A RAND NOTE

North Korea in the 1990s: Implications for the Future of the U.S.-South Korea Security Alliance

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PREFACE

At the beginning of the 1990s, with communist political and economic systems in severe decline, North Korea remains committed to a Stalinist form of government. But given the country's grave domestic economic difficulties and its upcoming leadership succession, there are possibilities for change. This Note assesses the implications of change for North Korea, the U.S.–South Korean security alliance, and the stability of Northeast Asia. It also explores the relationship between the U.S. military presence in South Korea and the evolution of new policies in North Korea. It was produced as part of an exploratory project, "Future Trends in North Korea," undertaken within the Strategy and Doctrine program of RAND's Arroyo Center. The Note should be of interest to policy planners who are considering the implications of future directions for North Korea and U.S. regional security strategy.

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SUMMARY

North Korea has long been a central factor in U.S. Asian strategy, for the simple reason that the North's designs on South Korea have threatened the stability of Northeast Asia ever since Korea was divided at the conclusion of World War II. The North Korean regime is rigid, xenophobic, and fiercely independent. Since the late 1980s, international events (especially the stunning political and economic changes in the communist world) have compelled the North Korean leadership to reassess the viability of its long-entrenched policies.

This study has two objectives:

- To review and evaluate North Korean political, economic, and foreign policy strategies in light of recent changes in the international environment.
- To assess North Korea's potential policy responses to its changing environment, and to consider the role of the United States in influencing these responses.

NORTH KOREA TODAY

The "Great Leader" Kim Il Sung has ruled his nation with an iron hand since consolidating his power in the early 1950s. Two unshakable pillars of his political philosophy have been the determination to expel the United States from South Korea and to reunify Korea under his control. His prospects for realizing these objectives (especially the latter) now seem remote. President Kim, born in 1912, is now 80 years old, and for the last decade he has been grooming his son, Kim Jong Il, to replace him. The junior Kim appears to have been put in control of North Korea's domestic affairs, but he lacks the political stature of his father, and his succession to the presidency has been delayed, suggesting leadership uncertainties in the North.

The greatest challenges facing the Kims are a stagnant economy, a growing indifference to North Korea among the international community, and a major decline in economic and political support from the former Soviet Union and China. All the former communist states have established economic and diplomatic relationships with South Korea, thereby underscoring the failure of Pyongyang's longstanding efforts to deny Seoul such opportunities. At the same time, South Korea's economic performance and prominence is outstripping the North by ever wider margins.

CONDITIONS AFFECTING NORTH KOREA'S FUTURE DIRECTIONS

What influences will other countries have on North Korea's future policy choices? In recent years, North and South Korea have increased their official contacts, although the two sides are still far from achieving reunification. But the North Korean regime fears that increased contact with the South could undermine its grip on power, possibly leading to a "German solution" in which North Korea becomes part of South Korea.

Traditionally, North Korea has looked to China and the former Soviet Union for economic, diplomatic, and military support. But both China and Russia are beset by severe political and economic problems, and both seem to have little sympathy for North Korea's plight. South Korea, on the other hand, is an economic powerhouse that the Chinese and the Russians view as an attractive source of trade and investment. Thus it seems unlikely that North Korea can expect much support in the future from its old allies. It could seek to enhance its links to various radical Third World states, but these would offer little help for North Korea's growing economic problems. From an economic standpoint, therefore, North Korea may be compelled to initiate relations with South Korea, Japan, and the United States, since they represent potential sources of technology and capital. But if it is to achieve significant breakthroughs with these states, North Korea will have to drastically reorient its diplomatic strategy.

NORTH KOREAN SCENARIOS FOR THE 1990s

North Korea thus faces very difficult choices in responding to its economic plight, political weakness, and diplomatic isolation. One alternative is to try to sustain its present policies and preserve the absolute grip of the Korean Workers Party (and the Kim family) on political power. This does not seem a viable alternative, but the North Korean leadership (seeing the collapse of communist regimes elsewhere) seems prepared to go to great lengths to remain in total control. A second alternative would involve heightened efforts to undermine South Korea by political and perhaps by unconventional military means. It is very unlikely that North Korea would again launch a direct attack on the South, as it did in the Korean War, but Pyongyang could step up its efforts to inject itself into the political debate that has accompanied the introduction of democracy in the South. This could extend to renewed attempts at political subversion, as well as a greater effort to manipulate South Korean internal affairs. A third response would be to experiment with various types of economic change, with such reform measures enabling the regime to strengthen its economic base and revive its support among the North Korean populace.

In all reform scenarios, however, the North Korean regime would be exposing itself to risks of major political change, possibly including the overthrow of the Kim dynasty. In short, the regime faces a dilemma: it can try to remain in power (at least in the short term) by deflecting or suppressing domestic and international challenges, or it can try to engage in reform that could threaten the Kims' hold on power. Thus far, Kim Il Sung and Kim Jong Il have opted for a doctrinaire approach. But there are also signs that North Korea is looking abroad for help in solving its problems, and may be prepared to accommodate in some degree to recent international changes.

THE U.S. FACTOR IN NORTH KOREAN POLICYMAKING

What leverage does the United States have over changes in North Korea, especially in terms of American forces stationed on the Korean peninsula? Assuming that North Korea will opt for a cautious reform strategy in the 1990s, Pyongyang will presumably seek to engage in arms-reduction negotiations with South Korea and the United States in order to reduce its defense burden and stimulate the civilian economy. Further withdrawal of U.S. forces could be made contingent on North Korean willingness to initiate a monitored reduction of its own forces. The South Koreans have announced that there are no nuclear weapons in their country. Further steps toward tension reduction on the Korean peninsula will be contingent on the full cooperation of North Korea in opening suspected nuclear sites to inspection by the International Atomic Energy Agency (IAEA). North and South Korea will also have to agree on a procedure by which they can jointly conduct inspections of each other's nuclear sites, to supplement the IAEA inspections. Full implementation of such steps, in the final analysis, will depend on the North Korean leadership's showing a flexibility and a desire for meaningful political accommodation that it has yet to demonstrate. It is important for the future stability of the region that the United States continue to engage North Korea in dialogue on a variety of issues of interest to both governments.

IMPLICATIONS FOR THE U.S.–SOUTH KOREAN RELATIONSHIP

While the United States and South Korea will remain firm allies in the years ahead, changing conditions suggest modifications in their political relationship. South Korea will see itself as a more equal partner of the United States. As the country becomes more economically successful, increasing trade friction with the United States may strain relations from time to time. Washington will have to give more attention to the changing conditions and concerns in the South if the political and economic relationships between the two countries are to remain strong.

Many in the South are reexamining the function of and need for an American military presence in their country, although the majority still welcome this presence. But as South Korean perceptions of threat from North Korea and other communist and formerly communist countries subside, the United States must continue to reduce its military forces in the South to reflect these perceptions and to respect South Korean nationalistic sentiments. The troops that remain will undertake a supporting function, with South Korean forces taking the lead role in their own defense.

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CONTENTS

1. INTRODUCTION

BACKGROUND

The Democratic People's Republic of Korea (DPRK, hereafter North Korea) is a difficult country to study. It is a secretive, tightly closed society whose relations with the outside world are limited. Though nominally aligned with the former Soviet Union and China, it prides itself on its independence and self-sufficiency. Since the Korean War, the United States has sought to deter potential North Korean military actions by stationing U.S. forces on the Korean peninsula and by extending military assistance to the Republic of Korea (ROK, hereafter South Korea). These efforts have helped keep the peace on the heavily armed peninsula, but tensions remain high.

North Korea has done little to improve its international reputation over the years. Its belligerent behavior (including sponsorship of major terrorist actions against the South) and ill-conceived economic policies often appear self-defeating. But changes in the international arena are increasing the pressure on North Korea to alter its policies. South Korea's economic achievements contrast sharply with North Korea's struggle for economic survival, and the South's success in establishing trade and diplomatic ties with most members of the communist world has undermined North Korea's long-term strategy of isolating the South from Pyongyang's socialist allies and friends. At the same time, North Korea has yet to achieve a meaningful relationship with the major Western powers or among the dynamic market economies of the Pacific Rim.

Despite its economic weakness, North Korea has sustained its military confrontation with the South. Militarily, North Korea remains a threat to the United States on three counts: (1) as a heavily armed adversary of a staunch U.S. ally, South Korea; (2) as a potential possessor of nuclear weapons; and (3) as a staging and training site for terrorist activities.

At the outset of the 1990s, however, North Korea is under severe pressure. Its major allies and economic benefactors (China and the former Soviet Union) are no longer prepared to offer open-ended support to the North Korean economy. At the same time, neither Beijing nor Moscow is prepared to forgo the highly promising economic opportunities that beckon through enhanced relations with South Korea. Finally, given the collapse of orthodox Marxist-Leninist regimes in Eastern Europe and the former Soviet Union and the continued challenge to communist rule in China, North Korea is vulnerable and its political longevity is

in doubt. Coinciding with this is the struggle for power that is likely to follow the death of the elderly Kim Il Sung, the only leader that North Korea has ever known. Thus, North Korea's capacity to sustain its long-term policy directions is open to serious question.

OBJECTIVES

The purpose of this Note is twofold: (1) to analyze the potential for political, economic, and diplomatic change in North Korea, especially the developments that will have the greatest impact on South Korea and the United States; and (2) to assess the likelihood of such change. Part of this assessment will concern North Korea's future policy stance toward its neighbors and toward the United States. The U.S. Army presence in Korea will be considered both as a factor that shapes North Korean decisions and as a force that can respond to changes in North Korean political and military behavior.

ORGANIZATION

The next section briefly summarizes North Korea's political, economic, and diplomatic situation. Section 3 examines domestic and international conditions likely to affect future North Korean behavior, with special attention to the effects of U.S. policy. Section 4 deals with some possible scenarios for North Korea in the 1990s. Three are considered: a status-quo scenario, a subversion of the South scenario, and an internal reform scenario. Sections 5 and 6 examine the role of the United States and its military forces vis-à-vis North and South Korea. Section 7 concludes.

2. NORTH KOREA TODAY

At the end of the 1980s a series of international events sent shock waves through North Korea, but these shocks have so far had only a limited effect on the country's political structure. North Korea's determined resistance to change is legendary. The regime's tight control over its citizens, its mass-mobilization command economy, and its nationalistic and self-reliant diplomacy have been fixtures for over 40 years, and all these are likely to continue as long as Kim Il Sung and his son and heir-designate Kim Jong Il remain in power.

POLITY

The central force in North Korean politics since the inception of the republic in 1948 has been the "Great Leader" Kim Il Sung, now 80 years old. By willful action, Kim has been able to maintain a grip on political power perhaps unmatched by any other leader in the world. But Kim's advancing years and his anxieties over the life expectancy of his policies have compelled him to turn his energies to leadership succession. The major political issue in North Korea during the 1980s was the preparation for the political succession of his son, "Dear Leader" Kim Jong Il, who was tapped as the heir-designate in October 1980, when he made his political debut at the Sixth Party Congress of the Korean Workers' Party (KWP). It is believed that he has been in control of the day-to-day affairs of government since the early 1980s, with his father playing a more ceremonial role in domestic affairs and retaining responsibility for foreign policy.

On May 24, 1990, Kim Jong Il went one step closer to formal succession: At the first session of the ninth Supreme People's Assembly (SPA), the North Korean version of a parliament, he was elected first vice-chairman of the National Defense Committee (NDC) of the Central People's Committee, which is the supreme ruling organ of the government. The junior Kim has ranked second in the KWP hierarchy for many years, holding membership in the three-man presidium of the politburo as well as in the party secretariat, but until 1990 he had never held a government position. His election to the NDC was the next logical step toward succession, although it did not change the ruling hierarchy. The top three spots are still held by President Kim Il Sung, followed by Kim Jong Il in his new position as first vice-chairman of the NDC, and General O Jin-u as vice-chairman of the NDC.

The final stage of power transfer may be at hand. On December 24, 1991, Kim Jong Il was named supreme commander of the People's Armed Forces, a position previously held by his father. This post is particularly important for the junior Kim because his support among

the military is believed to be weak. The appointment should serve as a warning to critics that his "finger is on the trigger," so to speak, and that it would be very risky to oppose him. According to the constitution, the president (Kim Il Sung) is supposed to be the military's supreme commander. This apparent inconsistency could be remedied if Kim Jong Il were to be named president at a meeting of the Supreme People's Assembly, but North Korea observers speculate that he is more likely to be named KWP secretary general at the Seventh Party Congress, with his father holding on to the presidency.

