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**PROSPECTS FOR INTER-KOREAN AND
US-DPRK RELATIONS**

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The inauguration of Lee Myung Bak as the President of the Republic of Korea (ROK) in February 2008 marked the first time in ten years that a conservative had taken over the reins of power in Seoul. Among other things, this development foreshadowed a significant change in inter-Korean relations. For neither the engagement (or “Sunshine”) policy of Kim Dae Jung nor the “Peace and Prosperity” policy of Roh Moo Hyun had been endorsed, let alone embraced, by Lee Myung Bak.

What, then, is the direction in which the Lee government hopes to transform inter-Korean relations? What are the interim results of the new government’s words and deeds pertaining to the North? Equally, what lies ahead for U.S.-DPRK relations?

An Assessment of Kim Dae Jung’s Engagement Policy

In his inaugural address in February 1998 Kim Dae Jung enunciated three principles that would guide his government’s policy toward the North: First, it would not “tolerate any

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armed provocation by the North.” Second, it disavowed any “intention of either undermining or absorbing the North.” Third, it would “actively pursue reconciliation and cooperation with the North beginning with areas in which they are relatively easy to achieve.” Although these “principles” were by no means new, for they had been embraced by Kim’s predecessors as well, what was nonetheless striking was the zeal with which the Kim government would pursue reconciliation and cooperation with the North.

I had the good fortune of being appointed as the Minister of Unification in the following year, when contacts began with the North for an inter-Korean summit. Such a summit, the first ever in the annals of inter-Korean relations, materialized in June 2000. The most notable product of that historic summit was the June 15, 2000 North-South joint declaration.

That declaration paved the way for stepped-up exchanges and cooperation between the North and the South. Although the new climate did not prevent either the armed clashes on the West Sea between the navies of both sides or the eruption of the second nuclear crisis, inter-Korean relations improved markedly in countless ways. A sharp increase in economic cooperation—notably the Kaesong Industrial Complex, inter-Korean trade, and the conclusion of various agreements—as well as the cessation of mutual slander in the Demilitarized Zone (DMZ) and the expansion of Mt. Kumgang tours are some of the indicators.

Particularly noteworthy is the Kaesong Industrial Complex, in which both the number of South Korean factories and North Korean workers has steadily grown: by 2007 there were 65 plants employing over 22,000 North Korean workers. Visitors to the complex can observe first-hand what can be achieved by inter-Korean economic cooperation. Overall, the multifaceted exchanges may have served to mitigate mutual animosity and distrust.

An Assessment of Roh Moo Hyun's "Peace and Prosperity" Policy

Roh Moo Hyun began his term in February 2003 with a pledge to continue Kim Dae Jung's engagement policy, albeit under a different name—that is, "Peace and Prosperity." Roh's policy would be guided by four principles: (1) resolving all pending issues through dialogue, (2) placing priority on "building mutual trust and upholding reciprocity," (3) seeking "active international cooperation," and (4) "enhancing transparency, expanding citizen participation, and securing bipartisan support." Roh expressed hope that his policy would not only help ensure peace on the Korean Peninsula but also promote prosperity in the South and the North alike.

The most notable event in inter-Korean relations during Roh's term of office was the second inter-Korean summit held in October 2007 in Pyongyang. However, it happened at the end of his term in office. With less than four months left in his term, Roh was on shaky grounds for making any commitments to the North, for whether and to what extent they would be honored would hinge on the outcome of the presidential election scheduled

for mid-December. The convergence of interests on the part of Roh and Kim Jong Il, however, led not only to the summit but also to an agreement—the October 4 North-South Joint Declaration—that was both wide-ranging in scope and staggering in terms of required costs. Roh’s legacy, then, is seen by Lee not as a milestone in inter-Korean relations but as a roadblock to the new administration.

One should not, however, minimize the degree to which inter-Korean relations have changed since 2000. The value of inter-Korean trade increased from \$425 million in 2000 to \$1.8 billion in 2007. The number of South Korean visitors to the North, not counting tourists to Kumgang Mountain, grew from 7,280 in 2000 to 158,170 in 2007. North Korean visitors to the South, however, remained more or less constant—around 1,000. The number of charter flights between Seoul and Pyongyang jumped from 43 (with 1,873 passengers) in 2000 to 153 (with 7,515 passengers) in 2007.

