



# 38 NORTH

*Informed analysis of events in and around the DPRK.*

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## Post Cheonan Inter-Korean and Sino-DPRK Relations

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**38 North** is a web-based initiative that harnesses the experience of long-time observers of North Korea and others who have dealt directly with Pyongyang in producing high quality analysis of events north of the 38th parallel.

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## POST-CHEONAN INTER-KOREAN AND SINO-DPRK RELATIONS

On July 15, 2010, 38 North held a workshop in Seoul, sponsored by the Weatherhead East Asian Institute at Columbia University, which gathered together experts from the U.S., South Korea, Europe, China and Japan, to discuss the latest developments regarding North Korea, both internal and external, with the goal of identifying future research priorities.

38 North is pleased to provide excerpts of this dialogue to our readers. This is the first of three installments on external developments involving North Korea.

You can find the first half of this discussion, which focused on internal developments, at [www.38north.org](http://www.38north.org).

### POST-CHEONAN INTER-KOREAN AND SINO-DPRK RELATIONS

**MODERATOR:** The switch to external developments is obviously artificial to some extent, because what we discussed in the morning is the way in which internal and external strands of policy wrap around each other and feed from the same pool of

decision making—same people, same context—but it's useful to separate it out for intellectual purposes. Nevertheless, as we discuss it, I hope we keep returning to how this is connected to succession, how is this succession possibly going to affect one or the other of these policy sets. We only have three listed (the United States, North-South relations and China). I think they're the main ones, but it doesn't mean we have to be held to only these three particular bilateral aspects of North Korean foreign policy.

One thing that's worth bearing in mind is that, certainly from the North Korean standpoint, none of these relations with South Korea, China, or the U.S. are today considered in isolation from the history of the development of these policies. Washington may not be aware of the history. Some people in South Korea may be ideologically blinkered and may not want to remember. The Chinese may remember all too well some of this history. This is, as a matter of fact, the 10<sup>th</sup> anniversary year of Secretary of State Albright's visit to Pyongyang. Now think about the enormous sea change in North Korean policy. At

that point, Kim Jong Il was willing to sit with the Secretary of State of the United States for 10, 11, 12 hours of discussions. Now, the North Koreans don't even call the current Secretary by her right name; they call her "Secretary Hillary," which I think is a deliberate slight.

You all know what relations with South Korea are like today compared to what they were like 10 years ago; and again 10 years ago when Secretary Albright went to Pyongyang, the Chinese defense minister was forced to cool his heels in Pyongyang while Kim Jong Il danced with her. It was a deliberate snub of the Chinese. It was the 50<sup>th</sup> anniversary of the entry of Chinese volunteers into the Korean War. There should've been an enormous celebration, but instead the North Koreans wanted the Americans to be there first.

So fast forward to where we are today and how we are to judge the current ranking—the fact that the Chinese seem so far above everybody else. Does this really represent a change in the North Korean perception of the Chinese, or as some people have suggested, they continue to be intensely suspicious and in their hearts, and very much afraid and wary of the Chinese? Is the window still open for the development of relations with the United States or have the North Koreans figured that the ship has already sailed and that they have to prepare for a new set of relationships. And with South Korea, is there any chance at all of an improvement in the state of relations between the two Koreas from North Korea's standpoint? We don't really want to focus on Washington, Beijing or Seoul. We're really looking at this from Pyongyang's perspective. So that is a starting point.

**EUROPEAN EXPERT:** Instead of saying that the U.S. is all important to North Korea and that they are always open, and that they're always cautious to China, I'd rather say something that is not read in the newspapers. I do not believe that North Koreans really think that there is anything they can accomplish with the current government in Seoul. I think that they've given up. They are just waiting for the next person, and I believe it would be smart if the South Korean government would stick to its hard line policy. I think this would be the best thing to do because they will not achieve anything if they open up now. The North Koreans will not deal with them, and the Lee Myung Bak administration will lose their credibility or what's left of it. Both North and South Korea are waiting for an acceptable situation, and that's why I think it would be wise for the South Korean government to stick to the path it has already chosen. It would be in their best interests. I don't think there will be any progress for the next 2 or 3 or 4 years [to the end of the Lee Myung Bak administration].

