
Aiding Activities of International Organizations and Opening of North Korea

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Introduction

To keep peace and stability on Korean Peninsula, stable change, gradual door-opening and reform of North Korea are the key objectives which the U.S. and neighboring South Korea, Japan, China, and Russia are aiming at through policies toward North Korea. Of course, while the ultimate goal of South Korea lies in a peaceful unification of the two Koreas, the other four neighboring countries in general put much emphasis on stability and peace in the area rather than the unification. Despite this discrepancy between Korea and the other four countries, however, multi-dimensional efforts are under way to induce North Korea to gradually reform and open its door to the outside world. North Korea's conversion of North Korea's closed system into an open one, its introduction of free-market economic characteristics, and its legislation of relative statutes and measures for these purposes will be the most important tasks.

However, North Korea puts utmost emphasis on upholding its current system and reinforces internal control. while standing on the defensive. In addition, it is pursuing practical foreign policies,

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in an effort to break through the current diplomatic isolation with the outside world and to overcome its economic problems like food and energy crises. Even though North Korea's top priority is placed on the improvement of its relation with the US, its effort is also being made to squeeze out economic benefits through international organizations.

North Korea favors the aids from international organizations in that they do not impose threats on North Korea's current closed system but North Korea is able to secure actual benefits which are critical to North Korea. North Korea has a vivid memory that it squeezed out economic benefits from UNDP, WHO, UNICEF, and UNIDO in the 80's and early 90's. In particular, it piled up experiences with international organizations, especially with UNDP, from which it received a lot of aids in those areas such as agricultural development, energy, environmental industry, international economic areas, etc.

In the meantime, as for the relationship with international organizations which North Korea favors, the outside world maintains the expectation that the discharge of the duties of international organizations and their aiding activities of North Korea will contribute to lead North Korea to the gradual change, door-opening, and reform. Therefore, this paper illuminates whether their current activities is really contributing to North Korea's door-opening policies and how North Korea responds to them through empirical study on aiding activities of international organizations to North Korea in 90's. In addition, we are going to evaluate whether their activities may constitute effective means in leading North Korean to change.

Aiding Activities of International Organizations to North Korea

Recent major aiding activities of international organizations to North Korea in 90's include the UNDP's support of the Tumen River Economic Development Program, humanitarian aids of WFP, FAO, and IFRC, and KEDO's light-water reactor project. In addition, North Korea reveals its hope to get the membership in

international monetary organizations like IMF, IBRD, and ADB and shows interest in Rural Rehabilitation and Investment Program (RRIP).

UNDP's Support of the Tumen River Economic Development Program

In March, 1991, UNDP put top priority on Tumen River Area Development Program among assignments in the North-Eastern Asian area. It designed three plans for potential developing areas. First, Tumen River Economic Zone (TREZ) which links together North Korea's Port Rajin, China's Hunchun and Russia's Posyet. Second, Tumen River Economic Development Area (TREDA) which links together North Korea's Chongjin, China's Yanji, and Russia's Nakhodkha. The third plan was North East Asian Regional Development Area (NEARDA) which covers the wide areas including the background area of TREDA.

With the thought in mind that the Rajin-Sonbong area is more favorably located than other areas, North Korea is taking up a positive attitude by announcing on Dec., 1991 Decision 74 of the State Department which visualizes Free Economic and Trading Area in Rajin-Sonbong. North Korea has been making all efforts to expand infrastructure and improve institutional administrative environments for foreign investments under the goal that the Rajin-Sonbong area should be developed to be a complex free economic trading zone, in other words, a zone for freight transit in the Northeastern Asian area, for export-processing, and for tourism, finance and other services.

However, despite such efforts for the successful development of the free trade zone, North Korea has been separating the zone from other areas by putting up wire-entanglements and settling government-approved citizens down in an effort to keep up the closed system. In addition, it had a negative attitude to the participation of South Korea at the early stage. It maintained the position that any negative components should be blocked against it constitution.

While North Korea had been made such defensive efforts, it had been promoting the development of the investment environ-

ment through adding constitutional provisions for foreign investment in the 1992's amendments of its National Constitution, and amending or revising statutes and enacting regulations for about 50 cases of foreign investment. On June, 1997, North Korea offered break-through measures: it abolished the institution of "money order exchanged with foreign currencies", actualized the foreign exchange rates by adopting the floating exchange rate system, permitted private businesses, introduced the independent balance system in state-owned enterprises, introduced a free market system, and established universities to attract the talented in finance, trade, and other services. North Korea is currently preparing legislation of the "Corporate Law", "Bonded Processing Zone Law", and "Finance Law". These steps signify North Korea's introduction of capitalistic components of free market economy.

