime.

A question follows: As far as the political actor is one of the most significant elements of the regime, such symbolic manipulation for Kim Jong-il may be considered the pivotal attempt for legitimation of the existing regime. However, is the symbolic manipulation being followed by material incentive? In fact, the gap is widening. Not only has the crippled economy shown a minus GNP growth rate for six years in a row, but also the food shortage was exacerbated after the flood in 1995. Moreover, no immediate recovery of the economy is expected even if relations between the Washington and Pyongyang and Tokyo and Pyongyang are normalized; there will be a time lag between North Korea's opening policy as a political output on the one hand, and material payoff as an outcome of the implemented policy on the other. As a result, the more North Korea emphasizes ideological accomplishments as the foundation for Kim Jong-il's political succession, the worse the symmetry-breaking between the ideological subsystem and the economic subsystem will be.

### **The Authorities' Response**

The symmetry-breaking process in general yields enormous system entropy and degrades the viability of a regime. Even though North Korea may seem at a glance to be stable, dual operation of the system and the subsequent dissonance between subsystems have led the system to a status far from equilibrium. At this situation, the death of Kim Il Sung in 1994 elevated the entropy. It created uncontrollable sorrow among the people, a mass hysteria, and as the long-term subject of their obedience

was taken away, their loyalty was set floating free. As a result, the political authorities centered around Kim Jong-il have become constrained in their choices, because without stability at the regime level their status is no longer secure.

Kim Jong-il has thus not had himself inaugurated to the position of either president or general secretary, but has established a transitional authority structure that resembles an emergency regime in Third World countries. Since Kim Il Sung's death he has wielded power through the position of supreme commander of the armed forces and chairman of the defense committee. For example, he exercised control over both the State Council and the military in an unusual way by promulgating the Fifty-first Order of the Supreme Commander of the Armed Forces in November 1994: he ordered the military to provide labor and the state council to supply materials to build a bridge and a tunnel in Pyongyang. On the occasion of 50th anniversary of the party inauguration held in October 1995, he made use of his military position again by declaring the Sixty-fifth Order of the Supreme Commander of the Armed Forces, which appointed Chief of General Staff Choi Kwang as minister of armed forces and shuffled some high-ranking military personnel. In addition, as supreme commander and chairman of the defense committee Kim reviewed troops and received a report from newly appointed Minister of Armed Forces Choi Kwang.

The exercise of power through military positions is abnormal, one of the prerogatives of an emergency situation. The use of position of supreme commander, in fact, represents the illicit exercise of power because the constitution revised in 1992 has not codified any words regarding that position.

Even though Kim is trying to secure his status by establishing such a peculiar authority structure, it should be noted: instead of helping end the symmetry-breaking within the system over the long run, to resort to military leadership brings a greater dependence upon the military as an institution. The rise of military status has come to be actually visible. At important

formal meetings or rallies held after the death of Kim Il Sung the vice marshals were positioned, as a group, between candidate members of the Politburo and party secretaries in the publicized rank hierarchy.

In the face of the military's rise in status and its role in the maintenance of the existing regime, the generals took the initiative in Kim Jong-il's 54th birthday celebrations, thus leading the competition for loyalty to him. Furthermore, the anniversary of the armed forces, April 25th, has from this year become a national festive day. It is difficult to know what role the military plays and what the golden rule of power sharing stands between Kim and the military, but it is clear that the alteration of the subsystem is taking place in the context of systemic change. Significant change at the regime level, even though slow, is constraining the political authorities including Kim and the military officers such that they cannot but adopt a transitional authority structure.

## **Conclusion**

It is obvious that the systemic regime change, reflected by the dual operation of system and the undermining of the congruence among subsystems, is an irreversible process. The newly emerging transitional authority structure in North Korea will in no way be able to reverse the process. Rather, the coupling effect, expected because of the increasing interaction between the United States and North Korea in particular, will indeed foster the systemic change. That is, the less the independence from the environment that the North Korean system can muster, the more the symmetry-breaking will amplify. Finally, the enormous amount of entropy produced by the dissonance in the system can be expected to be resolved through a change of regime.

What are the implications of all this for the Korean peninsula as a whole? Is there any possibility that this change will lead to the integration of South and North Korea? Under what condi-

tions will the systemic regime change progress all the way to Korean unification? To gain an insight into these questions, let us go back to the discussion of the three levels of change.

Lower levels of change may bring higher levels, even if not particularly often. A systemic change in Pyongyang may lead to a radical regime change, and this could be followed by disintegration of the North Korean system as a whole. This sequential change may well pave the way for unification of South and North Korea.

However, the final step of this sequence can occur only if the suprasystem surrounding North Korea fulfills the requisite of preparedness to cope with the fluctuation that will stem from the regime breakdown. The suprasystem, which has close interactions with North Korea, comprises a composite of relationships among South Korea, the United States, China, Japan and Russia. Of these systems, of course, South Korea should be the most important. The two Koreas form a "loosely coupled" set of systems even if starkly divided by force. In other words, the two Koreas are not truly independent systems in the sense that almost any fluctuation in either one of them influences the other significantly. Therefore, Korean unification requires Seoul's system capacity to be mature enough not only to absorb the fluctuation transmitted from the radical regime change in North Korea but also to provide North Korean people with the sense of comparative advantage of liberal democracy. System capacity refers to national will and to resource mobilization for the integration of our loosely coupled systems at the appropriate moment.

In sum, the fluctuation of Pyongyang regime will not necessarily be followed by disintegration of the entire North Korean system and subsequent unification of South and North Korea. There exists the logic that the North Korean system could well survive. In a theoretical sense, fulfillment of the requisite at the suprasystem level is the threshold in the process of self-organization of a given system, i.e., evolution toward a more complex

system. In an empirical sense, at the moment of the breakdown of existing North Korean regime, the system capacity of South Korea, in particular, to confront the fluctuation will be the crucial factor for unification.

빈 면

## **The North Korean Economic Crisis and Our Policies**

**Young-Yoon Kim**

**N**orth Korea is experiencing its worst economic crisis, at a scale absolutely unheard of. The economy, ailing to the extent that the people's basic lives are threatened, has become a major burden to our unification efforts, and the crisis is volatile enough to have led some to expect North-South confrontations. Consequently, we are at the point where we need to renew our understanding of the crisis.

The purpose of this article is to analyze the effects of the North Korean economic crisis upon the Republic of Korea and to discuss the direction we should take in our policies toward Pyongyang.

### **The Current Situation of the Economic Crisis and the Ensuing Social Phenomena**

The North Korean economic crisis is exacerbated by the following intertwined emergent situations.

First, the scarcity of essential necessities, particularly of food, is acute. In 1993 North Korea produced 3.88 million tons of grain, which satisfied only fifty-seven percent of the total demand of 6.67 million tons for 1994. Pyongyang thus imported 1.28 million tons, which left a deficiency of 1.51 million. In 1994 North Korea was able to produce 4.125 million tons of grain, an increase over

1993, but that satisfied only sixty percent of demand. Furthermore, 1994 imports fell sharply to 360 thousand tons, yielding a deficiency of at least 2.2 million tons.<sup>1</sup>

In July and August 1995 the extensive flooding in the North-west region caused an acute decrease in grain production. The International Red Cross reports that one-third of the harvest was lost and forty percent of the arable land ravaged.<sup>2</sup>

In 1995, even with about 90,000 tons of grain contributions from countries such as Japan, South Korea and Thailand, Pyongyang had to decrease its grain consumption by at least forty percent just to survive until the next harvest.<sup>3</sup>

The food crisis has also been caused by the inefficiencies inherent in a socialist production system and the lack of incentive on the part of the farming populace. North Korean socialism not only failed to increase production through collective agricultural methods but over the long run pushed it down.

Second, the energy problem is extremely serious. North Korea possesses high-grade coal and abundant water power resources. It has built up thermal and hydro-electric plants and security-oriented energy facilities. It quickly reached the limit in energy production, however, as coal, the major energy source, began to be depleted. Technological advancement faltered and the facilities started to show signs of aging. The lack of energy due to declining coal production should have been compensated by an increase in the import of crude oil, but the lack of foreign currency hindered oil imports which led to the energy crisis. The energy crisis cut the operations of the processing industry

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- 1 Rural Development Administration, *Estimates of Grain Production in North Korea*, yearly accounts.
  - 2 Department of Humanitarian Affairs, *Assessment of Damage and Immediate Relief Requirements following Floods*, 12 September, 1995.
  - 3 For details see Kim, Young-Yoon, "The Food Crisis in North Korea and Food Assistance," *North Korea*, Volume 290 (February 1996), pp. 152-161.

(machine production, light industry, food industry, etc.); it is now about half of optimum.

Third, the economic crisis can be attributed to foreign debt and a lack of foreign currency. Pyongyang's foreign exchange holdings have been completely exhausted. Furthermore, the demand from Russia and China to pay in hard currency has forced the North Korean economy into bankruptcy. As a non-petroleum-producing nation critically lacking in grain, it needs hard currency, but its poor international credit rating has alienated all the Western nations who may have extended credit. As of end of 1994, total foreign debt reached 10.66 billion dollars, which amounted to half the North Korean GNP of 21.2 billion dollars.<sup>4</sup>

The crises in the North Korean economy can be further observed in the decline of industrial production level and economic growth.

In 1994, compared to 1990, steel production decreased drastically by at least 48%. In 1994 cement production showed a decrease of 30% over the same four years, and production of electricity, grain and coal has decreased by 15% to 20%. Fertilizer production also experienced a substantial decrease until 1992, showed a slight recovery in 1993, but again fell rapidly in 1994, 17% less than the 1990 figure.

The above-mentioned decline in industrial production levels led to a negative overall economic growth from 1990 to 1994, and in 1994 the economic situation was at least 20% worse than that in 1989. The GNP of North Korea when evaluated in terms of American dollars was about 21.2 billion dollars in 1994. This translates to one-eighteenth of the South Korean GNP of 376.9 billion dollars of the same period, which means the per capita GNP was one-ninth.<sup>5</sup>

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4 The National Unification Board, *Economic Figures of North and South Korea 1995*, (Seoul: The National Unification Board, 1995), p. 234.

5 The Bank of Korea, *GNP Estimates 1995*, 1995.

Over the years the gap between the two nations has been widening. North Korean foreign trade in 1991 experienced a drastic decline, to 2.1 billion dollars, due to the collapse of the old socialist nations including the Soviet Union, and it stayed at the same level until 1994. This figure is  $\frac{1}{94}$  th of South Korean foreign trade.

The economic debacle that North Korea is experiencing can be felt not only in the above figures but also in low product mobility relative to economic size.

Visitors immediately notice very few vehicles on the road; this is incongruous with the fact that North Korea ardently pursues self-reliance and self-sufficiency. It is reported that there is no fuel station on the highway between Kaesung and Pyongyang.

The economy of a nation whether socialist or capitalist consists of the industries and the exchange of the produced goods. The greater the exchange, the greater the size of the economy. The exchange is realized through the transport medium. Statistics show that the volume of North Korea's economy reflects that of South Korea in the mid-1970s. However, the North Korean economy when evaluated empirically barely compares to that of South Korea in the mid-60s.

The North Korean economic crisis situation has some serious social repercussions. First, the crisis has led to the abnormal distribution of social products. Purchasing power is satisfied through deviant means and dealings in the underground economy.

When products are distributed through deviant means or according to non-economic principles, people tend to resort to illegal and amoral methods to increase their allotment. Bribery becomes prevalent and when bribery fails, an individual does not hesitate to filch, cheat, or extort.

Defectors describe North Korea as a paradise for bribes. Money acts as a panacea and bribery will get anyone anything.

The North Korean surveillance system becomes impotent in the face of bribery.<sup>6</sup>

Shortages of goods leads to the growth of materialism. More value is placed on the accumulation of wealth than on political advancement. The prevalent individualism and materialism have weakened the regime's ability to mobilize society under revolutionary principles, and have threatened the social order.