Lee Myung Bak’s Policy: “Mutual Benefit and Common Prosperity”

Lee’s policy toward the North was initially called “Denuclearization, Opening and 3000” but was later rechristened as “Mutual Benefit and Common Prosperity.” [This is the official translation of “*sangsaing gongyeong*,” literally “mutual benefit and common prosperity.”] First articulated during Lee’s Presidential campaign, the former, however, has not been discarded by any means. Hence it needs to be explained first. In simple terms, it proposes to provide economic assistance to the North with the aim of raising its per capita national income to \$3,000 in ten years on condition that the North abandons its

nuclear weapons programs and pursues the policy of openness toward the international community. Denuclearization, however, is not an absolute precondition for economic assistance, for the latter can begin in tandem with the progress of denuclearization.

The Lee government also made plain that it would not hesitate to raise the issue of human rights vis-à-vis the North, voting for a resolution expressing concerns on the issue in the UN Human Rights Council within a few weeks of Lee's inauguration. To Pyongyang's dismay, the human rights issue found its way into a joint statement released after the summit meeting between Lee and Bush in Seoul on August 6: the "two Presidents reaffirmed their commitment to improving human rights situation in North Korea and shared the view that in the process of normalizing relations, meaningful progress should be made on improving North Korea's human rights record."

What, then, is the new incarnation of Lee's policy toward the North? In a speech at the opening ceremony of the newly-elected National Assembly on July 11, Lee struck a markedly conciliatory tone, unveiling a new name for his Northern policy—"mutual benefit and common prosperity." Underscoring that he continued to place the "highest priority" on ensuring the denuclearization of North Korea, Lee stated that "in tandem, we will seek mutual benefit and co-prosperity of the two Koreas."

Taking note of such positive developments as North Korea's submission of a declaration concerning its nuclear programs and the resumption of Six-Party Talks, Lee stated that "substantial cooperation" between the two Koreas would materialize, which, in turn,

would usher in an era in which both parts of the Peninsula would thrive together. He went on to make some specific proposals to the North:

First, resume “full” inter-governmental dialogue. Significantly, he stated his government’s willingness to “engage in serious consultations on how to implement the inter-Korean agreements made thus far, including the July 4 [1972] Joint Communiqué, the [1992] Basic Agreement between the South and the North, the [1992] Joint Declaration on the Denuclearization of the Korean Peninsula, the South-North Joint Declaration of June 15, 2000 and the “October 4, 2007 Summit Declaration between the leaders of the two Koreas.”

Second, engage in inter-Korean humanitarian cooperation. While expressing his government’s readiness to “cooperate in efforts to help relieve the food shortage in the North as well as alleviate the pain of the North Korean people,” however, Lee also mentioned the need to resolve the issues involving “South Korean POWs, separated families, and South Korean abductees.”

Stressing the need for “a new thinking and a new direction” in inter-Korean relations, Lee advocated a “move from an ‘age of declaration’ to an ‘age of implementation,’ based on the spirit of mutual benefit.”

Why Does the North Oppose Lee's Policy?

The North not only opposes but vehemently denounces Lee's policy. In the beginning Pyongyang called on the Lee government to confirm and faithfully carry out the letter and spirit of the June 15, 2000 North-South joint declaration. When the Lee government pointedly ignored not only the June 15 declaration but the October 4, 2007 declaration as well, the North began to denounce Lee with virtually no restraint. The North equated Lee's "denuclearization, opening, and 3000" policy with a scheme to topple and absorb North Korea's political system, deriding Lee as a "messenger boy for America's nuclear war."