**EUROPEAN EXPERT:** I agree, because whatever they would do for North Korea, South Korea is not important anymore. They only want to negotiate with partners that have influence. Why should they talk to South Korea when they can talk to the United States? The United States is a strong partner, and the South Korean government is perceived as being very weak and dependent on the United States. That's why they want to turn over a new leaf with the United States. Even if South Korea would change its policy towards North Korea, they would say, "Okay, why would we want them down on their knees?" That is the way they perceive South Korea. The Obama administration is squeezing the arm of Lee Myung Bak to engage North Korea.

**U.S. EXPERT:** I think that's interesting. I don't live in Washington so I have to watch what's going on and try to figure things out in a way that people in Washington try to figure out what's going on in Afghanistan, I guess. But it seems the Obama administration has been very consistent about not wanting to be ahead of South Korea on North Korean policy. I may be misreading this, but it seems to me that the lesson they took from the previous experience was that whatever South Korean policy is, the U.S. will support it, and they didn't want to be on a different page *vis-a-vis* the North Koreans. So if you're indeed right and the North Koreans are figuring they don't want to talk to the South Koreans, they want to talk directly to the Americans, unless there's a real change in Washington's attitude on that, it's probably going to backfire on them.

**JAPANESE EXPERT:** Under the circumstances, suppose Lee Myung Bak would change his policy, North Korea would not make a compromise with South Korea. But if South Koreans change their policy, will North Koreans come to the table or not? That is the question.

**MODERATOR:** Well, so you're saying something different. I think for all intents and purposes, the next two years are dead in terms of North-South relations. There may be some give at the margins, but in terms of a change in direction, I don't think that's going to happen, even if South Korea does relax a little bit.

**JAPANESE EXPERT:** They are a little bit eager to get hard currency and South Korea is a potential...

**MODERATOR:** But how eager are they? We're back to the linkage to the domestic economy. How eager are the North Koreans? Are they willing to sacrifice what may be an important political principle to get a little hard currency?

**EUROPEAN EXPERT:** They won't give up their political principles for hard currency, I'm sure. I think the North Korean attitude is: "We saw this movie already in 1996 and we're going through the same process; we will simply sit and wait for what's going to happen. We will survive Lee Myung Bak."

**MODERATOR:** You mean they saw it with Kim Young Sam.

**EUROPEAN EXPERT:** It's exactly the same thing.

**JAPANESE EXPERT:** My observation is that North Korea still has some hope for the North-South relationship. They are doing some preparation, especially from that point of view. So now that we have the last two years of Lee Myung Bak administration, [there is an opportunity] because President Lee is a lame duck and is very much eager to make some legacy or to have something with North Korean counterparts. This is the first president in the last 10 to 15 years to fail to have a summit meeting with North Korea. As he gets through the latter half of his term, meaning into the lame duck situation, maybe Lee Myung Bak will think about how to further the relationship with the North, even if he has to make some concession. At least now the Pyongyang side believes this will happen. It means that Pyongyang may be preparing for a coming summit.

**EUROPEAN EXPERT:** That means the North Koreans believe that Lee Myung Bak is desperate. It would be good to know if that was a misperception or not. I wanted to say something about hard currency.

You rather bluntly stated that they would never ever give up their political principles for hard currency. I think they would probably not do so when dealing with South Korea or the U.S., but I wouldn't put it so absolutely because of all we've learned. Once a country tries to become a player in the world economic market and adopts the Western measurement for happiness and progress—which East Germany and the rest of the socialist camp did as well, but which North Korea was able to prevent for four decades, which why they are still here, until recently when I think they have also succumbed—then they have the same values as we have. Prosperity is a good successful economy, it's consumer goods, it's choices. Mao tried to get rid of that and it didn't work. Kim Il Sung was much better at that. But once you start playing along, once you start playing the game of the “enemy,” whether you like or not, you have to accept the rules.