Second, the North Korean economic crisis has led to tighter social restrictions that violate personal rights. The economic crisis has also caused other social problems including discontent, complaints, or even the possibility of a small rebellion. In order to diffuse the social disorder, the regime exaggerates the feeling of social crisis and continually creates an atmosphere of fear and threat.

Third, the deviant form of order and restriction of personal rights has led to an extreme situation typified by escapes. Recent political defectors include Prime Minister Kang Sung-san's son-in-law Kang Myung-do, Colonel Choi Ju-hal, a foreign-exchange dealer in Europe, Choi Se-ung and his family, Hyun Sung-il, Choi Soo-bong, and a group of diplomats from the North Korean embassy in Zambia. The frequent defections of the North Korean high officials indicate that North Korea has reached its limit in the ability to sustain its ideology.

In February 1996 gunshots were heard in the Russian trade representative office, which not only happens to be at the center of Pyongyang but is also located in the vicinity of Kim Jong-il's ruling office. The incident, which included a request for political asylum, is significant because it occurred in the most secure foreign diplomatic region and because it could occur in North Korea which is often described as a "barracks state." This incident is a clear indication that the country is experiencing disturbance at a prevalent scale.

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6 Kim Sung Chul, *A Study of Bribery among North Korean Officials*, (Seoul: The Research Institute for National Unification, 1994)

## The Main Cause of the Economic Crisis

### Ideological Limitations

The socialist system is bound to fail unless it goes through successive system changes. This prediction is derived from the basic limitations inherent in socialist ideology.

First, socialism defies the capitalistic principles of market mechanisms and the private ownership of production means; it also believes in the state's right to operate the decision-making organization and the state's ownership of production means. The ideological basis can be also found in the assumption that human beings tend towards anarchy, thus the unplanned market order—that is, the blind natural laws of the market—renders it inhuman to leave the market unrestricted.<sup>7</sup>

Marx alleged that competition destroys human nature and fraternal bonding. Therefore, he asserts that (1) the blind natural principles of the market must be replaced by deliberate planning, (2) the competition and the struggles in capitalist society must be replaced by brotherly cooperation and organized society (3) the material incentives for economic actions must be replaced by fraternal love, a spiritual incentive. Additionally, the private ownership in a capitalist society prevents a person from being the master of his own fate, from escaping the ills of human alienation and from narrowing the gulf between the rich and the poor. Private ownership must thus be denied and private properties must revert back to state societal possession. Only through this realization can society be rescued from the ills of capitalism.

Humanistic society, however, which is flooded by fraternal love and cooperative efforts and where everyone is the owner of all property, a society that Marx ardently depicted, is appropriate only for a small society. A collective group that comprises a family, blood kinsmen, or a small group is able to achieve success

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<sup>7</sup> Karl Marx and Frederick Engels, "The Manifesto of the Communist Party," *Ausgewählte Werke*, (Moscow: Verlagprogress, 1986).

through principles of love, cooperation, and collective ownership. However, it is difficult to apply the same principles to a city, nation, or international society. Progress in a large society is only possible through the principles of integrity, competition and private ownership.

The failure of socialist society is due to the efforts to extend ideological principles more appropriate in a small society, to a large society.<sup>8</sup>

Second, the ideological limitation in socialism is due to a lack of understanding of principles of progress, human nature, large-scaled society, and open society. Potential and creativity can be realized at an optimum level only if one can employ one's own knowledge in one's own field of interest. Furthermore, a society must guarantee the free mobility of each person's potential and creativity in the competition-based market. Also, guarantees must be implemented to allow rewards to be reaped according to each person's activities. Only through these guarantees will creativity and the realization of individual potential flourish. In other words, the private ownership that guarantees private determinism as characterized by capitalism is a principle through which devotion to one's particular field translates to the public devotion and profit. The principles of capitalism are based on integrity, private ownership, and liberty. Therefore, the socialistic efforts to extend love, cooperation, and collective ownership to a large-scale society and nation are bound to fail.<sup>9</sup>

Third, socialism builds its structure on the basis of the principles of constructivism, which allows the deliberate planning and construction of a society. Such belief greatly defies progress in real society. Despite the fact that the society forms and evolves, socialism internally professes that the society can be molded and

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8 F. A. Hayek, *The Fatal Conceit: The Error of Socialism* (Routledge: 1990).

9 Park, Se Il, "Economics of System Comparisons - To correct the perspective on Perestroika and to seek an alternative," *Material for System Research 1991* (Seoul: Center for Economic Education, 1991), p. 16.

created by the deliberate actions of human beings. Furthermore, all social phenomena in socialism can be scientifically interpreted and understood. Such grandiose pomposity that human beings can re-structure the society in any desired direction through deliberate human activity poses as a formidable limitation in socialist society.<sup>10</sup>

### **Inefficient Economic Structure**

The North Korean socialistic economy experienced relatively positive results during the initial period of its establishment, that is, when the old system was destroyed to make room for the new economic order. The arbitrary ability of the socialistic economy to optimize production factors and resources in a short period allowed relatively rapid economic progress in quantitative terms. However, the North Korean socialist economy reached its limit as it required a qualitative improvement in labor efficiency to further its economic progress, that is, as it required internal growth.

Structural deficiency in a society can be succinctly described as excessive demand and deficit supply. Excessive demand exists because planned investment always surpasses planned savings. A corporation in fear of terminating production or failing to achieve its production goal always maintains a surplus supply of goods, raw materials, and labor. Corporate management perpetually feels a lack of materials even when raw materials and manpower are above the optimum level.<sup>11</sup>

The reason that investment always surpasses savings is that investment costs are not the responsibility of the investor. The most important goal of the corporation is not practical and efficient corporate management but the achievement of the

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10 Ibid.

11 J. Kornai, "The Hungarian Reform Process: Visions, Hopes and Reality," *Journal of Economic Literature*, 1986.

production goals. Excessive possession of manpower, parts, and raw materials is not important.

In a socialist economy, therefore, concentrated efforts are devoted to keep the production goal as low as possible. The central government pays little attention to production costs; closer attention will be accompanied by enormous monitoring costs to supervise the production manager and production processes.

Furthermore, it is not possible to create an environment where a factory worker will work to the best of his or her ability because there is no social incentive for the workers to extend the best of their efforts. Such efforts must be compensated by appropriate rewards, for without reward there is no need to persevere.

Neither the manager of a state corporation nor the workers receive any external pressure to sharpen the competitive edge. The workers have a free ride, and individuals benefit from the diminished responsibility, but the damage caused by the surplus and inefficient production is equally distributed to all.

Additionally, the socialistic system intrinsically possesses elements that retard the development of technology and productive competitiveness. The economic system does not allow for incentives for technological and scientific progress. If a state corporation attempts to improve production through research and development, the central government immediately elevates the production goal. Therefore, the state corporation does not feel the need to focus on technological advance.

Furthermore, since the socialist market is the seller's market, insensitivity towards consumer preference and quality control does not translate to an increase in demand. Since all goods experience shortages, there is no incentive to improve quality or pursue effective marketing strategies. The arbitrarily set low wages obviate the need to foster the production of high value-added products, i.e. technology development for the purpose of raising wages.

In the socialistic economic system, the ability to develop new resources or explore hidden resources is weakened. For technology to advance, widespread information, knowledge and technology must be obtained, developed, and applied through a competitive process. However, this is not possible since there is no market that links the development to application. In a socialist regime, the national prowess can be directed towards a few scientific fields that consequently achieve excellence in their respective areas, but an equitable distribution of achievement is not possible.

### **Inefficient Economic Policies**

Mass production is not possible in North Korea since it upholds the principles of self-sufficient economy through autarky. In order to lower the production costs and enhance the ability to compete, North Korea needs to import advanced technology and finances. Up to now, however, it has refused.

The priority in investments is given to nonproductive activities such as the military and the idolization of Kim Il Sung, which is followed by construction of large idolization symbols. This in turn leads to extreme waste. From the 1960s to the present investment in the military reached its lowest at 20% and highest at 27.4% of the GNP.<sup>12</sup>

Such lopsided investment strategies have caused a shortage of investment resources in the productive sector and inefficient management of available investment resources. These, in turn, led to a general weakening of productive activities.

Furthermore, by prioritizing heavy industry the economic policies that are centralized in war industries caused an uneven input of available resources. Such policies in North Korea led to an imbalance in the growth among industries: a shortage of

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12 The National Unification Board, *The Economic Figures of North and South Korea*, 1995, p. 70.

energy resources and consumable materials in the indirect social resource facilities such as transportation and communication. Pyongyang exacerbated the gap between urban and rural living standards between the consumption power of the party members and the rest of the population.

### **Solutions to Alleviate the North Korean Economic Problems and Its Limits**

The most efficient way to alleviate the economic crisis that North Korea faces is to rebut the principles of autarky and to alienate the country from this "socialist system of our own style." However, these revolutionary measures would annihilate the *raison d'être* of the North Korean socialist system and cannot be expected to take place. One feasible method would be to redirect existing policies. It is predicted that such policy changes will be chosen. They are already well-evidenced in the policy change in late 1993 to shift the emphasis from heavy industry to industry closely affiliated to the people's lives.

After Pyongyang admitted the failure of its third Seven-Year Economic Plan over the years 1987 to 1993, a two- to three-year period subsequent to 1994 was chosen as a revitalizing period for socialistic economic growth. Primacy was given to agriculture, light industry, and foreign trade as a strategic measure, emphasized in the New Year's speech given by Kim Il Sung on January first of 1994. It was repeated in the new year's editorial for 1995.

North Korea attempts to automatize its industries and to heighten the industrial production level. In the agricultural sphere, production of vehicles, tractors and other agricultural tools has increased and inorganic fertilizer, pesticides, and other agricultural materials are being mass-produced to expand agriculture output. The light industry field has adopted policies to maintain and modernize factories in order to revolutionize the production of the comrades' consumable goods and to step up

the production of chemical fiber and plastics. Furthermore, central as well as local industries will begin to go into mass production, while simultaneously diversifying the products and improving quality control.

North Korea plans to increase the production of export commodities, develop new export items to pioneer new markets, and build a favorable credit rating in international capital transactions.

The open-door policy is well-evidenced in the establishment of legal procedures to support this view. Through the implementation of various policies, North Korea hopes to facilitate collaboration with foreign corporations in "free economic trade zones" such as the Rajin and Sonbong area and to diversify its trade partners to a wider circle of nations than the previous China, Japan, and Russia.<sup>13</sup>

Despite such efforts, it is doubtful that Pyongyang will be able to overcome the economic crisis through these internal and external measures.

First, economic recovery must be preceded by a material foundation. In other words, it is not possible to achieve the desired goals without external technological support and resources, particularly when North Korea is lacking in raw materials and hard currency. The material basis is only possible through the accumulation of wealth that results from an increase in production. The increase in production, in turn, must be supported by an appropriate demand. However, a spontaneous demand cannot be expected because the income level is so low. Therefore, North Korea must rely on foreign demand—but in order to satisfy the foreign demand, it must develop a corresponding competitiveness. Pyongyang, however, for lack of raw

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13 The nuclear negotiations between North Korea and the United States in October 1994 were able to reach resolutions because North Korea sought the negotiations as a means to force internal changes. The resolution also implies that North Korea received external pressures for change. The construction of the light-water reactor will sustain the changes in North Korea.

materials and hard currency, is extremely limited in ways to obtain industrial technology from abroad; every facet of its economy is riddled with inefficiencies.

Second, what defeats the possible prospects of the "Three Primary Policy" is North Korea's futile endeavor to achieve through labor mobilization and mass mental gymnastics the goals that are characteristic of a socialist regime. It plans to achieve these goals by demanding that "all economic leaders mold the economic structures and production plans to fit the party's economic strategies and heighten the revolutionary ardor and creative aggressiveness." It is encouraging that Pyongyang's proclamation of the Three Primary Policy was made in the hopes of improving the people's real lives by providing the basic necessities and food, but these goals cannot be achieved only through labor mobilization and the mental will on the part of the people.