Pyongyang promptly dismissed Lee's shift to a more conciliatory posture on July 11 as unworthy of a moment's consideration. A commentary published in *Rodong sinmun*, an official organ of the Korean Workers' Party, on July 13 called Lee's remarks as a rehash of what his subordinates had already said. Lee's offer to "engage in serious consultations on how to implement inter-Korean agreements made thus far," including the June 15, 2000 and the October 4, 2007 summit declarations, was dismissed as an attempt to disguise his true intention by mixing the two with other inter-Korean agreements. To be fair, the North's refusal to construe Lee's remarks as an endorsement of the June 15 and October 4 declarations cannot be faulted. In an article published on August 4, *Choson sinbo* [Korea News], an organ of the pro-North Korea residents' federation in Japan that serves as a mouthpiece of the DPRK, saw no substance whatsoever in Lee's remarks,

implying that the new name adopted by his government for policy toward the North was tantamount to an old wine in a new bottle.

According to ROK Foreign Minister Yu Myung-hwan, the Lee government's intention, in enunciating the "mutual benefit and common prosperity" policy, is to induce the North to engage in serious dialogue with the aim of reviewing all inter-Korean agreements concluded at the highest level, selecting those that need to be kept and assigning priorities. The South has already unveiled four criteria for implementing such agreements: (1) progress in the North's denuclearization, (2) economic merits of projects, (3) the South's financial resources, and (4) support from the people.

Apart from the harsh rhetoric, the North has displayed its displeasure toward the Lee government through both action and inaction. On March 27 the North expelled 11 South Korean government officials from the Kaesong Industrial Complex. This was followed shortly by an expulsion of additional government officials. What triggered such North Korean action was a remark by the chairman of the joint chief of staff in a National Assembly hearing. It pertained to a hypothetical contingency in which he said he might have to order a preemptive strike against North Korean military bases where weapons designed to attack the South were known to be deployed. The North has since refused to engage in any inter-governmental dialogue with the South. Non-governmental exchanges, however, have continued. A notable exception is Mt. Kumgang tourism, which was suspended in mid-July on the heels of an incident in which a South Korean woman tourist was shot to death by North Korean soldiers in a restricted area.

The North not only ignored Seoul's request to conduct a joint investigation of the incident or, alternatively, to allow an on-site investigation by a South Korean team but shifted the responsibility for the incident to the South, calling on the latter to apologize. What is more, on August 3 a spokesman for the Korean People's Army (KPA) unit stationed in the area of Mt. Kumgang issued a special statement announcing that the KPA would expel all South Korean personnel in the area whom the North deemed unnecessary. The KPA would also "limit and control the persons and vehicles of the South side" more strictly in the area and "take strong military counter-measures against even the slightest hostile actions in the tourist resort in the area of Mt. Kumgang" in the future. On August 9, the KPA began implementing its plan.

This development dimmed the prospect of an early resumption of tourism, which had been an important source of foreign exchange earnings for the cash-starved North. Between 2001 and June 2008, for example, the North earned over \$144 million as "tourism fee" from South Korean visitors, who surpassed the one-million mark in 2007. It should be noted that tourism in Kaesong, to which an average of 400 South Korean visitors make a day trip each day, continues unabated. The North, which charges \$80 per head, earned \$929,000 in July 2008 alone.

Why does the North insist on the importance of upholding the June 15 and October 4 declarations? Not only are they the products of summit meetings between Kim Jong Il and his South Korean counterparts but both are also viewed by Pyongyang as immensely

beneficial. Let us consider the June 15 joint declaration first. The joint commitment to pursue unification “independently, by the joint efforts of the entire Korean people” echoes Pyongyang’s long-standing position—which was first incorporated into the July 4, 1972 North-South declaration. The phrase “by the joint efforts of the entire Korean people”—“*uri minjok kkiri*” in Korean—has since been elevated by the North to the status of the single most important slogan vis-à-vis the South. It is invoked to urge Seoul to place cooperation with Pyongyang ahead of any “collaboration” with “foreign powers.” It also serves as a convenient cover for soliciting aid from the South.

