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## Editor's Note

It seems that the "engagement policy," which has been pursued consistently by Kim Dae-jung administration as its basic North Korea policy, begins to have some visible accomplishments. In economic terms, inter-Korean cooperation has made a substantial progress in the last couple of years, as epitomized by the success of Hyundai's Mt. Kumkang tour business. In political terms, the issue of North Korea's possible test-launching of long-range missiles, which had evoked a great deal of concern from the international society at large, was recently resolved, if temporarily, thanks to the agreement between North Korea and the U.S. There is little doubt that it will have significant and positive effects on the future of inter-Korean relations.

Based on these recent development, one may say, if cautiously, that inter-Korean relations in general are gradually improving, notwithstanding several misfortunate incidents that occurred in that process. It is not to say that the nature of North Korean political system has changed in any meaningful way, but simply that the system now finds itself in such a desperate position that it can no longer spare cooperation from its Southern partner or the U.S. representing the Western world.

With this rather positive outlook, this issue starts with Professor Jeong-in Moon's **Perspective** on how to resolve the problems in the current inter-Korean relations. Interpreting the current problems and dilemmas largely as a reflection of transitional confusion, Professor Moon suggests that we should resolve threads of contradictions and confusion with wisdom and patience, rather than simply cutting the threads by deserting the engagement policy at once.

In our **Current Issues** section, we present three articles that examine North Korea's external relations with its major partners. Professor Sung-han Kim reviews the incident of gunfire exchange on the West Sea and analyzes how it will affect the future of

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Washington-Pyongyang and Seoul-Pyongyang relations. While suggesting three different phases of dissolving the cold war structure on the Korean peninsula, Professor Kim warns that Seoul-Pyongyang relations would be affected by the progress made in Washington-Pyongyang relations, and thus that only a limited improvement may be possible in Seoul-Pyongyang relations.

Dr. Ahn examines the recent improvements in North Korea-China relations and its effects on the North's possible changes. According to Dr. Ahn, we do not need to respond with too much sensitivity to the restoration of China's influence over North Korea, as it is more likely to contribute to the disintegration of the Korean peninsula's cold war structure by inducing North Korea's changes through reform and opening.

Finally, Dr. Jung's article looks at the prospect of U.S.-North Korea relations by focusing on the issue of U.S. economic sanctions. Foreseeing the possibility of a partial lifting of sanctions by the U.S. as a reward for North Korea's cooperation on missile issue, Dr. Jung argues that the lifting, although it would not lead to an increase in North Korea's trade with the U.S., could encourage investment of Western firms and South Korean firms into North Korea.

The section of **Inside North Korea** includes three papers, each of which provides us with useful and interesting information on what goes on inside the country. First, Dr. Yang-Ho Hong examines the aiding activities by international organizations within North Korea and how they could affect the country's external opening. According to him, international organizations' activities will have the effect of inducing North Korea's opening and changes in the long run, despite the country's efforts to reinforce its internal control.

Next, Mr. Seong-guk Hong provides us with an interesting description of North Korea's flourishing farmers' markets, as well as with an analysis of their effects on the North Korean economy.

In general, Mr. Hong believes that the markets have positive effects on the economy, although some negative effects such as bribery and illegal transactions are also expected.

Finally, Mr. Soon-jick Hong's paper looks at the country's environmental pollution, and suggest possible methods of inter-Korean environmental cooperation. After concluding that North Korea's environmental pollution is an outcome of the implementation of misguided policies, he suggests that we should find a long-term solution for this problem by inducing inter-Korean environmental cooperation.

In the **Articles** section, we present six scholarly papers by distinguished authors, both at home and abroad. The first paper by Professor Aidan Foster-Carter examines the policy debates currently emerging in North Korea. Showing that even within the constraints of North Korean official discourse there is prima facie evidence of a diversity of views, disarray, and implicit debate about economic and other policy priorities, Professor Foster-Carter goes on to predict that these "semi-esoteric" debates will continue, as the public tip of a much larger hidden iceberg.

Next, Dr. Sang-tu Ko looks at economic relationship between East and West Germany and derives its implications for inter-Korean economic cooperation. Showing that the inner German trade continued to grow in three different development phases, Dr. Ko suggests that it contributed to the stabilization of East-West German relations, and to the eventual reunification. Based on this analysis, Dr. Ko argues that South Korea should take decisive measures to expand the trade with North Korea.

The paper by Dr. Hee-sun Shin is on the possibility of Kim Jong-il regime's external opening policy. After listing those factors that encourage and those that discourage the opening, Dr. Shin points out the normalization of North Korea's relations with the

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U.S. and Japan as one of the most important variables that could not only resolve the country's economic problems considerably, but at the same time provide an opportunity to accelerate the current opening policy. According to Dr. Shin, the trend of North Korea's external opening seems to be irreversible.

Next, Dr. Deok-ryong Yoon analyzes the economic effects of developing industrial complexes in North Korea. According to his analysis, the development project may bring significant benefits to both Koreas. Dr. Yoon emphasizes, however, that the development will have its true significances only when foreign firms are actually moved in for production, and thus that the newly developed complexes must be designated as special economic zones in order to attract foreign firms. Finally, he also suggests that South Korean firms should consider "outward processing" as their production method when investing in the complexes.

The next paper by Mr. Seung-chol Kim examines the effects of Mt. Kumkang tour business on the national and local economy. Employing various estimation techniques, he shows that the economic effects of the tour business on the whole are quite significant. The business is expected to induce a great deal of production, values-added, and employment for our national economy, while its effects on the local economy of Kangwon Province are not as great as anticipated. Considering its significances in both political and economic aspects, he concludes that Mt. Kumkang tour business must be a success.

Finally, Mr. Chan-woo Lee deals with the issue of developing an integrated transportation system in Northeast Asia. After examining the current state of transportation in this region, he suggests many ideas for effectively linking the transportation systems of the countries in the region. In particular, Mr. Lee points out the link of land route on the Korean peninsula as one of the most important long-term tasks for the systemization of transportation in this region. ■■■