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North Korea After Kim Jong-il

Korean Trends in an Asia-Pacific
Century

Korean Politics and Security



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KEI is contractually affiliated with the Korea Institute for International Economic Policy (KIEP), a public policy research institute located in Seoul and funded by the government of the Republic of Korea.

PREFACE

The Korea Economic Institute of America (KEI) is pleased to issue this sixth volume of *On Korea*, compiling the KEI Academic Papers released in 2012.

KEI Academic Papers are commissioned following a call for proposals to academic and policy communities in the United States, South Korea, and around the globe. The objective is to provide opportunity for recognized specialists and new voices to present fresh research and innovative works on Korea. These papers are original pieces exclusively for this volume, and most of the authors also presented their findings before a Washington, D.C. policy audience. KEI prepares each paper for publication and distributes it to more than 5,000 recipients in governments, the private sector, policy institutes, and educational communities around the world.

The papers in this volume address some of the key issues that impacted Korea in 2012 and some important trends that will influence future policies. In the first year following the death of Kim Jong-il, this volume contains four papers focused on North Korea, two specifically examining the political and economic developments in North Korea after the death of Kim Jong-il. Other articles in this volume analyze South Korea's hosting of the Nuclear Security Summit as well as the effect of agricultural issues on politics in South Korea. Lastly, this volume has excellent pieces on South Korean demographics and economics and a look at the effect of Korean American voting behavior in U.S. elections. KEI strives to choose papers that are well balanced, policy relevant, and make a contribution to areas not traditionally covered by mainstream scholarship. We feel the authors of these pieces have helped us achieve those goals.

For over thirty years, KEI has been dedicated to promoting objective and informative analyses and highlighting interesting policy research on Korea. We encourage students, scholars, practitioners, and policymakers to submit original papers to KEI for consideration in future *On Korea* volumes or other institute publications. We also welcome your comments on this and our other publications, all of which may be downloaded from our website, www.keia.org.

The Honorable Donald Manzullo

President and CEO
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March 2013



NORTH KOREA AFTER
KIM JONG-IL

ASSESSING POLITICAL STABILITY IN POST-KIM JONG-IL NORTH KOREA

Hyung-Gu Lynn

ABSTRACT

This paper analyzes the prospects for political stability in North Korea as we approach the one-year mark since Kim Jong-il's death on December 17, 2011. Taking an intermediate approach between quantitative models and micro-tracking appearances and rankings of individuals, the paper examines developments in the North Korean government's policies towards its citizens, party and military elites, and foreign policy. The speed, scale, scope, and variety of policies, as long as equilibrium is maintained, indicate that North Korea will remain stable for at least the next five years, although with possibilities for a significant increase in the potential for instability should food supply not improve during the five-year window.

Key Words: *North Korean leadership transition; Kim Jong-un; Kim Jong-il; collapse; political stability*

INTRODUCTION

The avalanche of global media coverage triggered by the North Korean media's announcement on December 19, 2011 that Kim Jong-il had died on December 17 contained within it predictable warnings of imminent state collapse, this time from the allegedly inevitable internal conflicts among the elite that would ensue from the ascension of a young, relatively untested Kim Jong-un to the throne. Many of these warnings have faded in urgency a year after Kim Jong-il's death. Nonetheless, there remains considerable range in assessments of political stability in North Korea over the past year. On the one hand, nearly every visit to a funfair by Kim Jong-un or a trip by North Korean emissaries to a Southeast Asian country is brandished as an example of desperation and underlying instability. On the other, sales of missiles parts or unwillingness to uphold security agreements are often treated as the actions of an untrustworthy, calculating, and formidable adversary. So is North Korea in the post-Kim Jong-il era riven by elite factionalism, distracted by amusement parks, and teetering on the brink of domestic political implosion, or is it a ruthless, relentless, lean guerilla state readying itself for a diabolical international explosion?

This paper argues that the sheer scale, speed, and variety of policies and activities undertaken since the formal launch of Kim Jong-un's rule at the 4th Korean Workers Party (KWP) General Assembly in April 2012 indicate that North Korea is in fact politically stable, and likely to remain so for the next five years at the very least. Unlike some observers who warn of imminent collapse, or those who conclude that the state is likely to remain in near perpetuity due to the power of its ideology, the actual time frame and analysis is more intermediate. The analysis of North Korea's recent policies towards its rank and file, reforms and changes among the elites and cadres, and developments in the country's international relations indicates that Kim Jong-un's control over the country will continue to strengthen. The caveat is that equilibrium has to be maintained in the speed, scale, and scope of economic reforms. If the economy cannot generate a sufficient food supply, in other words, maintain a balance between avoiding famine and reforming too rapidly, regardless of the instruments of oppression and distraction available to the North Korean state, the potential for political instability would likely increase. Nonetheless, there seems at present to be little likelihood of a military coup, foreign intervention, negotiated regime change, or mass revolution in the next five years.

APPROACHES

It has become a truism to note that political prognostications often appear to have been based on slender and overwrought assumptions in hindsight, and that in any case, most predictions by social scientists are more often incorrect than not.¹ Given the difficulties in accessing and confirming information about North

Korea's political processes, predictions and projections for the country are even more firmly located in the province of soothsayers and fortunetellers than for most nation-states. Nevertheless, the exercise of assessing North Korea's political stability and making projections based on the best available information and logic remains important and useful when there are not insignificant numbers of declarations and comments on North Korea's political stability fuelled largely by wishful thinking and/or vituperative posturing.

There are multiple analytical angles from which to approach the question of political stability/instability in post-Kim Jong-il North Korea. At one end of the quantitative-qualitative spectrum, the Political Instability Index, World Governance Indicators, Political Risk Index, and other projects use available national data for quantitative models that can be applied to all countries. The Political Instability Index for example has isolated a bandwidth within which states general maintain stability, based on a formula of largely (but not exclusively) four variables: economic development as reflected in the infant mortality rate, clear and consistent economic discrimination against specific minority groups, having at least four neighboring states that experienced violent conflicts, and regime type. Based largely for its well-documented economic problems, North Korea ranked in the high-risk category of the Political Instability Index (13/165), increasing its instability ranking from the previous year.² The Political Risk Index places North Korea slightly higher in its table as the 8th most at risk country for 2012, while the Global Innovation Index at INSEAD, which has a section on political environment and stability, leaves out North Korea altogether from its list of 141 countries.

At the other end of the spectrum lies the range of practices that might be placed under the rubric of "North Korea-watching." This usually involves tracking the number of appearances of an individual in public settings with the leader, tracing order of listing in official rosters for events, poring over still shots from news broadcasts of the Korean Central News Agency, or stitching together information from defectors, visitors, and other sources. These details are essential, but do not necessarily provide, at least in isolation, sufficient context to analyze and project overall political stability.

The approach I take here is intermediate and qualitative, based on the existing conceptualization to analyzing political stability in authoritarian regimes and use of materials published by North Korea as well in South Korea, Japan, China, and other countries. Among the existing typologies, the most common one is threefold: personalist, military, and single party, with the general consensus among scholars who apply this that political succession in the single-party state is the most stable.³ Under this categorization, North Korea has been placed in the hybrid category of personalist and single-party rule, but this overlooks the major role of the Korean People's Army (KPA) in both administration and economic activity.⁴ A more

appropriate typology for North Korea is fourfold - tinpots (low repression and loyalty), tyrants (high repression, low loyalty), totalitarians (high levels of both), and timocrats (low repression, high loyalty).⁵ North Korea can be categorized as totalitarian – high levels of repression and high levels of loyalty, despite the impression given by some defectors and activists that there is only high repression and low loyalty. Under this classification, whether the North Korean state is right (national socialist) or left (socialist or communist) is less important than the fact that it can wield various strategies and tactics to exercise societal control and loyalty within the existing system.

Thus, the key becomes whether the extent and ultimately effect of societal controls, incentives, and distractions are sufficient to maintain or strengthen political stability. Within the scale, scope, and variety of policies, the keyword for political stability is “equilibrium.” This is not in the sense of a formal application of Nash and other relevant equilibriums but as a figurative strategy for the North Korean government in specific policy areas. For example, in specific policy areas, Kim Jong-un must maintain a balance between ruling via social controls and distracting people via broadcasts of amusement park openings in Pyongyang, between buying loyalty and instilling fear. Within the economy, equilibrium has to be maintained between starvation and prosperity in economic policy. Stationary bandits, unlike roving bandits, have an interest in preserving to some extent the wealth of the society from which they steal.⁶ Assuming then totalitarian governments are the evolutionary descendants of stationary bandits, even dictators need to provide sufficient public goods in order to mobilize labor, retain societal control, and foster loyalty. At the same time, an overly healthy economy in such states may undermine political control as much as deteriorating material conditions might, as autonomous socio-economic groups may emerge as a result.⁷ In elite politics, Kim Jong-un needs to maintain equilibrium in power distributions between the three major administrative organs, the Cabinet, the Korean Workers Party (KWP), and the Korean People’s Army (KPA) as he attempts to consolidate control over internal resources. In foreign policy, maintaining equilibrium between grappling with clear and palpable external threats and engagement through cultural exchanges and other symbolic gestures of cooperation appears to remain the *modus operandi*.

MASS DISTRACTIONS

The primary goal for Kim Jong-un has been to inject charisma, symbolic authority, and actual power into his rule. This has been accomplished through invocations of the past via his resemblance to his grandfather, emphasis on legitimacy via his bloodlines, and staged performances of youthful, energetic leadership and commitment to the comfort of his comrades. In this light, Kim Jong-un’s nearly countless visits to funfairs and other public facilities cannot simply be dismissed

as reflections of an immature leader more attracted to entertainment than political and economic challenges, or dismissed as bizarre and trivial. Rather, these should be read as clever performances of caring and tools of mass distraction. The number and range of these social reforms, such as they may be in substance, indicate an awareness of and ability to innovate and update past practices. Kim Jong-un appears to be aiming to maintain equilibrium between providing rhetoric and material outcomes that indicate to the citizens that he cares, but at the same time, he does not want to relax social controls to the extent that citizens would be free to voice protest.

The sheer volume and variety of these social reforms and the extent to which the elites from the KWP and the KPA have been mobilized for many of the opening ceremonies, on-site guidances and inspections, indicate that these are part of a calculated and systematic attempt to strengthen mass loyalty among the rank and file towards Kim Jong-un. The Young Leader is portrayed as the caring and vigorous leader of the country, presenting visible tangible benefits for his people, creating some distraction, either actual or vicarious, for the reality of malnutrition and food shortages in the country. The fact that most of these facilities are concentrated in Pyongyang and inaccessible to the majority of the population is less important than their propaganda value as allegedly material evidence of the state's concern for people's lives.

Aside from mass distraction, Kim Jong-un has begun mass mobilization of segments of the population that had been relatively under-utilized during his father's time, namely youth and women. After officially anointing Kim Jong-un as his successor in September 2010 at the 3rd KWP General Assembly, Kim Jong-il attended the annual concert of the Youth League for the first time in ten years in November 2010, paving the path for the succession and for Kim Jong-un's own propaganda and mobilization tactics. Newscasts on North Korean TV frequently featured segments on youth working or studying throughout 2012, reaching a crescendo around Youth Day on August 27. Kim Jong-un attended multiple concerts and assemblies. Youth League groups descended on the capital over the summer holding training sessions but also taking in amusement parks, such as the Kaesŏn Youth Park, while editorials emphasized the importance of youth in building a strong nation throughout the year.⁸ While Youth Day itself was only established in 1991, the Youth League has long been a powerful organization along with KWP and KPA. As all youth between the ages of fourteen and thirty are required at least on paper to join their local Youth League branch, the scale of the organization and its multiple functions as mobilized labor and monitors for dissidence and discontent means the Youth League serves as a large pool for recruiting the next generation KWP elites.⁹ In fact, many current elites gained initial experience in leadership through the Youth League, most notably, Kim Jong-un's uncle Chang Sŏng-t'aek and protégé Ch'oe Ryong-hae.

Women have also been mobilized and ‘recognized’ under Kim Jong-un’s rule. Kim Jong-il had technically forbidden women from riding bicycles throughout the country in the mid-1990s. Kim Jong-un repealed his father’s law in August 2012, implicitly recognizing that women have been using bicycles outside of Pyongyang, and that women have been essential to maintaining markets in areas outside of the capital.¹⁰ Mothers have also been spotlighted. When Kim Jong-un remarked during a site guidance visit to a horticultural research center on September 22, 2012 that the flowers he saw would make good gifts on Mother’s Day, observers concluded that a new holiday had been established. International Women’s Day (March 8) had been a public holiday, but no Mother’s Day had been celebrated previously. As it turned out, Kim Jong-un announced that November 16 was to be Mother’s Day in order to mark a 1961 Kim Il-sung speech at a KWP Central Committee meeting on the importance of the role of mothers in revolution. The 4th Assembly of Mothers met on November 15 and met with Kim Jong-un in the build-up to Mother’s Day. Kim Il-sung’s wife and Kim Jong-un’s grandmother, Kim Chŏng-Suk, who had been officially named one of the Three Great Generals of Paekdusan (along with the Father and the Son) in December 1997, was featured in several segments on TV, reinforcing the revolutionary role not just of mothers but also the “*Paekdusan* bloodlines” (royal bloodlines) of Kim Jong-un through repeated showings of photographs of young Kim Il-sung with Kim Chŏng-suk and Kim Jong-il as a child.¹¹ Ko Yŏng-hŭi, Kim Jong-un’s mother was not referred to, indicating that Kim Jong-un is aware that the cost-benefit balance did not warrant a public apotheosis of his own mother, who was a Korean born in Japan, a group that has been discriminated against for the most part in North Korea, and not Kim Jong-il’s official wife. In fact, a hagiographic film of Ko Yŏng-hŭi produced in 2011 that repeatedly referred to her as our “respected Mother” (but never by her name) was screened to KWP and KPA officials during May 2012, but not shown to the public.¹² The public appearances of Ri Sol-ju (Yi Sŏl-ju), Kim Jong-un’s wife, presumably a symbol of the new and modern young women of North Korea, can be seen as another documented attempt to make better use of women for political mobilization.