Third, an improvement in the industrial efficiency through market opening is possible only through the continued changes in the planned economy. Basic changes in the North Korean planned economy are not possible without renunciation of the mainstream ideology that is intrinsically intertwined with the economy. However, it is evident that the regime will never renounce its ideology. Moreover, further opening would accompany an infusion of liberal ideas that could lead to system collapse. Pyongyang will not allow it, so it is pursuing a limited economic opening to minimize the threats upon its system.<sup>14</sup>

In order to overcome the economic crisis, however, the economic opening must be accompanied by external investments, and investors will demand an expansive penetration into the

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14 North Korea steadfastly refused an official negotiation with the South Korean government while it strongly asks for the corporate investments from South Korea. This indicates that North Korea is trying to lessen the dangers that accompany the open door policy while attempting to reap its rewards. Pyongyang is also trying to ignite the hostility between North and South Koreans and maintain a confrontational state to strengthen the internal solidarity.

economy to justify their input. It is certain that, without being accompanied by basic revolutionary changes in the North Korean system, these open-door policies will reach their limit.

## **Our Policies towards the North Korean Economic Crisis**

### **The Ramifications of the Crisis and Our Response**

The North Korean economic crisis has negative effects not only internally as described but also upon South Korea. First, the threat to the livelihood of the North Koreans and the ensuing social restrictions will translate into antagonism against South Korea and, consequently, will elevate the political-military tension on the peninsula. The Pyongyang government will fully exploit the absolute loyalty of the North Korean people to launch a military attack against South Korea if it believes that the economic situation has worsened to a point beyond recovery.

For North Koreans, it is natural and just to engage in self-criticism and reaffirm loyalty to the Kims on the basis of the instructions from Kim Il Sung and Kim Jong-il. Private life does not exist. Life is for the great leader and the party and not for oneself. North Koreans do not live a life of pro-active adjustment to society according to free will and individual character. Rather, they live a life dedicated to artificially created values and loyalty, a life that is characterized by the passive dedication to the great leader and to the party. Therefore, everyone has to believe everything the party hands down—and there are no grounds for rebuttal against even the unbelievable. Even if information is available that does provide grounds for rebuttal, there is almost no opportunity to spread it throughout the country. This is why revolution from below is not possible in North Korea.

Renunciation of the system implies death. Riots are rare and even when they occur they are suppressed immediately. Even if a riot does occur in a certain region, media restrictions will disallow the spread of the news. Although the food shortage has created prevalent social dissatisfaction against the system, it is

difficult to unite the forces of dissatisfaction into demonstrations or riots. The reason North Korea can ignore the people's discontent due to the economic crisis is its formidable ability to suppress any undesirable action, and it can also mobilize this ability to launch a military attack in the event of an extreme situation. The recent frequent provocations in the demilitarized zone and intrusions into South Korean territorial waters may carry the hidden agenda to divert the attention of the North Korean population from the economic crisis.

Second, the continuation of the economic crisis may accelerate deviations and ultimately lead to the collapse of the North Korean regime. It will widen the gap between the have's and the have-not's and escalate feelings of relative deprivation, and elevate the political, social insecurity and tension by intensifying discontent with the system. As political insecurity increases, delays in the distribution of food and basic necessities or the suppression of personal rights will easily translate to discontent against the officials and the government. The discontent may lead to even more widely spread dissatisfaction with the system and ultimately explode in the form of mass demonstrations. There is always a possibility that such a series of disturbances may lead to the collapse of the system.

However, we must try to prevent Pyongyang from using military aggression as a means to escape its economic problems. We must not exploit its internal crisis to unify the two Koreas in the form of absorption, but of course if unification does occur as a consequence of factors beyond our control, then we have to accept the situation. At this point, however, it is critically important that we attempt to keep North Korea intact.

There are several reasons behind the above observations. First, even if the North Korean system does collapse, an absorption unification is not feasible without the implementation of structural preparations within North Korea.

Second, if the system collapses, it is uncertain that structural changes would follow and an appropriate atmosphere be created

conducive to the absorption unification. Third, there would be international repercussions if we were to impose absorption unification after a system collapse. Fourth, we do not yet possess sufficient capacity to absorb North Korea. Moreover, such an undertaking would require a great deal of time and money.

When seen from this perspective it can be understood why it is tantamount to support Pyongyang's struggle to resolve its economic crisis. Our policies toward North Korea should focus on ways to create an appropriate atmosphere to help North Korea resolve its economic difficulties.

#### **North Korean Economic Crisis and our Entailing Policies**

It is suggested that North Korea undertake reforms and open up its system to foreign elements, but Seoul cannot force it to reform nor coerce it to stimulate trade activities to open up its system. A demand for reforms implies external interference with domestic affairs, and pressuring the North to adopt the open door policies can be construed as a strategy to unify the Koreas. Pyongyang knows that opening doors will result in system collapse, and to the Northern regime, unification implies absorption. The greater the demand for unification by South Korea in its own style and process, more ardent will be North Korea's efforts to realize unification in a socialist way through tenaciously upholding its "united front tactics." These factors explain the Pyongyang's passivity in pursuit of open door policies.

From this perspective, we can deduce that first North Korea should be encouraged to seek reforms voluntarily, and second we should create an atmosphere under which the North can start opening its system without the fear of destroying its system. However, system reform is directly linked to its open door policies. Only when Pyongyang realizes the efficiencies of the market economy through trade and collaboration with various nations will it voluntarily embark upon reforms. Under this

assumption, the most critical issue that directly effects North Korea is opening of its system.

Therefore, one important strategy involves persuading North Korea to open its doors as well as preventing its system from collapsing. This implies that the institutional devices must be in place to prevent a collapse and simultaneously allow North Korea aggressively to pursue open door policies.

In order to open up North Korea, there must be strategic institutions to sustain peace on the Korean peninsula. In other words, there must be in place institutional devices that will allow the two Koreas to exist in symbiosis. Such devices commence with the acceptance of the two Koreas as a reality and the efficient management of the situation. Both Koreas must relinquish their existing plans for unification and, when it be needed, we must try to help establish an international organization that can mediate peace between them.

One possible argument against the above assertion is that such structural devices might entirely eliminate the possibility of unification. However, such allegation emphasizes the political, structural facets of unification and ignores the pragmatic aspects. The allegation also assumes that one side will be absorbed by the other. If Seoul pursues an absorption plan, Pyongyang will feel increasingly threatened and the two Koreas will be driven into a confrontational relationship.

It is more recommendable to employ indirect strategies for unification by actively managing the division situation and sustaining peace, rather than a direct one that aims to render a political unification. In other words, if the existing state is preserved and structural devices are installed so that both nations can exist in symbiosis, corporations can carry out mutual businesses, and people can travel across the borders, then both structural and political unification is feasible. It is more important to create this state of symbiosis than to blindly pursue unification efforts.

Once there is a guarantee that neither nation absorb the other, both sides can freely engage in trade and collaboration. Such free interactions have a better chance of leading to reforms and open doors in North Korea than any other measures. Pyongyang must be allowed to overcome its economic crisis.

Peace is not realized merely through proclamation. International organizations such as the United Nations must intervene to curtail armaments in both Koreas and to help draft a peace agreement. An international guarantee must be secured. These measures must be pursued jointly, not separately. The most important issue is the reduction of armaments on both sides.

There already exist peace-keeping devices between the North and the South such as the "Non-Invasion Agreement" and the "North-South Basic Agreement." Because two Koreas are still in a confrontational state and threat of war continually exists, the arms reduction necessary to create an atmosphere conducive to peace has not taken place. Arms reduction must be preceded by a peace agreement. Efforts must thus be extended to transfer the current cease-fire to a peace-sustaining situation. For two nations who have lived with a history of mistrust, hostility, and antagonism since 1945, however, the reduction of armaments and the creation of peace in Korea is no simple matter. Furthermore, the current belief in the South depicting North Korea as the "apparent and existing threat" makes it almost impossible. Consequently, it has become increasingly important to achieve a state of peace. It is a politician's obligation to do so.

### **Conclusion: Policies and Tasks**

We discussed the need for the solidification of peace and the implementation of structural devices in order to sustain peace to allow North Korea to overcome its economic difficulties. Simultaneously, the following tasks should be pursued to accelerate the peace process.

First, the concept of unification must be redefined as a practical approach.

Unification should not be a mere joining of two nations. Rather its aim should lie in heightening all Koreans' quality of life and in creating a safe place to live for all members of the society across the two nations. Unification does not imply regression to the pre-division era. It should be accompanied by a futuristic plan to create a country for the people where liberty, democracy, and welfare are guaranteed. Unification implies that the military tension between the two nations be replaced by freedom to improve one's quality of life. Enormous sacrifices that result from the vain efforts to achieve political and structural unity have no justification. Political unification will naturally follow suit once peace has been permanently secured and the mobility of people and goods is guaranteed. A political and structural unification is not consequential. The true meaning of unification should lie in the reality of North and South Koreans living amiably as neighbors, military tension being relieved, production elements moving freely between the two nations, and people freely visiting one another.

Second, the present unification policies must be reconsidered. The unification policy must not appear as an instrument to unify the two Koreas under South Korean rule. Unification should not be imposed by force. Rather, the differences between the two nations must be diffused under the common goal to create peaceful lives for all. Unification will naturally ensue. In order to achieve these goals, the following steps must be taken:

- The issues that confront North and South Korea must be made less political. The focus should shift from unification to peace.
- We must transcend our belief that since North Korea was the aggressor in the Korean war and still pursues its united-front tactics against South Korea, we cannot relinquish our unification plan.
- We must adjust the impression that unification implies the unity of the governing systems and end of the status quo. In other words, our pursuit for unification and establishment of our

unification policies should not be construed as a means to alter the status quo and deny the existence of North Korea.

Third, the reconciliation and collaboration of our unification policies must be achieved through the establishment of trust. Trust cannot be established until the reduction of the armaments issue is resolved. The argument that the "establishment of trust" must precede the reduction of armaments on the Korean peninsula is an abstract and ambiguous one. A sensitive issue such as the reduction of armaments cannot be resolved through the establishment of trust. Rather, the reduction of armaments must be approached through "legal" guarantees. In other word, the reduction of armaments is an issue that can be resolved only through the forceful application of international laws and strict on-site inspections. Trust can be established as a result of the reduction of armaments through such a process as mentioned above.

Fourth, our understanding of the importance of economic collaboration with the North must be renewed and the policies must be consistent. The political relationship renders our government passive and careful in the understanding of its economic relationship with the North. Although our government views North Korea as a partner in the pursuit of common prosperity, there is almost no substantial policy that has been implemented to promote the relationship between two Koreas. Such a passive attitude is due to the government's official depiction of North Korea as "neither an enemy nor an ally but an entity with a special relationship." On one hand, the government professes that economic aid will improve North Koreans' lives and, consequently, stimulate changes. On the other hand, the government is concerned that economic aid will lengthen the life span of the North Korean governing structure and strengthen its military prowess.

Here exists the double standard where the government sees North Korea as the possible recipient for aid while simultaneously seeing the aid as a one-sided benefit to the North and a

dangerous one at that. The policies lack consistency. Much of the assistance is determined by a domestic political need or popular demand and is given as a benevolent gift. However, the mere fact that North Korea can make economic progress through North-South collaboration will strengthen our persuasive capability and function as a leverage. The more interaction between the two nations, the more reconsideration the mutual relationship receives.

Moreover, the reconsidered collaborative relationship will increase in scale. Accordingly, the inter-industrial relationship will be strengthened and human, cultural interactions will be stimulated. Here, the interactions must be supported by consistent and consolidated policies.