Party leaders related with door-opening moves, in particular young leaders among them, are showing aggressive attitude toward door-opening policies. Most of them are beginning to understand capitalism through taking courses at universities. Despite the tight control in government's defensive move, people in the republic are actively involved in private businesses, and the number of those people who earn through private business activities is increasing. This provides people with opportunities to get outside-world information by contacting foreigners in "foreigners only" shops and karaoke rooms. As those markets and private shops at which people may buy necessities freely become more institutionalized, these people will be more separated from the existing socialist supply system and begin to take up materialism and individualism. As the number of those people who know that China is getting rich through reform and door-opening increases, the public opinion in favor of the expanded reform and opening in the Rajin-Sonbong zone is spreading around.

International Organizations' Humanitarian Support

As North Korea has suffered from the deteriorated food shortage since the mid 90's, it has requested emergency aids from the international society in a move to maintain its social system. After

expanding the Division of International Organizations and creating the Department of Food under it, North Korea has made all-out diplomatic efforts to acquire the food aids from the international society.

International organizations, in turn, initiated humanitarian aiding activities to North Korea in 1995, which have been under way currently. Those international organizations involved include UNDHA, WFP, WHO, UNICEF, FAO, UNDP, IFRC. In particular, WFP, WHO/UNICEF, FAO/UNDP, and IFRC are supporting food, medical health, agricultural development, and food/necessities, respectively. International organizations under the UN contributed \$9.27 million during the 1st term (1995.9-1996.6), \$34.7 million during the second term (1996.7-1997.3), \$157.81 million during the 3rd term (1997.4-12), and \$117.61 million during the 4th term (1998.1-12) with the total of \$319.39 million during these terms. On the other hand, IFRC, a non-governmental organization, supported \$3.49 million during the first term (1995.10-1996.6), \$4.43 million during the second term (1996.4-10), \$7.56 million during the 3rd term (1996.11-1997.6), \$14.03 million during the 4th term (1997.7-11), and \$11.48 million during the 5th term (1997.12-1998.11), with the total of \$40.99 million supported.

Field investigation is an customary and necessary procedure for humanitarian aids of international organizations toward North Korea. Also necessary is the monitoring procedure to check whether the details of the aiding processes are well worked out on the scene. The North revealed the refusing attitude to such requests from international organizations at an early stage. However, it has changed the attitude, and been gradually beginning to accept such requests as it could not help receiving aids from international organizations due to the worsening domestic food shortage.

As of September, 1998, about 100 monitoring staff are stationed in North Korea, working on monitoring. As for WFP, 34 personnel members are stationed in the Pyongyang branch and other five branches in Chongjin, Hamhung, Shinuiju, Wonsan, and Hyesan. UNDP, UNICEF, WHO, FAO, and NGOs including IFRC are stationing 5, 7, 2, 1, and 43 staff members in the North, respectively. Monitoring are being done with the monitoring personnel accom-

panied by North Korean officials, after the permission of the North Korean authorities on the monitored areas and periods. According to the announcement by WFP on May 18, 1998, access to 39 areas is denied monitoring among the total 210 areas in the North Korea. The access-denied areas are supposed to be special areas related with military or security. North Korea reportedly has the position that those military areas should be restricted from monitoring for security reasons even though they may not offered food aids. Recently, Medecins Sans Frontieres (MSF) protested against the refusal of the North to access to the citizens on Sep. 30, 1998. As a result, MSA refused further support for North Korea and withdrew permanently from North Korea.

The international society is in general evaluating the transparency of distribution in North Korea to be gradually improving, though not perfect.

KEDO's Supply of Light-Water Reactor Power Plants

Following the North-US Agreed Framework as an alternative to the solution of the nuclear in North Korea, KEDO is currently building two light-water reactor power plants in the Kumho area, Hamkyung-Nam-To, North Korea. As North Korea gave permission to the US-initiated international consortium for the supply of light-water reactors, the US, South Korea, and Japan set up an international organization KEDO, which is currently in charge of the installation and financing of the power plants.

The light-water reactor supply agreement between the US and North Korea, on December 15, 1995, provides its representatives with privileges, immunities, consular protection, transportation, communication, the use of estates and services in North Korea.

Following Protocol on the Juridical status, Privileges and Immunities, and Consular Protection, KEDO enjoys privileges and immunities similar to UN organizations and its personnel and government representatives of its member countries get the privileges, immunities as much as diplomats do. The personnel contracted by KEDO receive the privileges and immunities as much as the KEDO personnel do. Furthermore, the consular protection areas include

not only the construction sites but also de facto all areas in which KEDO personnel work, including ports, airports, and transportation areas. Transportation Protocol provides for the air and sea routes for effective transportation of KEDO personnel and materials, and also permits KEDO personnel to travel only with a KEDO certificate. According to the Communication Protocol, KEDO personnel are guaranteed communication and postal service with the outside world. In addition, They may use wireless telephones and walkie-talkies within the construction sites. Furthermore, 24 months after the commencement of the construction work, KEDO may be able to install and use its own satellite communication. According to the Site Protocol, KEDO secures the exclusive appropriation privilege of about 2.7 million pyong for its program, and the North Korean personnel should get a prior approval for the entrance into the construction sites and should follow the regulations of KEDO. The Service Protocol allows KEDO to take advantage of North Korea's labor, materials, facilities, and other services offered by the North.