Either directly or indirectly, through photos and other propaganda, these mobilizations also create linkages to the past and help infuse Kim Jong-un with the necessary legitimacy and charisma. For example, the main inspiration for the emphasis on culture (amusement parks, shows, roller skating, etc.) seems to be Kim Jong-il’s 1973 “Three Revolutions Team Movement” that featured Youth League leaders as a vanguard for a wider social movement to revolutionize thought, technology, and culture.¹³ In 1977, Kim Jong-il oversaw renovations to the National Zoo (opened in 1959) and opened the first amusement park in North Korea in the same year, presaging Kim Jong-un’s frequent on-site guidance visits to various cultural facilities in 2012. After officially introducing Kim Jong-un his successor at the 3rd KWP General Assembly held in September 2010, Kim Jong-il in fact visited several public facilities, including amusement parks and the Central

Zoo.¹⁴ If Kim Jong-il wrote treatises in book form on various dimensions of arts and culture, with a particular emphasis on film as the medium of the future, Kim Jong-un issues Twitter-like missives about how “music without politics is like a flower without a fragrance, and politics without music is like politics without a heart.”¹⁵ Numerous articles that recall Kim Jong-il’s concern for the people, youth and women further vulcanize the links between Kim Jong-un and his father. One North Korean report recounts how Kim Jong-il, just a few days before his death (December 4, 2011), toured the Kaesŏn Youth Park with Kim Jong-un despite the bracing cold weather to ensure with his own eyes that the park was operating smoothly and that all visitors were enjoying themselves, while another recounts how Kim Jong-il constantly worried about the people.¹⁶ Of course, the replacement of Kim Il-sung monuments at multiple locations with two statues, one of Kim Il-sung and the other of Kim Jong-il, is another element of this invocation of the past to lacquer legitimization myths and renew old idols. There are, predictably, the usual myths about Kim Jong-un published in book form and broadcast in the news. The same stories had been in circulation among the KWP and KPA rank and file since 2009 “Documents on the greatness of Young leader Comrade Kim Jong-un” (*Ch’ŏngnyŏn taejang Kim Jong-un tongji e taehan widaesŏng charyo*), but apparently, if Kim Jong-il made eleven straight hole in ones in golf, then Kim Jong-un was able to drive at fast speeds at six, was a perfect pistol shot as a child from 100 meters away, and can speak English, German, French, and Italian, etc.¹⁷

The mass distractions and social mobilizations have been balanced by rhetorical and material calls and actual controls for renewed commitment to the revolution, most notably in the declarations regarding the “untrodden snow path spirit” that became even more ubiquitous after a front page editorial on “untrodden snow paths” was published in Rodong sinmun on October 16.¹⁸ However, the phrase had actually been used with gradually increasing frequency after Kim Jong-il’s death, in particular after an article reflecting on the “spirit of taking untrodden snow paths” was published in July 2012.¹⁹ The propaganda connects the 1990s “arduous march” during the famines and the ever-growing revolutionary spirit to steel the masses to take the path previously not taken. This is consistent with a longer trajectory in North Korean rhetoric: North Korean officials concluded that insufficient investment in ideology, ethics and morals was one of the reasons why the Soviet-bloc collapsed in the late-1980s and early-1990s. Consequently, the state had been emphasizing since the 1990s training and education in ethics, morals, and thought.²⁰

Societal distractions and resource distributions are insufficient, so fortified oppression and controls via increasing personnel social security and national security departments has long been, as has been well-documented, a significant part of North Korea’s domestic strategy.²¹ Increased border security has resulted in a noticeable decrease in the number of refugees. According to the Ministry of Unification in South Korea, the number of North Korean refugees/defectors

entering South Korea declined from 2,706 for 2011, to 1,202 from January to October 2012, so possibly 1,400-1,500 by year's end. Kim Jong-un has repeatedly called on police officers and judges urging for the capture and punishment of "anti-state criminals," and visited the Ministry of State Security twice this fall, exhorting the protection of the people from "traitors."²² Human rights violations continue, as do the documentaries on these camps and survivors' lives.²³

Moreover, there have been numerous reports of intensification of attempts to track down North Korean refugees in China and return them to North Korea, and even more dramatically, scout, persuade, or threaten North Korean refugees in South Korea to return to the North. In fact, three press conferences featuring refugees or defectors who returned to the North have been broadcast on North Korean TV in the last five months. On June 28, Pak In-suk held a press conference, claiming that she felt ashamed to have left the country but was moved when Kim Jong-un provided her with an apartment and welcomed her back. On July 19, Chŏn Yŏng-ch'ŏl claimed that the South had sent him back with orders to destroy the statues of Kim Il-sung and Kim Jong-il at Mansudae (but prevented and forgiven, according to the press conference), and on November 8, a couple with a young baby, husband Kim Kwang-hyŏk and wife Ko Chŏng-nam, spoke of the disappointment and discrimination they experienced during their four years in the South, despite the fact that according to neighbors, the couple, or at least the wife, had seemed quite content in Seoul, and the husband's mother and younger sister were still in South Korea.²⁴ There have been reports that KWP and workplace managers were instructed to ensure 100 percent viewership of the TV interview, and even provided electricity to offices to generate this result. Most South Korean media outlets speculated that Pak In-suk was likely forced to return by the fact that her son had been left in North Korea since 2006, and may have been used as a hostage.²⁵ Others have also been persuaded or coerced into returning as well, with some observers estimating that a hundred people have returned to the North in the first half of 2012 alone.²⁶

ELITE DIFFERENTIATIONS

The theme of equilibrium is even more salient at the level of elite differentiation. Kim Jong-un has rapidly reshuffled decision-making power over economic matters away from the KPA to the KWP and the Cabinet. Yet, he cannot afford to upset the symbiotic equilibrium between these three major administrative entities. In terms of maintaining equilibrium in speed of personnel changes, Kim Jong-un has acted quickly to consolidate power by removing many advisors who had been close to his father. At the same time, he seems to have avoided unnecessarily triggering organized opposition by over-pacing personnel changes.

Kim Jong-un has actually been following in the well-established tactics employed by his grandfather and father to consolidate power, namely purging potential

rivals, undertaking large-scale personnel changes, and promoting those most loyal to them. Nevertheless, the game of musical chairs in top positions in the KWP, KPA, and the Cabinet has been occurring with unprecedented alacrity since April 2012. It took Kim Il-sung decades, from 1948 to 1967, to eliminate various rival factions, and likewise, Kim Jong-il took around ten years, from 1974 to the mid-1980s, to build his own network among the KPA officers. Kim Jong-il and Kim Jong-un had together initiated a generational shift within the KWP around September 2010 by retiring KWP members sixty and above. But more surprisingly, since April 2012, Kim Jong-un has made changes to one-fourth of all Cabinet Minister posts, and consolidated economic planning under the Cabinet and the KWP.²⁷

Pak Myong-ch'öl (born 1941), the son-in-law of Rikidōzan, the Zainichi professional wrestler, and sworn blood brother of Kim Jong-il (they lived together when they were children) was removed from his position as Minister of Sports.²⁸ Other ministers, including Kim Pong-ch'öl (1941, Commerce), Na Tong-hui (1939, Land Transportation), and Yi Kyōng-sik (1946, Agriculture), were all replaced by much younger ministers born after the end of the Korean War. In the meantime, several former Cabinet officials with experience in economic affairs, including Han Kwang-bok, former Vice Premier and former Minister of Electrical Engineering, Pak Pong-ju (Premier from 2003 to 2007), Kwak Pōm-gi (former Vice Premier), and Yi Su-yong were appointed to a range of positions within the KWP.

Numerous changes among the top officials in the KPA have also proved to be constant fodder for military rank and number watchers, as well as the media and intelligence, with speculation about what these changes mean running rampant. I would suggest that speed and scale of these changes, as well as the existence of similar tactics used to control the selectocracy in the KWP and KPA by Kim Jong-il in particular, would seem to indicate that the various promotions, demotions, and re-promotions of KPA officers is not a sign of a military coup or organized opposition, but of bringing the KPA under tighter KWP and Cabinet control. Individual officers may feel aggrieved at intrusion by the KWP, especially KWP Central Military Committee Vice Chairman Ch'oe Ryong-hae into KPA matters, but there have not been any indications of organized opposition. If anything, the re-promotion to general and subsequent appointment of hardliner Kim Kyōk-sik to Minister of Defense, replacing Kim Chōng-gak who was appointed president of Kim Il-sung University, would indicate that the top officers, especially those over 70, are for the most part falling in line or pushed into retirement. Some 30 percent of KPA officers over 70 have been replaced via promotions of those in their 40s-50s.²⁹ Despite some sensational and unconfirmed media reports of possible coups and massive disgruntlement, these promotions seem to be part of an established strategy for testing and promoting loyalty. Many “princelings” or children of both KWP and KPA elites, including O Kūng-ryōl's son O Se-hyōn, have been playing prominent roles in various positions.³⁰

Thus, longtime mainstays, such as O Kŭng-ryŏl, who according to some observers had been competing with Chang Sŏng-t'aek to attract funds from overseas Koreans in China during the last days of Kim Jong-il's rule, has been relegated into the background.³¹ Other prominent KPA officials, including the four KPA officers who accompanied Kim Jong-il's hearse at the funerary procession on December 28, 2011 has been removed from their positions or relegated to second line positions. Aside from Kim Chŏng-gak mentioned above, U Tong-ch'ŭk has not appeared in public since March 2012, while Yi Yŏng-ho (Ri Yong-ho) was removed from all posts in a widely reported move in July 2012. Kim Yŏng-ch'un remains on the roster of public visiting delegations, although listed after Ch'oe Ryong-hae. Other demotions have included Kim Yŏng-ch'ŏl, who South Korean intelligence had identified along with Kim Kyŏk-sik as one of the leaders of the shelling of Yŏngp'yŏngdo, from general to colonel, and Hyŏn Yŏng-ch'ŏl, Chief of General Staff and ostensibly Yi Yŏng-ho's successor, from Vice Marshall to General.³²

In addition to personnel demotions and promotions, the reorganization of economic units within the KPA indicates that Kim Jong-un has been able to strengthen his control over the military. The KPA's overseas economic activities unit, known as Room 39, was reportedly closed in August 2012 soon after Yi Yŏng-ho's dismissal from all posts, and Room 38, the KWP's unit that acted as the Kim Family's "personal safe," was closed in October 2012.³³ At the same time, gifts to the selectocracy in both the KPA and the KWP in the form of Swiss watches (Victorinox) and designer goods apparently continue to be sent out, as do other material incentives such as preferential access to food and housing.

Some observers claim that the shift in the power equilibrium from the KPA to the KWP and the Cabinet will destabilize the country. This assertion appears to be based in part on the assumption that North Korea had been under Kim Jong-il a military-run state. The "Military First" politics and the 2009 Constitutional Revision defining the National Defense Commission as the representative of the country in Article 109, item 1, would at first glance appear to support this view.³⁴ However, the objective in the Constitutional Revisions had not been to militarize the country but to allow the KPA to function more effectively within the national system.³⁵ Furthermore, KWP, the Central Committee and Central Administrative Committee (Chŏngmuwŏn), which became the "Cabinet" in 1998, were also elevated in status along with the National Defense Commission during each Constitutional revision in 1992, 1998, and 2009, meaning that while the power had shifted to the KPA, even under "Military First" politics, the country was never merely a "military state."³⁶ Conversely, the adjustment of the power equilibrium towards greater weight given the Party and the Cabinet does not mean the desiccation of KPA either, as evinced by the recent reports of possible missile tests and Kim Jong-un's repeated visits to military facilities.

FOREIGN POLICY DIVERSIFICATIONS

Diversification in the realm of foreign and security policy have, like domestic political reforms, been based on the tactics used by Kim Jong-il, with the primary goal appearing to be maintaining equilibrium between external tensions and international outreach. The speed and scope of the activities again would indicate that these diversifications are part of a calculated mix rather than random moves from a regime with an uncertain immediate political future.

On one hand, North Korea has increased its cultural and sports exchanges. Among other examples, North Korea agreed to send an athlete to the Paralympics in November 2010, and in fact sent its first athlete to the September 2012 London Paralympics.³⁷ A North Korean film, *Comrade Kim Flying* (a joint production between North Korean, British and Belgian teams that began four years ago), was shown at the Pusan International Film Festival in September 2012, while *A Promise in Pyongyang*, a joint Chinese-North Korean production, was released in China and North Korea in June 2012, and shown in South Korea in November 2012. The Unhasu Orchestra joined the Radio France Philharmonic for a series of concerts in March 2012 under the baton of the renowned South Korean conductor Chung Myung-Whun, and Munich Philharmonic visited Pyongyang and performed concerts with North Korean counterparts in November 2012. A semi-pro basketball delegation of Americans visited Pyongyang in June 2012, and a Japanese taekwondo team visited Pyongyang in November 2012.

