

**NORTH KOREA SINCE 2000**  
**AND**  
**PROSPECTS FOR INTER-KOREAN RELATIONS**

Presented by

**Jae Kyu Park, Ph.D**

President, Kyungnam University

Former Minister of Unification, Republic of Korea

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Good morning. I am delighted to have this opportunity to give a talk at this world-renowned institution. My topic today is “North Korea Since 2000 and Prospects for Inter-Korean Relations.”

The reason why I have chosen 2000 as a point of departure is that in June of that year a historic inter-Korean summit occurred. I had the privilege of serving as the cabinet member in charge of its preparation on Seoul’s side. That summit, I believe, not only helped to open a new era in inter-Korean relations but also accelerated the pace of change in North Korea itself.

Change in North Korea can be discerned not in the structure of power, but in policy outputs. Structurally, the leader-dominated system has proved to be strikingly resilient. Even though Kim Jong II’s official titles do not include state president, a position the North reserves exclusively for his late father, Kim II Sung, Kim Jong II’s grip on power is beyond challenge.

What is new is the conspicuous ascendancy of the military in the post-Kim II Sung North. One indicator of this is Kim Jong II’s choice of titles for himself: two of the three positions he occupies are military: the chairman of the National Defense Commission and the supreme commander of the Korean People’s Army. Also noteworthy is Kim’s adoption of the military-first policy as the guiding policy of his regime. That policy officially elevates the military to the supreme repository of power, gives it the highest priority in resource allocation, and upholds it as the model to be emulated by all North Korean citizens.

All this, however, predated the 2000 summit. Of the policies that materialized in the post-summit period, the most noteworthy may be the economic reform measures the North adopted on July 1, 2002.

The measures promulgated on July 1 focused on price reform and the reform of enterprise management. In the ensuing months the North has adopted additional measures dealing with reforms in commerce, agriculture, and external economic relations.

Although stopping short of price liberalization, the North has endeavored to deal with the problem of price distortion by abolishing subsidies and making prices approximate those set by the market.

In market reform, the North has (1) introduced multipurpose markets for consumers for the first time, thereby legalizing black markets, (2) tried to enhance the role of the market in its planned economy, and

(3) begun to see the market as beneficial, rather than detrimental, to the maintenance of its political system.

The North has also decided to establish special districts in Shinuiju, Kumgang Mountain, and Kaesong with the aim of inducing South Korean and foreign investment. Concurrently, the North has liberalized or amended laws and regulations pertaining to external economic relations.

Of the special districts, Kumgang Mountain and Kaesong continue to grow, while the Shinuiju project remains in limbo. Tourism also continues to grow and diversify since the establishment in November 1998 of the scenic Kumgang Mountain tourist resort. The number of South Korean tourists reached the one million mark in June 2005. Kaesong is also growing. A model complex has been completed and a dozen South Korean firms have completed the construction of their facilities. Five are already selling wares made by North Korean hands.

The North's gradual transition to what it calls "pragmatic socialism" has nonetheless entailed the spread not only of capitalist ideas, but of foreign culture as well.

Although productivity has improved in some industries, the paucity of resources has emerged as a severe constraint. Agriculture, light industry, and other labor-intensive industries have seen some improvement in productivity. In agricultural policy, the North appears to be replicating the early Chinese experiment in allowing de facto private ownership on a limited basis. The effects of the economic reform measures, however, have been severely limited by the exhaustion of investment capital and crippling shortages of energy and raw materials.

Inflation is rampant and the gap between rich and poor is widening in the North, both of which have the potential to precipitate conflict. Hyper inflation has spawned a new class of urban poor in the North and aggravated the sufferings of ordinary citizens. When this is combined with pervasive corruption and increasing crime rates, social instability is unavoidable. The recent reinstatement of grain rationing can be viewed as a response to the problems that have arisen from a combination of inflation and the rising discontent of those who have not benefited from the economic changes noted above.