According to the agreement between KEDO and North Korea, KEDO personnel can freely travel to outside world, can work freely in North Korea, and can use labor, materials, and facilities as much as necessary. In the near future when the construction is well on its way and about 10 thousand workers of the North and South work together, active exchange of information on the South Korea and outside world is naturally expected. As the period of construction work spans over 9 years, sustaining influx of information is also expected.

North Korea, on the other hand, establishes tightening control systems of ideology education and supervision to prevent their workers from being relaxed in their socialist ideology, and tries to systematically minimize the contact of North Korean workers with South Korean counterparts. It set up wire-entanglements partially in the outside Kumho area on Aug., 1997, separating the area from the outside. On the construction sites, it post a chief worker for every 20 workers, making KEDO give work orders only through him. It also refused to provide KEDO with work forces including nurses, cooks, and cleaners, who the North thought may have

direct contact with the South Korean workers. In addition, though North Korean workers ate lunch in the same restaurant as the South Korean counterparts, they were forced to eat in a separated hall and disallowed to eat at the same table.

Despite the tight control by the North, North Korean neighbors understand what KEDO does and observe, though infrequently, KEDO personnel to travel and get the news about KEDO from North Korean workers. It is supposed that they are beginning to know about South Korean and outside world little by little and are being under the unconscious influence of them.

As the North Korean workers recognize industrial growth of South Korea by observing South Korea's modern equipments and vehicles, they are offered opportunities to compare their social system with the outside world. North Korean party leaders are acquiring new information on the outside world by contacting South Korean counterparts and more or less accepting the economic superiority of the South Korean economic system, though they are not outwardly criticizing their own system.

In the meantime, the North are more interested in earning foreign currencies through the KEDO program; it shows more interest in foreign currencies earned from North Korean labor, materials, and services provided for the program. It is seeking measures or business activities to earn foreign currency as much as possible by managing Guest House, setting up branches of "Oknukwan," a North Korean restaurant in Pyongyang and four shops on the construction site. In particular, the North is building convenience facilities, for example, for sauna or massage, to catch the taste of KEDO workers from South Korea, the US, and Japan, adopting typical capitalist profit-making measures. It is probable that more shops will be on the way as the full-scale construction work gets in progress in the near future, and a special business district, which is currently not imaginable in North Korea, may come in order.

North Korea's Efforts to Join International Financial Organizations

North Korea has been making efforts for membership in

international financial organizations including IMF, IBRD, and ADB since 1996, to get more loans and helps from the international community.

Since the North showed interest in the loans of IMF and IBRD to the officials of the organizations in early 1996, North Korean ambassador Kim, Hyung-Woo in the UN sent an official letter in a hope to discuss new membership in IMF and IBRD on June 1997. IMF and IBRD sent delegation to North Korea on Sep. 1997 and Feb. 1998, respectively. Both organizations have plans to educate North Korean officials about setting up various economic indicators such as the roles of international finance market, market economic system, economic growth rate, and unemployment rate, and about making out statistics. According to recent news, North Korea has a plan to dispatch an economic specialist to an training program offered in Hongkong by IMF and IBRD. Such economic training by international financial organizations will help North Korea understand market economic system and will also have positive influence on promoting reform and door-opening of North Korea through transactions with Western corporations.

As for ADB, Kim, Jung-Woo, chairman of Foreign Economic Cooperation Promotion Committee, asked of necessary procedures for joining the organization, necessary documentation, obligations, and benefits on Nov. 1996 before applying for admission on April 1997.

North Korea currently has no accurate statistical data on its economic situation and has negative attitude in revealing their economic situation to the outside. As a result, it is currently more interested in joining ADB, which requires less documentation than IMF and IBRD. Even though North Korea wants to join international financial organizations for loans and aids, it has the position that its economic situation should not be plainly disclosed to the outside world for the maintenance of their current political system.

North Korea's new membership in an international financial organization will help grasp North Korea's economic situation and furthermore enable North Korea to be incorporated in the capitalistic economic zone, offering a good condition for inducing reform and

door-opening of North Korea in the long run. However, Japan, which is the biggest investor in ADB, would not agree to financial aids or investments to North Korea without any improved relation between Japan and North Korea as a precondition.