Multiple visits to Southeast Asian countries through the summer of 2012 appear to draw inspiration in part from initiatives undertaken in 2002-3 to diversify sources of capital, food, and technology. Around 2002, North Korea shifted from pursuing exchanges in Southeast Asia based on ideological affinity to the non-aligned movement to estimations of economic benefits.³⁸ North Korea appears to be well aware of the economic growth rates registered by countries such as Singapore, Indonesia, Malaysia, and Vietnam, and the fact that trade with ASEAN countries had declined from around 10 percent of the total value during 2000-2006 to 2 percent in 2011.³⁹ Investments into Rajin, increased trade in goods and technology, and food aid were the main points of discussion raised by the head of the delegations, Kim Yŏng-nam, the long-serving chair of the presidium of the Supreme People's Assembly and experienced foreign policy hand. Agreements to increase media and economic exchanges were concluded with Malaysia, whose goal of expanding the Global Movement of Moderates (promoting engagement and moderation in international relations) appears to intersect with Pyongyang's aims to diversify sources of funds and food.⁴⁰ On the heels of a 2-0 loss in a friendly soccer game with the North Korean national team in September, Indonesia pledged \$2 million in food aid.⁴¹ In October, North Korea also launched a campaign to attract more tourists from Taiwan and the Philippines.⁴²

The key of course is not to treat these events in isolation. In October and November alone, North Korea claimed that its missiles could reach the US mainland, announced a state of semi-war alert, Kim Jong-un bestowed honors to soldiers who had participated in the shelling of Yönp'yöngdo, and threatened to shell the island again if military exercises were carried out by the South on the anniversary of the shelling.⁴³ Aside from such incidents or concerns about missile tests, North Korean capture of Chinese fishing boats in May has only served to increase the number of observers in China calling for a reassessment of the China-North Korea relationship.⁴⁴

North Korea has also been tracking with great concern South Korea's acquisition of the Patriot Advanced Capability-3 (PAC-3) surface-to-air guided missile defense system from initial discussions to final purchase.⁴⁵ Again, rather than dismiss some of the operatic protests about the US-South Korean military as paranoid ranting, it would be useful to note that there appear to be clear strategic concerns, as well as propaganda value, in criticizing the US and South Korea when compared with the fact that there have been no North Korean criticisms of Indonesia's standing order of sixteen T-50 Golden Eagle supersonic light fighter planes manufactured by South Korea. Moving missile components from the research center to the testing site, and announcing a test launch for days before the South Korean presidential election is another indication that the use of both provocations and outreach is likely to continue.

North Korea's relations with Syria also indicate that diversification of foreign relations and mix of tension and outreach will likely remain for the foreseeable future. The discovery of missile parts (445 graphite cylinders) from North Korea on a Chinese ship that was headed to Syria and widely reported statements from Kim Jong-un in support of Bashir Al Assad certainly does nothing to improve North Korea's image abroad.⁴⁶ From North Korea's perspective, Syria is ideologically aligned with its message of autonomy and anti-US imperialism and also one of the few oil-producing countries other than China willing to engage in trade, especially for missile parts. Articles introducing Syria's oil production trends and IT industries accompanied the arrival of a Syrian delegation in North Korea October 29, and soon after, an agreement to increase economic cooperation and exchanges was announced on November 5, 2012.⁴⁷ On October 5, 2012, the 67th anniversary of the founding of the KWP, Bashir Al Assad sent a congratulatory message to Kim Jong-un, which was reciprocated in the more widely reported statement from Kim Jong-un on November 16 congratulating Syria on the commemoration of what North Korea called Syria's "rectification movement," the rise to power of Hagez Al Assad, Bashir Al Assad's father in November 1970.⁴⁸

As for the Six-Party Talks and nuclear weapons, suffice it to say that there are no indications of any immediate or significant changes. If anything, the widely reported amendment to the Constitution in 2011 that included a reference to its

being a “nuclear power state” makes it even clearer that North Korea has little interest in giving up its nuclear weapons program. North Korea continues to call for recognition as a nuclear state along with the US, Russia, Britain, France, and China, and there is also little likelihood that this will be forthcoming in *de jure* terms. North Korea will continue to be the object of scrutiny and monitoring as the only one of the non Nuclear Nonproliferation Treaty (NPT) recognized nuclear states with an openly adversarial relationship with the US, and especially so as it is unlikely to follow the “Pakistan solution” and join the war on terror. The Libyan civil war and the overthrow of Muammar Qaddafi merely reinforced North Korea’s belief that possession of nuclear weapons, even with vexed delivery technologies, is a key not only to national identity but a deterrent to external intervention.⁴⁹ The light water nuclear reactor currently under construction and the possibilities of another missile launch in December merely confirm that cultural exchanges and diplomatic maneuvers will continue to be accompanied by military activities, a strategy that has been in place since the 1960s.

ECONOMIC ADJUSTMENTS

As other papers in this series have focused on the economic dimensions of North Korea under Kim Jong-un, the discussion in this section will be brief⁵⁰. While absolute poverty does not invariably lead to regime or state collapse, and perceptions of relative poverty in North Korea can be dampened by various ideological and speech controls, the reality remains that for the stationary bandit or stationary missionary, there need to be people to exploit or convert, meaning people will need food if not cars. Kim Jong-un indirectly acknowledged this when in the equivalent of an inauguration speech on April 15, 2012 he pledged to work on behalf of the people.⁵¹ Of course, the latest reports from 2012 all indicate malnutrition is still prevalent despite improved harvests this past summer.⁵² The Public Distribution System (PDS), had always covered only around 70 percent of the total population, and clearly differentiated between the ranks in terms of frequency, volume, quality, and variety of food distribution, but has deteriorated in the past year according to recent refugee/defector accounts.⁵³ Reports from within the country indicate that corn was distributed until April, then starting in May supplies of corn was reduced to 20 days-worth, and by August and September only 15 days of each month.⁵⁴

Recognition of course does not lead to success. Investments in Rajin or reopening Kumgangsan to South Korean tourists, opening new perfume factories and supermarkets generate revenues and can be useful for official propaganda, but the actual total economic growth rate at this point is less important than basic health and food supply.⁵⁵ While the military first rhetoric (albeit under KWP supervision) has been retained in formalistic terms, in substance, the state has shifted its focus to the economic reform under the KWP and Cabinet leadership. As was the case

with the 7.1 economic reforms of 2002, the 6.28 economic reforms focused on agriculture did not appear in official documents and the majority of assessments of their potential effectiveness veer towards the skeptical.⁵⁶

Attitudes may have changed since the late-1990s when the eldest son Kim Jong-nam had his initial fall out with Kim Jong-il over the pace and direction of economic reforms.⁵⁷ Small groups of economics professors from North Korean universities are studying market principles outside of the country, and have benchmarked cases such as China, Vietnam, and Singapore. It would be judicious to temper expectations of a Chinese-style set of reforms, however. The basic political and economic structure remains, and has not been revised. The bulk of North Korea's economic research still leans towards the theoretical, largely examining Soviet-derived centrally planned distribution theories called "economic cybernetics" or System of Optimally Functioning Socialist Economy (SOFE).⁵⁸ A survey of recent studies of South Korea's economy by academics in North Korea indicated that the analysis invariably praised socialist approaches to economics and invoked the stereotype of South Korea as a vassal to the US and Japan, thereby reaffirming the superiority of North Korea's *chuch'e*-based economic system.⁵⁹ While the field of economics and policy probably intersect less frequently than might be expected in most countries, there is little indication that the underlying problems related to planned economies has been acknowledged in North Korean academic or policy-making circles.

Regardless of the extent to which Chang Söng-t'aek was shocked when he visited South Korea in 2002 and observed first-hand the results of decades of sustained development and growth, in all likelihood, North Korea will continue to hew closer to the lower edge of the acceptable bandwidth of performance in economic terms, meaning food shortages and malnutrition will likely remain, especially in the northeastern rural areas, and the economy will remain heavily dependent on China. Around 90 percent of all North Korea's trade is with China, although China's trade with South Korea is far greater in volume and market value. North Korea's role as a strategic buffer and a link in China's "Revitalize the Northeast campaign" (*Zhenxing Dongbei lao gongye jidi*) will likely mean continued efforts by North Korea to find alternative sources of funds and aid while at the same time strengthening national and local level economic linkages with China.⁶⁰

CONCLUSION

In studying North Korea's political stability, there needs to be a separation from normative and sometimes wishful thinking and analysis. North Korea, from a normative and prescriptive view, ought to improve its human rights conditions and the food security of all its citizens, but this is quite a different claim than analyzing what the North Korean state can do in terms of capacity, and what it should do if its own goal is long-term regime survival and stability. All too often, quantitative

analyses reproduce media reports that can be presented without context, and more grounded approaches can become distracted by the mesmerizing minutia of life in North Korea.

There is precious little information on the interpersonal dynamic between the what looks to be current core three individuals in power – Kim Jong-un, Chang Sŏng-t'aek, and Ch'oe Ryong-hae, and some media observers have claimed that Chang would attempt a palace overthrow in the near future. While acknowledging that as always, information on some key elements of North Korean politics remains adamantly opaque, available information indicates that Kim Jong-un has undertaken a wide range of policy initiatives largely based on established templates used by Kim Il-sun and Kim Jong-il, and has carried out personnel changes at an unprecedented pace while clearly differentiating his style of rule from his father's. The speed, scale, scope, and variety of policies in North Korea's moves to distract, mobilize, and control its citizens, tame and turn over its selectocracy, and diversify its foreign and security policies all indicate that the totalitarian combination of high oppression and high loyalty will likely remain. This is all the more likely as despite the pace of changes, awareness of past practices is very much evident, and equilibrium between mass distraction and mass starvation, overreliance on the KPA or the KWP, and conflicts with external threats and exchanges with others has been maintained, albeit to varying degrees of effectiveness in each policy area. Consequently, projecting political stability for at least the next five years would seem to be a reasonable conclusion.

ENDNOTES

Romanization of Korean is based on McCune-Reischauer, Japanese on Revised Hepburn, and Chinese on Hanyu Pinyin systems. The exceptions are for names commonly spelled in alternative Romanization systems (e.g. Kim Jong-un, Kim Jong-il, Tokyo, Pyongyang, Yonhap, Kyodo, etc.).

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KEYS TO THE KIMDOM: NORTH KOREA'S ECONOMIC HERITAGE AND PROSPECTS AFTER KIM JONG-IL'S DEATH

Aidan Foster-Carter

ABSTRACT

This paper looks at the economy Kim Jong-un has inherited and its prospects. The economy of northern Korea suffered several wrenching reorientations before its great leap backwards in the 1990s. One reason is that successive Kims have rarely made the economy a priority, but have subordinated it to politics, ideology and above all the military. This neglect and bad policies have done much damage, yet the DPRK economy does not lack potential. Areas of promise or at least hope include minerals, export zones, processing/outsourcing, and labor export, all of which are already under way in varying degrees. In the longer run North Korea will also become a 24 million strong consumer market, and it could leverage its geography to become a hub in the nascent northeast Asian regional economy. The prerequisite for any real and lasting economic flourishing, however, is for the regime to both unambiguously embrace reform and also address old reputational issues such as state crime and chronic failure to pay debts or honor agreements. In this context, Kim Jong-un's first year at the helm offers no clear pointers of fundamental change. Hints are not enough: the DPRK regime needs to stop blaming and provoking others and take responsibility for its future, without further delay.

Key Words: *economic reform; Special Economic Zones (SEZs); Kim Jong-un; June 28 measures; labor and minerals*

One of the cardinal problems arising in the revolution and construction in each country today is the problem concerning how and in what direction to develop its economy. Whether this problem is correctly solved or not poses (sic) as a question of principle affecting the destiny of the revolution and construction in each country.

- *Economic Research Institute, Academy of Social Sciences of the DPRK;*
10 October 1976¹

The ‘theory’ that large-scale economy cannot develop rapidly is but a sophistry brought forward by some people to justify the fact that their technical progress is slow and their economy stagnant because they, talking about ‘liberalisation’ and ‘democratic development’, did not educate their working people and [hence] the latter are ideologically so soft as to fiddle about and loaf on the job.

- *Kim Il-sung, On Some Theoretical Problems of the Socialist Economy, 1969²*

We opened already. Do I have to say it again? We allow foreign investment and joint ventures. We opened. Is there any room for more opening? We have set up zones where they can best fit in. When we open we do it in our own way, not following others. It’s anathema for me to follow others.

- *Kim Il-sung, interview with foreign visitors, April 1994³*

At this time, when the situation is complicated, I cannot solve all knotty problems while handling practical economic work. I should take charge of the party, the Army, and other major sectors. If I handle even practical economic work, it would have irreparable consequences on the revolution and construction. When he was alive, the leader [Kim Il-sung] told me not to get involved in economic work. He repeatedly told me that if I got involved in economic work, I would not be able to handle party and Army work properly ... Administrative and economic functionaries must take charge of economic work in a responsible manner ... Strengthening the Army is more important than anything else given today’s complicated situation

- *Kim Jong-il, speech at Kim Il-sung University for its 50th anniversary,*
December 1996 (just when famine was beginning to bite hard).⁴

Today the DPRK's economy is at the highest tide of its development ever in history.

- *KCNA Commentary Terms ‘DPRK’s Economic Meltdown’ Absurd,*
11 November 2011⁵

INTRODUCTION

What is North Korea? A threat. A headache. A problem. But not so often an economy. The DPRK is much discussed and fretted over, yet our attention tends to be partial and selective.

In this, ironically, we mirror Pyongyang's own self-distortions. Nowadays – unlike the past, as witness the book from which the first quotation above is taken – this regime presents itself as a nuclear power, a political fortress, an ideological monolith: Anything but an economy.

Everywhere else in the world, economic discourse dominates the serious media. Especially but not only in democracies, governments produce statistics, plans, and policies; knowing their citizens will judge, and maybe punish them, for their economic stewardship above all. As James Carville famously summed it up for Bill Clinton: “It’s the economy, stupid!”⁶

But not in North Korea. That is their failure, and also ours. Theirs is the original and greater sin. Having spent over forty years imbibing DPRK discourse,⁷ I am struck by how little it now focuses on the economy. You wonder what both speaker and audience are really thinking when, year after year, ministers present a budget with no hard numbers.⁸ A decade ago they at least gave total income and expenditure,⁹ while half a century ago Pyongyang published statistics like normal countries do. In this as in much else, North Korea has gone backwards.