One of those rules is that you need to have to have money to buy all this stuff. The North Korean economy is not currently capable of producing all the goods that they want, so they have to import them. And if you want to import, you cannot pay in North Korean won, you have to pay in hard currency. That's it. They are trapped. The North is in a much better position than many other countries because it has natural resources that can be sold and they are very good at extracting hard currency from their friends and enemies. But eventually, this will not be enough and they will have to do something more. This is the question: If you say they will never sacrifice their ideology in North-South relations for hard currency, then probably that's right. But in general terms, there is a weak spot that's been developing recently. It hasn't been there before. But in the last couple of years it has been developing. It won't be easy, but it certainly is possible.

**EUROPEAN EXPERT:** I agree. Of course they are in need of foreign currency, especially after China became a member of the WTO and North Korea has to pay for fuel and rice in hard currency. China insists on having hard currency. So hard currency plays a very important role. Coming back to North-South relations, this means putting myself in the shoes of the North. As long as Lee Myung Bak does not accept the two summit declarations, and this would be very complicated for him to do, I don't think there is a chance for significant change in the relationship between North and South Korea.

**JAPANESE EXPERT:** They are really sticking to their rhetoric. A good example is the Kaesong Industrial Complex as well as the North Koreans wanting to resume sightseeing. The South Korean government doesn't want to resume the sightseeing. So it depends on South Korea's behavior. If North Korea wants these activities to resume, it will have to give an apology or something, but if the South Korean government decides to resume, the North Koreans can come to the table. I believe they are really flexible due to the lack of hard currency. At the same time, the North can use China and South Korea to improve their relationship with United States. In 2002, Kim Jong Il met Koizumi. The main purpose was to normalize relations with Japan. But they had another purpose as well: to get to the Bush administration because Koizumi had a very good relationship with President Bush. So now they can go to the Obama administration through South Korea. If the South Korean government says let's have direct bilateral talks with North Korea, the United States can follow. So, the North Koreans need [South Korean] support.

**KOREAN EXPERT:** I'm not really sure if the Lee Myung Bak administration and North Korea can sustain this kind of hard line situation between the two Koreas. Given the political succession underway and

economic difficulties in North Korea, I think they'll all work together. The South Korean government, given the results of the recent election in June and the military tensions going on with North Korea, the government itself is getting some critical responses from the public. In my opinion, I don't think that the two Koreas can really maintain this level of tension, especially given China whose diplomatic goal is to maintain regional stability. China won't want this kind of tension to persist in the region for an extended period of time.

I think the Six Party Talks may resume within the year, maybe even October. I also think that China and North Korea are both willing to come back to the talks, but the United States is a bit reluctant because of the U.S.-South Korea alliance. Still, I am optimistic because the U.S. will also probably want to get the *Cheonan* incident behind it and reconvene the Six Party Talks to solve problems. Behind closed doors, some people are saying that the South Korean government wants to separate this issue from the *Cheonan* incident. I also think that the possibility of resuming the talks and even the resumption of the talks themselves would have some positive implications for North-South relations. In sum, I think that even though North-South relations cannot be improved immediately, with the external changes going on in the region and given the fact that the two Koreas cannot really sustain this tense relationship for a long time, I think improvements in North-South relations are possible and perhaps there might be talks about a inter-Korean presidential summit this winter or probably early next year.

**MODERATOR:** Let's try to refocus the conversation on North-South relations again, and maybe we can get back to Six Party Talks later on. I think I'd like to amend my initial remark that nothing's going to happen in North-South relations in the next two years. If you think about it, there's probably a spectrum of different things that might happen, ranging from very limited to really important. "Very limited" might be more humanitarian assistance. "Really important" would be a summit. So I think it's quite possible that in North-South relations, because you can't maintain this level of tension, there might be some movement at the lower end of the spectrum, in terms of limited steps towards a better relationship. But will there be more extensive movement in the relationship over the next two years? I would say that the chances of that are extremely limited for a lot of different reasons, one of which is the bad relationship that has existed. I don't think external developments are going to change that. I don't think Six Party Talks are going to make any progress under the current situation. We shouldn't just say either they're going to get better or they're not going to get better; there are different points in that spectrum.