By the end of 1991, the Kim regime appeared to have made three political decisions: (1) to maintain the present succession plan while attempting to strengthen ties between the populace and the leadership; (2) to keep North Korean society closed off, thereby preventing the unraveling of existing political arrangements; and (3) to experiment with limited economic reforms so long as they did not threaten political or social stability. In a word, North Korea has taken a conservative line in its politics and economy.

ECONOMY

North Korea's economic difficulties are a major source of concern for the regime. Kim Il Sung devoted one-third of his 1990 New Year's Message to economic issues, calling for the "Speed of the 90s," the new slogan for the mass-mobilization efforts that are the hallmark of North Korea's development strategy. In both his 1990 and 1991 New Year's Messages, Kim implied that the North Korean economy continues to suffer from shortages: priority is to be given, he said, to developing the mining, basic metals, electricity, and transportation sectors. At the same time, Kim has called for faster development of light industry, with the goal of "raising the standard of people's living."

Even as its former communist trading partners become market-oriented, the Kim regime has chosen, at least in its rhetoric, to renew its emphasis on self-development. Kim's 1991 New Year's Message, repeating a main theme from 1990, stressed the need to preserve North Korea's self-reliant style of socialism. Kim noted that international events in 1990 "laid new obstacles and difficulties" for the North Korean people. Under the leadership of the party, Kim argued, the people needed to "[make] more strenuous efforts and performed brilliant exploits in socialist construction by bravely overcoming all the obstacles and challenges."[1]

Kim's 1992 message continued the same theme, opening with the admission that "1991 was a year of severe trials." Kim praised the North Korean people for their supposed loyalty

[1]From the text of President Kim's message, as printed in *The People's Korea*, January 19, 1991, p. 2.

to the party and for their efforts in "safeguarding" socialism and making "forceful progress" in socialist construction.[2] On the economic front, Kim called for the continuation of the socialist struggle to "carry through the line of building an independent national economy whose soundness has been clearly substantiated in order to strengthen the economic might of the country and satisfactorily solve the problem of providing the population with food, clothing and housing." But despite the usual calls for self-reliance (*juche*), some equivocation on this issue may be discerned. As Kim noted, "Our *general* direction in socialist construction *at the present time* is to establish the juche principle more firmly . . . so that we may actively provide against the rapidly changing situation."[3]

Since North Korea publishes few meaningful economic statistics, it is difficult to gauge its economic condition. But analysis of fragmentary data, taken together with the regime's own statements about the need to overcome shortages, leaves little doubt that the North Korean economy remains in extreme difficulty. If anything, in the last few years the economy has taken a turn for the worse. In 1989, tremendous effort went to hosting the 13th World Festival of Youth and Students, which was lavishly funded in an attempt to compete with Seoul's sponsorship of the 1988 Summer Olympics. Foreign analysts estimate an expenditure of $5 billion for the festival, out of an annual government budget of $20 billion. Also in 1989, North Korea's trade suffered its first decline in six years, partly because of the festival expenditures. A Japan External Trade Organization (JETRO) report attributes the decline primarily to "massive investment in nonproductive projects," i.e., the celebration of North Korea's 40th anniversary in 1988 and the World Youth Festival in 1989.[4] More recently, the collapse of the former Soviet Union's economy and its transition to a hard-currency, world-prices trading relationship with North Korea dealt another blow to the North's economy.

Estimates of North Korean per-capita GNP for recent years range from $400 to around $2500. Most estimates are in the $1000 to $1500 range.[5] The South Korean government estimates that North Korea's GNP actually declined by 3.7 percent in 1990.[6] Whatever the actual figures, the North Korean economy is seriously lagging behind the South's, which has

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[2]*The People's Korea*, January 18, 1992, p. 2.

[3]*The People's Korea*, January 18, 1992, p. 2. Emphasis added.

[4]The Economist Intelligence Unit, *China, North Korea Country Report,* 1990, No. 3, p. 40.

[5]See Rinn-Sup Shinn, "North Korea: Squaring Reality with Orthodoxy," in Donald N. Clark (ed.), *Korea Briefing, 1991*, Boulder, Westview Press, 1991, p. 94.

[6]National Unification Board, *1990 Nyondo Bukhan Gyonge Chong'hap Pyongga* [Overall Assessment of the North Korean Economic Situation for 1990], August 1991, p. 3.

a per-capita GNP of around $6000 and growth in the 8 percent range (down from double digits in the mid-1980s).[7]

The Kim regime is caught in a bind in its attempts to fix the economy. North Korea desperately needs a massive infusion of foreign capital and technology to modernize its economy, yet the regime is not prepared to cope with the incompatible foreign culture and ideologies that tend to accompany any such infusion. The leadership still attaches primary importance to politics, although many technocrats in the government would undoubtedly prefer moderate economic and political reform. In fact, with the Kims' approval, these technocrats have implemented some of their ideas. In the 1970s North Korea made large technology purchases from Japan and Western Europe, only to default on the payments. Since then, Pyongyang has sought Western capital and technology from joint ventures, beginning with the promulgation of the joint venture law of 1984. However, potential partners have been wary of investments in the absence of significant change in the North's economic and legal structures. In 1986 Pyongyang signed an agreement with Chongryon (commonly known as Chosoren, the Pyongyang-controlled General Association of Korean Residents in Japan) to establish an "International Joint Venture Company." With this company's sponsorship, approximately 40 joint venture projects have been established with Chongryon-affiliated companies in Japan.[8] But except for these relatively small ventures, and a smattering of other modest investments from the West, North Korea has failed to achieve much from joint ventures.

The recent economic and political upheavals in the communist world have shaken the North Korean leadership, which has tightened its control over the people and over reform-minded cadres, discouraging anyone who might have been tempted to emulate the model of Eastern Europe or the former Soviet Union. One example of this tightened control was the recall in 1989 of some 1700 North Koreans studying in Eastern Europe. Following the fall of Romania's Nicolae Ceausescu, Pyongyang shelved its previously announced plan to ease domestic travel restrictions, which currently prohibit North Koreans from traveling freely even within their country's borders. In November 1990, approximately 1000 students studying in the former Soviet Union were recalled to North Korea, just before South Korean president Roh Tae Woo's state visit to Moscow.[9] These restrictions on foreign contact portend a further downturn in the North Korean economy. The next year or two will provide

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[7]See John T. Bennett, "The South Korean Economy: Recovery Amidst Uncertainty and Anguish," in Clark, *Korea Briefing, 1991,* pp. 27–56.

[8]*Vantage Point*, March 1991, pp. 19–21.

[9]*Vantage Point*, December 1990, p. 12.

a test of whether the country can sustain its restrictive regime and command economy or be forced by economic and political events to institute major changes.

DIPLOMACY

Pyongyang suffered a series of severe diplomatic setbacks beginning in 1989. Despite its efforts to prevent East European governments from establishing diplomatic relations with Seoul, North Korea had to watch them, one after the other, normalize relations with the South. By October 1991 South Korea had official relations with all the East European countries and (closer to home) with Mongolia. To add insult to injury, the North Korean embassy in East Berlin was instructed to discontinue activities under its own name, forcing the North Koreans to conduct business under Chinese auspices. (Germany's interest section in Pyongyang is housed in the Swedish embassy.) All Pyongyang could do about these reversals of fortune was to criticize its former communist allies as "betrayers of socialism."

Kim Il Sung's worst setback occurred in his relations with Moscow. On June 4, 1990, President Gorbachev and President Roh met in San Francisco—the first meeting between heads of state of their two countries. Momentum toward full ties increased over the summer, and diplomatic relations between Moscow and Seoul were established on September 30, 1990. Pyongyang's response was unprecedentedly harsh. On October 5, a signed commentary in the North Korean party newspaper *Nodong Sinmun* [Daily Worker] stated that the Moscow-Seoul agreement "came at a time when the Soviet Union is going downhill to ruin, floundering in chaos and confusion in the vortex of perestroika." The commentary said that Moscow's decision "cannot be construed otherwise than openly joining the United States in its basic strategy aimed at freezing the division of Korea into two Koreas."[10]

Subsequent reports in the Soviet press maintained a stream of criticism of North Korea, frequently emphasizing that the North's dogged adherence to self-reliance and isolation was outdated and self-defeating. In addition, Russian experts criticized the logic of North Korea's "one-Korea policy." To numerous analysts, the new relationship between Seoul and Moscow was seen as one of President Gorbachev's most successful initiatives. Some of the more radical voices in Moscow even suggested that the former Soviet Union should end its alliance with North Korea, since the Kim regime refused to abandon its Stalinist doctrines. It seems clear, therefore, that the Russian-North Korean relationship has suffered severe (and perhaps irreparable) damage, at least as long as reformers stay in power in the post-Soviet state.

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[10]*Nodong Sinmun*, quoted in *The People's Korea*, October 13, 1990, p. 1.

On the surface, Pyongyang's relationship with China remains steady, but the undercurrents are complex and threatening to North Korean interests. Among Asian nations, North Korea was the only country to publicly support Beijing's armed crackdown on the prodemocracy movement in the aftermath of the Tiananmen incident of June 1989. As the communist bloc disintegrated around them, leaders of China and North Korea exchanged numerous visits, presumably discussing the evolving international situation and, in North Korea's case, pleading for Chinese economic assistance to replace the dwindling aid from the former Soviet Union.[11]

Relations between China and South Korea are clearly improving. On October 20, 1990, the two agreed to exchange trade offices, which will also handle consular affairs. With the opening of these trade offices, direct trade between the two countries, as well as South Korean investment in China, is expected to expand dramatically, and it appears likely that the two governments will establish diplomatic relations sometime in 1992.

At the beginning of the 1990s, therefore, North Korea's international position has worsened dramatically. Pyongyang feels deserted and betrayed by Moscow; Beijing, although more solicitous of North Korean sensibilities, continues to move closer to full relations with South Korea for economic reasons. Some argue that Kim Il Sung is not seriously concerned about his diplomatic setbacks so long as his internal position remains unchallenged, but this seems doubtful; the moves by the former Soviet Union and by China threaten Kim's claim to serve as the only legitimate ruler in Korea.

In the context of these severe trials, Kim Il Sung has been forced to reassess his longer-term options and to consider steps that he once rejected. These have included conciliatory gestures toward Japan and the United States and may even extend to acceptance of the "cross recognition" formula that he has long regarded as a betrayal of North Korean interests. To consider these possibilities further, we turn our attention to conditions that currently and potentially influence North Korean political and economic strategy.

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[11]Kim Il Sung paid an unannounced visit to China in November 1989 and a 10-day visit in October 1991. Chinese visitors to North Korea have included President Yang Shangkun in 1988, Communist Party general secretary Zhao Ziyang in 1989, his replacement Jiang Zemin in 1990, and Premier Li Peng in 1991.

3. CONDITIONS AFFECTING NORTH KOREA'S FUTURE DIRECTIONS

What conditions or factors seem likely to produce different political and economic outcomes in North Korea in the 1990s? Three sets of conditions will be examined: (1) conditions within North Korea, (2) conditions in North Korea's external environment, and, as a subset of these external conditions, (3) future American policy on the Korean peninsula.

CONDITIONS WITHIN NORTH KOREA

Four interrelated factors will be crucial to determining the course of North Korean political and economic development in the next decade: (1) the locus of power, (2) the political involvement and awareness of the populace, (3) the pace of economic development, and (4) the pace of military modernization.

The Locus of Power

Since the early 1970s, when *juche* (self-reliance) and Kim-Il-Sung-thought officially replaced Marxism-Leninism as the national ideology, Kim Il Sung has achieved semigod status. At every turn, statues of Kim look down on the populace. His picture is in every room, and his face adorns the ubiquitous Kim Il Sung buttons worn by members of the Korean Workers' Party (KWP). His personality cult is unprecedented in recent human history, rivaling the veneration given to ancient Chinese rulers. Instead of singing the national anthem, schoolchildren sing "Kim Il Sung Changa" [Praise Kim Il Sung!], and he is referred to as "Oboi-Suryongnim" [Father-Great Leader]. Kim's omnipresence, unchallenged authority, and charismatic leadership style have been the main forces behind the maintenance of sociopolitical order in North Korea since the late 1950s, and his control of power has not been seriously contested since the 1960s. Political succession—i.e., the transfer of this tremendous power—is the greatest challenge facing the North Korean regime.