Despite, or perhaps because of, all this, the regime has not loosened control over its people nor diminished political indoctrination. There are, however, unmistakable signs of a generational shift among

the North's elite. Those in their 40s and 50s are more conspicuous in the ranks of top-level leaders in the government, the armed forces, and state enterprises.

The North Korean leaders appear to be well informed about the outside world. Chairman Kim Jong Il of the National Defense Commission listens to or watches South Korean and even foreign broadcasts. CNN, BBC, and virtually all major foreign channels are available to him and to other top leaders. Kim told me that he reads South Korean newspapers and has read my own essays and columns in them. One difference I noticed during my latest visit in June 2005 was that the aura of supreme self-confidence I witnessed in 2000 seemed to be either absent or markedly muted.

Chairman Kim Jong Il seemed to be well informed about a wide range of subjects, and his understanding of international affairs struck me as excellent. Insofar as decision-making on important issues is concerned, his authority appears to be beyond challenge. The speculation that there is a conflict between hard-liners and moderates in the North or that the military has an excessive amount of power should not distract us from an overriding reality—that is, Kim Jong Il is the absolute ruler of the North. Nothing important gets accomplished without his instructions. The probability of military coup is exceedingly low. All key decisions, in other words, are made at the top with Kim Jong Il at its core.

However, the stability or persistence of the regime may have contributed to the economic crisis. The shortage of resources, the isolation from the international community, the inertia of the political system—these may be the underlying causes of the North's predicament.

In foreign policy, one sees both continuity and change, with the former eclipsing the latter. The foremost strategic goals in Pyongyang's foreign policy continue to be legitimacy, security, and development. Legitimacy and security are intertwined, for they are both geared to the preservation of the Kim Jong Il regime in what it perceives as a hostile environment. With economic woes still bedeviling the country, moreover, the goal of development has realistically been scaled down to survival. Officially, however, the North has set its sights on building a "powerful and prosperous country (*Kangsong taeguk*)."

Change in Pyongyang's foreign policy can be detected primarily on the tactical level. A prominent example is Kim Jong Il's admission to Japanese Prime Minister Koizumi in September 2002 that North Korean agents had kidnapped Japanese nationals in the 1970s and 1980s; even more surprising was his apology to Koizumi for what had happened.

DPRK-U.S. relations reached a high point in the immediate aftermath of the inter-Korean summit. In October 2000 Vice Marshal Jo Myong Rok became the first North Korean official ever to visit the White House for a meeting with a U.S. president. A joint communiqué issued at the end of his visit proclaimed that the two countries would put an end to their hostile relations. Secretary of State Madeleine Albright visited Pyongyang a month later and held talks with Kim Jong Il. Washington and Pyongyang almost agreed on a summit meeting in 2000, and informal remarks of North Korean leaders indicate that they still regret the missed opportunity. They want “peaceful coexistence” and normalization of relations with the United States in order to fortify their national security and to accelerate the revitalization of their economy.

The advent of the George W. Bush administration in January 2001, however, ushered in a period of discord and confrontation, leading to a standoff over the nuclear issue beginning in October 2002. Bush’s hard-line stance, coupled with official name calling and personal attacks aimed at Kim Jong Il, led to North Korea’s refusal to cooperate, repeated boycott or postponement of meetings, and stepped up rhetoric aimed at driving a wedge between the U.S. and South Korea.

After three rounds of unsuccessful six-party talks, and over a year’s passing before a fourth round could be convened, a joint statement has emerged that has the potential to break new ground.

Inter-Korean relations, by contrast, have proved to be immune from change of governments in Seoul. The Roh Moo Hyun government has embraced the sunshine (or engagement) policy of his predecessor and actually expanded it. As a result, multi-faceted exchanges have steadily grown. The total number of people visiting North and South tripled between 2000 and 2004; most of this traffic, however, is one-way. In 2005, for example, South Korean visitors to the North exceeded 78,000, but North Korean visitors to the South totaled a mere 1,071. This does not include South Korean tourists to Kumgang Mountain, who vastly outnumber other visitors.