빈 면

## Prospects for Economic Reforms in North Korea and Policy Recommendations

Seung-Yul Oh

A variety of signs indicate that North Korea is suffering from serious economic setbacks in the 1990s. Especially, the food shortages following large-scale floods over the two consecutive years 1995 and 1996 are believed to be devastating. Allegedly North Korea's energy shortage and transportation bottlenecks have caused a large part of the industrial capacity to go unutilized. As a result, a vicious circle of shortage in the supply of intermediate goods has developed, and the North Korean people seem to be suffering from unprecedented cuts in daily necessities.

Pyongyang attributes such economic difficulties to the unfavorable changes in external circumstances caused by the system transformation in the ex-socialist countries and, more recently, to the flood damage. The problems are described as inevitable but transitory. As cures for the ailing economy, some changes have been undertaken in economic policies recently, but within the confines of the mandatory economic system.

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In order to predict the direction of North Korea's economic policy in the future, the following questions should be answered.

- Are the shortage symptoms in North Korea only transitory as they are interpreted by the leadership there?
- Will it be possible for the DPRK to revive its shortage-plagued economy by means of limited economic policy changes?
- Is it possible for the leadership to reconcile the two seemingly conflicting objectives of maintaining ideological purity and of recovering its ailing economy? If not, what would be the risk-minimizing option?

### The Nature of the Shortages

Blaming its acute undersupply on the fall of international communism, the eruption of the nuclear issue and flood damage, Pyongyang regard these economic difficulties as exogenous and transitory to its economic system.

Nevertheless, the economy has all along been showing symptoms of chronic shortages prevalent in the Soviet-type economies, and the extent of the difficulties has been aggravated since the mid-1960s when its military expenditure increased abruptly.<sup>1</sup> Moreover, due to the excessive concentration of economic power in the central government and ideological rigidity that forced the country to adhere to its self-sufficient policy, the extent of shortages in North Korea has been more serious than in the other socialist countries.

In sum, the shortages that came into the limelight in the 1990s are not a transitory phenomenon due to the changes in international circumstances, but a chronic syndrome in North Korea that has long been plaguing (in Kornai's terminology) its "suction economy." The longevity and the comprehensiveness of shortages lead us to conclude that generation and reinforcement

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1 When we look at North Korea's officially announced government expenditures, the military portion exceeded 30% of total expenditures during 1967-71. See for respective years the *Report on Expenditure and Budget* (in Korean) briefed by the Minister of Finance at the DPRK Supreme People's Assembly.

of shortage are endogenous to its economic system. Post-Soviet external circumstances and flood damage were simply catalysts to accelerate the interaction among structural problems; North Korea brought upon itself these unprecedented economic difficulties.

### **Macroeconomic Consequence of Recent Economic Policy**

Recently Pyongyang has been concentrating upon building the Rajin-Sonbong Free Economic and Trade Zone (RFETZ) and promoting export by decentralizing a portion of foreign trade rights to North Korean foreign trade companies (FTCs). It also declared it would place first economic priority on agriculture, light industry, and foreign trade during a three-year adjustment period from 1994 to 1996.

According to the author's analysis, this limited economic opening policy might, contrary to the regime's expectations, aggravate the shortages.

#### **Construction in the RFETZ**

Pyongyang announced at the end of 1991 its plan to build the RFETZ, and promulgated related laws and regulations beginning October 1992. In 1993 it also proposed a relatively detailed blueprint for the development of the area to attract foreign capital.

In its role imposed, the RFETZ of North Korea is different from the Special Economic Zones (SEZ) of China. It seems to the author that the area is supposed to become mainly a center for *entrepôt* trade, a bonded area for processing and assembling, and a base for production of import substitutes and exports under administrative control of the central government. This contrasts with the role of SEZs in China, which are bidirectional windows designed to link the Chinese economy with international markets and as the experimental stages for radical economic reform measures. Given the geographical remoteness

and economic isolation of the RFETZ as well as political and military tension surrounding the Korean peninsula, it will probably be difficult for North Korea to develop the RFETZ relying on external sources of funds and materials.

According to North Korea's investment guide to the RFETZ for foreign investors,<sup>2</sup> expected average investment per project for the chemical, electronic, and textile industries is approximately US\$500 million, \$50 million, and \$10 million respectively. Recently, in view of the poor results in the efforts to attract foreign capital, expectations were lowered for the scale of RFETZ projects for light industry. It still remains, however, above \$5 million per project.<sup>3</sup>

Considering that the average investment scale of foreign capital per project in China is some \$2 million, Pyongyang is overly optimistic. Moreover, in order to attract foreign capital according to the development plan, the area's infrastructure for transportation and communication as well as hotel facilities need to be constructed first.

The current situation in the RFETZ implies that the gestation period of investment funds will be considerably longer than expected by the planners. Moreover, most of Pyongyang's planned projects are at the moment not particularly attractive to foreign investors. All this taken into account, the construction of the RFETZ will be a great burden on North Korea's shortage-plagued economy. In view of poor inducement of foreign capital into the zone as yet and its remote location,<sup>4</sup> construction of

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2 Committee for Promotion of External Economic Cooperation, *Golden Triangle: Rajin-Sonbong* (Pyongyang: 1993).

3 Since November 1995, North Korean officials held investment forums in the United States, Japan, Hong Kong, and recently in the Rajin-Sonbong zone itself. They also proposed their revised investment guidelines for the RFETZ. It was also confirmed that the original three-stage RFETZ development plan had been readjusted to a two-stage plan.

4 According to North Korean official announcement, \$350 million of foreign investment has been agreed, but only \$35 million has been realized.

infrastructure and industrial facilities and housing for the labor will only be possible with a huge supply of already scarce raw materials and intermediate goods as well as internal financial resources.

Measures to attract foreign capital through establishing the RFETZ that are not linked to reforms of the economic system hardly render credibility to potential investors, nor will they have any positive linkage effect on the North Korean industries.

#### **Partial decentralization of foreign trade rights**

Recently Pyongyang has allowed the establishment of FTCs at various hierarchic levels, independent as well as under the auspices of administrative organs. In the process, the range of FTC businesses has broadened compared to the past monopolistic pattern. The decision-making power for the composition of exports and imports has also been decentralized partially to the FTCs, and such changes brought about certain competitive actions among them. The number of existing FTCs was reported to be over 200 by the end of 1994, and it has been going up.

North Korea's effort to promote export, however, has been unsuccessful because it has not been accompanied by measures to remove the structural obstacles to efficient foreign trade. Its export potential cannot be fully exploited and its trade pattern is distorted because of the lack of scarcity prices, overvalued currency, proliferation of black market and rent-seeking activities, insulation of producers from the external market, and excessive interference by the bureaucrats. Industrial readjustment for the development of comparative advantage will also be difficult for North Korea which has neither efficient markets nor the required resources for investment.

In addition, as a seller's market prevails in the shortage-plagued economy, its FTCs compete with domestic industrial enterprises for materials such as steel products, coal and cement, for the purpose of exports and production respectively. Blind

promotion of export without the development of its comparative advantage and export capability will, therefore, inevitably aggravate shortages of basic necessities and raw materials. It might also intensify inflation pressure within the economy.

Abrupt interference in the process of trade by powerful organs and individuals seeking to accrue commissions from limited export capability and strong import demand is another source of distortion of commodity composition of trade and of unreliable trade practices in North Korea's FTCs. Under such circumstances, North Korea's commodity composition of exports can easily be determined by the accessibility of materials rather than by the relative costs of production. Analogously, commodity composition of imports is decided by the scale of rent accruing to the powerful organs or individuals rather than by the economy's need.

To sum up, with North Korea's existing economic system we cannot expect that partial decentralization of trade rights to the FTCs will bring about the expected increase in exports. The worst result of such policy changes is that it adds even more shortage pressure upon the economy as rent-seeking activities of the FTCs and the competition for materials between FTCs and domestic enterprises prevails.

#### **Readjustment of Management and Incentive System**

Facing serious shortages, North Korea has been transforming some independent industrial enterprises into "corporate enterprises" to strengthen the extent of self-reliance in obtaining raw material and intermediate goods for production. On the contrary, some existing corporate enterprises in the energy, mechanical, and chemical sectors were divided and replaced under the direct control of the central planning authority to secure major intermediate goods for prior construction projects.

In addition, since February 1994 North Korean authorities have emphasized the transformation of collective cooperative

farm management committees of villages into county “state-run agricultural management committees”, under the management system of the state-run Agricultural Corporate Enterprise. This movement also seems to be an effort to strengthen the extent of self-reliance in the supply of industrial products for agriculture at the county level.

Nevertheless, Pyongyang’s adoption of these policies does not seem to be an effort to reform its economic system. They are simply temporary expedients within the confines of its present economic system to alleviate the shortages in the material supply system. In fact, as material supply through official distribution channels decreased sharply in the 1990s, a kind of self-interest tendency seems to have emerged among regions and production units in North Korea. Such tendency has become another source of shortages for food and intermediate goods for production in the official distribution channel.

In March 1992 North Korea raised the “living expenses” (wages) paid to workers, military servicemen, students, etc., by 43.4% on average. It would seem, however, that such an across-the-board wage increase can hardly be an effective policy to improve incentive. Moreover, because of the ever-expanding illegal commercial activities accompanied by an increase in the velocity of currency circulation and monetary overhang, any increase in money supply in North Korea may easily bring about hidden inflation. In fact, North Korea converted its old won currency to a new won, on a one-to-one basis, on 15 July 1992. The purpose was to reduce the monetary overhang in the second economy, but it appears to have had little effect—for example the black market exchange rate of the won for a US dollar went up from 80 in 1993 to 120 in the spring of 1996.

#### **A simple macroeconomic model**

The macroeconomic impact of Pyongyang’s recent economic policies can be easily explained by a simple macroeconomic

model of a socialist economy characterized by shortages, as follows.

North Korea's shortage in energy and intermediate goods, labor supply ( $N_S$ : man-hour/year) and imported intermediated goods ( $R$ ) determine output ( $Y$ ) of the economy.<sup>5</sup>

$$Y = Y(N_S, R) \quad Y_N > 0, Y_R > 0 \quad (1)$$

Labor supply ( $N_S$ ) is determined by incentive level ( $W$ ) including money wage and excess demand for cash ( $E_C$ ) for the purpose of transactions in the black market.

$$N_S = N(W, E_C) \quad N_W > 0, N_{E_C} > 0 \quad (2)$$

The volume of export determined by the level of incentives for export ( $e$ ), and the desired household consumption ( $C$ ) as a function of material incentives and excess demand for cash are:

$$C_A = Y - I - X(e) \quad X_e > 0 \quad (3)$$

$$C = C(W, E_C) \quad C_W > 0, C_{E_C} < 0 \quad (4)$$

The excess demand for goods ( $E_G$ ) is:

$$E_G = C + I + X(e) - Y \quad (5)$$

Letting  $k$  and  $M^s$  be the reciprocal of the velocity of cash circulation and supply of cash, respectively, the excess demand for cash ( $E_C$ ) is given by:

$$E_C = k\{Y - I - X(e)\} - M^s \quad (6)$$

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5 Given the wage level and incentive system fixed by the state, labor demand of state enterprises ( $N_D$ ) is determined by the planned output ( $P$ ) ( $N_D = N_D(P)$ ), and because the chronic shortage has motivated North Korean firms to accomplish targets by labor mobilization as an alternative. Therefore, as excess demand for labor prevails, output is determined by the supply of labor ( $N_S$ ).

Considering that the major portion of North Korea's imports consist of intermediate goods including crude oil, its balance of trade expressed in its own currency unit is:

$$B = X(e) - R \quad (7)$$

The last market is the market for enterprises deposits. The demand for such deposits depends on the level of output, wages, and investment. Letting  $S_E$  represent the supply of such deposits, the excess demand for enterprises deposits (ED) is:

$$E_D = D(Y, W, I) - S_E \quad (8)$$

In sum, there exist all five markets for labor, goods, cash, foreign currency, and enterprise deposit in the disequilibrium model explained above. Reflecting the current economic situation in North Korea, it is assumed that there exists excess demand in each market. For simplicity, price level fixed by the state is assumed as in formula (1).