The senior Kim has been in political semiretirement, except for foreign policy duties, since he made his son the day-to-day manager of the nation in the early 1980s. The elder Kim is 80 years old, and although reports from Western sources occasionally describe him as a senile and fragile man, with a huge tumor growing on his neck, the true state of his health is in dispute.[1] When he does pass from the scene, he may be able to transfer to his son his

[1]Although by his own admission poor eyesight prevents President Kim from doing much reading [*North Korea News*, June 10, 1991, p. 4], the chairman of South Korea's Daewoo Group, Kim U-chung, said that in a three-hour interview with Kim in January 1992, the president "looked very hale and energetic." *Choson Ilbo*, January 26, 1991, p. 2; cited in Foreign Broadcast Information Service, *Daily Report, East Asia* (hereafter, FBIS-EAS), January 27, 1992, pp. 42–43.

position and title, but not his charisma or his political legitimacy. Charisma begins with personality, and political legitimacy in a nation where the leader is the law is woven from the fabric of the leader's life experiences, not simply conferred by edict. The junior Kim in fact has all the earmarks of a playboy-bureaucrat. He has not led the nation through bitter times or performed heroic deeds (although, for that matter, the heroic deeds credited to his father are highly inflated). In a nation where power comes from the support of the military, the younger Kim has never even served in the army. This may be the most plausible explanation for his "early" appointment as supreme commander of the armed forces, even before he has officially been given the governmental authority (as president of the republic) that is supposed to be a prerequisite for the position. He is far from the ideal of a "revolutionary guerrilla" that has been set up as the model for all North Koreans to aspire to. Propaganda attempts in recent years to ascribe to him the revolutionary fighting qualities of his father seem unpersuasive, at least to outsiders.

Kim Jong Il has two cards to play in the political power game. One is a military card: by advocating military modernization, he may be able to gain more support from the armed forces, even though he is not one of their own. But he plays this card at the risk of economic self-destruction, because North Korea cannot afford both guns and butter. His other card is economic: Kim may be able to achieve a measure of legitimacy by demonstrating his prowess in economic reform, leading the nation into a period of economic prosperity. By presenting himself as a sagacious economic manager, he could contest the widespread view (at least among foreign analysts) that his legitimacy rests entirely on his blood ties to his father. But the economic card is two-sided—if the economic reforms are to be successful, they will have to be accompanied by the decentralization of economic power, and this step could prove the means of Kim's undoing.

Kim Jong Il may pursue economic relief without economic restructuring by soliciting foreign aid and investment, but this is unlikely to provide a long-term solution to the North's difficulties. In any case, he has little experience in diplomacy. Even though Japan will most likely be a prime source of economic assistance to North Korea, Kim Jong Il is not known ever to have met a Japanese businessman or official.[2] Virtually all diplomatic contacts with Japan, and with other nations, have been handled by his father or other North Korean officials.

Political Awareness of the Populace

The 21 million people of North Korea are the most regimented citizens on earth. Expression of personal political opinions is strictly forbidden. Radios and televisions are

[2]According to a Japanese news source cited in FBIS-EAS, January 21, 1992, pp. 4–5 Annex.

pretuned to receive only the government channel. But how successful have these attempts at political mind control been?

At the end of 1989, 1700 North Koreans studying overseas were recalled to Pyongyang for reindoctrination, to block the impact on North Korea of the events in Eastern Europe. Korean students in the former Soviet Union were required to report their current status of education to Pyongyang, and in November 1990 they too were recalled to North Korea. After the Moscow press began in 1990 to publish articles critical of North Korea, including denunciations of the Kim cult, some Soviet citizens residing in Pyongyang were subjected to special investigation. At the end of the year, it was reported by Radio Moscow that the North Koreans had closed the local offices of the Tass and Novosti news agencies. At the same time, a reporter from *Komsomolskaya Pravda*, the newspaper of the Communist Party Youth League, was instructed by the North Korean foreign ministry upon his posting to Pyongyang not to report on any activities in North Korea. The reason given for this drastic restriction was that his predecessor had "not been objective" in his news coverage of North Korea.[3]

The North Korean people lack experience with and knowledge about other political systems (especially democratic systems), and this restricts their view of alternatives. The populace has been systematically indoctrinated since the founding of the regime in 1948, and these political and ideological teachings have been intensified in recent years. In a sense, such universal political ignorance is a crucial weakness of North Korean society, for the people may react all the more strongly upon exposure to alternative political philosophies. A relatively sudden change in public opinion could be triggered by the dissemination of information originating from outside the country. Such information will, sooner or later, one way or another, seep in. Today in North Korea, the only groups that can receive day-to-day international news are the highest-level cadres in the party and administration. The government publishes *Chamgo Tongsin* [Reference News] to inform these chosen few of outside developments and to enable them to discuss possible responses and options. In this sense, the news is for political research and development, not simply for information. Whatever its intended use, however, knowledge of the outside world can act as a stimulus for change, perhaps by turning high-level cadres against their government.

Occasional indications of political dissent have emerged from the North. In early 1991, Japan's Kyodo News Service quoted Radio Pyongyang as saying that "unorthodox ideological tendencies" sought to "confuse the blood lineage" in North Korea. According to this unconfirmed report, a purge was carried out by Kim Jong Il in order to clear out "anti-

[3]*Vantage Point*, December 1990, p. 12; *North Korea News*, December 31, 1990, pp. 2–3.

revolutionary elements and anti-party elements."[4] Perhaps merely as a caution to would-be dissidents, North Korean radio (KCNA) on January 6, 1992, warned that "Dear Leader Kim Jong Il is playing the leading role in detecting on time and in destroying all the elements of anti-revolutionary ideologies, however trifle [sic] they may be, in order to maintain and to protect the purity of the Great Leader's revolutionary ideology."[5] The reports, if true, suggest that some North Koreans are becoming increasingly bold in expressing their dissatisfaction with the present regime.

It is reasonable to believe that an increase in the political awareness of the North Korean populace will occur sooner or later, and that the result will be growing demands for reform. North Korea signed a nonaggression and reconciliation agreement with the South in December 1991; if it is ever willing to implement the pact's provisions, its people will become fully informed about both domestic and foreign affairs. The agreement calls for both North and South to "guarantee residents of their respective areas free inter-Korean travel and contacts," as well as to promote family reunions and to reconnect roads, railways, postal, and telephone networks.[6] The stability of the North's domestic political situation will depend on how the regime responds to this new political challenge. The most likely response will be to delay and severely limit family contacts under one pretense or another, and to continue campaigns to persuade the North Korean people to "live according to our own style," to quote a popular phrase.

For most North Koreans, however, economic reform is probably of greater concern than political reform. Many citizens are suffering from shortages of food and daily necessities, and are thus likely to consider political freedoms secondary to economic change.

Pace of Economic Development

In 1988 the North Korean government produced a videotape commemorating the 40th anniversary of the founding of the DPRK. This program lavishly depicts the North Korean citizenry's adoration of its "Great Leader" and the socialist revolution. But the tape communicates another message about the reality of life in the North. The anniversary day parade sequence sports two kinds of floats: One celebrates the importance of socialist unity and victory. The other displays an abundance of agricultural and industrial products, a sight akin to Rose Bowl parade floats filled with corn, rice, and pigs.

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[4]*The Korea Herald*, February 8, 1991, p. 1.

[5]*North Korea News*, January 20, 1992, p. 2.

[6]See *Korea Newsreview*, December 21, 1991, pp. 10–11, or *Vantage Point*, December 1991, pp. 33–36, for the South Koreans' translation of this document into English, from which this quote is taken.

The reality, however, is one of acute shortages of consumer goods and basic foodstuffs. In early 1991, North Korea reportedly sought to purchase rice from South Korea at a steep discount through a company in Singapore.[7] As a consequence of this request, in July 1991, 5000 tons of rice were shipped *directly* from South to North Korea (in unmarked bags on a Grenadian freighter). In return, North Korea contracted to ship 30,000 tons of coal and 11,000 tons of cement at a later date. This rice shipment pales in comparison to the half-million tons that North Korea has agreed to purchase from Thailand in 1991 and 1992.[8] China has also reportedly agreed to lend Pyongyang $150 million for food purchases.[9] These requests for food aid contrast sharply with the North Korea's official *juche* view of economic self-sufficiency, as expressed in a January 1991 article in *Nodong Sinmun*:[10]

> Consequently, all difficult economic problems should be solved by our own strength, by our own means, by our own raw materials, and by our own technology. All we need today is to save even a single watt of electricity, a lump of coal, a drop of oil, and a grain of rice as the anti-guerrilla fighters of the 1930s did while they were in needy circumstances.

In a North Korean household, sugar, sesame oil, and soap—basic necessities—are treated as luxuries. Citizens receive grain and meat rations. Four times a year—on the birthdays of the senior and junior Kims, on Founding Day, and on May Day—people receive special rations of pork, sugar, candy, or stationery. If this consumer goods shortage continues, and if the regime continues to press its citizens for greater effort and sacrifice without improving their living standard, a popular revolt is not unthinkable. Since the late 1980s, isolated incidents of public discontent have been reported by sources in Japan, Hong Kong, and elsewhere, although these reports cannot be confirmed. Each reported event involved demands from farmers or urban laborers for better food and treatment.[11] The one ingredient that could transform a demonstration into a popular uprising would be the endorsement and/or assistance of high-ranking North Korean cadres.

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[7]"Pyongyang's Attempt To Buy Cheap Rice from Seoul Rejected," *Far Eastern Economic Review*, February 14, 1991, p. 14.

[8]The Economist Intelligence Unit, *China, North Korea Country Report,* 1991, No. 1, p. 39.

[9]Ibid.

[10]*Vantage Point,* January 1991, p. 14.

[11]*The Asian Wall Street Journal*, December 27, 1991 (cited in *North Korea News*, January 6, 1992, pp. 4–5), quotes a Polish News Agency correspondent covering Pyongyang as saying that rumors of people breaking into government grain warehouses were widespread, and that "even diplomats and other foreigners are also having difficulties purchasing food."

Sekai Nippo, a Tokyo newspaper, quoted a Korean source as saying that antigovernment riots had taken place in over 30 locations in Shinuiju, near the Manchurian border. Radio Pyongyang denied the report. *North Korea News*, September 16, 1991, pp. 4–5.

See also Nicholas D. Kristof, "Hunger and Other North Korean Hardships Are Said To Deepen Discontent," *The New York Times,* February 18, 1992, p. A6.

Pace of Military Modernization

Military modernization and economic improvement are interrelated. If North Korea continues to spend 20 percent or more of GNP for defense, its economy will have little chance for growth. Slow economic growth will in turn retard military modernization, especially now that the Russians and the Chinese require that trade be carried out in hard currency at international prices. Thus the North Korean leadership is faced with the choice of arms control with South Korea or a self-destructive arms buildup.

In 1990 North Korea proposed to South Korea radical arms reductions: (1) reduce military manpower within three to four years from their present levels (estimated by foreign experts to be 650,000 in the South and one million plus in the North) to 100,000 per side; (2) dissolve all civilian military organizations; (3) stop upgrading the quality of military equipment; (4) remove U.S. forces from Korea; (5) denuclearize the Korean peninsula; and (6) organize a joint North-South military committee for the purpose of observation and verification.[12]

The South Koreans propose instead a more gradual series of political and military confidence-building measures, coupled with increases in social and economic contacts between the two sides. Specifically, Seoul proposes that the two sides: (1) transform offensive forces into defensive forces, and reduce the size of these forces drastically; (2) seek a balance of power, i.e., equal number and quality of forces; (3) concomitantly reduce the size of reserve forces; (4) establish a military inspection team and a permanent military observer team; and (5) decide on an optimum force level necessary for the defense of a unified Korea.

On December 13, 1991, North and South Korea signed an "Agreement on Reconciliation, Nonaggression and Exchanges and Cooperation."[13] The nonaggression chapter of the agreement comprises six articles:

(1) Neither side shall make armed aggression against the other.

(2) Disputes shall be decided peacefully by dialogue and negotiation.

(3) Both sides shall respect the border along the demilitarized line as defined in the 1953 Military Armistice Agreement (which the South did not sign).