At the governmental level, Cabinet-level meetings have been held 17 times since the June 2000 summit. In recent years the two sides have been holding inter-governmental or quasi-governmental (such as Red Cross) meetings two or three times a month on average.

Inter-Korean trade has steadily grown to the level of about \$700 million a year. In 2001 South Korea replaced Japan as North Korea's largest trading partner, accounting for 22.3 percent of the latter's total external trade. Last year inter-Korean trade surpassed \$1 billion for the first time.

The North's economic dependence on the South is greater in non-trade terms, notably humanitarian assistance. In 2005 the South's humanitarian and other assistance to the North totaled \$385 million, including 500,000 tons of rice on a deferred payment basis, which was worth \$150 million. The South, in fact, has provided 300,000 tons of fertilizer and 400,000 tons of food to the North every year since the summit.

The successful conclusion of a fourth round of six-party talks in Beijing in September 2005, in which Seoul has played an active role, suggests that economic and other exchanges between the two Koreas can help enhance the security of the Korean peninsula.

However, the North continues to pursue the strategy of trying to persuade the South to place North-South cooperation ahead of the ROK-U.S. alliance, arguing that *minjok* (nation or ethnic identity) should take precedence over relations with foreigners. While the Roh Moo Hyun government has thus far refused to heed the passionate appeal emanating from the North, some segments of the South Korean population—notably the youth, organized labor, and radical elements—find the North Korean rhetoric appealing.

One cannot over-emphasize the importance of the ROK-U.S. alliance for the stability of the Korean Peninsula and the peace of Northeast Asia. The problems on the Korean Peninsula have direct implications for the lives of the Korean people, which may help explain why Seoul and Washington do not always see eye to eye on important issues.

During the Cold War era, the ROK and the U.S. were united in their support of “pressure and containment” vis-à-vis the North, Eastern Europe, and other countries in the socialist camp.

As already mentioned, the Pyongyang summit opened a new page in the annals of inter-Korean relations. Five years after the summit, the current South Korean government is pursuing a policy of “reconciliation and cooperation for peaceful unification,” which the majority of the South Korean people support.

Seoul's attempts to pursue both ROK-U.S. collaboration and inter-Korean reconciliation and cooperation inevitably gave rise to a discord in the former. Following summit meetings in 2005, however, the ROK and the U.S. have put their relations back on track. Mutual understanding and collaboration have increased measurably.

No matter what some of the opinion polls conducted in the South may show, an overwhelming majority of the South Korean people appreciate the value of the ROK-U.S. alliance. A recent poll conducted by *Dong-a Ilbo*, a leading daily in Seoul, in fact, found that a half of the respondents in their 20s had chosen the U.S. as the most important country in Seoul's diplomacy, while only 10 percent of them had chosen North Korea. Overall, the poll strongly suggested that the majority of today's youth in South Korea tended to be pragmatic and not ideologically hostile to the U.S. To most South Koreans, in other words, the threat from the North has not dissipated but remains intact as long as it clings to its nuclear weapons development program.

To attain the goal of a nuclear-weapons free Korean peninsula, Seoul must work closely with the United States, within the framework of six-party talks. Close collaboration between Seoul on the one hand and Tokyo, Beijing, and Moscow on the other is indispensable. Seoul needs to further strengthen its cooperative relations with Beijing. Having invested considerable energy and reputation in the six-party talks, China has a high stake in ensuring that they continue and eventually succeed.

The momentum of steadily increasing inter-Korean exchanges and cooperation cannot be sustained unless the North Korean nuclear issue is peacefully resolved. The adoption of a joint statement at the fourth round of six-party talks marks a turning point in the quest for a resolution of the issue.

In this joint statement, the six parties reaffirmed the goal of a non-nuclear Korean Peninsula, and the North agreed to abandon all nuclear weapons and existing nuclear programs, return to the NPT, and allow IAEA inspections at an early date. The U.S. reaffirmed its recognition of North Korean sovereignty and agreed to take steps toward normalizing relations, reiterating that there was no U.S. intent to attack the North with nuclear or conventional weapons. The DPRK and Japan made a similar statement regarding normalization, and all parties agreed to continue discussions on the provision of energy, trade, and investment in order to promote security and peace in the region.