Since by Walras's Law the sum of the five excess demands must be zero, we can eliminate one of the markets and use the remaining four to solve for the behavioral characteristics of the economy.

$$F_1 = N_D - N(W, E_C) = 0 \quad (9)$$

$$F_2 = C(W, E_C) + I - Y(N_s, R) - E_G = 0 \quad (10)$$

$$F_3 = k \cdot \{Y(N_s, R) - I - X(e)\} - M^S - E_C = 0 \quad (11)$$

$$F_4 = R - X(e) + B = 0 \quad (12)$$

Applying Cramer's rule to the above four equations, the response of the endogenous variables ( $N_s$ ,  $E_G$ ,  $E_C$ ,  $B$ ) to changes in the exogenous variables ( $N_D$ ,  $W$ ,  $I$ ,  $R$ ,  $e$ ,  $M^S$ ) can be obtained. Table 1 shows the result.<sup>6</sup>

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6 The stability conditions of the model ( $kY_N N_{E_C} < 1$ , etc.) are assumed to be satisfied.

**Table 1. The impact of policy changes on macroeconomic variables**

| Z: Exogenous variables | dN/dZ | dEG/dZ | dEC/dZ | dB/dZ | dY/dZ |
|------------------------|-------|--------|--------|-------|-------|
| W                      | +     | +/-    | +      | +     | +     |
| e                      | -     | +      | -      | -     | -     |
| I                      | -     | +      | -      | -     | -     |
| R                      | +     | -      | +      | +     | +     |
| M <sup>s</sup>         | -     | +      | -      | -     | -     |

It is convenient to summarize the results of the analysis with a simple figure. CC and MM indicate the combinations of incentives for labor and exports on which supply and demand for cash and goods are equilibrated respectively. As shown in equations (15) and (16), CC is negatively sloped and MM is negatively sloped.

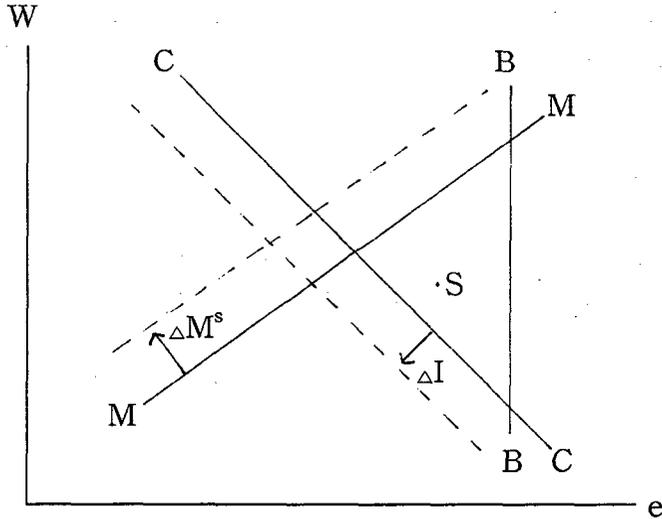
$$E_G = C(W) + I - X(e) - YN(w) = 0 : CC \quad (13)$$

$$E_C = k[Y\{N(W)\} - I - X(e)] - M^s = 0 : MM \quad (14)$$

$$dW/de |_{CC} = -Xe / (C_W - Y_N C_W) < 0 \text{ (assume } C_W > Y_N C_W) \quad (15)$$

$$dW/de |_{MM} = Xe / Y_N N_W > 0 \quad (16)$$

Point S in the figure explains North Korea's current economic situation, which is characterized by excess demand for goods and cash and foreign trade deficit. Increase in investment for RFETZ construction and providing material incentives mainly in the form of upward adjustment of nominal wage will shift the CC line downward and the MM line upward respectively to aggravate macroeconomic disequilibrium. Although an increase in imports of intermediate goods from foreign countries could alleviate North Korea's material shortage, its weakness in export capability makes this an impossible alternative.



**Figure Macroeconomic impact of recent economic policy**

|                                      |     |
|--------------------------------------|-----|
| below CC: excess demand for goods    | < 0 |
| above CC: "                          | > 0 |
| below MM: excess demand for cash     | > 0 |
| above MM: "                          | < 0 |
| right-hand side of BB: trade deficit | > 0 |
| left-hand side of BB: "              | < 0 |

### Prospects for economic policy

If we typify the reform processes of socialist countries, a Soviet-type economy faced with system-specific economic problems will choose either to improve the planning mechanism within the system or to take market-oriented reform measures, according to the estimated relative costs of the alternatives perceived. If the price in terms of its economic, political and social impact is deemed too high for a Soviet-type economy to adopt a market mechanism, the decision maker will decide to reform the economy by improving the planning mechanism. Market-oriented reforms will be adopted only if the shift costs less than the potential benefits from the shift.

The cost-benefit relationship can be summarized by the following equation:

$$F(P,E) = G(P,E) - H(P,E)$$

P = {political variables: perceived impact on decision maker's political position and ideological aspects, influence on the international political relationship, etc.}

E = {economic variables: economic growth, impacts on the macroeconomic stability, income distribution, etc.}

F(P,E): expected effect of the decision

G(P,E): expected benefit of considered economic reform policy

H(P,E): expected costs of considered economic reform policy

where, if  $F > 0$ , considered economic reform policy will be adopted,

if  $F < 0$ , current economic system will be preserved.

Given, for example, China's politico-economic conditions at the end of the 1970s, its adoption of market-oriented reform can be explained by a relatively low transition cost compared with the operating cost of their centrally planned economy, as perceived by the reform-minded leadership. In contrast, for the North Korean leadership the operating cost of market mechanism is too high for it to be adopted as a cure for the ailing economy. That is, the political risk for the North Korean leadership, probably putting the legitimacy of the regime in danger, renders the cost of an institutional shift for market-oriented reform to be perceived as tremendous.

Such limitations facing North Korea together with its recent policy tendency leads us to conclude that it will stick to current economic policy for the time being. It will attempt to improve the planning mechanism and incentive system on one hand, and on the other hand try to secure capital and technology as well as

to promote exports through extending economic relations with the capitalist states including the United States and Japan.

In particular, it will invest more resources in the construction of the RFETZ and the production base for exports. To attract foreign capital, North Korea will continue to readjust its tax system and provide a favorable financial and legal environment to foreign investors. Domestically, efforts will be focused on the establishment of a self-reliant economy at the local administrative unit level (e.g. county level) to alleviate the pressure of shortages.

Nevertheless, as analyzed above, without systematic reform North Korea's limited policy changes within the current economic system such as the construction of RFETZ and partial decentralization of foreign trade rights as well as efforts to establish the self-reliant system at the county level could very well aggravate shortages, bring about significant hidden inflation, and widen the black market. As the inability of limited policy changes to revive the economy becomes apparent, the cost-benefit of system reform deemed by North Korean leadership will change.

Then, as the perceived relative cost of institutional shift decreases and operating cost of the mandatory resource allocation system increases not only in terms of macroeconomic controllability but also in terms of political stability, the leadership cannot but seek market-oriented reform as the alternative.

Fortunately, there appear some signs that indicate that North Korean academics have begun to recognize openly the complementary relationship of market and plan. A paper presented by a North Korean scholar for a international conference held in summer 1995 states as follows:

It is wrong to think that the socialist planned economy cannot cooperate with the capitalist market economy. . . . The management of the socialist economy, when the management officials are not able to manage the economy purposefully and in a planned way due to their low level of consciousness, the market

control can be combined with planning, with priority on the latter. This means planning and market control can be combined in one economic system.

But even in case North Korea implements market-oriented economic reforms, due to political and ideological considerations, it will opt for gradual introduction of market and diversification of property ownership rather than an overall "big bang" style system reform. Moreover, so long as North Korea maintains a socialist political system, overall marketization and privatization will be impossible.

### **Recommendations for Economic Policy<sup>7</sup>**

On the theoretical basis, the author prefers gradualism over abrupt changes for economic reform in North Korea. It will take much time to establish an institutional environment for effective operation of the market mechanism.<sup>8</sup>

In the cost-and-benefit equation, actual cost of new economic policy will be depend on the stage of economic development, industrial structure, behavioral pattern of individual economic agents, decision-maker's experience in economic reform, international economic relationship, etc. With its economic system characterized by a high degree of industrial imbalance and distorted price structure, immediate transformation of the

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7 In contrast with China, North Korea never dubbed its effort to improve its economic performance as "economic reform." For the North Korea's leadership, systematic economic reform in other socialist countries is seen as the symptom of rehabilitation of capitalism. Such perception is based on their belief that economic problems confronting North Korea can be resolved only by the effective utilization of the central planning mechanism.

8 "Institutional environment" in a narrow sense means efficient commercial institutions, banking system and legal guarantee of reform measures. But the term is used here in a broad sense to include the behavioral patterns of individual economic actors who can make rational decisions in accordance with the market signals.

system in North Korea could result in relatively high cost of adaptation in terms of inflation and allocational inefficiency.

Thus, it is recommended for North Korea to adopt readjustment and partial liberalization of prices, and diversification of the ownership of means of production in a step-by-step manner to reinforce economic efficiency and maximize the utilization of accessible resources.<sup>9</sup> In the agricultural sector, Pyongyang needs to concentrate its efforts on increasing agricultural production by separating property rights and management rights. The adoption of "family responsibility system" as in China in the early 1980s would certainly boost North Korea's short-run agricultural production.

Nevertheless, considering structural problems of the North Korean economy, even a gradual approach for economic reform will inevitably bring about the following macroeconomic problems.

First, as the economy has a very low supply elasticity<sup>10</sup> with regard to changes in the market situation, severe inflation pressure will develop in the process of marketization.

Second, taking into account the limited export capacity, unbalanced development of industrial sectors, and ever-accumulating foreign debt, it will be almost impossible for North Korea to overcome its foreign exchange shortage even if it were to adopt a depreciation policy to maintain a foreign exchange balance at

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9 As a comprehensive program for the enterprise reform in Chinese industry, the decision made by the government in 1984 stipulates (1) reducing the scope of mandatory planning and extending guidance planning (2) rationalizing the price system to provide greater price flexibility, and reforming the tax, financial and banking systems to facilitate macroeconomic regulation (3) "separation of government from enterprise functions" (4) "reform of the wage and labor system on the principle of distribution according to work" with the enterprise director assuming full responsibility of management and (5) development of diverse forms of economic organization, including individual, collective and foreign ownership, but subject to the leading role of state enterprises.

10 Due to the excessive scale of military industry, immobility of factors of production, and monopolistic position of "corporate enterprises" as well as bottlenecks accompanied by unbalanced industrial development.

the initial stage of economic reform. Depreciation of the won currency would result in inflation and it would be a time-consuming job to make the currency convertible.<sup>11</sup>

Third, as North Korea lacks financial resources for a speedy and effective economic reform, severe budgetary debts will accumulate in the process of reform.