(4) A joint committee shall be established to carry out steps "to build military confidence and realize arms reductions, including the mutual notification and

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[12]See *Nam-Puk Taehwa* [South-North Dialogue] (Seoul: Bureau for South-North Dialogue, National Unification Board, December 1990), pp. 7–182. See also *Continuing the Dialogue: The Third Round of South-North Korean High-Level Talks* (Seoul: Korean Overseas Information Service, December 1990), pp. 5–26.

[13]For an English-language translation by the South Koreans (from which the following quotation is taken), see *Vantage Point,* December 1991, pp. 33–35. A similar translation from the North can be found in the *Pyongyang Times,* December 14, 1991, pp. 2–3.

control of major movements of military units and major military exercises, the peaceful utilization of the Demilitarized Zone, exchanges of military personnel and information, phased reductions in armaments including the elimination of weapons of mass destruction and surprise attack capabilities, and verifications thereof."

(5) A telephone hot-line shall be set up between the military authorities of the two sides.

(6) A military subcommittee will be set up within the framework of the ongoing South-North high-level talks to discuss the implementation of these articles.

It is the South's view that these articles should be implemented in conjunction with the articles on reconciliation, exchanges and cooperation (discussed below). Pyongyang insists that the military and political reconciliation measures be implemented before the rest of the agreement. The negotiations on the arms reduction articles are thus likely to be painfully slow and subject to the divergent strategies of North and South.

EXTERNAL CONDITIONS

North Korea has maintained close relationships with many Third World countries (sub-Saharan African and Latin American nations in particular), but Pyongyang's most important current and potential relations are with South Korea, China, Russia, the United States, and Japan.

Inter-Korean Relations

Although North Korea has denied, at least until very recently, the legitimacy of the South Korean government, the South exerts a strong influence on decisionmaking in the North. Many of Pyongyang's choices can be understood in the context of its hostility to and competition with Seoul.

The impact of the first summit talk between presidents Gorbachev and Roh offers a telling example. North Korea's *Nodong Sinmun* and the North Korean Central News Agency (KCNA) vehemently denounced the meeting, but its subsequent political impact was great. Kim Il Sung quickly reconsidered his options, and the North offered to resume dialogue with the South concerning preparation for the oft-postponed "high-level" talks between the prime ministers of the two Koreas. These talks, the first of their kind between the North and the South, were held in September 1990 in Seoul. During the visit, the North Korean delegation paid a courtesy visit to President Roh at his presidential residence, and permitted photographs of the historic occasion. It was a symbolic political gesture, and an important

turning point in the history of a divided Korea. The initial talks have been followed by a series of these meetings between premiers, at intervals of approximately two to three months.

In the fourth round of high-level talks in October 1991, North Korea ceased its longstanding demand that the U.S.–South Korean alliance be severed. This policy had been the precondition for improving inter-Korean relations, and its apparent abandonment is a major step toward reconciliation, although the North is still insisting on the ultimate expulsion of U.S. forces from the South as a necessary condition for reunification. The South's concession was to agree to sign a nonaggression agreement at the next meeting. North Korea has long sought such an agreement, which would provide a strong rationale for the removal of UN troops from the South.

The historic "Agreement on Reconciliation, Nonaggression and Exchanges and Cooperation between the South and the North" was signed on December 13, 1991, during the fifth round of high-level talks. In the reconciliation articles, the two Koreas promise to respect each other's internal affairs and to neither slander nor in any manner subvert each other. The cooperation and exchange articles pledge North and South to carry out exchanges in all fields, guarantee residents free inter-Korean travel and contact, and reconnect transportation and communication links. The agreement purportedly "entered into force" when the two sides met for the sixth time in mid-February 1992.

The North can benefit from the agreement in several ways. First, for the international audience, it can hold up the act of signing as evidence that its attitude toward the South has changed for the better. Second, by agreeing to significant steps toward reconciliation, the North may buy some time before it has to actually take those steps, as if agreeing to do something counts as doing it. Third, the North buys security against political, economic, and military intrusion from the South, assuming that the South abides by the agreement.

For the South, the agreement is a diplomatic breakthrough in that it requires the North to recognize the legitimacy of the Seoul government. The South sees the agreement as a wedge that will open the North to further exchanges, including a likely top-level summit between presidents Roh Tae Woo and Kim Il Sung in 1992. Social exchanges with the North may reduce mutual hostilities by "personalizing the enemy" and further the humanitarian goal of reuniting divided families. Economic exchanges, which will doubtless be structured to the benefit of the North, can provide Pyongyang with a peaceful way out of its economic dilemma and, not incidentally, keep Japanese economic influence in North Korea in check.

North-South economic exchanges have accelerated dramatically in recent years.[14] Such exchanges will be an important factor in promoting eventual reunification, creating a strong Korea that can compete more successfully with Japan and the other Asian economies.

On the heels of the reconciliation agreement, the South and North also signed a "Joint Declaration for a Non-Nuclear Korean Peninsula," on December 31, 1991. This declaration addresses the issue of North Korea's refusal to sign the International Atomic Energy Agency's (IAEA) Nuclear Safeguards Accord (NSA), which would provide for inspection of North Korea's nuclear facilities to assure that they are not being used for weapons development (as is strongly suspected). By signing this agreement with the South, North Korea did not commit itself to any date or specific procedure for inspection, and the declaration made no mention of North Korea's signing the NSA. Although the South Koreans seem pleased with the agreement, it is unclear what force it will have. North Korea's suspected nuclear weapons potential is a wild card that could radically alter its relations with the South and the rest of the international community. The North is under strong pressure to respond to accusations (coming primarily from the United States) that it is developing nuclear weapons. If the North refuses to allow meaningful inspection, it can hardly hope to improve relations with the United States or Japan. What Pyongyang's intentions are, and to what extent South Korea will pressure North Korea to forgo a nuclear weapons capability, are questions that cannot yet be answered.

In its negotiations with the South on reunification, North Korea has pressed for a single-stroke solution to all problems. The South has advocated a step-by-step approach using increased North-South contacts as a confidence-building measure. The most obvious rationale for the North's all-or-none approach is that it guarantees no solution, at least until conditions change so that the solution will clearly favor the North. A rejection of reunification was implicit in President Kim's proposal for a "Democratic Confederal Republic of Koryo" (DCRK), which would permit the North and South to maintain separate political and economic systems while being "united" under the ancient Korean name of "Koryo." In his 1991 New Year's address, Kim suggested a leisurely timetable for complete reunification: "We can leave the matter of unifying the different systems in the north and the south to our

[14]South-North trade has risen from virtually zero in 1987 to $192 million in 1991, an eightfold increase over the preceding year. The direction of trade was $26 million to the North and $166 million to the South. All of the trade (except for two shipments of rice to the North) was via third countries. This trade also included considerable "social" contact—118 business contacts involving 130 South Korean firms. Data from South Korea's YONHAP news agency, January 20, 1992, cited in FBIS-EAS, January 22, 1992, p. 48.

posterity for its slow but smooth settlement in the future."[15] In his 1992 message, Kim does not even refer to the DCRK proposal, preferring to speak about reunification in generalities.

Relations with the Former Soviet Union

North Korea's traditional trade relations do not bode well for its future. In 1990, Pyongyang conducted 52 percent of its trade with Moscow, up from 41 percent in 1985. The Russians were ideal trade partners, conducting trade on barter and buyback terms and extending such liberal trade credits that Pyongyang was able to run up a $2.7 billion ruble debt (as of 1991).[16] But beginning in 1991, Moscow requested that trade be conducted in hard currency at world market prices. These terms will prove difficult for Pyongyang, which is notoriously short of foreign exchange.

Moscow also announced the cutoff of offensive-weapon sales to Pyongyang as the result of Seoul's promise to extend $3 billion in loans and trade credits to Moscow following their normalization of relations.[17]

Even before the breakup of the former Soviet Union, the Moscow press was becoming increasingly critical of the economic relationship with North Korea. When the new trade policy toward North Korea was announced in December 1990, Radio Moscow noted that "the North Korean side has failed to produce competitive trade items and has also failed to meet the contract deadlines because its government has been responsible for all the production activities, though it has virtually little concern about these activities."[18]

Relations between Moscow and Pyongyang reached a breaking point with the failure of the Moscow coup against Gorbachev in August 1991. The North Korean media devoted timely coverage to the coup (including publication of the coup leaders' decrees) but provided no support for the (temporarily) deposed president. After Gorbachev's return, the North Korean ambassador was missing from a Kremlin briefing given to foreign ambassadors, reportedly because he failed to receive an invitation.[19] The next day, Radio Moscow's Korean-language program noted that a number of Asian governments, including South Korea, had been concerned about the coup and relieved at its failure; North Korea was not mentioned as being one of them.[20] With the emergence of Yeltsin in Russia and the

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[15]*The People's Korea*, January 19, 1991, p. 3.

[16]According to a September 3, 1991, Radio Moscow broadcast, cited in *North Korea News*, September 16, 1991, p. 3. If this debt is repayable in rubles, which have lost much of their value, then the burden is not so large.

[17]"Soviets Cut Arms Flow to North Korea," *International Herald Tribune*, October 31, 1991, p. 2.

[18]*North Korea News*, December 17, 1991, pp. 1–2.

[19]*North Korea News*, September 2, 1991, pp. 3–4.

[20]Ibid.

formation of the Commonwealth of Independent States (CIS) to replace the Soviet Union, North Korea's relations with Russia were at least temporarily disrupted. President Kim Il Sung's list of government officials with whom he exchanged 1992 New Year's greetings included 23 Chinese officials but no one from the CIS. Pyongyang has established relations with the newly independent republics of the CIS, but its economic relationship with them, at least for the next few years, is unlikely to match the relationship it had with the government of the former Soviet Union.

North Korea hastened to distance itself from its former communist model, as if to assure its citizens that such changes could not occur in their country. In September 1991, one month after the failed coup, North Korean foreign minister Kim Yong-nam remarked that "Marxism cannot be applied to present day realities—especially in the case of our country and its history, which is fundamentally different to Europe."[21] This statement is the culmination of a longstanding attempt to claim that North Korean communism is not simply a variation of Soviet communism—after the manner of the Chinese claiming that their brand of communism was unique to China. In October 1980, during the last (sixth) Worker's Party Congress, the proclamation that "We are guided only by Great Leader Kim Il Sung's *juche* ideology and his revolutionary thought" replaced the phrase "the Korean Worker's Party takes Marxism-Leninism as the guideline of all activities."[22]

A Russian expert on North Korea has recently reported that for all intents and purposes, economic relations between the two countries have ended (at least for the moment).[23] Losing 50 percent of its external trade is a blow to the North Korean economy, although compared to most economies, North Korea is relatively self-sufficient, as befits its *juche* philosophy. South Korea's National Unification Board estimates that North Korea's GNP in 1990 was $23.1 billion, with total trade of $4.6 billion. This means that trade accounted for only 20 percent of North Korea's GNP, versus 56 percent of South Korea's GNP. Assuming that Russia continues to move toward a democratic and free-market system, it will need to establish political and economic links with those nations that can best assist its economic recovery; North Korea, with its impoverished and outdated economy, is not among them. Pyongyang will have to look elsewhere for economic and political support.

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[21]"The JDW Interview," *Jane's Defence Weekly*, September 14, 1991, p. 492. Kim is not quoted as indicating wherein the fundamental difference lies.

[22]*North Korea News*, September 23, 1991, p. 3.

[23]Dr. Nataliya Vazanova, writing in *Kyonghyang Sinmun*, January 25, 1992, p. 4; cited in FBIS-EAS, January 29, 1992, p. 41.

Relations with China

In recent years, China has been reforming its economy while trying to maintain the Communist Party's claim to absolute authority. As one of North Korea's two land neighbors (Russia being the other) and as one of the few remaining communist governments, China is an obvious candidate for political and economic cooperation. North Korea's relations with China have been reinforced by frequent visits between high-level officials as well as by mutually supportive rhetoric about the solidarity of the socialist states.

But several factors work against a strong relationship between Beijing and Pyongyang. Bilateral trade between the two countries has remained fairly constant in the last several years, around a half-billion dollars annually, accounting for only about 10 percent of North Korea's total trade in 1990. North Korea's annual trade deficit with China has been increasing (to $240 million in 1990), although less drastically than its deficit with the former Soviet Union.