If ever the DPRK media do broach matters economic, it is as homiletics rather than science. People are constantly urged to storm this or that height, show loyalty, keep the faith. All you need is will. Recently the Party daily *Rodong Sinmun* boasted: “The practical experience and reality of the DPRK go to prove that any country can achieve scientific and technological progress when it maintains an independent and creative stand and *buckles down to the work with a will* on the principle of self-reliance.”¹⁰ (emphasis added.)

We risk echoing that bias if we focus solely on political and security dimensions, crucial as those are for obvious reasons.

Evaluating the DPRK's economic prospects now is a two-fold task. Like the Roman deity Janus, we have to look both ways. While this paper seeks to be future-oriented, any realistic predictions must be based on an accurate account and honest appraisal of the economic mess which Kim Jong-un has inherited. Literally and metaphorically, this is a poisoned chalice – or should we say *chalip*, echoing Pyongyang's own slogan. (It means economic self-reliance, though that boast was always mendacious. In truth the DPRK was launched and sailed on a sea of Soviet aid, till Moscow finally and abruptly pulled the plug in 1991 – when this leaky creaky vessel began to take on water, almost sank, and has been foundering ever since.)¹¹

NORTHERN ECONOMIC HISTORY: WRENCHING REORIENTATIONS

What then is Kim Jong-un's economic inheritance? We begin by sketching the *longue durée* in a wider context than is usually done. Cha Myung-soo recently offered a brisk and perhaps contentious round-up of the past half-millennium of the whole peninsula's economic history:

Two regime shifts divide the economic history of Korea during the past six centuries into three distinct periods: 1) the period of Malthusian stagnation up to 1910, when Japan annexed Korea; 2) the colonial period from 1910-45, when the country embarked upon modern economic growth; and 3) the post colonial decades, when living standards improved rapidly in South Korea, while North Korea returned to the world of disease and starvation.¹²

North Korea today is often likened to the late 19th century hermit kingdom in the Choson dynasty's dying decades, when the Taewongun tried to keep the world at bay. Cha's account suggests more specific comparisons. Much earlier, Choson too saw its command economy shattered, "fore[ing] a transition to a market economy." Then too the agents were external: invasions from Japan and China. The modern version was more complex: Moscow pulling the plug caused farming to collapse, leading to famine and forcing the regime to allow markets. Or this too sounds rather familiar, in a section headlined "Dynastic Degeneration":

During the nineteenth century, living standards appeared to deteriorate ... poor peasants left Korea for northern China The worsening living standards imply that the aggregate output contracted, because land and labor were being used in an ever more inefficient way.¹³

Analogies apart, let me propose a tentative periodization of North Korean economic history based on two concepts: marginality, and wrenching reorientations. Historically, as Kim Sun-joo and her contributors show in a fascinating study,¹⁴ long before partition in 1945 the three traditional provinces of northern Korea were already a realm apart: peripheral, far from the center of things, marginal and discriminated against. Very little economic development took place. Hardly any analyses of the DPRK consider it against this background and context.

By contrast, the colonial era (1905-45) jolted northern Korea into centrality. The beginnings of industrialization saw its mineral and hydropower resources exploited, and rail and road networks built. Korea became a more connected economy, with heavy industry in the north while light industry and farming dominated the south. Integration was also international, in two directions: not only perforce in subordination to Japan's needs, but also to some extent towards northeastern China, especially during Manchukuo's brief but interesting existence.¹⁵

1945 began a third phase, again discontinuous and doubly wrenching. Korea's partition saw North and South severed from one another, completely so after 1953. North Korea also lost its economic ties to Japan, though trade would later revive until Tokyo banned it recently. Swivelling to face north instead of east, the new DPRK now had the USSR, in Japan's former role – if more benignly – as its focus of orientation and sponsoring power.¹⁶ Though Kim Il-sung refused to join Comecon and flirted with China politically, for over forty years Moscow was Pyongyang's main trade partner, investor and lender of last resort. Like the Japanese era on which (despite the political rupture) it built economically, this too was a period of some economic development, albeit decelerating and stagnating towards the end.

In the 1990s a third vicious wrench ushered in a tragic fourth phase, undermining what went before. The new Russia abruptly ended not only aid but most trade too, as Pyongyang could not pay. Unlike the previous two phases – and only half as long, lasting till about 2009 – this 'arduous march' era saw no single outside power economically predominant. China steadily increased its heft, but from 1998 Seoul rivaled Beijing for influence during the 'sunshine' decade. This ended when Lee Myung-bak took office as ROK President in February 2008.

We may now be entering a fifth phase, though this time the transition is less clear-cut. Since 2008, an almost unopposed China has steadily increased its economic and other influence in the DPRK.¹⁷ The figures are startling. Sino-North Korean trade rose almost three-fold in just four years (2007-2011); the DPRK's exports to China more than quadrupled.¹⁸ South Korean conservatives now grumble that North Korea is becoming a fourth province of Manchuria,¹⁹ seemingly oblivious that this unwelcome turn of events is entirely their own fault.²⁰ The next ROK president, whoever she or he may be, will try to get back into the game in Pyongyang and recover ground lost by the current administration. Even the conservative Park Geun-hye, who dined with Kim Jong-il in Pyongyang in 2002,²⁰ advocates *trustpolitik* – though specifics of this plan are still unclear.²² The liberal Moon Jae-in goes so far as to propose an economic union with the North.²³

Yet with Rason²⁴ and more²⁵ increasingly a Chinese fief, mending inter-Korean fences will not be easy; it might even be too late. Blithe talk of North Korea opening often forgets that – if it happens at all – this may not be general, but rather directional. The question is: Opening *to whom*?²⁶ History has yet to answer; but unless Seoul changes its own policy approach, the Manchuria option seems all too likely.²⁷ Some of these issues are revisited below.

GREAT LEAP BACKWARDS

Before peering into the future we must summarize the DPRK's economic condition today. The economy Kim Jong-un inherits is unique in its trajectory and tragic

story. By no means primevally undeveloped, it was once seen as postcolonial Asia's brightest economic hope. In the early years North Korea's GDP growth outpaced South Korea's.²⁸ But those initial gains were lost due to the perverse ineptitude of the men unaccountably dubbed 'Great Leaders.' Kim Il-sung promised his people rice and meat soup; Kim Jong-il delivered them famine.²⁹

There is no mystery at all about what went and still remains wrong. Despite Kim Il-sung's bluster quoted above, economics is a science. North Korea proved no exception to the rule that unreformed centrally planned economies must slow eventually, for familiar Kornaiian reasons.³⁰ On top of this the Kims burdened the DPRK with many costly irrationalities.³¹ These include hyper-militarization; grand unproductive edifices (mausolea, the Ryugyong hotel, an excess of statuary that must now all be altered);³² disastrous agricultural policies; leaderly whims (vinalon, ostrich farms) and arbitrary interference; and more. North Korea always blames everyone else – hardly a *juche* attitude – and there were external factors too, especially Moscow's abrupt cessation of aid in 1991. Yet the inexplicable failure to react to that body blow and plot a new course is the Kims' alone, as is overall responsibility for a shattered economy³³ – and a chasm now so wide with South Korea that one could call it 'one country, two planets.'³⁴ Kim Jong-il's whining 1996 comment, also quoted above, suggests a total failure to grasp James Carville's nostrum cited above. For him it was the army, stupid. The urgent need is to change priorities, break with this dismal past and do differently; but politically that will not be easy for Kim Jong-un. We assess his performance so far below.

HOPES FOR THE FUTURE

Yet North Korea by no means lacks economic potential, even if its rulers have squandered its assets in ways that are unproductive or even value-destroying. Again, there is no mystery about how the DPRK should go about promoting economic recovery. It is even beginning to do some of it, haltingly. Several areas of particular if varying promise can be identified.³⁵

Minerals

First, by a quirk of geological fate northern Korea, unlike the south, is blessed with a wide range of minerals.³⁶ (By some accounts this rich endowment also includes rare earths.³⁷) In 2010 the ROK parastatal Korea Resources Corp valued the North's deposits at no less than 7 quadrillion *won*, but a more recent estimate ups this to 11 quadrillion *won* (\$9.7 trillion) in view of rising raw materials prices.³⁸ We are used to DPRK magnitudes being tiny, so these are dizzying sums; they have turned at least two heads. "Abundant mineral resources (valued at around 140 times 2008 GDP)" were a major factor cited by Goldman Sachs in a 2009 paper brimming with long-term optimism: "We project that the GDP of a united Korea in USD terms could exceed that of France, Germany and possibly Japan

in 30-40 years.” (This assumes “a peaceful and gradual economic integration between North and South Korea”: a pious hope devoutly to be wished for, but surely a rash premise for an entire analysis.³⁹) In similar vein, some in Seoul cast avaricious eyes on the North’s mineral wealth as a way to drastically cut the cost of unification: a stance North Koreans might deem presumptuous.⁴⁰

Unsurprisingly, minerals have always been prominent in the DPRK economy. In 2005 they made up 8.3% of GDP and 15.9% of export earnings.⁴¹ Both proportions have since grown. For 2011 the (ROK) Bank of Korea (BoK) estimates mining as contributing 14.6% of North Korea’s GDP,⁴² while the rapid recent expansion of DPRK exports to China mostly involves minerals.⁴³ Whether such resources are being exploited optimally or even wisely is another matter: for example whether value is added by processing, or raw ores are exported ‘as is.’ Intriguingly, in the first economic treatise to bear his name Kim Jong-un (no less) complains:

Some people are now attempting to develop the valuable underground resources of the country at random on this or that excuse to export them for not a great sum of foreign exchange. This is an attitude lacking in far-sightedness and an expression of lack of patriotism.⁴⁴

Whether Marshal Kim’s concept of patriotism extends to favoring South Korean investors, once a new president is in the Blue House, remains to be seen. Looking at the opening of Tanchon port in May, with its puny outdated cranes, one can only imagine how different this would have been had South Korea been involved – as was planned after their 2007 summit.⁴⁵

Export Zones

Selling minerals depends on being lucky enough to have them, but any country can seek to develop by the tried and tested route of manufacturing for exports: usually starting with light industry, and often creating special zones (SEZs) for the purpose.⁴⁶ *Juche* is silent about this, but the DPRK has had a toe in the water for over twenty years. If little was achieved until recently, this is because the toe barely even became a foot, much less the necessary full immersion.

As noted above, Rason is finally starting to fulfil its potential⁴⁷ – but only since China took it by the scruff of the neck, for instance upgrading the border road which the DPRK had never even paved in twenty years.⁴⁸ The Rajin-Sonbong Free Economic and Trade Zone – the ‘free’ was soon dropped, and the name was later shortened to Rason – was gazetted as long ago as December 1991. While occasionally radical compared to the rest of the DPRK – it was here that the Northern *won* was first allowed to float, in 1997, and sank like a stone⁴⁹ – generally Pyongyang never gave Rason either the resources or the autonomy it needed. China is now providing the former, including electricity, and with any luck will also guarantee the latter.

Then there was Sinuiju, or rather wasn't. In an object lesson of how not to do this, a decade ago Kim Jong-il – so resistant to opening and reform on every other front – fell for a Dutch-Chinese orchid billionaire, Yang Bin (once China's second richest man) and appointed him to run the northwestern border city as a Special Administrative Region (SAR). Promising all kinds of freedoms for foreigners – whereas the natives were to be relocated *en masse* – Yang was swiftly arrested in China; in 2003 he was jailed for eighteen years for fraud.⁵⁰ The dear leader had apparently not thought either to check Yang out, or run all this past Beijing; as if China had no say in a zone right on its border, facing Dandong in Liaoning across the Yalu river.

So the Sinuiju SAR came to naught, but a decade later in June 2011 two tiny DPRK islands abutting Dandong were gazetted as Hwanggumphyong and Wihwa Islands Economic Zone. Despite this grand title, nothing is happening yet. This time China is officially on board, but reluctantly. The islets have no merit, and don't fit with Dandong's existing plans. The rumor is that Kim Jong-il foisted this on China as the price of granting it a free hand in Rason.⁵¹

With neat symmetry as regards points of the compass, this duo of zones in the DPRK's far northeast and northwest is matched by two in the southeast and southwest. As geography would suggest, the latter pair are joint ventures with South Korea; and again the history is checkered. Both the Mount Kumgang tourist resort (southeast) and the Kaesong Industrial Complex (KIC, southwest) were the vision of Chung Ju-yung: the northern-born founder of the Hyundai *chaebol*, whose financial muscle and personal drive turned Kim Dae-jung's sunshine policy from a politically driven dream into a practical business proposition.

But that begs the question. Cynically and short-sightedly, Pyongyang exploited Chung's goodwill. It charged nearly a billion dollars just to lease Kumgang, then made Hyundai pay on top to build all facilities: hotels, shops, port, etc.⁵² By this greed Kim Jong-il shot himself in the foot, for as a result every other *chaebol* has steered well clear of North Korea; the contrast with Taiwanese business vis-a-vis China is telling. The cold shoulder includes all of Chung's sons, except the ill-fated Mong-hun who paid a tragic price for his father's dream: indicted in June 2003 for his role in secretly transferring millions of dollars to the North Korean government, Mong-hun committed suicide two months later.

Still, in its heyday Kumgang was profitable, taking 1.9 million South Korean tourists to this odd enclave before another tragedy, a fatal shooting in July 2008, caused Seoul to suspend tours. Now it is in a sorry state,⁵³ while the North's confiscation last year of South Korean assets worth US\$450 million hardly enhances its reputation as a trustworthy partner.⁵⁴ On 11 October an opposition lawmaker claimed that four years of closure have cost ROK firms and state bodies

2.3 trillion *won* (2.07 billion dollars).⁵⁵ This dismal situation bespeaks myopia in both Pyongyang and latterly Seoul; one can only hope that it will prove remediable.