To minimize the economic side-effects of reform policy, Pyongyang is recommended to select the timing and sequencing of reform policies including economic "liberalization" measures.<sup>12</sup>

According to the result of the author's preliminary analysis, although the list is neither exhaustive nor mutually exclusive in timing of adoption, the following schedule of three stages for economic reform in North Korea is worth considering.<sup>13</sup>

*First stage:* (1) adoption of an agricultural family-responsibility system within the framework of the state-run agricultural corporate enterprises, (2) increase in government investment for light industry and agriculture, (3) decentralization of foreign

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- 11 Nevertheless, considering the limited size of the domestic market, outdated technology and production facilities, lack of financial resources for system transition, and limits of natural resource reserves, organic linkage of domestic to foreign economy is a *sin qua non* factor in the process of transition. For this, there should be a development in multilateral trade relations through currency and commodity convertibility.
- 12 The author opts for the word "liberalization" in contrast to "decentralization." In China, for example, we can identify two surges of economic decentralization in the pre-reform period; the first one accompanied with the Great Leap Forward during the period of 1957-58, and the second one throughout the Cultural Revolution period (1966-76). In these cases, "decentralization" was simply the problem of the division of responsibility between administrative levels; there was no genuine relaxation of control over the autonomy of enterprises, so that enterprises were simply shuttled back and forth between central and local authority.
- 13 The proposal is based on the author's perception that for North Korea in the initial stage of a reform process, gains from structural adjustment are relatively easier to capture than those from realization of traditional sources of economic growth such as capital accumulation and technology development as well as elimination of the X-inefficiency.

trade rights to the production units, (4) permission for 100% foreign-capital firms outside the RFETZ.

*Second stage:* (1) adjustment of the price structure according to scarcity, and partial liberalization of prices (allow market transactions for consumer goods and agricultural products), (2) decentralization of managerial rights to the enterprises (not to the local government), (3) gradual depreciation of the currency (two-tier exchange rates could be applied for the RFETZ transitory period).

*Third stage:* (1) replace quantitative control of the economy with a tax system and subsidy scheme, (2) permit private ownership of means of production within some limit in scale (allow market transaction of some producer goods), (3) permit the spontaneous movement of labor among regions and industries.

In view of the industrial imbalances and the rigidity of North Korea's current economic system, its economic reform undoubtedly will take a considerable time, and its success will depend on support from the outside world. In this context, expansion of the inter-Korean economic relationship based on a legal framework agreed upon through South-North dialogue will be helpful for the smooth transition of North Korea's economy because it will be able to be seen as a symbol of peace and political stability on the peninsula for potential investors.

In the multilateral framework, promotion of regional economic cooperation in Northeast Asia under the guidance of "open-regionalism" will play a positive role to revive the North Korean economy. In the process of regional cooperation, it will for the time being be productive to separate economic cooperative issues from political and security ones. For the promotion of infrastructural linkage and mobility of factors of production that are vital for economic cooperation in the region, the following policies are recommended for South and North Korea:

First, both sides should make efforts to ease political and military tension on the peninsula by intensifying economic

exchange between them according to the logic of economy rather than that of politics.

Second, South and North Korea should build, and interconnect existing, infrastructure on the peninsula jointly in accordance with a blueprint for regional economic development in Northeast Asia.

Third, North Korea should integrate its economy into the system of international division of labor in Northeast Asia according to its comparative advantage, by establishing connection between its domestic and external economy. Success in building the RFETZ will contribute to this objective.

Finally, in order to substantiate economic cooperation in Northeast Asia and to ease political tensions on the Korean peninsula, South and North Korea should embark on official dialogue to institutionalize economic exchange between them.

## **Conclusion**

The lesson from China's relatively successful experience of market-oriented reform compared to the vain attempts to improve the planning system on the part of Eastern European socialist countries and the USSR in the past is clear. The only short-cut for Pyongyang to put its sagging economy into the orbit of stable growth and to improve living standards of its people is the introduction of a functioning market mechanism into its economic system.

Although some North Korean economic theorists see no conflicts between plan and market, it will take a considerable time for the Pyongyang leadership, unexperienced reformers that they are, to adopt a market-oriented reform strategy. The most important prerequisites for successful economic reform are reinterpretation of *juche* ideology and an understanding on the part of the leadership of the origin of its economic problems. In some sense, the most serious shortages North Korea faces are time and flexibility of idea.

It is certain that durable peace and political stability on the Korean peninsula will eventually put North Korea along the orbit of economic reform. In the author's point of view, the establishment of a legal framework for South-North economic exchange and interconnection of infrastructure between them will provide North Korea with a favorable environment for its successful economic reform.

빈 면

## DPRK Policy toward South Korea and the Prospects for Reconciliation

Ho-Yeol P. Yoo

*The South and the North, in keeping with the yearning of the entire Korean people for the peaceful unification of the divided land; reaffirming the principles of unification set forth in the July 4 [1972] South-North Joint Communiqué; determined to remove the state of political and military confrontation and achieve national reconciliation; also determined to avoid armed aggression and hostilities, reduce tension and ensure the peace; expressing the desire to realize multi-faceted exchanges and cooperation to advance common national interests and prosperity; recognizing that their relations, not being a relationship between states, constitute a special interim relationship stemming from the process towards unification; pledging to exert joint efforts to achieve peaceful unification; hereby have agreed as follows. . . .*

Introduction to the "Agreement on Reconciliation, Non-aggression, and Exchanges and Cooperation between the South and the North," 13 December 1991.

**A**long with the South-North Basic Agreement, both North and South Korea signed the Joint Declaration of the Denuclearization of the Korean Peninsula and the Agreement on the Formation of Subcommittees of the South-North High-Level Talks, and these two agreements entered into force as of 19 February 1992. Eight months later, however, Pyongyang cut off dialogue with South Korea and nullified the High-Level Talks, demanding cancellation of the Team Spirit US-ROK military exercise.

Since the inauguration of Seoul's civilian government along with the North's declaration that it would withdraw from the NPT system, North Korea has denounced the Kim Young Sam government as a regime that does not differ from the past fascist military dictatorship, and has intensified its verbal attacks to foster an atmosphere of confrontation between the two Koreas.<sup>1</sup>

Why did North Korea discard the Basic Agreement? Did they really sign and exchange the agreement purposely not to abide by it? Is it North Korea's long tradition that agreement is one thing and abidance is another? Then, what has been South Korea's reaction to such behavior and attitude? Does the South have any intention of having friendly relations again with its brother in the North which still reveals hostility and, if so, how to reconcile?

### **New Environment for DPRK's Survival**

Since the beginning of the 1990s, North Korea has been facing a total crisis with severe economic difficulties. In 1993 it announced officially that it had failed to meet the proclaimed goal of the Third Seven-Year Economic Plan and would thus take a relief period.<sup>2</sup> On 7 April 1994, at the seventh meeting of the 9th Supreme People's Assembly, Pyongyang proclaimed that to achieve solid economic growth it would place priority on agriculture, light industries and trade.<sup>3</sup>

To overcome its shortage in foreign capital, North Korea has been eager to participate in the multinational development project around the Tumen River and has legislated all sorts of laws and decrees related to direct and indirect foreign investment.<sup>4</sup> The DPRK government designated the Rajin-Sonbong

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1 *Rodong Shinmun*, 28 May 1996.

2 *Central Broadcasting Service*, 9 December 1993.

3 *Central Broadcasting Service*, 3 April 1994.

4 Kyu-Ryoon Kim, *Prospects for Tumen River Area Development Program* (Seoul:

area along its northeast border with China and Russia as a Free Economic and Trade Zone on 28 December 1991. Initially it planned to induce foreign investment up to US\$6.9 billion,<sup>5</sup> but only \$40 million was reported to have actually been invested in the development of the region.<sup>6</sup>

However, the real problem would be how to control this opening and limit foreign influence when its partners enter the long-isolated kingdom. The authorities already know that ideological control and legal sanctions will not be effective in dealing with the increase in crimes, corruption and other deviant social behavior.<sup>7</sup>

Pyongyang has revealed that succeeding purely Kim Il Sung's great revolutionary works is of utmost importance in the post-Kim Il Sung era. Kim Jong-il's foreign and domestic policies will be to continue squarely the policy guidelines of Kim Il Sung.<sup>8</sup> Although the official policy direction of the Kim Jong-il regime will be expressed in his inauguration address, given the internal and external circumstances, it is highly unlikely for North Korea to adopt any radical reform-oriented policy.

With respect to foreign policy, the regime has pursued superficial reconciliation policies to ease international pressure over its suspected nuclear development program and to secure recognition from the international community. North Korea is devoting its efforts to improve relations with the United States. It also emphasizes its ties with China in overcoming interna-

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RINU, 1992), pp. 18–20.

- 5 Young Namkoong, *A Study on the Investment Climate in the Special Economic Zone in North Korea: Comparisons with China and Vietnam* (Seoul: RINU, 1995), p. 27.
- 6 Hyun-Joon Chon, et al., *An Analysis of the Power Succession Process in North Korea: With Special Reference to Kim Jong-il's Birthday Celebration on February 16* (Seoul: RINU, 1996), p. 8.
- 7 Byoung-Lo P. Kim, *Reality of the Internalization of Juche Thought in North Korea* (Seoul: RINU, 1994), pp. 75–77.
- 8 Moon-Young Huh, et al., *The Advent of the Kim Jong-il Regime in North Korea and Prospects for Its Policy Direction* (Seoul: RINU, 1994), p. 8.

tional isolation and economic crisis while concentrating diplomatic efforts in improving relations with Washington and Tokyo. This is quite similar to the way it maximized its interests through equi-distance diplomacy when the USSR and China were in ideological conflict in the 1960s and 70s.<sup>9</sup>

While continuing to play its dual policy and united-front strategy and tactics<sup>10</sup> vis-à-vis Seoul, the Kim Jong-il regime is pursuing co-existence of the two Koreas under the circumstances of Northern inferiority in every aspect of national power.<sup>11</sup> The new regime does not seem to give up easily the denunciation and agitation against the South that it needs to consolidate domestic solidarity of its people.

On the other hand, it seems that Pyongyang has set its objective to dismantle the ROK-US cooperative mechanism and pursue improved relations with the US and other Western countries, vigorously excluding Seoul. Thus, as long as it continues to try to loosen the ROK-US alliance and play out its dual policy, it will be difficult to anticipate any practical improvement in inter-Korean relations for the time being.<sup>12</sup> It seems more time

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9 Yinhay Ahn and Hun Kyung Lee, *DPRK Policy toward the US and China: Current State and Its Future* (Seoul: RINU, 1996), p. 22.

10 Pyongyang's "dual policy" is a two-faced policy line, a peace offensive on one hand including official support for a confederation of the two Koreas, but the united front strategy on the other hand. "United front" refers to the goal, written into the founding documents of the (North) Korean Workers Party and never renounced either officially or otherwise, to overthrow the South Korean government—or at the minimum achieve a pro-communist regime in Seoul and through it to communize the entire peninsula under Pyongyang's control. This would be accomplished by means of solidarity between military and non-military North Korean forces, South Korean radical leftist students, labor unions, etc., and pro-North overseas Koreans. Strategy and tactics include not only military provocations, which in North Korean history have been numerous, but also extensive preparation for a full-scale land, sea and air invasion. A central purpose of Pyongyang's dual policy is to remove US forces from the South; if they were not present not only might an invasion be possible, but also any of various military threats and pressure could be applied and take effect.

11 See Moon-Young Huh, *Perception of North Korean Leadership and Its Policy Prospects* (Seoul: RINU, 1994), pp. 108-9.

will be needed for practical improvement of the inter-Korean relationship and consolidation of peace on the peninsula.

### **Unification Formula**

The unified fatherland that the Korean people should attain is a single national community in which each individual's liberty, well-being and human dignity are ensured, and a state that would play a leading role in the coming Asia-Pacific age—a great, advanced democratic state contributing to world peace and the co-prosperity of mankind.

To achieve such a unified state, the Seoul government, in President Kim Young Sam's National Liberation Day message on 15 August 1994, proclaimed a National Community Unification Formula featuring the process of reconciliation and cooperation, a South-North commonwealth and a unified state.

According to this unification formula, South and North should enter a relationship of reconciliation and cooperation instead of hostility and confrontation to initiate dialogue for unification. To this end, the South and the North in this stage must build up mutual trust by recognizing (as they pledged in the Basic South-North Agreement) each other's systems and energizing multi-pronged exchanges and cooperation.