As already noted, the October 4 joint declaration contained numerous projects for inter-Korean economic cooperation that would require huge sums of money and resources, most of which would need to emanate from the South. They include projects to repair the Kaesong-Shinuiju and the Kaesong-Pyongyang expressways and railroads; to establish “cooperative complexes for shipbuilding in Anbyon and Nampo”; and to create a “special peace and cooperation zone in the West Sea.” With Haeju as the main harbor in the zone, the last-named project will entail the creation of a “joint fishing zone” as well as a “special economic zone.” The total costs of these projects are estimated to be in the range of several to tens of billion dollars.

Prospects for North Korea’s Denuclearization

Since progress in Pyongyang’s denuclearization remains the single most important factor shaping the Lee government’s policy toward the North, how are its prospects shaping up?

The resumption of Six-Party Talks in mid-July after a nine-month hiatus signaled limited but nonetheless significant progress. The declaration of its nuclear programs submitted by the North after a six-month delay, however, remains to be verified. The July meeting of the Six-Party Talks produced an agreement that if a verification protocol could be adopted by August 11, then the U.S. would be able to remove the DPRK from its list of states sponsoring terrorism by the same date. These two steps must occur in tandem.

By the end of October, all the parties to the Six-Party Talks must honor and fulfill their respective obligations—meaning the complete disablement of the Yongbyon nuclear facilities by the North and the completion of heavy fuel oil (HFO) and non-HFO assistance to the North by the other parties. The first step—the adoption of a robust verification regime, matched by the delisting of the North from Washington’s terrorism sponsor list—however, failed to materialize by August 11, which U.S. officials said was a “minimum timeline” rather than a fixed date.

On August 26 the North announced that it had stopped disabling its nuclear facilities on August 14 and would consider restoring them to the “original state.” Washington’s failure to remove the DPRK from the terrorism sponsor list, Pyongyang asserted, was a violation of the “action for action” principle embodied in previous Six-Party agreements. Washington countered by reiterating the need for a robust verification regime for the declaration that had been submitted by the North, without which the latter’s delisting from the terrorism list would not occur. The on-going negotiations between the two sides, coupled with the continuing presence of U.S. personnel in Yongbyon overseeing the

disablement process, suggest that the latest North Korean move is a manifestation of brinkmanship aimed at wresting a concession out of the Bush administration that is ostensibly eager for a foreign policy breakthrough. Given the high stakes for both sides, as well as for the other states in the Six-Party process, one can conjecture that a way out of the latest crisis will be found before too long.

Assuming that the impasse will be broken sooner or later, leading to the completion of the disablement phase in the North's denuclearization process, what will happen next? Will the next phase go smoothly? Will the North agree to the dismantlement of all of its nuclear programs? Will it give up all of its weapons-grade plutonium, nuclear weapons and devices, and allow the destruction of all nuclear facilities? What of the suspected highly enriched uranium (HEU) program? Will the North provide a complete and verifiable accounting of it? Will it also come clean on the proliferation issue—that is, its suspected assistance to Syria's aborted nuclear weapons program?

Judging from its track record, one can be certain that the North will drive a hard bargain on a continuing basis, trying assiduously to extract maximum possible concessions. One cannot exclude a scenario in which the North will try to hang on to what it calls “nuclear deterrent” as long as possible. As Kim Kye-Gwan, the North's chief delegate to the Six-Party Talks put it, what the DPRK means by the “denuclearization of the Korean Peninsula”—which is the expression used consistently in all the agreements emanating from the Six-Party Talks—is not a “unilateral disarmament” of the DPRK but the “liquidation of hostile relations between the DPRK and the United States, coupled with

the removal of all threats of nuclear war on and surrounding the Korean Peninsula.” This implies that the North is most likely to insist on all sorts of “reciprocal measures,” ranging from an on-site inspection of U.S. military bases in the South to diplomatic normalization.

To deal effectively with the North’s delaying tactics, it is imperative that both bilateral cooperation between Seoul and Washington and trilateral consultations among Seoul, Washington, and Tokyo be strengthened. The North’s attempt to drive a wedge between Seoul and Washington—or to strengthen ties with the U.S., while containing the South—must be countered head-on. The North’s continuing intransigence toward the Lee government, which is costing the North humanitarian assistance from the South in terms of food and fertilizer aid, is fueled in part by the recent improvement in U.S.-DPRK relations. For Washington’s decision to provide 500,000 tons of food, of which two installments have already been delivered to the North, may help compensate for the loss of aid from Seoul, which averaged 400,000 tons of food and 300,000 tons of fertilizers in recent years. That, however, may be insufficient for the North, which is facing a severe food shortage—the worst since the famine of the mid-1990s.