The fourth of this quartet is a happier tale. That the KIC⁵⁶ exists at all, and survives, is quite remarkable. Chung Ju-yung sought a manufacturing SEZ to complement his tourist one. He wanted Haeju in the southwestern DPRK. The North countered with Sinuiju (this was before Yang Bin), but that was too distant from the South to be viable. Then, perhaps repenting his earlier avarice, Kim Jong-il unexpectedly offered Kaesong: right on the Demilitarized Zone (DMZ), hence accessible by land. Hyundai and Seoul could not believe what one key player called “this incredible [gift] ... If we had been in their position, we would never have given up such an important strategic point.”⁵⁷ This is worth pondering amidst the current furor about the late Roh Moo-hyun and the Northern Limit Line (NLL).⁵⁸ Had a Haeju peace zone come to pass, this would naturally alter the nature of the NLL; just as regular commuter traffic – the millionth cross-border passenger was clocked up on 27 June⁵⁹ – has started to change the once impermeable and still forbidding DMZ from a front line into a front door.

If the first miracle is that the KIC exists at all, the second is that it survived the *Cheonan*. In May 2010, President Lee Myung-bak notionally banned all inter-Korean trade in reprisal for the sinking of its corvette in March – but the KIC was specifically exempted. That makes nonsense of a ‘ban’, yet one is all the gladder in dark times that this one candle still flickers: lighting a better way for the two Koreas to relate. It remains small beer (to mix metaphors), though slowly growing. Production in the first half of 2012 was worth US\$236 million, up 23 percent year on year. In August, the zone’s 51,310 workers – not quite the half a million once envisaged – got their usual 5 percent annual pay raise, taking the basic monthly wage to US\$67.05. In that, and the quality of this workforce, lies the KIC’s comparative advantage.

A far-sighted South Korea would create two, three, many Kaesongs. Perhaps that will happen from 2013. It takes two to tango, and in the past the North had planned further SEZs. A decade ago the *People’s Korea* compiled a web page of thirty articles, mostly from the late 1990s, whose upbeat titles make forlorn reading now: “Pyongyang Steps up Studies of Market Economy,” “DPRK is Good Place to do Business,” etc.⁶⁰ Intriguingly, one – in December 1997 – was titled “Outline of Nampo, Wonsan Bonded Zones...” Kim Mun-song, vice-chairman of the Committee for the Promotion of the External Economic Cooperation (CPEEC), presented this at the World Economic Forum in Hong Kong that October. Two bonded trade processing sites had been chosen, each to “be developed into an industrial park equipped with a wharf” where “foreign firms will be able to start business...on their own or in joint ventures with local companies.” A special law had been drafted and was awaiting approval by the State Administration Council (as the Cabinet was then called), plus some necessary infrastructural work.⁶¹

It never happened. Fifteen years on, Nampo and Wonsan are still SEZ-free, and the names cited in these articles are no longer around. Of the first two foreign banks to venture into the DPRK, Peregrine went bust while ING withdrew for lack of business. On the Pyongyang side, not only the CPEEC's Kim Mun-song, but his boss – the once ubiquitous Kim Jong-u, whose 1996 speech to an investment forum in Tokyo was a model of good sense⁶² and he also spoke in Washington the same year, and at Davos in 1997 – had disappeared by 1998; both were reportedly executed for corruption.⁶³ It does not inspire confidence when the few North Koreans who liaise with the wider world on business seem especially prone to purging or worse. This includes two men once well known in Seoul, where great hopes were had of them (which may have been their undoing): Kim Dal-hyon and Choe Sung-chol.⁶⁴

Processing and Outsourcing

A third mode of development is outsourcing. Having goods made – or less often, services rendered – in North Korea has a fairly long history, if as yet largely unwritten.⁶⁵ Pioneered in the 1980s by pro-DPRK Koreans in Japan associated with Chongryun,⁶⁶ mainly in textiles, in the 1990s the torch passed to South Korean SMEs.⁶⁷ Well before the Kaesong IC – which in a sense institutionalized a similar business model, but with greater control by the South – ROK firms engaged in processing on commission (PoC) in the DPRK: e.g. sending cloth (and in some cases old machines, already written off but still serviceable) north to be made into garments. This commerce and the firms involved in it were destroyed in 2010 when the Lee administration summarily banned inter-Korean trade – except in the KIC. As a result, here as in so much else, Chinese companies now predominate. European firms, if any, tend not to advertise that they operate in North Korea.⁶⁸ A Swiss data processing company, active in Pyongyang since 1996, refers only to being in 'Asia'.⁶⁹ Others are less coy.⁷⁰ Besides IT, every so often the western press rediscovers that the DPRK will make cartoons for you.⁷¹ There is surely scope for North Korea to further develop both outsourcing and PoC.

Labor Export

Our remaining sub-sections are briefer, since unlike for minerals and SEZs there is little or no past record to review: each is barely a gleam in the eye so far. A fourth option is to send workers overseas. For decades the sole destination was the then USSR: specifically, forestry in Siberia. That has shrunk,⁷² but North Koreans have expanded into other work, at least in Vladivostok.⁷³ In recent years the scope and range has expanded. Besides the 20,000-odd DPRK workers in Russia, a similar number can be found in the Middle East (Kuwait, Qatar, UAE et al), plus up to 3,000 each in Mongolia and Africa.⁷⁴ There used to be a few hundred in eastern Europe, but human rights concerns – which indeed arise in all these cases: one Russian called this state-controlled system “a form of slavery”⁷⁵ – have caused a retreat.⁷⁶

No such anxieties trouble China, which now looks set to become the main destination for DPRK workers (legal and illicit) on a large scale.⁷⁷ While this makes economic sense, both efficiency and equity would gain if such workers were free to make their own travel and employment decisions, as in other countries, and to keep what they earn. (Ironically, only illegal workers to a degree enjoy these freedoms – though of course they run several other risks). It is hard to imagine so controlling a state as the DPRK letting go in this regard.

Mass Market

Widespread though labor migration is and always has been around the world, it is arguably sub-optimal for people to have to go abroad to make a living. A country of some 24 million people⁷⁸ has the potential to become a sizeable⁷⁹ market – if only its citizens ever acquire the purchasing power to consume as they should, and would if they could. This is beginning to be seen in embryo in Pyongyang for a small elite,⁸⁰ but outside the capital poverty still rules.

Among its peculiarities, the DPRK has issued no macroeconomic statistical series for almost half a century. (We shall know it is changing when they release at least a few numbers: the budget would be a start.⁸¹) So it is idle to look for official figures, especially as “the regime really does not like markets.”⁸² Mobile phones are one product where some data exist, since Egypt’s Orascom publishes regular reports for its shareholders.⁸³ Koryolink, its monopoly joint venture, reached one million subscribers in February 2012, three years after launching. Though a big change for North Korea, this is still barely 4 percent of the population. We shall see whether this rate of growth continues, or if burgeoning inequality limits further expansion.⁸⁴

South Korea is a global top ten market for cosmetics and whisky, and the North will one day make its mark as a market too. In the 1990s I heard a manager in Seoul for one of the largest consumer goods multinationals note that a South Korean woman has on average \$100 worth of cosmetics in her handbag; he slavered for the sales opportunities once her Northern sisters could aspire likewise. Almost twenty years later, no such firms are yet active in the DPRK. UN sanctions are one reason, but basically the market is just not there. Yet it is not long since Chinese consumption was negligible, as indeed was South Korea’s – but look at them now.

The Real Korean Hub

A sixth option requires a leap of imagination right now, yet is firmly grounded in geography. A few years ago we kept being told that South Korea or Seoul was the hub of northeast Asia. It was rarely clear what this meant (financial? logistical?), but the hubbub served a purpose: eroding the old ‘fortress Korea’ mindset, and inverting the ‘shrimp among whales’ complex. Now, being at the center of things was good. Can the DPRK similarly reframe its thinking? That would be a huge mental and policy leap, but North Korea has location on its

side. A glance at the map reminds us which Korea is actually slap bang in the middle of Northeast Asia: sharing borders with China and Russia, and with Japan on its maritime doorstep.⁸⁵

The DPRK is well placed to look outward. Even before embracing an export orientation, as a minimum it could use its location for transit purposes. One obvious place to start would be that gas pipeline of which we heard so much a year ago, but oddly little since. How hard is it to sit and collect the rent while others pay to build infrastructure on your territory? That even a project as unthreatening as this, first mooted by Chung Ju-yung back in the 1980s, remains unbuilt is sad and worrying testimony to fear and obduracy. In his last months Kim Jong-il seemed to come round to this. Hopefully a filial Kim Jong-un will fulfill his father's legacy, but latest reports suggest this project is stalled because Pyongyang wants too much money.⁸⁶

Pipeline apart, North Korea's neighbors share an interest in upgrading its infrastructure so they can better connect across it. One day trains and trucks will roll between South Korea and to China, extending the Busan-Seoul corridor up to Dandong via Pyongyang. There will be links to Russia too, but realistically western North Korea will be where the action is.⁸⁷ All three neighbors have already each financed some DPRK roads or railways, and may do more – much as they want Pyongyang to pay its way.⁸⁸ Moreover, not all progress requires reform. Some areas, especially infrastructure, just need money thrown at them. Notably too, some ROK firms are already positioning themselves for Northeast Asia's new regional economy. On 10 September Posco and Hyundai Group broke ground for a US\$177 million distribution center in Hunchun city, Yanbian: just upstream of Rason which it is clearly meant to serve.⁸⁹

GOING STRAIGHT?

All in all, North Korea does not lack economic promise. But it also has severe downsides, which must be faced and tackled if future potential is to be fulfilled. The DPRK's image as a rogue state is well-earned, including in business. The charge-sheet is familiar. Pyongyang has time and again shown itself an untrustworthy partner. Not only has it hardly ever paid its debts, whether to Western banks from the 1970s or to Moscow which recently wrote them off;⁹⁰ but for decades it engaged in criminal activities.⁹¹ That may now have stopped, but an astonishing recent public outburst by a Chinese investor, Xiyang, directly accusing its joint venture partners of swindling it, suggest that bad attitudes and behavior persist.⁹² Choson Exchange, a Singapore-based NGO which does laudable business and legal training in North Korea, as good as admits there can be no confidence that the rule of law obtains there.⁹³

All this matters, not only ethically but because in a globalized era for the DPRK to open up is not enough: it must also compete. Minerals or low wages are a lure,

but the risk of being cheated outweighs these. Other negatives include deficient infrastructure and of course UN sanctions, imposed because of nuclear and missile defiance, which deter Western investors. China is less fazed by sanctions, but no one wants to lose his shirt. The Xiyang row suggests that some in Pyongyang still do not know or care how to treat a partner, perceiving deals as zero-sum rather than win-win.⁹⁴ They risk learning the hard way: Beijing might have made a strategic choice to prop up the DPRK, but it cannot force firms to go there. Xiyang may be an extreme case, but reports suggest that other Chinese firms are cautious if not skeptical.⁹⁵

A further behavioral issue is the prospect of South Korea and Russia renewing competition with China for influence in Pyongyang. This seems a mixed blessing. More resources will flow into the DPRK, yet this will also allow Kim Jong-un to adopt the old ploy of playing one power off against another. That in turn may promote rent-seeking rather than reform.

KIM JONG-UN: NEW LEAF? NEW BROOM?

While this paper's main topic is the curate's egg (good in very few parts) that Kim Jong-un inherits, a brief look at his first ten months is called for.⁹⁶ One appreciates the young leader's dilemma. Being only there because of whose son and grandson he is, Kim is bound to stress continuity, loyalty and fidelity. But that makes it hard to change without seeming to betray his inheritance. Squaring that circle will not be easy. One tactic is what might be called the early Dylan move: *The times they are a-changing*, so we have to adapt. Kim Jong-il spoke thus once, a decade ago, briefly raising hopes of change which were never fulfilled.⁹⁷

You also have to read between the lines. A 29 July KCNA article, headlined "To Expect 'Change' from DPRK Is Foolish Ambition," at first sounds unambiguous: "There cannot be any slightest change in all policies of the DPRK as they are meant to carry forward and accomplish the ideas and cause of the peerlessly great persons generation after generation." Yet that is immediately qualified: "The DPRK is putting forward new strategic and tactical policies in keeping with the changing and developing situation in each stage of revolution." And then this: "As far as 'attempt at reform and opening' is concerned, the DPRK has never left any field unreformed in socialist construction but always kept its door open."⁹⁸ To an outsider such verbal sleight of hand is tiresome and sounds contradictory, but such casuistry is needed if North Korea is to find ways it can allow itself to change on and in its own terms.

What about leadership style? Much is made of Kim Jong-un's more smiley and touchy-feely approach compared to his dour dad, but on matters economic there is more continuity than change. A baleful example is that this inexperienced youth already emulates his late father and grandfather by issuing pompous treatises,

which assume his own omniscience and scold officials, as if any problems are their fault.⁹⁹ This is not the way forward, especially as so far these works are largely devoid of interest or originality. The most substantial, on land management, has just one interesting passage, already quoted (on mining contracts). The rest is largely cosmetic: about the need to spruce everything up, especially Pyongyang.¹⁰⁰ For that matter, his on-the-spot guidance so far is oddly skewed towards funfairs, shops and so on rather than production sites. He leaves it to Premier Choe Yong-rim, almost three times as old, to do the strenuous rounds of provincial farms or factories, while he himself frolics on fast rides and in dolphinariums. Projecting a fun image is not enough: he needs to sound serious about getting the real economy moving.

As for concrete policy change, the past summer brought whispers of upcoming agricultural reform, known as the 6.28 policy.¹⁰¹ Though in the event nothing about this was announced at September's unusual second session of the Supreme People's Assembly (SPA), as some had forecast, the rumors seemed to be vindicated when AP interviewed two named farmers near Sariwon, who confirmed that they would be allowed to keep and dispose of more of their crop in the future.¹⁰² (One said that she will 'donate' it to the state, which raises alarm bells.) This was due to start on 1 October, but latest reports are that there is no sign of it and all talk of the change has stopped.¹⁰³ Perhaps someone got cold feet, or the reform is contentious, or they decided more time was needed.