In the second stage the South and the North would restore and further develop their economic, social and cultural links through co-prosperity and consolidation of peace. At this stage, the South and the North would realize a common national living sphere, the so-called South-North Commonwealth, as an intra-national special relationship, not as state-to-state relations.

At the final stage, we would see the unification into a single state within one nation. The South and the North would realize

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12 Larry A. Niksch, "U.S.-D.P.R.K. Relations and the Korea Policy of the United States," a paper presented to the conference on *Changes in North Korea and the Korea Policies of the Four Major Powers around the Korean Peninsula*, sponsored by the Research Institute for National Unification, Seoul, 17 May, 1996, p. 9.

political integration by forming a unified legislature and government under democratic procedures based on a unified Constitution, thus accomplishing complete unification featuring a single government and system of a single state within one nation.

On the other hand, North Korea, which insists upon its plan of unification by Korean Confederation, has declared three principles for unification, self-reliance, peace and national solidarity, and a "ten point decree" for grand national solidarity as the unification policy guideline. The real points are, however, to eliminate the ROK's National Security Law and its National Security Agency and force the withdrawal of the US troops from South Korea.<sup>13</sup> This implies that even if North Korea does seek coexistence with South Korea, it will maintain its united front strategy.<sup>14</sup>

When inter-Korean talks resume, South Korea will be steadfast on the principle of reciprocity to induce North Korea to become one of the regional member countries responsible for peace of this region in return for providing multi-lateral assistance to the North. But as North Korea perceives that active inter-Korean exchange and cooperation will bring about the opening of North Korean society, thus threatening its system, it is anticipated to be negative in improving the relationship with South Korea, such as full implementation of the Basic Agreement.<sup>15</sup>

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13 Myong Kee Kim, *Unification Policies of North and South Korea* (Seoul: Kukche Munche Yeonkuso, 1995), p. 159.

14 Moon-Young Huh, et al., *The Advent of Kim Jong-il Regime*, p. 14.

15 Tae-il Kim and Sang-in Chon, *Ten Point Decree for the Great National Unity for Korean Unification and DPRK Policy toward ROK* (RINU, 1993), pp. 4-5.

## The 1994 US-DPRK Geneva Accord and Its Impact on Inter-Korean Relations

North Korea and the US agreed in October 1994 in Geneva that North Korea freeze its construction of two nuclear reactors and forego reprocessing and seal its "radiochemical laboratory," and that the United States would support provision of light water reactors and interim energy alternatives in return for the freeze. At the same time, the two sides agreed to discuss the establishment of diplomatic representation in both capital cities on the way to normalize political and economic relations.

The US-DPRK Geneva accord has indeed influenced the political framework on the Korean peninsula and the development of inter-Korean relations. Russia and China have both made policy adjustments as a result of improvement of the US-DPRK relationship, and Japan has also made a quick policy response towards North Korea.

Such changes have brought a new environment for inter-Korean relations. At present, however, our main concern is Pyongyang's direction in the post-Kim Il Sung era. Resolution of the nuclear issue, peace and stability on the Korean peninsula as well as the relationships among the Northeast Asian countries and regional stability, all depend upon the path the North Korean regime will take.

South Korea, the United States and the international community anticipate North Korea to emerge from its hermit status and play a role as a responsible member of the international community. For this purpose, the ROK should expand contacts with Pyongyang and thus reduce future uncertainties by inducing North Korea to comply sincerely with the US-DPRK accord. A lesson we acquired in negotiating with North Korea over the years is that we have been able to achieve results only when our message was clear and decisive.<sup>16</sup> Therefore, when we approach

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16 Do Tae Kim, *A Comparative Study on Negotiating Strategy of North and South Korea*

the North it is important to urge them to participate in the changes of the international mainstream, yet while preventing any misunderstanding by making clear our strong intention that the accord be implemented fully. Such a resolute position can be accurately transmitted to Pyongyang when the US-ROK cooperative mechanism demonstrates smooth function, and makes the North fully understand that the alliance possesses sufficient military deterrence and determination to prevent war on the peninsula. That is, both the US and the ROK governments have to show Pyongyang, by their actions, that any intention to gain more concessions through arbitrary interpretation of the Geneva accord, or to improve relations with the United States by excluding the South, has limit and will eventually fail.

### **Policy Direction of the North Korean Regime and the Inter-Korean Relationship in the Mid-1990s**

Since the provocation of the nuclear issue, North Korea has been concentrating on negotiation with the United States while it is reinforcing denunciation of the South and its playing out its united front strategy by resisting inter-Korean dialogue. It is continuing to denounce South Korean authorities for the South's ban upon paying respect to the altar of Kim Il Sung. Pyongyang is demanding abolition of the ROK National Security Law,<sup>17</sup> release of pro-communist political prisoners and dissolution of the National Security Agency.<sup>18</sup>

Diplomatic isolation, severe economic difficulties and transitional political situation have all forced North Korea to adopt a dual policy to keep its system intact. Diplomatically, North Korea is seeking to improve relations with the United States, Japan and other Western countries, while it is maintaining tension towards

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(Seoul: RINU, 1994), pp. 151-2.

17 *Rodong Shinmun*, 9 March - 13 March 1995.

18 *Rodong Shinmun*, 28 February - 3 March 1995.

the South in order to create a system-integrating effect within its own society.

However, the Pyongyang government is pursuing contacts with South Korean civilians in economic and practical respects, for example with South Korean businessmen to attract capital and technology. It also received rice aid from South Korea through dialogue between government and semi-government authorities.<sup>19</sup>

Therefore, even if North Korea continues agitating South Korean society and conducts its united front strategy for the purpose of consolidating its regime, it will inevitably have to hold talks with South Korea in the process of negotiating to get more aid from its southern partner. It is also anticipated to come out at some point with the principle of separation between economic and political matters in order to secure economic cooperation with South Korea.

It is quite probable, then, that Seoul could induce the North to dialogue and possibly adopt reconciliation policies toward the South. At the present state, it is desirable for the South Korean government to foster favorable conditions to bring North Korea to the negotiating table while maintaining consistency in policy towards the North. The ROK government should take measures to extend exchanges and cooperation in non-political spheres such as alleviating conditions for businessmen to visit the North in order to foster conditions for inter-Korean dialogue and improve relations.

Negotiation and cooperation between the two Koreas are inevitable in the process of implementing the light-water reactor project. The government may put the joint economic commission into operation or discuss the issues with North Korea through working-level contacts. Because the Agreed Framework states that North Korea engage in inter-Korean dialogue and imple-

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19 Ministry of National Unification, "Beijing Talks and Provision of Rice to North Korea," *South-North Dialogue in Korea*, No. 63 (January 1996).

ment the Denuclearization Declaration, the ROK government may propose opening the North-South Nuclear Control Commission to discuss North-South mutual nuclear inspections as well as joint peaceful utilization of nuclear energy.

### **Provision of Light-Water Reactors to North Korea and Inter-Korean Cooperation**

With the agreement reached at the US-DPRK talks and DPRK-KEDO meetings, North Korea finally accepted a central role for Seoul in the light-water reactor project by recognizing that Korean enterprise serve as main contractor and accepting the "Korean standard reactor." Now the LWR supply project is entering an active stage of implementation; on-site investigation teams composed of specialists from the ROK, Japan and the US four times visited the North and conducted surveys of the Shinpo area.

The basic position of the ROK government towards the LWR project is that it provide opportunities to improve inter-Korean relations and reinforce North Korea's nuclear transparency. Given this position, the ROK government, which must maintain its central role in the project implementation, should consider some problems that North Korea and two other main players within the KEDO, the US and Japan, can be expected to raise prior to the actual construction of the LWR under the circumstances of North Korea's continued strategy of trying to exclude Seoul, together with American and Japanese attempts to extend their influence in the project.

One, the US, Japan and the ROK have not yet decided how to share expenses. The three countries had roughly agreed that Seoul would cover costs corresponding to its central role; Korea is projecting its burden to be about seventy to eighty percent of the total.<sup>20</sup> On the other hand, the US administration is

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20 Min Cho, "The Present Status of Inter-Korean Relations and Prospects", a paper

persuading the Republican-led Congress to go along on the matter of the Agreed Framework by emphasizing that United States should assume no financial burden.<sup>21</sup>

Also, Pyongyang will try to minimize the impact of the LWR supply project upon North Korean society by imposing strict regulations on travel, communication, clothing and residence domain for South Korean participants. At present Pyongyang does seem to have agreed, reluctantly, to guarantee security and convenience for the workers from the South and provide necessary services and equipment during the construction period.

### **Inter-Korean Economic Exchange and Cooperation**

As the US and the DPRK signed the Agreed Framework on 21 October 1994, the ROK government has begun to activate inter-Korean economic cooperation. Inter-Korean trade that began on October 1988 entered a state of lull during 1993 and 1994 due to the North Korean nuclear issue. Total trade volume that was \$18 million in 1989 has recorded a gradual increase each year since, and reached \$287 million in 1995.<sup>22</sup>

In order to overcome its economic crisis, North Korea is devoting efforts to foster favorable conditions both domestic and international as well as to attract capital for the implementation of its policies that place priorities on agriculture, light industries and trade. It is trying, however, to attract capital from the South not through governmental but civilian sectors by means of inviting individual enterprises to the North. The North Korean efforts to acquire more investment through active inter-Korean

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presented to a conference, *The Present Status of Inter-Korean Relations and Prospects for 1996*, sponsored by RINU on 15 December 1995, p. 26.

21 *Chosun Ilbo*, 3 September 1996

22 Ministry of National Unification, *Monthly Review on Inter-Korean Exchange and Cooperation*, No. 60, 1996, p. 26.

economic exchange and cooperation has faced troubles and limitations.

In the short term, the ROK government has been concentrating on securing institutional arrangements for expansion and extended economic exchanges and cooperation such as personal security, a treaty on guarantees on investments, permission for unexpected remittance, prevention of double taxation, conflict resolution, and overall coordination. It is necessary, however, to focus on opening talks between the two authorities to achieve the above mentioned devices. It is quite obvious for South Korea to consider that economic cooperation with North Korea should be pursued under the guideline that it contribute to reconciliation and cooperation as well as confidence building between the two Koreas.

In the middle and long term, the government should establish a definite will to conduct economic cooperation with North Korea and implement the policy consistently. The government should see to it that enterprises can perform effective investment in and trade with North Korea, develop various forms of economic cooperation with the North, and implement policy by taking into consideration the political and social effects, in North Korea, of economic cooperation.

### **Flood Damage and Food Shortages in North Korea**

North Korea is reported to have suffered tremendous flood damages due to exceptionally heavy rainfall in July and August 1995. Some areas recorded as much as 470mm in a day. The DPRK authorities announced that millions of people were affected by inundation and that the total cost of the damage caused by the floods exceeded \$15 billion. According to a report by the United Nations Department of Humanitarian Affairs, more than one hundred thousand homes were displaced and there would be 1.9 million tons of damage to agricultural production for 1995. Above all, destruction of production facilities and infrastructure

throughout the country will inevitably exert long-term effects on the economy. In light of North Korea's past closed-mind behavior, its request for immediate relief from the United Nations and its willing acceptance of the UN Assessment Mission to conduct investigations render evidence of the severity of the situation.

The assessment mission is focusing attention on provision of shelter to the 500,000 people who have lost their homes before winter and solving impending food shortages due to the ravaged grain production. Before the flood damage, it was estimated that North Korea would be short of about two million tons of grains (for food, feed and processing). An additional two-million-ton shortage as a result of agricultural damage will make North Korea barely able to meet half the total 6.72 million tons (1995 figure) grain requirement.<sup>23</sup>

Food shortage is not at all new in North Korea. The country has long been resolving food shortages with imports from the Soviet Union, China and other countries. Last year Pyongyang overcame its aggravated situation by receiving rice aid from Seoul and Tokyo. Worse food shortages seem inevitable this year, and it is putting tremendous effort into the acquisition of grain from other countries.