In October 1991 Kim Il Sung toured some of China's "special economic zones" (SEZ), with a view to setting up something similar in his own country. In addition to getting ideas for "communist style" economic reform, it is believed that he sought substantial aid for his ailing economy. In this he apparently failed, although the North Koreans did gain an increase in military aid.[24] A high-level Chinese official confirmed that Beijing would increase its military support to Pyongyang in four areas: (1) an increase in outright military aid (from $300 to $600 million); (2) an increase in military sales (from $0.6 to $1 billion); (3) training of 5000 North Korean military specialists in China; and (4) a promise to sell Pyongyang China's most modern missiles.[25]

Although China is not undergoing the economic chaos of the CIS, it is not a rich country either, and like the CIS it needs to improve its economy with help from economically stronger and technologically more advanced nations. For example, China's trade with South Korea totaled $5.7 billion in 1991, with $210 million in South Korean investment in China.[26] This dwarfs the North Korea–China trade of $360 million in 1990. And like the former Soviet Union, China has decided to conduct its external trade in hard currency at world market prices beginning in 1992, which will be another blow to North Korea.[27] Although the elder Chinese statesmen may desire to preserve the solidarity of the communist bloc by ensuring the survival of North Korea as a communist state, they (and perhaps more

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[24]*The Korea Times*, October 8, 1991, p. 2, cited in FBIS-EAS, October 8, 1991, p. 26.

[25]*Hanguk Ilbo* [The Korea Times], October 17, 1991, p. 23. *Vantage Point*, October 1991, p. 19, cites the journalistic source as Hong Kong's *Dong Xiang*, October 15, 1991.

[26]*Choson Ilbo*, January 29, 1992, p. 11, cited in FBIS-EAS, January 29, 1992, pp. 42–43.

[27]*Dong-A Ilbo*, January 27, 1992, p. 1, cited in FBIS-EAS, January 29, 1992, p. 42.

important, the lower-level technocrats and businessmen) are far more attracted to South Korea as an economic partner.

North Korea is aware of China's ambivalence toward the two Koreas. While officially expressing great friendship with Beijing, the North Koreans are doubtless suspicious of being "betrayed," as they were by Europe's formerly communist states. Ko Yong-hwan, a diplomatic defector from North Korea, said that Kim Il Sung often told his officials to be careful when dealing with China, because "Mao jackets have about four pockets and we should not trust them just because they show you one."[28] The North Koreans doubtless have good reason to be suspicious. Even while Kim was in China on his recent visit, Jiang Zemin reportedly told a visiting Japanese politician that "there are strong bonds [between China and North Korea], but we are not allies."[29]

In its relations with China, time is not on North Korea's side. With the passing of the aging Chinese revolutionaries and the rise of an economically and politically more progressive younger generation, China is likely to have less sympathy and need for North Korea in the coming years.

Relations with Japan

An irony of the Cold War, as well as of the unique history of Japan and Korea, is that one of the world's richest and most technologically advanced nations lies right at North Korea's doorstep, yet the North Korean economy, which desperately needs what Japan has to offer, receives no benefit from this proximity. The only link between the two nations is provided by the estimated one million Koreans living in Japan, many of them members of Chosoren, the North Korean-affiliated residents' association.

As Pyongyang's economic relationship with the former Soviet Union withers, it is looking to Japan for trade, aid, and investment. In the late 1980s, North Korean trade with Japan was running at just under a half-billion dollars annually, comprising about the same percentage of its total trade (10 percent) as the trade with China. Most of this trade has been conducted with Chosoren businesses in Japan. But these businesses have a limited potential for investment, so North Korea needs to make contact with the wider Japanese business community. Before any substantial trade or investment begins to flow in Pyongyang's direction, however, the two nations must normalize relations, and North Korea must repair its credit rating in the face of an unserviced debt to Japan of a half-billion dollars.[30]

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[28]Ko's quote in a Japanese news source is cited in FBIS-EAS, October 23, 1991, p. 4 Annex.
[29]Kyodo News Agency, October 14, 1991, cited in FBIS-EAS, October 15, 1991, p. 15.
[30]The Economist Intelligence Unit, *China, North Korea: Country Profile, 1991–1992*, p. 69.

In his 1992 New Year's message, Kim Il Sung makes no mention of developing economic or diplomatic relations with Japan or any other free-market economy, instead citing the need to strengthen relations with socialist and nonaligned nations. But in a less public forum, for example in several interviews with Japanese sources, Kim has called for the early normalization of relations.[31]

Officials of the two governments began meeting in January 1991 to discuss conditions that could lead to the normalization of relations. The principal condition imposed by North Korea is that Japan apologize and pay reparations for damage inflicted on the North during *and after* the Japanese occupation, an amount it calculates at about $10 billion. The Japanese are willing to compensate only for the colonial period. A figure between $5 billion and $10 billion is likely to be acceptable to both sides.[32]

The Japanese set forth several preconditions for normalization, including a guarantee from Pyongyang that Japanese wives living in North Korea be permitted to return to Japan for family visits. But the biggest stumbling block to progress in the six rounds of talks (to January 1992) has been Japan's demand that North Korea sign and implement the Nuclear Safeguards Accord. The North Koreans insist that this issue is not relevant to the normalization talks.

Pyongyang's signing of the safeguards accord on January 30, 1992, is only the first step in resolving the nuclear inspection issue. It is possible that the North Koreans will block full inspections for another year or two, and highly unlikely that they will destroy all nuclear weapons plants, assuming there is more than one, as is suspected. Given the relative lack of attractive investment opportunities in North Korea, and considering Tokyo's promise to consult with South Korea and the United States as it negotiates with North Korea, Kim is likely to be disappointed in his desire for early normalization.

Indeed, as the Japanese went into the sixth round of talks, the Japanese chief negotiator estimated that the two sides were only "two or three tenths" of the way toward normalization.[33] This contrasts with President Kim's optimistic comment to a Japanese interviewer in 1991 that Japan–North Korea relations could be "immediately normalized as long as the normalization is the earnest wish of people in the two countries. Since we are

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[31]Kim is quoted by a Japanese news source, cited in FBIS-EAS, July 26, 1991, p. 30 Annex. See also an interview conducted by the president of Iwanami Shoten Publishers on September 26, 1991, quoted by KCNA, November 10, 1991, cited in FBIS-EAS, November 12, 1991, pp. 12–15.

[32]Sums estimated by the North Korean diplomatic defector Ko Yong-hwan. Quoted in KBS-1, September 13, 1991, cited in FBIS-EAS, September 16, 1991, p. 19. *Choson Ilbo* (February 9, 1992, cited in FBIS-EAS, February 10, 1992, p. 27) reports that the two governments have "almost agreed to an amount of about $8 billion."

[33]Quote from a Japanese news source, cited in FBIS-EAS, January 30, 1992, pp. 3–4 Annex.

close neighbors, friendly attitudes will accelerate normalization."[34] The North Koreans, who were signing the safeguards accord in Vienna even while the sixth round of Japanese talks was being held in Beijing, were clearly disappointed at the lack of progress in the talks. At the end of the meetings, which were extended an extra day, the head of the North Korean delegation gave voice to his exasperation: "In connection with the fact that the Japanese side stated at its opening address that it cannot agree to the DPRK's proposal to first establish diplomatic relations and then resolve other matters one by one and that there is no change in this position, our side clarified again that it is all the same as to whether diplomatic relations are established with the Japanese side or not."[35]

The Japanese are understandably taking a wait-and-see attitude regarding the North's implementation of the safeguards accord. The North Koreans' unrealistic expectations about early normalization suggest that they may not realize how bad their international reputation actually is. Even so, normalization is likely to be achieved within a year or two, and Japan will begin to play a role in modernizing the North Korean economy.

Relations with the United States

Following South Korean president Roh Tae Woo's July 1988 announcement of a new, nonconfrontational policy toward the North, the United States adopted less confrontational steps of its own toward the North Koreans, including authorizing U.S. diplomats to hold discussions with North Koreans in neutral venues and encouraging nongovernmental visits between the United States and North Korea. One byproduct of this new direction was the commencement of counselor-level talks between North Korea and the United States. From December 1988 to the end of 1991, 17 counselor-level talks have been held, all in Beijing. The talks are for the purpose of sharing views, not to make preparations for an upgrade in relations. President Bush's September 1991 announcement of the withdrawal of U.S. tactical nuclear weapons overseas has removed an important barrier (in the eyes of the North Koreans) to better relations with the United States, although the North Korean response was restrained: Pyongyang pressed Washington to withdraw its strategic nuclear umbrella from South Korea as well, but certainly with little hope of achieving this goal. Pyongyang also continues to demand that all foreign troops leave South Korea. Since the American influence on Japan, South Korea, and other potential North Korean partners is substantial, Pyongyang wants to upgrade, if not normalize, its relations with Washington at an early date.

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[34]Quote from a Japanese news source, cited in FBIS-EAS, July 26, 1991, p. 30 Annex.

[35](North) Korean Central Broadcasting Network, January 30, 1992, cited in FBIS-EAS, January 31, 1992, pp. 3–4.

The major (but by no means the only) hindrance to better relations is North Korea's unwillingness to abandon its suspected nuclear weapons program. In November 1991, Washington froze its planned second phase of troop withdrawals from South Korea (6000 troops to be withdrawn beginning in 1993) as a warning to North Korea to abandon its nuclear weapons development.[36] The United States also reportedly decided to beef up the 1992 Team Spirit exercise.[37] However, as a confidence-building measure and as an acknowledgment of the North's signing of the North-South nonnuclear agreement and its promises to sign the IAEA's Nuclear Safeguards Accord, the Team Spirit exercises for 1992 were canceled a month later.

To underscore the importance of the nuclear inspection issue, the United States agreed to a high-level meeting with the North Koreans on January 22, 1992. The North Korean Worker's Party's secretary for international affairs, Kim Yong-sun, met with U.S. Under Secretary of State Arnold Kanter for a six-hour talk in New York. Although no details of the meeting were released, the main topic of discussion was reportedly North Korea's failure to sign and fully implement the NSA. A South Korean official in Seoul told the YONHAP news agency that the United States had set a deadline for North Korean acceptance of inspections. No details of the date or terms of the deadline were given. There was no agreement to hold another high-level talk.[38]

Washington has set additional preconditions for normalizing relations with North Korea: (1) cooperation in accounting for Korean War MIAs; (2) Pyongyang's improved relations with the South Korean government; (3) an end to anti-American propaganda; and (4) an end to support for international terrorism.[39]

The reversal of longstanding policies and hostilities in both countries will no doubt take some time to occur, and probably the best that the North Koreans can hope for in the next two or three years is that Washington will relax its objections to Japan's establishing diplomatic relations with Pyongyang.

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[36]"U.S. Postpones Korea Troop Pullout, Presses to End North's Nuclear Program," *Wall Street Journal*, November 22, 1991, pp. 1/8.

[37]"Korea, U.S. Decide to Beef Up Team Spirit Drill," *The Korea Herald,* December 4, 1991, p. 3.

[38]YONHAP news service, January 23, 1992, cited in FBIS-EAS, January 23, 1992, p. 30.

[39]Chae-Jin Lee, "U.S. and Japanese Policies Toward Korea: Continuity and Change," paper presented at the Fifth Conference on North Korea, December 11–13, 1991, Berkeley, California.

4. NORTH KOREAN SCENARIOS FOR THE 1990s

Of the various scenarios for North Korea in the coming decade, most fit into three categories: (1) preservation of the status quo; (2) efforts to undermine South Korea politically and militarily; and (3) attempts at internal political and economic change—presumably accompanied by far more flexible external policies.

STATUS QUO

Under the first scenario, the Kims or their successors will continue their current internal repression, strenuous indoctrination campaigns, and hard-line totalitarian rule. In economic management, the country will continue to pursue self-reliant, centrally planned development strategies, as the leadership attempts to motivate its citizens with the nonmaterial incentives of pride, loyalty, duty, and fear. "Speed battles" to produce more output with less input, in a shorter space of time, will be employed when production levels fall below production goals. In essence, there will be little or no change in the policies that have failed North Korea in recent years.

A prime example of this *juche*-style economic development is the "August Third" consumer goods movement, the supposed brainchild of Kim Jong Il. The goals of the movement are to mobilize idle manpower in homes and in the workplace and to maximize the use of industrial by-products, scrap metal, and locally available materials. The idea is reminiscent of Mao's Great Leap Forward, and it puts the light-industry economy on two tracks: "homemade" products and increased state manufacture of consumer goods. Given the chronic shortages of both industrial materials and consumer goods, and the regime's fear of losing near-absolute control over the populace by opening the country's borders to Western trade and investment, it is not surprising that North Korea urges intensification of its traditional economic strategies. Unfortunately, this fails to address North Korea's fundamental problems of obsolete technology, ineffective management, and the total lack of opportunities for individual initiative. Economists who monitor North Korean development are divided in their evaluation of the severity of the country's economic situation, but they agree almost unanimously that a patchwork solution that is largely more of the same will not solve North Korea's economic problems.