It is also uncertain how far any such change in farming alone would help kick-start the wider economy. There is no suggestion of breaking up collective farms into family plots – strictly, contracts to work land that remains state-owned – as was done in China or Vietnam to boost productivity. And in a country still run by leaderly edicts, how much choice farmers will really get over what to grow or where to sell it remains to be seen. Nor is it clear how the state can get by without exacting grain.¹⁰⁴ Most North Koreans (60 percent) live in cities, and they – especially the Pyongyang elite – are the regime's core constituency. With harvests usually short of needs by a million tons, ensuring the urban population gets fed will become even harder. On another front, years of deforestation, rash mountain terracing and soil exhaustion must also set limits on how far crop yields can be raised – even if farmers are free to sell.

Reform – a word now sometimes heard, it seems¹⁰⁵ – may not be confined to agriculture. By one account, inspectors have toured the country to assess the condition of industrial plant, with a view to merging the weak (70 percent) into the strong (30 percent). That ratio raises fears that the former may drag down the latter; while the fact that these flying squads include prosecutors suggests ominously that scapegoats rather than system-faults may be sought.¹⁰⁶

On underlying attitudes, Kim Jong-un recently made a striking comment. Visiting two elite single-sex academies for their 65th anniversary, he instructed Kang

Pan Sok Revolutionary School (for girls) to “raise the quality of education in economic subjects.” No such order was given to its brother school, Mangyongdae (for boys).¹⁰⁷ One might interpret his father’s 1996 plaint, cited at the outset, to mean economics is a girly subject: real men do party and army work. Yet the pioneering private Pyongyang University of Science and Technology – whose very existence is extraordinary – run by evangelical Christians and with programs including management, is bizarrely all-male so far.¹⁰⁸ In the DPRK as anywhere, but in its own way, gender issues are highly salient; as in Haggard and Noland’s arresting judgment that “the increasingly male-dominated state preys on the increasingly female-dominated market.”¹⁰⁹

All in all, it is far too soon to hail Kim Jong-un as North Korea’s Deng Xiaoping. These are early days; we must look carefully for signs of reform, and encourage them. But how Kim, or anyone, can balance the self-imposed politico-ideological imperative to fidelity with the basic changes essential for economic progress remains to be seen. Trying to pour new wine surreptitiously into the same dirty cracked old bottles, while insisting this is really the true vintage, sounds a complex and cumbersome task both theoretically and practically.

CODA: TAKING OWNERSHIP

Weighed down by ideology, is North Korea even capable of self-appraisal? In one field, yes. Its disastrous legacy includes severe environmental issues, and these at least Pyongyang has admitted. A decade ago the United Nations Environment Programme (UNEP) worked with DPRK officials to produce a State of the Environment (SoE) report highlighting five areas: forest depletion, declining water quality, air pollution, land degradation and biodiversity.¹¹⁰ This ninety-page study, with nine North Koreans named as contributors and sixty more as involved, admitted serious problems. (Nobody blamed the Kims, but this is a start.) It includes a table claiming that GDP plunged by almost half in four years, from US\$20,875 million in 1992 to \$10,588 million in 1996; income per head more than halved, somehow, from \$990 to \$482. More strikingly still, total crop yield in the same period fell from 8.8 to 2.5 million tons.¹¹¹

But the UNEP study was never built on. More recently Peter Hayes has sounded the alarm:

Nowhere has the terrible price of North Korea’s political and economic system been more visible than in the state of the country’s environment . . . There’s no time to wait, or these enduring legacies will become unbearable, and feed into a vortex of chaos and collapse in North Korea, with unimaginable consequences for humans and nature alike.¹¹²

ENDNOTES

- ¹ The opening sentence of the Foreword to Economic Research Institute, Academy of Social Sciences of the DPRK, *The Building of an Independent National Economy in Korea*. Pyongyang: Foreign Languages Publishing House (FLPH), 1977.
- ² Kim Il-sung, *On Some Theoretical Problems of the Socialist Economy*. Pyongyang, FLPH 1969. Ironically Kim's later writings amply illustrate malfunctions: eg Collected Works vol 39 (1989, from 1980), pp 16-25.
- ³ From 'Kim Il-sung: In His Own Words,' *Korea Countdown* Seoul: Merit Consulting no 9 May 1994, p 6.
- ⁴ Two slightly different versions of this extract, which I have melded here, are in Jonathan D. Pollack and Chung Min Lee, *Preparing for Korean Unification: Scenarios and Implications*. Santa Monica, CA, Rand 1999, p 36; and Ralph C Hassig and Kongdan Oh, *The Hidden People of North Korea: Everyday Life in the Hermit Kingdom* Lanham, MD: Rowman and Littlefield, 2009, pp 40-41. The former is available at http://www.rand.org/content/dam/rand/pubs/monograph_reports/2007/MR1040.pdf. The full speech, essential if depressing reading for its insights into the author's mixture of panic, myopia and bile at this critical juncture – admitting to famine, praising the military, scolding the Party – can still be found at the much-missed Kimsoft: <http://web.archive.org/web/20051118120921/http://kimsoft.com/KOREA/kji-kisu.htm> The Korean original - not part of Kim Jong-il's official canon, obviously – was published in Seoul by *Wolgan Chosun* in April 1997.
- ⁵ KCNA, 10 November 2011; <http://www.kcna.co.jp/item/2011/201111/news10/20111110-47ee.html>.
- ⁶ That would have made a good title for this paper, but I was beaten to it. See Evan Ramstad, "Hey Kim Jong Eun It's The Economy Stupid," Korea Real Time blog, *The Wall Street Journal Asia* 2 October 2012. <http://blogs.wsj.com/korearealtime/2012/10/02/hey-kim-jong-eun-its-the-economy-stupid>.
- ⁷ For 30 years I was the anonymous author of the Economist Intelligence Unit (EIU)'s *Quarterly Economic Report* (later *Country Report*) on North Korea, from 1983 until 2012 when EIU abolished this format. That entailed penning 8,000 words or more on the DPRK economy every quarter. My first publication on this topic, best ignored, was 'North Korea: Development and Self-Reliance: A Critical Appraisal,' in Gavan McCormack and Mark Selden eds *Korea North and South: the Deepening Crisis*. New York: Monthly Review Press, 1978, pp 115-149. (A UK edition came out in 1977, but the later MR Press version is fuller and also more accessible.)
- ⁸ For the most recent case, see Korean Central News Agency (KCNA), "Results of Implementation of State Budget Last Year and State Budget for This Year," 13 April 2012 <http://www.kcna.co.jp/item/2012/201204/news13/20120413-25ee.html>. More detail in my "Budget Blanks and Blues," *38North* 26 June 2012; <http://38north.org/2012/06/afostercarter062712>. A more optimistic view is Ruediger Frank, "A Question of Interpretation: Economic Statistics From and About North Korea," *38North* 16 July 2012. <http://38north.org/2012/07/rfrank071612>.
- ⁹ The last year with hard numbers was 2002. "Report on state budget made at DPRK SPA session," KCNA 27 March 2002. <http://www.kcna.co.jp/item/2002/200203/news03/27.htm#4>. Reforms that July, which *inter alia* saw the *won* (KPW) devalued, must have made inter-year comparisons difficult or embarrassing thereafter.
- ¹⁰ "Rodong Sinmun Calls on Developing Countries to High Banner of Self-reliance (sic)," KCNA 22 September 2012. <http://www.kcna.co.jp/item/2012/201209/news22/20120922-07ee.html>.
- ¹¹ See endnote 15, and Erik Van Ree, "The Limits of *Juche*: North Korea's Dependence on Soviet Industrial Aid, 1953–76." *Journal of Communist Studies* 5 (Mar 1989): pp. 50–73. Available online at <http://www.tandfonline.com/doi/abs/10.1080/13523278908414954> (subscription required).

- ¹² Cha Myung-soo, "The Economic History of Korea: Three Periods," Economic History Association, *EH.net* February 2010 <http://eh.net/encyclopedia/article/cha.korea>.
- ¹³ *Ibid.*
- ¹⁴ Kim Sun-joo ed., *The Northern Region of Korea: History, Identity, and Culture*. Seattle, WA: Center for Korean Studies at the University of Washington, 2010.
- ¹⁵ Two stimulating accounts are Prasenjit Duara, 'The New Imperialism and the Post-Colonial Developmental State: Manchukuo in comparative perspective,' *Japan Focus* 30 January 2006 <http://www.japanfocus.org/-Prasenjit-Duara/1715>; and Hyun Ok Park, *Two Dreams in One Bed: Empire, Social Life, and the Origins of the North Korean Revolution in Manchuria*. Durham, NC: Duke University Press, 2005.
- ¹⁶ "After the Korean War, the USSR emerged as the main trading partner and sponsor of North Korea. Ninety-three North Korean factories were built with Russian technical assistance, forging the country's heavy-industrial backbone. Moreover, hundreds of thousands (sic) of North Koreans were educated in the USSR." Alexander Vorontsov, *Current Russia – North Korea Relations: Challenges And Achievements*. Washington DC: Brookings Institution, February 2007. <http://www.brookings.edu/fp/cnaps/papers/vorontsov2007.pdf>.
- ¹⁷ See e.g. Dick K. Nanto, "Increasing Dependency: North Korea's Economic Relations With China" in *KEI Korea's Economy 2011*, Volume 27 http://www.keia.org/sites/default/files/publications/30848_nanto_sp.pdf; Bates Gill, "China's North Korea Policy: Assessing Interests and Influences," Washington DC: United States Institute of Peace, July 2011 http://www.usip.org/files/resources/China%27s_North_Korea_Policy.pdf and Drew Thompson, *Silent Partners: Chinese Joint Ventures in North Korea* Washington DC: U.S.-Korea Institute at SAIS, February 2011 <http://uskoreainstitute.org/research/special-reports/silent-partners-chinese-joint-ventures-in-north-korea>. For valuable background detail on DPRK-China relations as they have evolved over time, see an earlier paper in this series: Mika Marumoto, "North Korea and the China Model: The Switch from Hostility to Acquiescence." Washington DC: Korea Economic Institute of America, KEI Academic Paper Series, May 2007 Volume 2. No 5 <http://www.keia.org/sites/default/files/publications/Marumoto.pdf>. See also the PRC embassy in Pyongyang: <http://kp.chineseembassy.org/eng/zcgx/jmwl/t306852.htm>.
- ¹⁸ "N. Korea's trade with China nearly tripled over past 5 years," Yonhap Newsagency (Seoul) 7 October 2012 <http://english.yonhapnews.co.kr/northkorea/2012/10/07/77/040100000AEN20121007002900315F.HTML>.
- ¹⁹ Already in November 2007 the *Chosun Ilbo* was complaining of "N. Korea Becoming China's 'Fourth Northeastern Province.'" http://english.chosun.com/site/data/html_dir/2007/11/23/2007112361025.html. Or in similar vein a few months earlier, "China Is Spiriting Away N.Korea's Resources," *Chosun Ilbo* 12 April 2007 http://english.chosun.com/site/data/html_dir/2007/04/12/2007041261018.html.
- ²⁰ Or so I argue in a pair of articles published at *38North* in January 2011: <http://38north.org/2011/01/lee-myung-bak-pragmatic-moderate> and <http://38north.org/2011/01/lee-myung-bak-fateful-misstep>.
- ²¹ A warm account by a pro-North source, with a photo of Ms Park dancing at the Mangyongdae Student Palace, is "Park Chung Hee's Daughter Goes to North; Kim Jong Il Meets Ms. Park," *The People's Korea* (Tokyo) 25 May 2002 http://www1.korea-np.co.jp/pk/180th_issue/2002052501.htm. Pyongyang has since changed its tune and lost its manners: on 6 April this year the official Korean Central News Agency called her "a disgusting political prostitute" <http://www.kcna.co.jp/item/2012/201204/news06/20120406-15ee.html>.
- ²² Park Geun-hye, "A New Kind of Korea: Building Trust Between Seoul and Pyongyang" *Foreign Affairs* September-October 2011 <http://www.foreignaffairs.com/articles/68136/park-geun-hye/a-new-kind-of-korea>.
- ²³ "Moon Jae-in's Proposal for an Inter-Korean Economic Union," translated by the (US)