Under such tremendous food shortage, Pyongyang has to seek a new way out of the critical situation. The problems cannot be solved by construction of LWRs, reception of substitute energy, rice aid from South Korea and Japan, limited foreign investment in the special economic zones, or the leader's benevolent actions. The North Korean leadership seems still to be unaware of the severity of the situation.<sup>24</sup> Even if it is, it is not in a position to launch system reform.

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23 Soo-Young Choi, "Socio-Economic Structure and Current Situation of North Korea," *Journal of Strategic Studies*, Vol III, No. 2, 1996, p. 50.

24 Jae-Jean Suh and Byoung-Lo P. Kim, *Prospects for Changes in the Kim Jong-il Regime* (RINU, 1994), pp. 36-37.

Although North Korea did suffer great damage from the exceptionally heavy rainfall, the cost estimates of damage alleged by North Korean authorities seem absurdly exaggerated. The figure seems to encompass even the economic damage incurred over the past years. North Korea may also try to take advantage of the natural disaster to appease popular grievances as well as to distort the reality of North Korean situation to the outside world. Perhaps they will try to obtain as much anonymous help as possible.

South Korea's humanitarian rice aid to North Korea confronted some unexpected incidents such as the forced hoisting of the DPRK flag on Seoul's vessel on 26 June 1995, and Pyongyang's internment of ships carrying rice on 31 July 1995. The ROK government completed its humanitarian supply of 150 thousand tons of rice as planned and further incidents did not occur. These incidents, however, blocked the South Korea government from considering additional rice aid to the North until a national consensus might be reached on the matter, something quite difficult to attain. Sentiment among the people in the South demands that relief aid for flood damage should be implemented only after deliberate consideration of findings by international organizations and other circumstances. Despite Seoul's good intentions in donating rice, Pyongyang is merely trying to secure leverage in inter-Korean affairs through overemphasis on procedural technicalities.

The future of North Korea remains dark so long as the leadership behaves only reactively to this crisis rather than tackling the root of the problem.<sup>25</sup>

There can be no future for North Korea without thorough self-critique and an awakening from the belief in the great leader's infallibility, from blind obedience, fantasy and obsession on ideology, from immanent contradiction in the North Korean

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25 Seung-Yul Oh, "Shortage in the North Korean Economy: Characteristics, Sources, and Prospects," *Korean Journal of National Unification*, Vol. 4, 1995, p. 131.

style of economic system, from fears to reform and open up, and from misperception and antagonism towards South Korea. However, there have as yet been no signs of change.

Now the North Korean leadership is in the very situation of having to decide upon the survival of the people and the system itself. The leadership should be fully aware that the natural disaster, which inflicted such damage on some three quarters of the North Korean agricultural land and produced thousands of victims and tremendous property losses, may not be simply a natural disaster beyond human power. It could be an event that will play a precipitating role to explode the contradictions that have accumulated over the years. For the North to survive, it has to change. For this very reason, the leadership should initiate active system reform, but obviously the North Korean leadership is still not taking seriously the urgency to carry out changes.

### **North Korea's Argument for a Peace Treaty**

A DPRK Foreign Ministry spokesman announced on 28 April 1994 that the Korean Armistice Agreement has become mere scrap of paper and demanded a peace treaty with the United States. Since then, Pyongyang has been carrying out various measures to nullify the armistice. The ultimate objective of North Korea's attempt to weaken the armistice body is to sign a peace treaty with Washington, of course excluding South Korea, in order to secure the initiative on issues on the peninsula and to force American troops to withdraw from South Korean soil.<sup>26</sup>

In light of the North's demand for a peace treaty solely with the US, transition to a peace system by means of dialogue and negotiation between the two Koreas seems difficult for the time being. South Korea's basic position and principle on the issue of transition to a peace system on the peninsula was well

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26 Seong Ho Jhe, "How to Build a New Peace Structure on the Korean Peninsula," *Korean Journal of National Unification*, Vol. 4, 1995, p. 22.

represented by President Kim Young Sam's declaration for a peace system at the 50th Anniversary of the August 15 Liberation Day speech: (1) the principle that issues on the peninsula be resolved between the parties concerned, (2) a guarantee of peace on the peninsula through cooperation among the neighboring countries, and (3) abidance by the agreements already signed between the two Koreas. Therefore the ROK government would maintain and abide by the Korean Armistice Agreement in accordance with Article Five of the Inter-Korean Basic Agreement, until a new alternative can be agreed upon by *the two Koreas*. Thus the South Korean government would by means of cooperative mechanism between Seoul and Washington make every effort to prevent this North Korean offensive to nullify the armistice body. Over the middle and long term, however, intra-alliance measures such as regaining from the US commander wartime operational command over ROK troops and withdrawal of the Military Armistice Commission while placing the Joint Security Area under ROK army command should be taken to foster frequent military contacts between the two Koreas, and thus help Korea to pursue a peace system on the peninsula independently.<sup>27</sup>

### **Internationalization of the Korean Issue and Four-Party Talks Initiatives**

Since the end of the Cold War, the Northeast Asian countries are concentrating on economic development by extending contacts and exchanges with neighboring countries. As a result, ideological confrontation has become a thing of the past.

Despite the mainstream of friendly atmosphere, US-PRC, US-Japan and PRC-Japan relationships are in an uneasy state due to the rise of the Taiwan issue, trade friction, and military

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27 Yong-Sup Han, "Breaking off the Cold War Chains on the Korean Peninsula: The Relevance of Arms Control Measures," *The Korean Journal of National Unification*, Vol. 4, 1995, p. 69.

build-up in China and Japan. In light of political and economic situations of the four major powers in this region, coordination of interests seems difficult to attain, and conflict and friction among the countries seems to be being prolonged. The Korean peninsula is the geopolitical center of gravity of Northeast Asia. Therefore competition among the four big countries to extend influence over the peninsula will probably become fiercer in the future.

On the other hand, practical rather than ideological interests prevail over the relationships among the nations in the region. This is providing South Korea with an opportunity to reinforce unification capacity by means of developing close relations with Russia and China on one hand, and North Korea the chance to improve relations with the United States and Japan on the other.

Such changes in regional politics have a dual impact on the conditions for unification of the Korean peninsula. Aggravating relations among the four countries and competition to extend influence on the peninsula further internationalize Korean affairs, so South Korea should make every effort to gain support and cooperation from those surrounding countries to help accomplish unification. That will be arduous and exhausting. However, exchanges and contacts developing among the ROK-Russia, ROK-PRC, US-DPRK and DPRK-Japan bilateral relationships might well contribute to induce changes in North Korea.

The South Korean government does not oppose Pyongyang's efforts to improve relations with the US and Japan. However, to remove the possibilities of threat to the stability on the peninsula through inducing Pyongyang towards orderly change, the US and Japan should develop contacts with North Korea in concert with, side by side with, improvements in inter-Korean relations.<sup>28</sup>

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28 President Kim Young Sam reaffirmed this principle in his "8-15 Address" on 15 August 1996.

North Korea has been insisting upon the conclusion of a peace agreement with the US—but excluding South Korea who can only be a party to Korean issues. Last April, for example, North Korea conducted military intimidations a few times within the common security area of Panmunjom.

Under this situation, through a joint statement on 16 April 1996, Presidents Bill Clinton and Y. S. Kim suggested Four-party Talks in which North and South Korea, the US and China would participate together. This new peace proposal would remove the confrontation and hostility of over half a century and ease tensions to help build a lasting peace on the peninsula. If North Korea will respond to the four-party talks in the affirmative, inter-Korean relations will witness a new turn for the reduction of tensions on the Korean peninsula and establishment of a durable peace that will contribute for the peaceful unification in the coming years.

### **The Prospects for Inter-Korean Reconciliation**

The essence in the mainstream of restructuring the world order consists of pluralist democracy and free market economy. A wave of democracy is bringing about the collapse of the authoritarian East Bloc regimes as well as in the Third World countries.

Our state of division is the product of the Cold War of East-West confrontation, and North Korea is fully aware that it is no exception to the target of the global mainstream. Therefore North Korea worries over the possibility of being absorbed by the South occurred in German unification. Views against following the German experience, however, prevail among the South Koreans<sup>29</sup> and the ROK government has no intention to unify with North Korea by absorbing it. The government is implementing a unification policy based on the guideline of a step-by-step,

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29 Most Koreans (82.8%) thought that gradual unification would be the best way to reunify the separated nation. Jae Jean Suh, et al., *National Poll for the Year 1993: Korean Unification Issues* (Seoul: RINU, 1993), p. 79.

gradual method of unification. This is the most desirable method in light of the realities.

However, the inter-Korean relationship is still not at the stage of reconciliation and cooperation. Therefore it is desirable to implement those joint projects from the economic field that are most likely to succeed in reaching agreement. When the inter-Korean relationship improves and the vision for unification is within reach in the middle or long term, the Joint Project for National Development should be translated into terms of concrete strategy to implement the National Community Unification Formula and be extended to a national grand strategy for the 21st century.

On 15 August 1994, President Kim Young Sam proposed the Joint Project for National Development, which aims to achieve co-progress between the two Koreas by realizing a gradual and step-by-step method of unification. "Unification through the construction of national community" signifies achievement of unification by building an economic and social community for co-existence and co-progress of the two Koreas by means of active inter-Korean exchanges and cooperation, and creating a political community when the economic and social communities mature into the stage of political integration.

The underlying background of the proposal was the perception that by means of joint development of national community, we could foster stability and development in North Korea, thereby consolidating peace on the peninsula and paving way to the path of national unification.

The Joint Project for National Development has three implications in the process of building a national community. First, it is a comprehensive unification policy for the economic field that implements inter-Korean economic exchanges and cooperation, in view of connecting a recovery of the North Korean economy with the creation and development of the economic community. Second, it is a concrete and practical strategy that is aimed to build a national community in a gradual and step-by-

step way. Third, it is a national project or strategy to build a national community by means of common efforts between the two Koreas, and develop the community into an advanced country that can play a leading role in the twenty-first century.<sup>30</sup>

Although the inter-Korean summit slated for 25 July 1994 failed to take place due to the sudden death of Kim Il Sung, the ROK government regards the consensus reached for the summit as still valid and looks forward to holding it at an appropriate time.

This summit, which has never been held since the separation of Korea into North and South, would provide a significant turning point in the inter-Korean relationship. It could be the very occasion in which ROK government could display its commitment in the stability of the North Korean system and improvement of inter-Korean relations.<sup>31</sup>

Holding a summit immediately after the official launch of the new North Korean regime may be conducive to grasp policy direction of the new regime and to discuss sincerely ways to improve inter-Korean relations with our North Korean counterpart. Moreover, the summit will pave a breakthrough for the impending issues on the peninsula as well as coordinating the speed of improvement of US-DPRK relations as well as those between the two Koreas.

Should there be a summit, the principle and detailed procedures that were agreed between the two Koreas may still be effective. Major issues for the summit agenda could include improvement of inter-Korean relations and a directive for the development of inter-Korean economic relations.

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30 Young-Ho Park, "Formation of National Community and a Search for the Joint Project for National Development," a paper presented to an 11 August 1995 conference at RINU in Seoul on *A Practical Index for Reconciliation and Cooperation between North and South Korea: Joint Project for National Development*, pp. 23-24

31 Young Tai Jeung, *North Korea's Intention behind Its Proposal for an Inter-Korean Summit and Prospects for a Dialogue* (Seoul: RINU, 1994), pp. 19-22.

After all, if North Korea understands the sincerity of the four-party talks proposed by both ROK and the US presidents and accepts an inter-Korean summit after Kim Jong-il's inauguration as head of the state, South Korea is willing to have dialogue with its northern partner on various impending issues including economic cooperation and a peace regime on the Korean peninsula. Through such open talks, North and South Korea could reconcile by confirming their willingness to abide by the Inter-Korean Basic Agreement.