**U.S. EXPERT:** I'd like to get back to the Kaesong Industrial Complex, because I really do think that Kaesong is the single most important issue in North-South relations. It's true that North Korea has not closed Kaesong, but if you look at what they actually did: they brought in all these military officers to parade through and inspect everything; they even brought in some Chinese businessmen to take a look around. They basically dared South Korea to close the Kaesong Complex itself. South Korea didn't take the bait and instead, kept it open, and that to me is very telling because it suggests that North Korea is willing to sacrifice the Kaesong Industrial Complex but only if they can credibly blame it on the South Koreans. I think that's because Kaesong has become such an important source of not just hard currency to the regime, because

they'll find other ways to get hard currency for the regime, but actual employment for their severely underemployed population. It seems that they're not willing to, or they can't afford to just shut down Kaesong themselves and be seen as shutting it themselves because all the people the people and their extended families that are depending on them for wages and would suddenly be left high and dry. They don't want to do that. So I think that this is a very telling development and I really do think Kaesong is the place to watch.

**MODERATOR:** Based on what we discussed this morning, I want to add some more fine-grained considerations. We might weave these in and out of the conversation. That is to say, has there been a change over the last year or two in the locus of decision-making, the formation of foreign policy approaches by the North? For example, is the foreign ministry still as important as it once was in formulating policy toward the United States? Once upon a time, Kang Sok Ju was directly feeding into Kim Jong Il. Is this still the case, or is that policy now being discussed and handed to Kim Jong Il from another source? The Unification Front department, for a while, was the leading group putting together ideas for Kim Jong Il *vis-a-vis* South Korea, and its primary purpose was really to engage South Korea. Well, the department has had some ups and downs. Has that affected and will that continue to affect North Korea's policy towards the South? Is somebody else putting together the ideas on how to approach the South Koreans and what is the role of the NDC? I know sometimes you just think of it as a paper organization or just the same people with different hats on, but if the Unification Front Department is not making the policy and it's being made in the NDC, which is primarily composed of security and defense people, might you end up with a slightly different mix of ideas and approaches? So I wanted to add that in because foreign policy is not an abstract. It's a concrete result of decision-making by people sitting in certain places and we need to think about it.

**EUROPEAN EXPERT:** Obviously policy making in North Korea is driven by domestic considerations which we discussed this morning, and obviously there are things going on. Inevitably, those domestic concerns will have an effect on foreign policy. So, from the standards of socialist systems, we should look at the international relations department of the party as another unit where decisions might be made regarding to foreign policy.

I agree that Kaesong is enormously important, but I'm not sure whether it's important for North Korea as a source of employment. I don't buy into this argument. Essentially, this is a South Korean working environment, and being in daily contact with South Korean managers, it's politically much more dangerous than the little trade-off you get in terms of having 40,000 young women off the street. Why has Kaesong not been closed down by the North Koreans? I fully agree with your assessment that they are waiting for South Korea to do it, and they hope for South Korea to do it because they understand that Kaesong is a liability to them much more than a benefit. They haven't dared closed Kaesong because that would send a bad sign to other potential investors. I think that's a key point: If the North Koreans go and close Kaesong, they can never ever talk to any other potential investor and say, "but don't worry, we will not take away your property." They need South Korea as a scapegoat so that when there are investors from Russia, Japan, Europe, and the U.S., they can tell them, "as long as you don't close your investment, we won't either." Kaesong will be proof.



What I would like to know is how much North Korea is still interested in unification? Obviously it has always been a big issue, and for many years they believed that they would have an edge. Earlier, it was their hope for support from the South Korean people. Later on, they switched their hopes for dominating unification to overseas Koreans, mainly the *Chosen Soren* in Japan, and that's why they've always insisted on including them in all unification formulas. Now I'm not even sure about that. So how eager are the North Koreans, really, in achieving unification and what are their hopes and blueprints for that? And if it's not a priority anymore, which appears to be the case, what they would want their policy with South Korea to do is basically keep them an arm's length away, right?