- National Committee on North Korea (NCNK), 9 October 2012 <http://www.ncnk.org/dprk-news/2012/moon-jae-ins-proposal-for-an-inter-korean-economic-union>.
- ²⁴ On Rason, see an earlier paper in this series: Andray Abrahamian, “A Convergence of Interests: Prospects for Rason Special Economic Zone.” Washington DC: Korea Economic Institute of America, KEI Academic Paper Series, no #50, 24 February 2012 http://keia.org/sites/default/files/publications/rason_sez_paper.pdf.
- ²⁵ Specifically Chongjin. See “China inks second port deal with North Korea,” *Global Times* (Beijing) 12 September 2012 <http://www.globaltimes.cn/content/732625.shtml>. You know it is getting serious when the trade press picks up the story: see <http://shipandbunker.com/news/world/260736-china-invests-in-north-korea-ports> and <http://www.dredgingtoday.com/2012/09/11/chongjin-port-development-plan-signed-north-korea>.
- ²⁶ I try to conceptualize ‘opening’ more rigorously in another article at *38North*, published in February 2012: “Is North Korea Opening? What Might That Mean?” <http://38north.org/2012/02/afostercarter022912>.
- ²⁷ All this obviously bears on the politically and emotionally charged issue of Korea’s reunification. That is beyond our scope here, but see my ‘Korean Reunification: Conditions, Dynamics and Challenges,’ Chapter 9 in International Institute for Strategic Studies, *North Korean security challenges: a net assessment*, IISS Strategic Dossiers series, London 2011, p 187. (IISS house style is not to name the contributors to its Dossiers, but I am the author of this chapter and also Chapter 2, ‘Non-military Security Challenges Posed by North Korea.’)
- ²⁸ As shown meticulously by Nicholas Eberstadt in his *Policy and Economic Performance in Divided Korea during the Cold War Era: 1945-91* (Washington DC: American Enterprise Institute Press, 2010), p 33.
- ²⁹ For book-length analyses of the famine, see (in order of publication) Andrew Natsios, *The Great North Korean Famine*, Washington DC: United States Institute of Peace (USIP), 2000; Hazel Smith, *Hungry for Peace: International Security, Humanitarian Assistance, and Social Change in North Korea*, USIP 2005; and above all Stephan Haggard & Marcus Noland, *Famine in North Korea: Markets, Aid, and Reform*, New York: Columbia UP, 2007. It is striking how little this trio refer to one another: Smith does not mention Natsios, though the same Washington think-tank published them both. For stimulating, indeed steamy debate, see a book review roundtable on Haggard and Noland: National Bureau of Asian Research (NBR) Asia Policy 5, January 2005, pp 185-221 http://www.nbr.org/publications/asia_policy/AP5/AP5_BookReview_RT.pdf.
- ³⁰ Janos Kornai, *The Socialist System: The Political Economy of Communism*. Oxford: Clarendon Press, 1992. For a summary and insightful discussion, see Ruediger Frank, ‘Researching Socialist Transformation in North Korea: Obstacles, Opportunities and Concepts,’ in *idem* and Sabine Burghart eds, *Driving Forces of Socialist Transformation: North Korea and the Experience of Europe and East Asia*. Vienna: Praesens, 2010. The contents, preface and Prof. Frank’s introductory chapter to this valuable comparativist volume are online at http://wirtschaft.ostasien.univie.ac.at/fileadmin/user_upload/lehrstuhl_wirtschaft_ostasien/Dokumente-Bilder_2010/Extract_Book_2010.pdf.
- ³¹ This neglected topic is explored further in my “Whim Jong II: North Korea’s Economic Irrationalities,” *38North*, 26 November 2011 <http://38north.org/2011/11/afostercarter112611>; and in much greater detail in my paper “The Kims’ Great Leap Backwards: North Korea’s Economic Irrationalities,” commissioned by the Asan Institute for Policy Studies and presented at their conference on *The Viability of the North Korean Regime* in Seoul on 8-9 September 2011. The conference proceedings are awaiting publication, but see http://www.asaninst.org/eng/02_events/scholarship_detail.php?seq=1354&ipage=1&nums=2 and also video at <http://vimeo.com/30532375>.
- ³² The *Chosun Ilbo* claimed on 25 August that new statues and altered slogans since the death of Kim Jong-il alone cost US\$40 million. See <http://english.chosun.com/site/>

data/html_dir/2012/08/25/2012082500347.html . Adapting Kumsusan Palace to display a second corpse will doubtless dwarf that: its original conversion to a mausoleum reputedly cost US\$900 million, according to the late Hwang Jang-yop See sources quoted in Kongdan Oh and Ralph C Hassig, *North Korea Through the Looking Glass* (Brookings, 2000), pp 97 and 228.

- ³³ For more detail see Hy-Sang Lee, *North Korea: A Strange Socialist Fortress*. Westport, CT: Praeger, 2001. This neglected book offers a trenchant account of DPRK economic history. For recent years we have the milder if also little-cited Lim Soo-Ho, *The Rise of Markets within a Planned Economy - A Forecast for North Korea's Economic Reform and System Change*. Seoul, Samsung Economic Research Institute 2009. A short overview stressing social conditions is Daniel Schwekendiek, *A Socioeconomic History of North Korea*, Jefferson, NC: McFarland, 2011. See also David Kang, "The Economy," Chapter 3 in Robert L. Worden (ed) *North Korea: A Country Study*, Washington DC: Federal Research Division, Library of Congress, Area Handbook Series, 2008.
- ³⁴ A term I coined more than a decade ago, e.g. in the title of an article in *Asia Times Online* on 20 June 2001; <http://www.atimes.com/koreas/CF20Dg01.html> and have used it often since. For more detailed analysis see my "One Country, Two Planets: Is Korean reunification possible?" presented at *Twenty Years after the Fall of the Berlin Wall and Lessons for the Korean Peninsula*, a conference co-hosted by the Institute for Far Eastern Studies (IFES), Kyungnam University and the Friedrich Naumann Foundation for Liberty (FNF), Germany, at IFES in Seoul, 9 November 2009 [http://www.fnfkorea.org/uploads/document/\(1109\)proceeding.pdf](http://www.fnfkorea.org/uploads/document/(1109)proceeding.pdf) pp 73-81.
- ³⁵ Some of this ground is trodden more visually in my PowerPoint presentation "North Korea: Coming in from the cold, at last?" given at the Nomura Asia Equity Forum in Singapore, 7 June 2012.
- ³⁶ See the detailed surveys by Edward Yoon and Choi Kyung-soo in a special issue of *The Korean Journal of Defense Analysis*, Volume 23, Number 2, June 2011 http://www.kida.re.kr/data/kjda/04_Edward%20Yoon.pdf and http://www.kida.re.kr/data/kjda/05_Choi%20Kyung-soo.pdf. The full contents of this issue, prepared by Peter Hayes and the Nautilus Institute and all well worth reading (energy and trade are covered as well), are at http://www.kida.re.kr/eng/publication/publication01_3.htm?divNum=2011. On implications for the ROK, see my "North Korea's minerals sector: China's gain, South Korea's loss" *East Asia Forum* 18 February 2011 <http://www.eastasiaforum.org/2011/02/18/north-korea-s-minerals-sector-chinas-gain-south-koreas-loss> or more fully at <http://nautilus.org/supporting-documents/response-to-status-and-future-of-the-north-korean-minerals-sector>.
- ³⁷ Leonid Petrov, "Rare earths bankroll North Korea's future," *Asia Times Online*, 8 August 2012 <http://www.atimes.com/atimes/Korea/NH08Dg01.html>.
- ³⁸ "N. Korea's mineral resources potentially worth \$9.7 tln: report" *Yonhap Newsagency* 26 August 2012. <http://english.yonhapnews.co.kr/northkorea/2012/08/26/39/0401000000AEN20120826000300315F.HTML>.
- ³⁹ Gooheon Kwon, *A United Korea? Reassessing North Korea Risks*. Goldman Sachs, Global Economics Paper No. 188, 21 Sept 2009. Available at http://www.nkeconwatch.com/nk-uploads/global_economics_paper_no_188_final.pdf.
- ⁴⁰ "Think tank says unification cost can be reduced to one-tenth of estimates" *Yonhap*, 26 July 2011. <http://english.yonhapnews.co.kr/national/2011/07/26/62/0301000000AEN20110726007400315F.HTML>. For an elaboration of this optimistic argument, see Kyuryoon Kim, Byung-Duck Hwang et al., "New Approach to the Costs/Benefits of Korean Unification: Adopting Comprehensive Research Factors and Seeking Alternatives" and other related papers; available at <http://www.kinu.or.kr/upload/neoboard/DATA05/cb11-01.pdf>.
- ⁴¹ Yoon, *KJDA* paper cited in endnote 35 above, page 1.
- ⁴² BoK's data is often best perused via NKEconwatch: see <http://www.nkeconwatch.com>.

com/nk-uploads/DPRK-GDP-2011-BOK.pdf. BoK estimates for earlier years can be accessed at <http://www.nkeconwatch.com/north-korea-statistical-sources>. Those who prefer the horse's mouth must start with a URL of no less than 247 characters: I have abbreviated this to <http://tinyurl.com/8otx7vz>. This year for some reason BoK did not append their useful time-series run; this can be found at <http://eng.bok.or.kr/contents/total/eng/boardView.action?menuNavId=634&boardBean.brdid=10034&boardBean.menuid=634&boardBean.rnum=1>.

- ⁴³ See endnotes 16-17 above, and also two further papers in the KJDA special issue cited above (endnote 35), by Nathaniel Aden http://www.kida.re.kr/data/kjda/06_Nathaniel%20Aden.pdf and Jin Moo Kim http://www.kida.re.kr/data/kjda/07_Jin%20Moo%20Kim.pdf.
- ⁴⁴ *On Bringing About a Revolutionary Turn in Land Administration in Line with the Requirements of the Building of a Thriving Socialist Country*, said to be a "Talk to Senior Officials of the Party and State Economic Organs and Working People's Organizations" given on April 27, Juche 101 (2012) http://www.naenara.com.kp/en/news/news_view.php?22+1594 (no page numbers, but this is towards the end). Readers in South Korea, perversely and pointlessly prevented from accessing this and other DPRK websites, may have better luck (if they can stomach red on black) at http://www.uk-songun.com/index.php?p=1_315.
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CHINESE PERSPECTIVE ON NORTH KOREA AND KOREAN UNIFICATION

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ABSTRACT

This paper examines some of the widely held assumptions and key questions surrounding the Chinese perspective on the Korean Peninsula, including the North Korea nuclear issue and Korean unification.¹ Doing so will have implications on a number of issues, including how much China is willing to work with Washington and Seoul in pressuring North Korea to give up its nuclear weapons, whether China will support Korean reunification, the prospects of the Six-Party Talks, whether China will team with Seoul and Washington in case there is a sudden turmoil within North Korea, as well as how Beijing sees Washington's policy on Pyongyang. The goal of this paper is to flesh out the Chinese elite sentiment on these key issues that shape China's attitude toward the peninsula.² The results underscore China's own fears and concerns, which have largely eluded the attention of the other stakeholders in the region.

Key Words: *China; North Korea; unification; nuclear weapons; Chinese university and think tank experts*

INTRODUCTION

The chant among North Korea watchers these days is: How does China think about North Korea? Recently, South Korea had its share of misjudging China on the matter. In the wake of the Cheonan incident, Seoul mistakenly believed China would side with Seoul and condemn North Korea. China did not.

China's political attitudes toward the Korean Peninsula and its role in managing North Korea have been a constant source of intrigue for many Asia watchers in South Korea, the U.S., Japan and other stakeholders in the region. Trying to understand Chinese elite sentiments about the Six-Party Talks, the security situation on the peninsula and Korean reunification, have only increased with the uncertainty over the future of North Korea under the helm of the young leader Kim Jong-un, as well as China's own leadership shuffle in 2012.

At present – one year after the death of Kim Jong-il – North Korea displays an outward appearance of stability and unity with Kim Jong-un at the center. China has shown clear support for North Korea in this transition. The ties between the two appear to have further deepened. For example, Kim Jong-un's first-ever meeting with a foreign delegation, since he assumed his new post as the nation's Marshal, was Wang Jiarui, head of the Chinese Communist Party's International Liaison Department on August 2, 2012. Days before, North Korea's state media published a snapshot of Kim Jong-un riding on a giant swing at an amusement park. Sitting next to Kim was a foreign diplomat, the Chinese Ambassador to North Korea Liu Hongcai. What's the current status of Sino-North Korean relationship and how will it evolve from here?

The goal of this paper is to understand the Chinese elite sentiment on the key issues that shape China's attitude toward North Korea and the peninsula in general by surveying the views of Chinese scholars on Korean affairs. It is important for us to pay attention to Chinese scholars' opinion on North Korea because China is likely to play a bigger role in North Korea's future now as the young heir's dependence on China for economic and political support is expected to deepen. In fact, it is now common behavior for the international community to turn to China for clues about North Korea when something happens in the latter, whether it is a new move in the military or economic reforms. Admittedly, we are living in a world where it is increasingly difficult to construct a geopolitical formula for North Korea, without factoring China into our equation.

A common challenge for a foreign researcher on China is the access issue. Government officials are in large part not available for interviews. Chinese scholars are good subjects for this study because they are accessible by foreign researchers and they reflect the often murky, internal sentiment of the Chinese government, so much so that Chinese scholars are often criticized by their Western peers for lacking "independent" views.

Some results, shown here, defy the commonly-held assumptions about China's attitude toward the Korean Peninsula, and may serve as an opportunity for policy communities, especially in Seoul and Washington, to reconsider conventional ways of thinking and explore creative diplomacy to work with China on the North Korean issue.

NORTH KOREA'S DEPENDENCE ON CHINA

Statistics vary. But different estimates put North Korea's dependence on China for up to 90 percent of its energy supply, 80 percent of its consumer products and 40-45 percent of its food supply.³ Simply put, North Korea is a country whose survival depends on China.

North Korea's dependence on China stands to deepen under the helm of the young new leader Kim Jong-un, whose lack of experience and lack of affinity with the North Korean people only increases uncertainty surrounding the regime's future, and China is de facto the only "ally" Pyongyang can turn to for both political and economic support. (Ally is a frequently used term by outside observers to describe the relationship between the two. We will later examine how Chinese themselves describe it.)

In fact, a number of security experts have highlighted this point, often with a tint of dramatization. They range from China possibly absorbing North Korea as the "fourth province"⁴ in its northeastern region⁵ to North Korea becoming China's "economic tributary."⁶ Ryu Kil-jae at Kyungnam University in Seoul categorically declared the bellwether for the future prospect of North Korea under Kim Jong-un: "The key is North Korea's dependence on China."⁷ No doubt, popular commentary on Sino-North Korean relations suggests that China wields decisive influence over North Korea. China chairs the Six-Party Talks, an aid-for-denuclearization negotiation platform since 2003. China's role has been highlighted as much as North Korea's provocations in international headlines. In fact, a longtime mantra of the U.S. State Department also holds that "China is the key to North Korean belligerence."⁸ Against the backdrop of the information blackout surrounding Kim Jong-il's death in December 2011, some analysts went so far as to argue that "China is the only country that has eyes inside North Korea."⁹

It is then important to understand China's political attitude toward North Korea. This paper examines some of the widely held assumptions and key questions surrounding the Chinese perspective on the Korean Peninsula and Korean reunification. Doing so will have implications on the prospects of the Six-Party Talks, whether China will cooperate with Washington and Seoul in case there is an invocation of a contingency plan in North Korea, how much China is willing to pressure North Korea to give up its nuclear weapons, whether China will support Korean reunification, as well as how Beijing sees Washington's strategy toward Pyongyang.