In the status quo scenario, Pyongyang's attitude toward South Korea will not change. Using its long-favored stop-and-go bargaining tactics, North Korea will attempt to keep the South off balance. Diplomatic initiatives will be launched to take advantage of domestic

disturbances in the South, such as student demonstrations and labor strikes. Pyongyang will also seek to capitalize on splits among South Korean politicians, especially on such issues as reunification and arms control. Ironically, the same internal disputes among South Koreans that are healthy signs of pluralization and democratization will be exploited by the North Koreans as weaknesses.

This scenario virtually dictates a continuation of North Korea's rigid diplomatic stance, although North Korea may grudgingly adapt to the changing world around it on a case-by-case basis. Pyongyang's response to Seoul's renewed efforts to join the United Nations is a recent example of such piecemeal accommodation: South Korea had long advocated separate and simultaneous admission of the two Koreas, after the example of the two Germanys. North Korea had always objected on the grounds that separate admission would perpetuate the division of Korea. Instead, the North Koreans insisted on unification preceding a single admission. In 1990 South Korea renewed its efforts to enter the UN, announcing that it was prepared to pursue unilateral membership and let North Korea decide its own course. While North Korea believed that South Korea's membership bid could be blocked by a Chinese veto in the Security Council, conditions were obviously beginning to favor the South, so Pyongyang offered a counterproposal—that the two Koreas share one seat. This proposal signaled partial acceptance of the changing diplomatic environment, in that it allowed for admission to the UN before reunification. However, the proposal was so impractical as to constitute a rejection of the very idea of UN membership for the two Koreas.

North Korea's position changed after Premier Li Peng of China visited Pyongyang in early May 1991. Apparently Li did not endorse the North Korean proposal. According to a South Korean government official, Li asserted the importance of North (and South) Korea becoming an integral part of the international community, which would help to improve North Korea's economic prospects, and Li probably told his hosts that Pyongyang should not count on Beijing to veto South Korea's entry into the United Nations.[1] On May 28, 1991, Pyongyang announced that it had (reluctantly) decided to apply for UN membership to prevent South Korea from being the only Korean representative in the assembly, and the two Koreas became members on September 17, 1991.

NORTH KOREAN ATTEMPTS TO UNDERMINE SOUTH KOREA

This scenario may be divided into three variants: (1) direct attack against South Korea (reminiscent of the Korean War of 1950); (2) subversion and/or infiltration (especially

[1]Shinn, "North Korea: Squaring Reality with Orthodoxy," p. 110.

popular just before the Korean War); and (3) terrorism (more prevalent in the 1970s and 1980s).

Direct Attack

The Korean War proved a monumental miscalculation by Kim Il Sung. The popular uprising of South Koreans that Kim predicted never materialized. On the contrary, South Korean citizens fought vigorously against the North Korean invaders and to this day harbor bitter memories of the attack. At the same time, North Korea suffered near-total devastation by America's military might.

There are several reasons why direct attack is not a viable option for North Korea today. First, improvements in South Korean defense capabilities and Seoul's continued close military cooperation with Washington pose a formidable military obstacle. Second, the expulsion of Iraqi forces from Kuwait by the U.S.-led coalition and the effectiveness of American military technology have also undoubtedly reminded Kim of U.S. capabilities and resolve. Third, North Korea would still require foreign military and economic support to win such a war, and international trends are strongly against the likelihood of such support. Russia is preoccupied with its own economic and political problems, and its prospects hinge heavily on securing the cooperation and aid of Western economies. Kim has much better relations with the Chinese than with the Russians, but it is highly doubtful that China would support an attack on its South Korean neighbor. China not only has a $5.7 billion trading relationship with the South, any support it gave to North Korean aggression would place its own security at risk.

Thus, North Korea would very likely have to go it alone if it chose to attack South Korea. It might seek support from radical Third World states, but the prospects here are also slim. Still, however unlikely the prospect of major attack may appear, economic or diplomatic desperation could drive the North Korean leaders to choose a military option in an attempt to resolve one crisis by creating another. Such a possibility cannot be totally discounted; North Korea's history is replete with self-defeating choices. Yet it seems certain that any aggression would fail and, perhaps, lead to North Korea's political and military humiliation or dissolution.

Subversion and Infiltration

North Korea's preferred method of influencing the South has been subversion and infiltration. This method was launched in the late 1940s, just before the Korean War. Indeed, the war can be viewed as an extreme form of subversion; Kim Il Sung and his close supporters like Pak Hon-yong, a native South Korean socialist who defected to the North in

1945, believed that the war could be won in less than three months with the help of subversive activities by North Korean agents inside the South.[2]

The failure of widespread South Korean support to materialize convinced Kim that he had grossly overestimated the strength of "revolutionizing forces" in South Korea. Nevertheless, he did not abandon subversion as a tactic; even today, the North Korean leadership still uses it against the South. Currently there are three conditions that encourage North Korea to use subversive tactics. First, the South's democratization process allows its citizens to openly criticize their government. Pyongyang views this as a great opportunity for its sympathizers to try to destabilize the South. Second, the highly visible student movement is a convenient vehicle for North Korea's destabilizing attempts. Third, anti-American sentiment in the South could possibly, Pyongyang hopes, be mobilized under the banner of Korean nationalism to attack the South Korean government.

The major difference between the old subversion tactics and the new is that in recent years North Korea has eschewed the use of violent infiltration, such as sending commando units into the South. This change of tactics may reflect North Korea's realization that such activities simply redound to its own discredit. Instead, it has adopted a more information-oriented approach, beaming to the South radio broadcasts especially tailored to South Korean students, and distributing printed propaganda. In this campaign, some of the Koreans living in Japan and the United States have acted as Pyongyang's spokespersons. Thus, the more open conditions in the South have enabled Pyongyang and its supporters to operate more freely in the political arena.

It is impossible to assess definitively whether the North Korean leadership truly believes that South Korea is on the brink of sociopolitical anarchy. North Korean propaganda repeatedly claims that conditions in the South have deteriorated dramatically, although the North Korean political leadership is well aware that South Korea's economic development far surpasses the North's.

In 1991, North Korea's increased diplomatic isolation and depressed economy forced Pyongyang to undertake an accommodation with Seoul. The North Korean government, which before had claimed to be the only legitimate government on the peninsula (and thus entitled to participate/interfere in the South's affairs), now began to call for noninterference from South Korea and other nations in North Korean affairs—a clear response to its fear of absorption by the South. On December 13, 1991, Pyongyang signed a reconciliation and nonaggression agreement with its southern counterpart. The first four articles of the

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[2]For a detailed history, see John Merrill, *Korea: The Peninsular Origins of the War*, University of Delaware Press, Newark, 1989.

agreement pledge the two sides to "respect each other's political and social system," "not interfere in each other's internal affairs," "not slander and vilify each other," and "not attempt in any manner to sabotage and subvert the other."[3]

The North may consider its signing of this agreement as (1) empty promises made only for their propaganda value; (2) a tactical adjustment in its policy toward South Korea; or (3) a basic policy change. The extensiveness of the "reconciliation and cooperation" articles of the agreement, which pledge the North to open its borders, suggests that the North Koreans do not take at least some parts of this agreement very seriously. In particular, Article 17 states: "The two sides shall promote free intra-Korean travel and contacts for the residents of their respective areas." This is an English translation by the South Koreans, and it is faithful to the original Korean draft published in *Nodong Sinmun*.[4] Interestingly, North Korea's *Pyongyang Times'* translation of the same article gives a more restrictive interpretation: "The north and the south shall effect free travels and contacts between public figures of various circles and other fellow countrymen."

The Kim regime cannot afford to follow through on the promises of unrestricted travel and free correspondence and press exchanges. One means of blocking the implementation of these proposals is already evident: on January 18, 1992, *Nodong Sinmun* stressed that "the South Korean authorities must take the stand of solving the political and military problems before anything else if they intend to implement [the agreement] honestly."[5]

Terrorism

North Korea is notorious for its state-sponsored terrorism. In the 1980s, Pyongyang launched two major terrorist actions against South Korea. In October 1983, bombs planted by North Korean agents at the Burmese national mausoleum in Rangoon killed 19 members of a visiting South Korean delegation, including the foreign minister and the president's chief political advisor. (President Chun Du-hwan, who was caught in traffic on the way to the site, arrived after the bombing and was uninjured.) Pyongyang denied any involvement in the bombing, but the international community generally accepted the results of the Burmese-South Korean investigation, which found North Korea responsible.

A second act of terrorism occurred in November 1987, less than a year before the Seoul Summer Olympics. This time the target was a Korean Air Lines flight originating in the Middle East. All passengers on board were killed by a plastic bomb placed on the plane

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[3]Text of agreement from *Korea Newsreview*, December 21, 1991, pp. 10–11.

[4]*Nodong Sinmun,* December 14, 1992, p. 1. The Korean text reads, "Puk-kwa Nam-un minjok kusong'wondul-ui jayuroun raewang-gwa jopchok-ul silhyunhanda."

[5]From KCNA, January 18, 1992, cited in FBIS-EAS, January 22, 1992, p. 35.

during an earlier leg of the flight by two North Korean agents. Unfortunately for Pyongyang, one of the agents was captured alive and confessed to the crime. She claimed that the orders for the bombing came from the highest North Korean authorities, presumably meaning Kim Jong Il. Pyongyang's denial of involvement was again given little credence in the face of the remorseful agent's confession.

Will North Korea try again until it succeeds in executing the perfect crime? Even though many people were killed by these two actions, the North Koreans did not achieve their political goals. In 1983 the president escaped, and the South Korean government was not destabilized. The 1987 bombing did not discourage delegations from attending the Olympic Games in record numbers.

It is widely speculated that the junior Kim has been the driving force behind these terrorist actions. The speculation is based on the observation that his times of power consolidation have coincided with these events, and on the confession of the North Korean agent who bombed the Korean Air Lines plane. Kim's personal motives may include a desire to project an image of toughness to match or even exceed that of his father.

North Korea's incipient nuclear weapons capability could also be used for purposes of intimidation. Its interest in developing nuclear weapons can be traced back to the 1950s, but the possibility of achieving this goal only emerged in the 1980s, when several of its scientists returned from Pakistan, where they had been studying nuclear weapons development. For seven years, Pyongyang poured money and manpower into a project to complete a research reactor. More than 2500 research personnel reportedly were assigned to the project. According to one report, the North Korean reactor is capable of producing plutonium from natural uranium available within the country. A South Korean report predicts that by 1993 the North will be able to manufacture a 20-kiloton weapon, similar in size to the one dropped on Nagasaki. The North Koreans deny that the research reactor is being used for weapons development, but the preponderance of evidence suggests a determined, covert pursuit of a nuclear option.[6]

The North Korean motives in seeking to acquire a nuclear capability, however, may be far more political than military. It is hard to imagine what possible North Korean interests would be served by a nuclear terrorist action, especially since that would expose it to worldwide condemnation and certain retaliation from South Korea and the United States.

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[6]"North Korea on the Nuclear Brink," *Foreign Report*, January 25, 1990, p. 1, and *Vantage Point*, July 1989, pp. 11–13. Also see Leonard S. Spector and Jacqueline R. Smith, "North Korea: The Next Nuclear Nightmare?" *Arms Control Today*, March 1991, pp. 8–13; Joseph S. Bermudez, Jr., "North Korea's Nuclear Programme," *Jane's Intelligence Review*, September 1991, pp. 404–411; and Andrew Mack, "North Korea and The Bomb," *Foreign Policy*, Fall 1991, pp. 87–104.

But acquisition of nuclear weapons, even on a very limited basis, would represent a "great equalizer" for the North, since it would compel the United States to deal more directly with Pyongyang. The North may originally have intended to acquire and use its nuclear threat as a bargaining chip to induce the United States to remove the nuclear weapons allegedly stationed in South Korea. President Bush's September 1991 unilateral withdrawal of U.S. tactical nuclear weapons worldwide has enabled the North to realize this goal while keeping its suspected weapons program intact. What will happen to the program now is uncertain. After repeated broken promises, North Korea finally signed the NSA on January 30, 1992. The more important issue of compliance with that agreement by accepting full-scope inspections remains in doubt. No matter what its motives, however, the North's nuclear program has injected a new and potentially very dangerous factor in the already highly tense military confrontation with the South.