The August 6 summit meeting in Seoul between Bush and Lee may have sent a potent signal to Pyongyang that its calculations are misguided. In addition to joining Lee in calling on the North to improve its human rights situation, Bush also “expressed his regret and condolences regarding the shooting death of a South Korean tourist at the Mt. Kumgang resort area on July 11, and urged relevant North Korean authorities to engage

in inter-Korean dialogue to promptly resolve the case and prevent any recurrence of such a tragedy.”

Prospects for Inter-Korean Relations

How inter-Korean relations are likely to evolve in the months ahead will hinge on such variables as (1) U.S.-North Korean relations, (2) North Korea’s internal situation and external environment, (3) the Lee government’s policy adjustments. As already noted, U.S.-North Korean relations have improved in recent months to such a degree as to allow the North to consider U.S. aid as something of a substitute for Seoul’s aid. If the assessment by the UN World Food Program (WFP) is on the mark, however, the North will find the U.S. aid grossly insufficient. There is, moreover, a chance that the next administration in Washington may not continue, let alone expand, the Bush administration’s aid program. For the latter may not stem from humanitarian considerations pure and simple but reflect Bush’s need for a legacy of foreign policy success—in the form of substantial progress in the North’s denuclearization. Depending on who becomes Bush’s successor, U.S. policy toward the North may become either hard-line or more accommodating.

To note the positions of the two top contenders for the Presidency, neither Barack Obama nor John McCain would tolerate a nuclear-armed North Korea. Obama has stressed the importance not only of verifying the accuracy of the North’s declaration submitted to the Six-Party Talks but also of confirming its “uranium enrichment activities” as well as

“proliferation activities with other countries, including Syria.” What sets Obama apart from both Bush and McCain, however, is his willingness to meet with Kim Jong Il. In his words, “we should continue to pursue the kind of direct and aggressive diplomacy with North Korea that can yield results.” Although McCain, too, supports engagement with the North, he would not meet with either Kim Jong Il or any other “rogue state” leaders. In short, if the North is playing the waiting game, as some observers have suggested, it is bound to be disappointed.

North Korea’s internal situation is exceedingly hard to gauge, for not only is the DPRK one of the most opaque countries in the world but it is without equal in terms of the paucity of high-level defectors who can help demystify that secretive regime. Although the last such defector, Hwang Jang Yop, was a secretary of the ruling Workers’ Party of Korea, he was not really a member of the power elite’s inner circle. Nor is he or anyone else truly up-to-date on Pyongyang’s internal political dynamics. The hard line taken by the North in connection with the Mt. Kumgang incident of July 11 suggests, nonetheless, that the military, which has emerged as the dominant force in the post-Kim Il Sung North under the banner of “military-first politics,” may have an upper hand in making policy toward the South. This is not to imply that the military can outmaneuver Chairman Kim Jong Il; it simply means that Kim may give more weight to the KPA’s view than he does to the views of other groups.

One thing that neither the military nor Kim Jong Il can control completely, however, is the shortage of food, fertilizers, and other necessities. Should aid from China and other

countries, including the U.S., much of which is channeled through the WFP, fall short of the North's need—and should the situation reach crisis proportions—then and, perhaps only then, will the ruling elite in Pyongyang be compelled to make a policy adjustment—in the direction of jettisoning its hard line toward the South. Externally, a breakthrough in Pyongyang-Tokyo relations, such as a resolution of the abduction issue, or a deterioration of Pyongyang-Beijing relations can also induce policy adjustment.