**EUROPEAN EXPERT:** Yes. There's no change when it comes to unification policy from North Korea. They perceive themselves as the real Koreans and the South Koreans are the westernized, Americanized Koreans. That has not changed.

**JAPANESE EXPERT:** It's quite clear they have already given up. So after Kim Jong Il obtained power, he never touched on a formula for unification. He never expressed his own way or his own idea of how to realize unification. Saying nothing means he likely has no idea. He doesn't want to. One thing that North Koreans insist is that if South Korea would provoke or invade or attack, that would be a good occasion for North Korea to achieve unification. But it is my impression that North Korea doesn't want to start a war. I think they already gave up. They don't care about unification.

**KOREAN EXPERT:** I want to briefly go back and talk about the Kaesong Industrial Complex being more of a liability than an asset, and the impression that the North Korean leadership has made this judgment. I disagree. I think North Korean leaders still value Kaesong to a certain degree. The reason I say this is because if they had deemed it such a liability, they've had chances to close it down but they didn't. That's kind of telling that the North Korean leadership sees some value in the Kaesong Complex and it shows that they are somewhat sincere in trying to attract Korean capital. Of course they can try to attract foreign capital, but if [South] Koreans do not invest in North Korea, who else will? I think, in their calculations, attracting Korean businessmen and Korean capital is pretty important. For that reason, North Korea is reluctant to close down the Kaesong Industrial Complex.

**EUROPEAN EXPERT:** I have a question. Do the workers come from the area?

**EUROPEAN EXPERT:** They are settled there. They are brought from other provinces and they live in Kaesong.

**EUROPEAN EXPERT:** OK, so now they have to live there but they are not originally from the region, they are from all over North Korea. You say most of them are from the nearby region? How certain are you about that?

**EUROPEAN EXPERT:** I've read also that they've brought people from the northern part of the country which is really suffering from poverty—I don't know exactly how many.

**KOREAN EXPERT:** I have confirmation from two Korean specialists. Most of them come from nearby—more than 90 percent. South Korean entrepreneurs are looking for more young skilled workers but they can't find enough nearby.

**KOREAN EXPERT:** One of the biggest problems the Kaesong Industrial Complex has is for the workers to commute to the complex. They have to get up at 5:00 or 6:00 a.m. and board a bus to get to the complex. Most of the workers are residents nearby.

**EUROPEAN EXPERT:** I'd like to come back to one question. This is whether North Korea has an interest in lowering tensions. I think the North has no interest in lowering tensions as long as the question of succession is still on the table, because they need the tension for internal purposes to secure the transaction of power.

**MODERATOR:** Do they need the fact of tension or the impression of tension?

**EUROPEAN EXPERT:** They use the tension for internal purposes. It's very interesting to see how they also use the *Cheonan* case for internal purposes. They recently issued a poster showing a ship sinking.

**MODERATOR:** I can remember that our feeling was that a country would rather have a less threatening than a more threatening external situation during a period of succession. They don't want to be dealing with external threats and hostility. It's all right to gin this up to exploit it for domestic purposes, but you don't want to have a real problem, because you don't want to have to mobilize your army during this weakest period of political transition. So I'm not sure how much tension they want with South Korea at this point. They may want it to bubble, but they don't want it to boil.

**U.S. EXPERT:** There is a danger of focusing too much on the leadership and what the leadership is doing and thinking and losing track of the fact that there are 24 million people in the country who aren't part of the leadership. They have a situation where they just can't feed people, people starve to death and we don't care; "we" being the North Korean leaders. But having all these people sitting around with nothing to do is a very dangerous situation for them. So they've got to somehow give people things to do but they can't just do what they used to do, mobilizing people to go into the street because if they can't feed them, nobody shows up. So how are they going to deal with the population to keep it relatively under control if there aren't things for them to do? And how do they keep people from walking across the border to China? So, I do think the internal situation and the failure of the coping mechanisms that they've come up with, does affect their external policy relations. Even though they've opened Pandora's Box only slightly, they can't close it all the way.

—END PART I—