REFORM

The reform scenarios clearly offer the most optimistic renderings of North Korea's possible directions. Given the country's severe economic problems and increasing diplomatic isolation, some measure of reform also represents the most probable scenario. But relaxing their extremely rigid political controls could pose serious problems for the North Korean leadership, since this might unleash pent-up forces inside the system. On the other hand, a reform process implemented fully and successfully could reduce tension on the peninsula and improve North Korea's economic and diplomatic prospects. The social-cultural homogeneity of the Korean people could be counted on to overcome most political and ideological differences in the long run. Depending on the depth and scope of reform, three varieties of reform scenarios can be envisaged. Each is discussed in turn below.

Incremental and Partial Reform

This is the most cautious route that Kim Il Sung and Kim Jong Il could take and still remain within the framework of North Korea's present political structure, and it seems the most likely of the reform scenarios. It would include incremental political, economic, and military reforms, with the greatest emphasis on economic changes. A partial economic reform would seek to keep any changes within the context of present North Korean slogans and political practices.

North Korea, for example, could further encourage the "August Third Consumer Goods" movement. This movement has emphasized the importance for the morale of the people of increasing the availability of consumer goods. It has also emphasized the conservation of raw materials. Depending on the specific policies implemented, the

movement could give North Korean citizens some experience with doing business in a semi-market economy.

One such example is in North Korean press depictions of the first "August Third Consumer Goods" department store, which opened in the Pyongch'on district of Pyongyang in 1984. The store reportedly does a brisk business in consumer goods. According to *Nodong Sinmun*, this store has gained a strong reputation for the variety of products it sells. As described, the production and marketing methods of such products are noteworthy. First, the products are said to be produced for local consumption, with production and marketing locally managed. Second, the decisionmakers for this management are local party and administrative leaders. Third, the newspaper depicts the people in the locality as motivated by self-interest. Fourth, this program is said to promote the expansion of the "off-plan" sector, at the expense of the planned sector. At any rate, whatever the actual circumstances and working conditions, the movement suggests an important symbolic step away from total state control.[7]

A partial economic reform strategy might also promote farmers' markets, to compensate for the lack of produce for consumers and to supplant the current black market in farm products. During North Korea's collectivization process, farmers were permitted to retain tiny plots of land for family cultivation. Instead of consuming all their produce, farmers began, in violation of the spirit of a socialist economy, to sell their surplus at local markets. Pyongyang has faced the dilemma of whether or not to allow these markets to continue operating. The severe shortage of fresh produce has persuaded the government to follow an unwritten policy of allowing them to go on for the time being, i.e., until the regime is able to reach its goal of economic self-sufficiency within the confines of a command economy. A partial reform scenario would allow these private market activities to exist with a minimum of restrictions.

These steps and others like them would be a significant departure from the command methods of "speed battles" and the "Three Revolutionary Team" (TRT) movement. (The TRT movement is a program initiated by Kim Jong Il to promote cultural, technological, and economic modernization.) Both the speed battle and TRT approaches exhort people to volunteer and sacrifice for the sake of the leader and the party. Most North Koreans have surely grown tired of hearing the same appeals and slogans without seeing an end to the shortages that these programs are supposed to alleviate. Since the mid-1980s, the leadership has periodically acknowledged the need for material incentives, such as paid vacations to

[7]Hy-Sang Lee, "The August Third Program of North Korea: A Partial Rollback of Central Planning," *Korea Observer*, Vol. XXI, No. 4, Winter 1990, pp. 465–466.

government-managed resorts, special wage bonuses, and better rations. Using these incentives, the government would seek to spur production and introduce the first real departures from long-entrenched policies. A recent North Korean article discusses the role of material incentives in a socialist economic system according to the "economic technological method" as recommended by Kim Jong Il. The article asserts that "the individual profit system and socialist distribution principle are not contradictory to the collectivist principle." Rather, "material incentive reflects the transitional nature of socialist society. In order for the individual profit system to serve as an economic means for realizing the collectivist principle, one should abide by the principle of giving relative independence to business activities of enterprises and of more highly appraising the enterprises that produce more profits for the state." This approach is said to "increase the people's productive zeal."[8]

North Korean foreign trade practices are also in need of reform. Since the early 1980s, Pyongyang has repeatedly defaulted on payment of its foreign debts. Estimates of North Korea's foreign debt range from $5 billion to $7 billion, and payment has now virtually stopped on old debt. To make matters worse, since 1991 the Russians have conducted most of their trade with North Korea at world market prices with payment in hard currency, and the Chinese have requested similar trade terms beginning in 1992. Pyongyang's economic difficulties will intensify under this new system of payment.

In taking a course of partial reform in the area of foreign trade, North Korea would need to expand its horizons to the free-market economies. In order to avoid the problem of "capitalist contamination," North Korea has proposed establishing "special economic zones" (SEZ) after the Chinese model. The zones that have so far been proposed (the Tumen River basin on the northern border with China and Russia, and the Rajin-Sonbong area in the northeast) are far from North Korea's population centers. Both zones are only in the early planning stages. Given the tepid foreign response to joint ventures in North Korea, it is far from certain that such "peripheral" reform will do much to change the North Korean economy. Pyongyang is also seeking joint ventures with South Korean companies, although this too carries the risk of contamination from the outside world. If North Korea is serious about enlisting the support of the free-market economies in its own reform program, the following steps will need to be taken:

- Resume payments on its external debt to establish a favorable credit rating.

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[8]Kim Yong-sok, "Economic Technological Method is an Important Method for Managing and Operating Socialist Economy," *Minju Choson* (in Korean), December 25, 1991, p. 2; cited in translation by FBIS-EAS, January 28, 1992, pp. 27–29.

- Encourage joint ventures by introducing special exemptions and benefits for foreign investment.
- Develop trade in higher-quality, labor-intensive consumer goods and in raw materials in order to earn hard currency. The consumer goods could be marketed to Western or developing countries, and many of the raw materials could be sold to South Korea or Japan.
- Accept a limited number of Western technology and management specialists to educate North Korean technocrats and students. Japanese and U.S. nationals would be good candidates, as would overseas Koreans.

Moderate But Rapid Reform

More rapid and comprehensive reform would involve both economic and political calculations. First, most of North Korea's former socialist partners, especially its trading partners, are already seeking to introduce such measures. North Korea might feel inclined to reform in order to keep pace with these changes, as well as to secure Western investment. An economic system built on barter and socialist friendship treaties will face severe constraints when dealing with partners who trade on a hard-cash, quality-control basis.

A second reason for rapid reform would be largely political. To establish his legitimacy, Kim Jong Il needs to effect a rapid turnaround of the economy. For him, a viable political mandate can come only from effective economic management, because it can hardly rest for long on his blood relationship to Kim Il Sung. Quick decisive action may also be the only way to avoid systemic collapse. Certainly the moderate reform route is more risky than cautious incrementalism, but this might well appeal to the gambler in Kim Jong Il. Unfortunately, the junior Kim is unlikely to take many chances until after his father's death.

Comprehensive Reform

A dramatic remaking of the North Korean economy would be likely only under two conditions: social instability on a wide scale or replacement of the present regime with very different leaders determined to radically transform North Korean society. Thus, a comprehensive reform scenario seems to be possible only if the present regime does not remain in power: as in Eastern Europe and the republics of the former Soviet Union, political change would have to precede economic change.

The only lingering uncertainty in this scenario is whether a fundamentally changed North Korea would remain an independent state. For a recent example of such a course of events one need look no farther than the collapse of East Germany and the rapid reunification of the whole country in 1990. However, it is possible that the North might treat

comprehensive reform as a largely intra-Korean problem. In other words, North Korea would seek to justify radical change on the basis of an indigenous model of societal and economic development, in which inputs from outside the peninsula might be kept very limited. In this scenario, North Korea might even hold out the prospect of unification if the South were highly generous in its economic, technical, and managerial assistance. But again, this scenario could take place only if an alternative leadership to the Kim dynasty were to attempt a total remake of North Korea, which would presumably be possible only if the present leadership arrangements collapsed.

Summary of Reform Scenarios

As of April 1992, the leaders in Pyongyang have given no indication that they are considering political reform. Nor have there been any substantial changes in economic policy, even in the face of an economic situation that reportedly has led to serious shortages of food and energy. North Korean leaders were caught off guard by the rapid disintegration of their principal economic benefactor, the former Soviet Union, and are seeking both short- and long-term responses to this dramatic change in their environment.

So far the North Koreans have initiated two courses of action. First, they are trying to stabilize relations with South Korea, to neutralize political threats from that quarter and to convince other nations that they are working for peace on the Korean peninsula. Second, they are seeking to establish economic relations with capitalist nations, especially Japan, in the hope that a near-term lifeline of reparations payments (from Japan) and longer-term assistance in the form of joint ventures can enable the regime to survive without resorting to political or economic restructuring.

Thus, an incremental reform scenario provides the closest description of the North's likely policies during the first half of the 1990s. As long as the Kims can keep the military behind them, they can remain in power, even as the Korean rank and file suffer economic hardships. What is best for the nation is not necessarily what is best for the leaders. At present the Kims can see two important reasons to be extremely cautious in adopting any new reform: the economic and political difficulties besetting other centrally planned economies as they make the transition to capitalism, and the continued tenure of the authoritarian regime in Beijing. But if the former centrally planned economies transform successfully, and if the conservatives in Beijing are replaced by reformers who have little sympathy for or rapport with the Kim regime, North Korea is likely to accelerate its reform measures. Then the question will be whether it is too late for moderation, and whether the

reform will be taken up by anti-Kim factions and transformed into a new political and economic order.

5. THE U.S. FACTOR IN NORTH KOREAN POLICYMAKING

U.S. DIPLOMATIC AND ECONOMIC OVERTURES TO NORTH KOREA

The United States is an important factor in North Korean policymaking on at least four counts: (1) it is a potent global and regional military power; (2) it has considerable political clout in international organizations and with many of the nations that North Korea wishes to deal with; (3) it has strong political influence and a significant military and economic presence in the southern half of the Korean peninsula; and (4) it is a major source of technology and capital, of which North Korea is in need.

U.S. government policy toward North Korea is to support only humanitarian commercial exchanges. On the diplomatic front, the United States voted in favor of admitting North Korea to the United Nations, and it has been holding a series of counselor-level talks with the North Koreans in Beijing, as well as one high-level talk in New York primarily to discuss North Korea's resistance to implementing IAEA inspections of its nuclear facilities.

Under current circumstances there seems to be no urgent need to revise U.S. trade policy toward Pyongyang. On the diplomatic level, especially given North Korea's belligerent rhetoric directed at the United States and Pyongyang's delay in accepting nuclear inspections, the current level of diplomatic exchange also seems adequate. However, the trends in the 1990s will pose an important question to U.S. policymakers: will Washington continue its policy of isolating and largely ignoring the North Koreans (except when they present a threat that catches Washington's attention), or will it play a more active role in trying to bring North Korea into the international community?

This is not the place to argue the proposition that the United States is either morally or legally responsible for helping North Korea to join the world community. But American interests in a peaceful international environment and a secure and economically healthy South Korea (which is the United States' seventh-largest trading partner and host to over 30,000 U.S. troops) requires that North Korea be brought under international constraints as a participating member of the international community, rather than remaining as a so-called pariah state. Although it is difficult to establish relationships with one's enemies, it is as important to do so as it is to nurture one's friendships. Many of North Korea's past and present policies and actions, most notably its recent pursuit of nuclear weapons, are

anathema to U.S. interests and sensibilities. But this is all the more reason to work to establish a relationship that will enable the United States to exert greater influence on Pyongyang to modify its policies.

Through dialogue and measured diplomatic and economic pressure, Washington should continue to prompt the North to begin serious implementation of the North-South nonaggression and reconciliation agreement, discontinue slandering the United States, and allow prompt and full IAEA inspections of its nuclear facilities. Restricting dialogue to the nuclear inspection issue and issuing threats and ultimatums may only drive North Korea into greater isolation, with or without a nuclear weapons capability. While the United States has made its interest in nuclear nonproliferation very clear, it has given less attention to North Korea's political, security, and economic interests. Without an appreciation of these interests, and without a willingness to compromise on some of its own, the United States has little chance to achieve its goal of a long-term, peaceful solution to the dispute with North Korea.