A change in the Lee government's policy should not be ruled out altogether. The massive protests against its decision to lift a ban on the import of U.S. beef, coupled with the backlash in public opinion triggered by the Mt. Kumgang incident and its aftermath, has weakened its position at home. The Lee government, therefore, has no choice but to navigate the waters with utmost caution. At a minimum, the cessation or a toning down of the North's rhetoric denouncing and belittling the Lee government must occur before the Lee government can make a meaningful adjustment. Conciliatory signals, nonetheless, can be sent with the aim of inducing incremental change in Pyongyang. One such signal can take the form of providing humanitarian assistance through international agencies, such as the WFP.

When the Bush administration's decision to remove the DPRK from the list of states sponsoring terrorism and to terminate the application of the Trading with the Enemy Act with respect to the North is fully implemented—in conjunction with the fulfillment by the North of its own obligation, that is, the verification of its declaration on nuclear programs as well as the complete and verifiable disablement of the Yongbyon nuclear facilities—

the South should not only welcome the development wholeheartedly but also provide all the assistance in its power to facilitate the North's entry into such international financial institutions as the IMF, the World Bank, and the Asian Development, which in turn would enable the DPRK to apply for and receive long-term, low-interest loans.

In sum, one can be cautiously optimistic that the current chill in inter-Korean relations will end in the months ahead. The Lee government's policy of "mutual benefit and common prosperity" needs to be put to the test, and should it prove to be as successful as its proponents believe, then inter-Korean relations will enter a new era—one in which both sides will be winners.

Prospects for U.S.-DPRK Relations

With respect to U.S.-DPRK relations, the story is somewhat different from the inter-Korean situation. Kim Jong Il genuinely seeks improved relations with Washington—even though his approach may seem unconventional or even dangerous at times.

This is most obvious when we look back at October 2000, when Kim dispatched his second in command, Vice Marshall Cho Myong-rok, to Washington for talks with U.S. president Bill Clinton. Cho is the highest-ranking DPRK official ever to have visited the United States. He delivered a personal letter from Kim to the president, and was even given the mandate to discuss a full range of outstanding issues with President Clinton. U.S. Secretary of State Madeleine Albright's visit to Pyongyang that same month for

talks with the North Korean leader was also unprecedented. When greeting Albright, Kim was reported to have noted the historical significance of a first visit to his country by a U.S. secretary of state, adding that he was most pleased. At that time, the DPRK sought recognition from the U.S. and diplomatic relations with Washington. This is still true today.

I have met Chairman Kim Jong Il and Party secretary Kim Yong Sun on several occasions since 2000. Based on my own personal observations, I strongly believe that Kim Jong Il sees improved relations with the U.S. as the most important factor for stability and development of North Korea. U.S. security guarantees are the key for the survival of the state and his regime. One may argue that North Korea wants to keep its nuclear weapons and to use it as a bargaining chip at the same time; but the participants in the Six-Party Talks firmly believe that they can find a peaceful solution to the North Korean nuclear dilemma. It is quite likely that Kim will discard the “nuclear deterrent” in return for U.S. security guarantees and diplomatic relations, as long as he perceives that nuclear weapons capability is a means to an end, that is, “survival” of his regime.

In addition, it is important to remember that Kim Jong Il mentioned to President Kim Dae Jung at the 2000 summitry that he is not opposed to a U.S. troop presence in South Korea as long as these troops perform a positive role for peace in the region. To Secretary Albright and to President Kim, I believe Kim Jong Il’s words were sincere; and he is still today determined to improve relations with Washington, regardless of what we hear coming out of the mouthpieces of Pyongyang. North Korea’s announcement on August

26 that it had stopped disabling its nuclear facilities was a direct response to Washington's failure to remove the DPRK from the list of terrorism sponsors. This should be understood as Pyongyang repeating its well-known brinkmanship tactics aimed at squeezing out more concessions from Washington. And as far as North Korea's rhetoric and harsh anti-American slogans are concerned, they are propaganda; Kim Jong Il and other leaders have informally acknowledged that these are mostly for domestic consumption.

In sum, we can reasonably hope that the two countries, the United States and North Korea, can come together to solve the current nuclear crisis, and work more resolutely to normalize relations. This, I believe, would in turn go a long way toward helping improve inter-Korean relations.