Since details need to be worked out and since many pitfalls remain in trying to implement the broad principles enumerated in the joint statement, however, much work remains to be done.

The joint statement also recognizes North Korea's right to peaceful nuclear energy. The North lost no time in declaring that it would not abandon its nuclear weapons program nor take any steps toward that goal until the U.S. provided a light-water nuclear reactor (LWR) to North Korea first. Although the U.S. has been staunchly opposed to this, the ambiguous wording of the agreement has left the door open to divergent interpretations.

Another potentially contentious issue pertains to the North's agreement to "abandon all...existing nuclear programs." Since the U.S. still insists that the North has a covert uranium enrichment program, an accusation denied by Pyongyang, controversy over this discrepancy is inevitable.

The resumption of the six-party talks in Beijing on November 9, however, may have aggravated the situation. The talks recessed after three days without setting a firm date for their resumption. Not only do the basic positions of the two main protagonists, the U.S. and North Korea, remain poles apart, but the latter accused the former of "poisoning the atmosphere" of negotiations by imposing economic sanctions on the North, including those on a bank in the former Portuguese colony of Macao with which Pyongyang has close links. The North also cited President Bush's reference to Kim Jong Il as a "tyrant" a few days before the first session of the fifth round opened, calling it a violation of the joint statement adopted by the fourth round of the talks. The U.S. allegation of counterfeiting by the North of \$100 bills has emerged as a new bone of contention, threatening to derail the six-party process.

However, North Korea does have more to gain than lose from a peaceful resolution of the current standoff. Its dire economic situation means that it is in no condition to risk a war. Economic cooperation with the South, Japan, and China will hinge on the absence of a major disturbance. Many believe that the North recognizes the benefits of engagement with Washington, and is sincere in its overtures toward the latter. Coercive measures such as large-scale sanctions and interdiction of DPRK ships as part of the Proliferation Security Initiative (PSI) have the potential to trigger a major conflict.

A key question is this: Is the North prepared to give up its nuclear weapons program completely and in a verifiable manner? Or is it merely interested in extracting maximum concessions from the U.S., the South, and Japan, while buying more time to fortify its "nuclear deterrent"? The North is most likely



serious about wanting to exchange its nuclear card for security guarantees and economic benefits—that is, the formula outlined in the joint statement noted above, in my view, does meet the North’s true needs and desires.

If Seoul’s offer of two million kilowatts of electricity to the North did indeed make a difference in inducing the North to return to the long-stalled six-party talks, it means that Seoul is now in a position to play an important role in the resolution of the nuclear issue. What is most important for Seoul, however, is to avoid publicly taking sides with Pyongyang in opposition to Washington. Seoul must always take pains to iron out its differences with Washington behind closed doors.

Seoul’s engagement with North Korea is essential to easing tensions in the region and alleviating the DPRK’s dire economic conditions. It is, however, far from sufficient. Aid from Japan is expected to eclipse that of all other players once relations are normalized between Tokyo and Pyongyang. More important, both North and South Korea need strong support from Washington, as the U.S. approval for international development funding is essential.

The North’s heavy dependence on the South gives the latter leverage in negotiations, both bilateral and multilateral. Seoul’s leverage over Pyongyang may be second only to that of Beijing. If South Korea plays its hand well as a leading provider of humanitarian and other assistance to North Korea, while at the same time encouraging the cooperation and constructive involvement of all other players, the prospects for peace on the Korean peninsula will improve measurably.

Thank you very much.

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**Institute for Far Eastern Studies, Kyungnam University**  
28-42 Samchung-dong, Chongro-ku, Seoul, 110-230, Korea  
Tel: 82-2-3700-0700 Fax: 82-2-3700-0707  
E-mail: ifes@kyungnam.ac.kr <http://ifes.kyungnam.ac.kr>