U.S. FORCES ON THE KOREAN PENINSULA

According to authoritative U.S. policy statements, American forces in Asia serve the following U.S. regional interests:[1]

> [P]rotecting the United States from attack; supporting our global deterrence policy; preserving our political and economic access; maintaining the balance of power to prevent the rise of any regional hegemony; strengthening the Western orientation of the Asian nations; fostering the growth of democracy and human rights; deterring nuclear proliferation; and ensuring freedom of navigation.

The more specific bilateral security objectives of the U.S. forces in South Korea are to deter North Korean aggression and "to reduce political and military tensions on the peninsula by encouraging North-South talks and the institution of a confidence building measures (CBM) regime."[2]

The U.S. military presence in South Korea remains Kim Il Sung's *bête noire*. Over the years, Kim has repeatedly demanded the expulsion of foreign forces from the Korean peninsula. But the troops have remained in the South, and their presence has lent domestic stability to South Korea and provided a deterrent against aggression from North Korea and other countries in the region.

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[1]*A Strategic Framework for the Asian Pacific Rim: Looking Toward the 21st Century*, Department of Defense mimeo, undated (released in April 1990), p. 8.

[2]Ibid., p. 15.

The North Korean insistence on the departure of U.S. forces from the South is doubtless motivated by the desire to achieve several goals: (1) the reduction of the offensive threat that the U.S. military presence in South Korea is perceived to project; (2) a weakening of the South's defenses, to make it more vulnerable to a real or threatened Northern attack; (3) the destabilization of South Korean society; and (4) the achievement of an important political victory for the Kim regime, in line with North Korea's declared principles of independence and *juche*.[3]

At least as long as a substantial U.S. military presence remains in the South, Pyongyang must weigh its actions (especially as they relate to South Korea) in light of potential U.S. responses. This is to say, the American presence exerts a restraining influence on Pyongyang's decisions, albeit in ways that cannot be directly observed or determined. If the North desires to continue on its traditional course of revolutionary nationalism, then the gradual withdrawal of these forces can be made contingent on North Korea's modifying its preferred course of behavior by adopting a more cooperative, less revolutionary international stance—for example, by engaging in arms reduction.

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[3]While the continued presence of U.S. forces could also be used to the *advantage* of the Northern government, e.g., as a justification for requesting military support from China, and as a propaganda threat to unite the North Korean populace behind the Kim regime, on balance it is most likely that the North Korean government would prefer to see the Americans leave.

6. IMPLICATIONS FOR THE U.S.–SOUTH KOREA RELATIONSHIP

U.S. POLITICAL AND ECONOMIC RELATIONS WITH SOUTH KOREA

A solid basis of friendship between the United States and South Korea was forged during the Korean War, and this relationship has been sustained by close security ties ever since. The structural framework of the relationship has gone unchallenged in the past four decades, even though the two nations have had their differences from time to time.

But the 1990s will witness some major changes in the relationship. First, the memory of the role of the United States in the Korean War has faded, especially among many younger Koreans who question the continued necessity of an American troop presence. Some of the population also believes that the troops are less needed now: neither the Chinese nor the Russians are considered the threat they once were. Rather, for many South Koreans, Japan is the most-feared major power. If North Korea once posed the crucial threat, the ongoing dialogue between Seoul and Pyongyang has reduced that threat perception for many South Koreans. Many believe that the key to improving relations with the North is to engage in social and economic exchanges.[1]

Trade friction between South Korea and the United States has created widespread anti-American feelings, and this sentiment may grow if the South's economic performance slows further. Thanks to higher South Korean wages and U.S. market-opening pressure, South Korea's former trade surplus with the United States was replaced by a half-billion dollar trade deficit in 1991. Many Koreans saw their trade surpluses as a product of their own effort, not as a result of unfair trade practices. Many assert that this deficit means it is time for the United States to reduce its market-opening pressure, especially in the agricultural area.

From the vantage point of the United States, South Korea remains a country of importance primarily for two reasons. First, its geostrategic location and political-economic complementarity to the United States make it a valuable regional ally. Second, its role as the seventh-largest trading partner of the United States and a rising economic competitor make it a force to be reckoned with. The first factor has helped keep the two nations together

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[1]A poll conducted by a South Korean newspaper, the *Segye Times,* and a private polling company in mid-1991 found that 50.4 percent of the 798 respondents believed that social and economic exchanges were the best solution to the North-South conflict. As reported by YONHAP news agency, August 7, 1991, cited in FBIS-EAS, August 7, 1991, p. 13.

for the last 40 years in a cooperative, if dependent, relationship, while the second factor may push them apart in the future.

The strategic environment in Northeast Asia has changed in the past several years. The U.S. role as a military guardian of South Korea will require less effort in the future, while more effort must be put into establishing a stronger, multifaceted economic and political relationship.

U.S.–SOUTH KOREA SECURITY COLLABORATION

Official U.S. policy since the Korean War has been to promote security and peace on the peninsula by deterring North Korean aggression against South Korea. The United States and South Korea have developed a close alliance over the years, and the U.S. military presence and other aid have effectively preserved peace on the peninsula.

There is a growing desire in South Korea and the United States for a prudent, measured reduction of American forces. The timetable and scope of the reduction should take into account the functions that the military presence has served, as well as future changes in the regional and global security environment and public opinion in South Korea and the United States.

Three broad factors will shape the future U.S. force structure on the Korean peninsula. First will be South Korea's perception of its need for a U.S. military presence. The South's growing economic and military strength has increased its self-defense capabilities. The introduction of political pluralism and the easing of government censorship have opened the way for expression of nationalistic sentiment by some South Koreans, a sentiment consistent with the removal of foreign troops from the country. The South Korean government's increasing experience and confidence in dealing with North Korea has lowered its threat perceptions of the Kim regime, although the North's refusal to accept inspection of its nuclear facilities has now introduced a new danger that threatens to undo the recent improvement in relations. These specific factors must be weighed by the South Koreans as they determine their future needs for a U.S. military presence and, more broadly, for a military alliance with the United States.

A second factor influencing the U.S. military presence in South Korea is Washington's willingness to provide these forces, given the changes in the regional and global security balance. Although the future cannot be predicted with any precision, the traditional threat perceptions of the Cold War era have subsided, to be replaced by threats of a more regional origin. U.S. interest in preserving stability in Northeast Asia remains strong, but the future trend may well be for regional powers to take the lead in resolving their own disputes, with

the United States providing temporary assistance if called upon. For such a supporting role, a reduced overseas military presence seems more appropriate.

A gradual withdrawal of U.S. forces from Korea seems likely, barring hostile actions from the North—the recent cancellation of plans for a future second-phase troop withdrawal notwithstanding. The bottom line is that American troops will remain in South Korea as long as both the United States and South Korea want them to remain. Although recent events in the two countries, as well as in Northeast Asia, suggest that the troops could be gradually withdrawn within the decade, it is simply not possible to foresee all eventualities, some of which might require a strong U.S. military presence. In such cases, the troops could be reintroduced.

In terms of the nature of U.S.–South Korean security collaboration, the future trend will be for South Korea increasingly to take the lead in its own defense. Several measures in this direction have already been taken. In March 1991 a South Korean general became the chief representative of the Military Armistice Commission, replacing an American officer. In October 1991 the Korean military assumed responsibility for guarding the demilitarized zone in the Panmunjom area. The decision has been made to hand over command of ground forces in South Korea to a South Korean general by the end of 1992. It has also been announced that the Combined Field Armies (CFA) would be disbanded by the end of 1992.[2]

An important component of this security collaboration has been the joint U.S.–South Korean military exercises. By far the largest of these has been the annual spring "Team Spirit" exercise, first staged in 1976. In 1991 the exercise involved 98,000 South Korean and 42,000 American troops, many brought from the United States. The massing and movement of these troops, even though designed to practice defense and to demonstrate U.S. commitment to South Korean security, are viewed as offensive maneuvers by the North Koreans, who routinely canceled all contact with South Korea during the exercise period. Team Spirit has been canceled for 1992 as a confidence-building measure to induce the North Koreans to engage in meaningful dialogue with the South on arms reduction and reconciliation. Whether Team Spirit will be resumed in 1993 will depend on North Korea's behavior in the year ahead.[3]

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[2]*Kukbang Paekso* (White Paper of National Defense), Republic of Korea, 1991–1992, pp. 198–199.

[3]See Lee Sung-yul, "1992 Team Spirit Cancelled," *Korea Newsreview,* January 11, 1992, p. 4.

7. CONCLUSIONS

North Korea today is beset by serious problems. It has lost much of the political and economic support of its communist and formerly communist allies; its autarkic economy is suffering from structural weaknesses, mismanagement, and worker apathy; and its emerging leader, Kim Jong Il, lacks the legitimacy of his aging father, Kim Il Sung.

Of the three scenarios of future North Korean policy discussed in this Note—status quo, subversion and attack, and reform—incremental reform seems most likely to serve the interests of the present regime, which are to remain in power by maintaining tight political control over the populace and at the same time raising their standard of living.

The legitimacy of Kim Jong Il's leadership will rest on three pillars: (1) the military, economic, and political successes of the early years of his father's regime; (2) demonstration that North Korea's command economy can deliver on its promise to raise the people's standard of living, which has recently taken a turn for the worse; and (3) the regime's ability to rally the loyalty of the people to Kim Il Sung's ideology, of which he is the principal implementer and promulgator.

As memories of the regime's past successes fade (despite strong propaganda to keep them current), the economic and ideological justifications for a Kim Jong Il regime become all-important. Unfortunately, they are contradictory: North Korea's vision of an independent and self-reliant command economy is incompatible with economic growth in an open and interdependent world economy.

The dilemma facing the two Kims is of obvious concern to nations that deal with North Korea. While Pyongyang's simplest solution to the dilemma would be to discard the old ideology, this solution is unavailable to the ruling elites, who would then have no justification for remaining in power and moreover would have to explain why they clung to this ideology so adamantly for so long.

The desire of South Korea and other nations with interests in the region to induce North Korea to abandon its totalitarian structure is frustrated by a lack of leverage. The nation that had the most influence over the North, the former Soviet Union, has virtually abandoned its former ally and turned to the free-market economies for solutions to its domestic problems. China seems to be in the process of doing likewise. While North Korea's independent and relatively self-reliant economy has not been successful in recent years from an economic standpoint, it has—by design—made the country remarkably free from outside pressure.

North Korea's former goal of unifying the peninsula under communism by force or subversion seems to have been replaced by a fear of being politically and economically absorbed by the South. Kim Il Sung's recent pronouncements on unification, while continuing to call for Korean "unity," in fact stress the importance of the two societies remaining separate for the time being.

The foremost concern of South Korea and other nations in the region should be to prevent the outbreak of a second Korean war. Although North Korea maintains a potent military force, it would be suicidal for it to launch an attack against the South under present or foreseeable circumstances. This truth cannot be lost on the North Korean leadership, and such an attack is highly unlikely unless the North is provoked and the regime feels it must act to protect its very legitimacy. The North could perceive an attack against its nuclear facilities as such a provocation; this needs to be weighed as one factor in U.S. deliberations over how best to prevent nuclear proliferation in the North.

For the past 40 years, U.S. forces on the Korean peninsula have provided a deterrent force and a symbol of America's readiness to defend South Korea. As the South Korean forces are strengthened, the American forces can increasingly play a supporting rather than lead role in defense. The virtual disappearance of a military threat to South Korea from China or Russia also lessens the need for a substantial U.S. troop presence. While Washington intends to maintain a forward military presence in the region to serve its own strategic interests, it should consider those in the South (presently a minority) who feel that these forces violate South Korea's sovereignty, as well as those in the North who believe this presence constitutes a threat.

The gradual withdrawal of U.S. forces from South Korea, in consultation with the South Korean government, should be made contingent on North Korea's demonstrated commitment to tension reduction and arms control. But the threat from the North should not be overemphasized. Differences in culture and ideology between North Korea and the United States should not be taken as evidence of North Korean hostility. The Kim regime has put itself in a difficult predicament; it may be able to find a viable plan, with the help of the Koreans in the South, to extricate itself from that predicament without having to resort to violence to defend what it perceives to be its legitimate interests.