North Korea's Door-Opening and Change

As mentioned so far, North Korea has been active in activities for economic benefits from international organizations in an effort to solve its own economic difficulties, food shortage, energy crisis, and financial difficulties. While receiving continuous economic aids from international organizations, North Korea is making defensive efforts under the thought that such activities in international organizations may threaten the preservation of political power and structure. As a result, it set up wire-entanglements on the fences in the door-opened areas, restricted monitoring areas, minimized contact of North Korean people with outsiders, and showed a negative attitude toward submission of documents which disclose its economic situation to the outside world. Such an attitude is the result of its all-out efforts to keep its political structure from all difficulties including the collapse of the socialist bloc, establishment of diplomatic relations between South Korea and Russia and between South Korea and China, and North Korea's diplomatic isolation in the mid-80s, persisting economic difficulties in North Korea including shortage of energy, transportation, food, and raw materials, inferiority of the North in competition with the South, and worries of unification by the South.

Despite these difficulties, North Korea is gradually showing limited door-opening and pragmatic changes in a paradoxical move to receive external economic aids necessary to maintain the preservation of political power and structure. These changes include door-opening in limited areas, subsequent efforts to adopt realistic changes, and gradual adoption of the requests of the outside world to receive loans and aids. North Korea designated the Rajin-Sonbong area as a free-trade zone and permitted market economic components in the area. It agreed to the gradual expansion

of monitoring on the food shortage and nutritional status and food distribution of international organizations. It promised privileges and immunities, permission of travels and communication and their gradual expansion and tried to participate in a training program of capitalism to understand capitalistic market economy. Compared with its past management of the closed system in the form of Stalinist socialism, the current aiding activities of international organizations will admittedly contribute to partial door-opening of North Korea, precipitating introduction of free-market economic components including permission of private properties, helping North Koreans conceive materialistic and individualistic values, and internationalizing North Korea through learning international norms.

What is necessary to change North Korea is the change of consciousness of North Koreans. The aiding activities of international organizations will lead the authorities to realize the benefits of door-opening and change and as a result, will provide necessary environment for decisions which may precipitate door-opening and change. In addition, the reinforcement of aiding activities of international organization will consolidate position of those working officials in favor of door-opening and help them have international open-minded thoughts and reinforced working ability, providing firm grounds for the mid-level people to understand or adapt to policy change from the upper level, to propose policy initiatives, or to induce change at the working level. And aiding activities of international organizations will be able to project information of the outside world to North Korean people, give them opportunities to compare their community with the outside counterpart, and contribute to formation of the materialistic and business-oriented attitudes. The persistent aiding activities of international organizations will internally affect the consciousness of those in power, working-level officials, and North Korean people and contribute to North Korea's door-opening and change on the mid- and long-term basis. Furthermore, there should be changes in regulations regarding statutes and institutions for door-opening of North Korea. Reinforced aiding activities of international organizations will gradually lead North

Korean to observe international norms and, in the long run, contribute to the establishment or change of domestic laws and institutions for the adoption of open and free market economic components.

Concluding Remarks

There is another view. North Korea's partial change does not necessarily entails intrinsic change of North Korea, and hence partial door-opening and partial allowance of private properties may be strategic change necessary for the maintenance of political power and structure and North Korea's political figures in power basically have no intention toward change, door-opening, and reform. The third view is that North Korea needs economic support from the outside world to keep its political power and structure. Since abrupt change, door-opening, and reform are going to function as threatening factors against preservation of its political power and structure, North Korea will take cautious attitude in evaluating the result and cope with the side-effects.

Whether it is North Korea's simple strategic change or a cautious move for change, North Korea is confronted with a paradoxical situation: it has to reinforce internal control for the preservation of its existing structure on the one hand while to open its door as a solution to economic difficulties. As a solution to this paradox, North Korea is taking a "mosquito net" approach. Despite North Korea's efforts to preserve of their political structure, the persisting influx of human and material information, which includes aiding activities of international organizations, is expected to unconsciously induce door-opening and change of North Korea in the long run. In particular, as North Korea prefers the aids of international organizations, which do not directly threaten the preservation of their political system while guaranteeing North Korea what it needs, persistent aiding activities will function continuously as an effective means in building up a necessary environment for door-opening and change of North Korea. Persistent aiding activities of the organizations will precipitate door-opening of North Korea more than they have accomplished so far. Among aiding activities of

international organizations which induce North Korea's dependence on the outside world, long-term activities will help accelerate North Korea's door-opening. Examples for this include UNDP's Tumen River Area Development Programme, KEDO's light-water reactor supply program, and application projects to international financial organizations which include IMF, IBRD, and ADB.

An enormous amount of money will be necessary to fund the escalation of aiding activities. The pending question is how the fund can be raised. Furthermore, to form the environment necessary for door-opening and change of North Korea, what is essential is the continuing aiding activities of international organizations. This requires consistent policies and supports from those relative organizations and nations. **Exn**