

The North Korean Economic Crisis and Our Policies

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North 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.¹

In July and August 1995 the extensive flooding in the Northwest 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.²

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.³

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.⁴

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.⁵

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.⁶

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.

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.⁷

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

⁷ 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.⁸

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.⁹

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

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.¹⁰

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.¹¹

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

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.¹²

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

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.¹³

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

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.¹⁴

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

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.