Just like policy makers in Washington and Seoul, China's policy makers are part of a robust and often very competitive community. Among the foreign policy items, North Korea is the most divisive among the senior leadership in China.¹⁰ There are a multitude of actors in China that shape and influence its policy toward North Korea. In fact, this multiplicity of actors is becoming an increasing feature of Chinese foreign policy towards North Korea.¹¹ While externally, China's North Korean policy remains unchanged, in private Chinese experts say that North Korea is a case of how it is getting harder to achieve consensus.¹² There is also more pluralism of views on North Korea than there used to be.¹³ There are different actors in China's policy making toward North Korea, each with their own, and sometimes conflicting motivations, interests, and influence.

DEBUNKING THE VIEW THAT CHINESE SCHOLARS ARE "IRRELEVANT"

Long-held outside perception has characterized Sino-North Korean relations as "blood ties (血盟)," knotted out of the Cold War confrontation against the United States. That commonplace view needs correction, according to this paper's findings. Unfortunately, Chinese experts themselves are partly responsible for feeding such a sweeping generalization, as they often follow the official Communist Party lines in their remarks on North Korea. In some instances, they do not divert a single word from their written speeches before the international community, prompting audience members to discount them as not having freestanding scholarly views.

Ironically, Chinese experts, in faithfully representing the official views of the government, help outside researchers to understand China's stances. In fact, this is a much under-appreciated item. Often, the real problem does not lie in Chinese scholars representing the official views of the government, but in their not sharing more, not talking more, not elaborating more. The author's personal experience points out "trust" as the most important factor in preventing them from coming forward, while the socio-political environment of China has an evident share.

Another popular and persistent outside perception states that the Chinese academic community is "irrelevant" in terms of policy considerations as they are not part of the decision-making process. This reflects a lack of understanding of reality on the ground. In China, there is a lack of a "revolving door" system, as seen in many other countries, in which a faculty member of an academic institution enters government service and returns to the university, upon the completion of his public service. The argument goes that Chinese scholars don't have "ears" inside the decision-making process, or the Chinese division of bureaucrats and academics don't allow the latter access to policy-deliberation processes.

The view needs correction. The clear division of public service and academics, and their lack of cross-breeding is a matter of convenience to keep the order of

its pay and promotion system, rather than to serve as an information “barrier” to keep secrecy. For example, a Chinese government employee has a fairly good expectation of when he can be promoted next time and what kind of pay level he can expect based on the number of years he worked in the government. This is also the case for an academic working at a university. However, when a professor becomes a government official, for example, an issue naturally arises as to how to determine his seniority and his pay level. China attaches great importance to social stability (Hu Jintao’s national slogan was to “build a harmonious society”) and is normally unenthused to dismantle a pre-existing system that they have been accustomed to, unless absolutely necessary.

This picture of “segregation” between government employees and academic scholars is compounded by the tendency to protect one’s turf and preserve one’s in-group interests. This however doesn’t, in any manner, indicate that Chinese scholars are “irrelevant” to policy deliberations. On the contrary, Chinese scholars are active participants in policy suggestions and formulations that ultimately shape China’s foreign policy. As a graduate student in China, the author observed on numerous occasions how the government “outsourced” various projects to universities that had foreign policy implications. In internal deliberations, often both government officials and scholars convene together. Some Chinese scholars are well-sourced in knowing the internal sentiment of the government. Government officials are often the former students or classmates of Chinese scholars, and they tend to maintain an extensive human network. It shouldn’t be forgotten that China is a society of *guanxi* (networking).

The view that Chinese scholars are “irrelevant” in foreign policy considerations on North Korea is one of the most popular and unwarranted assumptions held by outsiders who grossly simplify the picture. Whether to be included in policy suggestions and the deliberation process is more a function of the *guanxi* network than a codified “government vs. academics” division by default.

HOW THE SURVEY WAS DONE

A total of 46 Chinese experts on Korea affairs were surveyed during November and December of 2011. Most were academic experts, including some in government-affiliated think tanks. The format of the interview was written, not oral. The term “Chinese experts” in this paper indicates scholars and researchers who are affiliated with universities or state-run think tanks. There was no participant who was a private consultant. There was no participant from a private security-consultancy firm. Some of the interviewees are well-known public figures this author interviewed over the years for journalism reporting on North Korea and Korean Peninsula news. They are the ones who participated in international forums on Korean affairs and penned articles and academic papers

on the topic. In the United States, some of them are also known as “Chinese experts on America,” reflecting the multilateral aspect of Korean affairs in the broader Asia-Pacific region.

In addition to the author’s personal acquaintances, invitations to participate in the survey were sent to scholars of international relations at universities and think tanks whose website profiles of academic interest include Korean affairs. These institutions are located in Beijing, Shanghai, and China’s northeastern region near the North Korean border where research on North Korea and Korean affairs is robust.

SENSITIVITY OF THE TOPIC

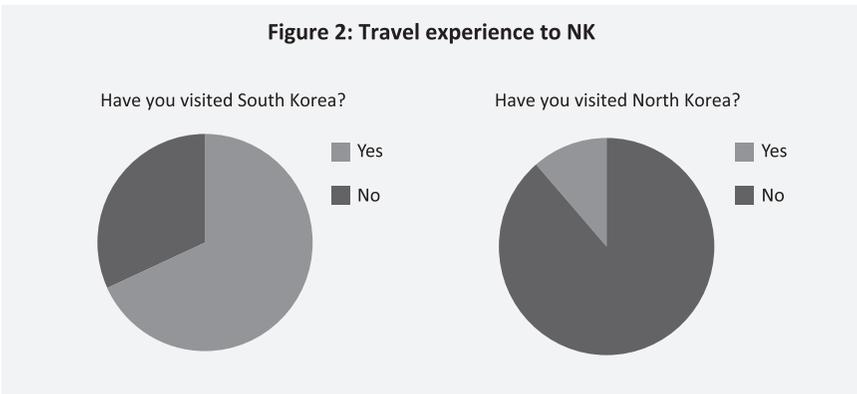
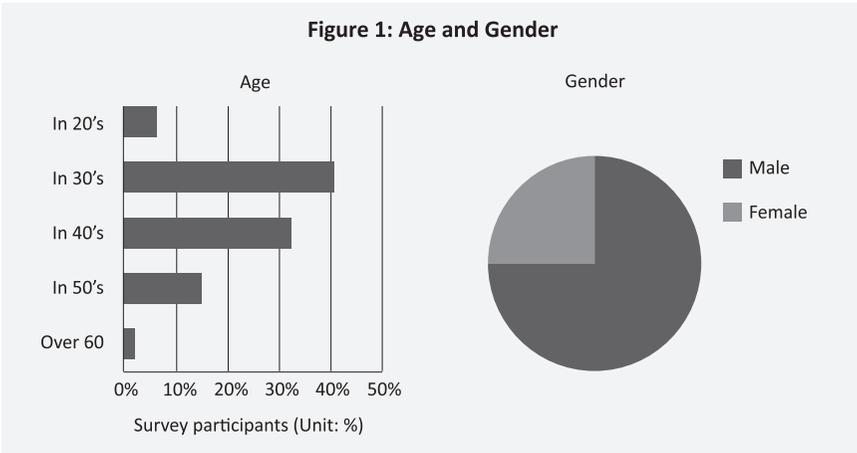
North Korea remains a sensitive topic in China. Media coverage related to North Korea’s leadership, succession, personal traits of the young leader, internal power competition, have been often censored. Indeed, a few Chinese scholars cited “sensitivity” in their decline to participate in the survey. “Sensitivity” of the survey and its relevance to policy implications on North Korea was a source of trepidation by participants who preferred a minimum disclosure of their personal information. That concern was honored, but resulted in limitations in forming a detailed demographic profile of the Chinese participants.¹⁴

The same sensitivity was a concern for this author as well. The author made it clear at the outset of the survey that the survey was intended to fulfill the academic requirement of a Ph.D. degree, and that the results would be made public. The author’s information, including academic affiliation and mobile phone number, in case there were questions, was provided as well.

In this survey, demographic questions included gender, age, and travel experience to both Koreas. While this author knows their institutional affiliations, the paper does not cite the information.

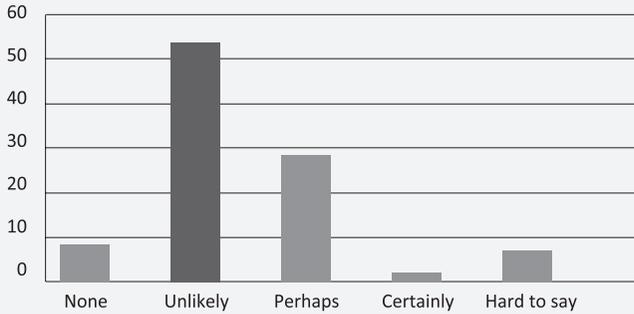
On average, it took participants 21 minutes to complete the survey. It was a relatively long time commitment. (In trial runs, it took six to seven minutes and was introduced as such.) No honorarium or gift was given to survey participants. No complaint was made for the survey taking longer than was represented. But most Chinese participants expressed that they wanted to be informed of the results.

The survey was conducted in Chinese and the results, shown here, were translated from Chinese.

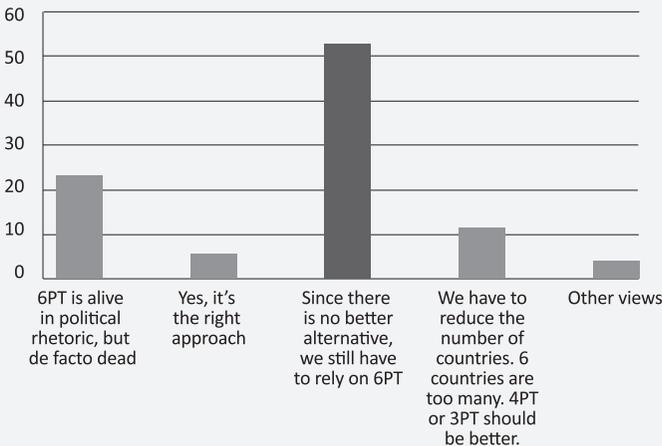


As seen above, the typical profile of a Chinese scholar in this study is a male, in his 30's and 40's.¹⁵ Over a half of them have been to South Korea and 20 percent of them have been to North Korea. (Relatively speaking, the "20 percent" figure cannot be underestimated, as it tended to be higher than that in other countries. (A former South Korean unification minister, for example, never visited North Korea during his term, even though he was the most senior South Korean official directly in charge of inter-Korean affairs.) Another difference may be that Chinese scholars, given the country's special ties with North Korea, tend to visit North Korea regularly. For example, a scholar this author knows visits North Korea about three times a year. All in all, a face-to-face interview format, not an e-mail survey, could have yielded more participation from the older scholars, one reviewer of this paper pointed out.

RESULTS

Figure 3: How likely do you think North Korea will give up nukes?

Over half of the Chinese scholars (63 percent = “None” + “Unlikely”) polled believe North Korea is unlikely to give up its nuclear weapons. Among them, 9 percent said the chance is “none.” This question touches upon the core of the most controversial argument surrounding North Korea’s nuclear drive: that is, whether Pyongyang sees its nukes as “tradable” in exchange for economic aid and diplomatic recognition, or it sees its nukes as something non-negotiable. The implication is obvious. If North Korea will stick to nuclear weapons, no matter what, then the Six-Party Talks automatically lose its rational for existence because the talks’ chief aim is to persuade Pyongyang to give up nuclear weapons. Even the Chinese, arguably the country that often defends North Korea in the international debate on North Korea’s nuclear programs, doubt North Korea will ever renounce its nuclear weapons. As chair to the Six-Party Talks, this may be seen as a “self-

Figure 4: Do you still believe Six Party Talks (6PT) is effective in resolving Pyongyang’s nuclear drive?

defeating” confession by China. Then, an obvious question will challenge the usefulness of the six-nation negotiation regimen.

A quarter of Chinese scholars believe that the Six-Party Talks are de facto dead, while 53 percent said that as long as there is no other alternative, we have to rely on the Six-Party Talks. The result is interesting in that the Chinese government officially and repeatedly has been endorsing the Six-Party Talks, often invoking the relevant parties to return to the talks.

Figure 5: The biggest challenge facing Six Party Talks

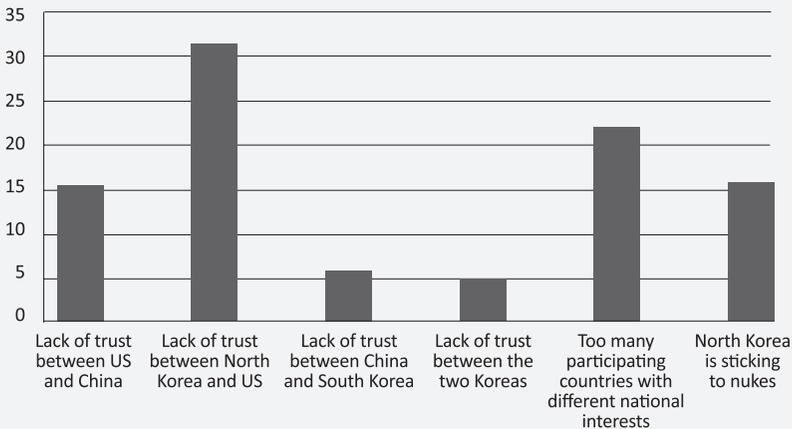
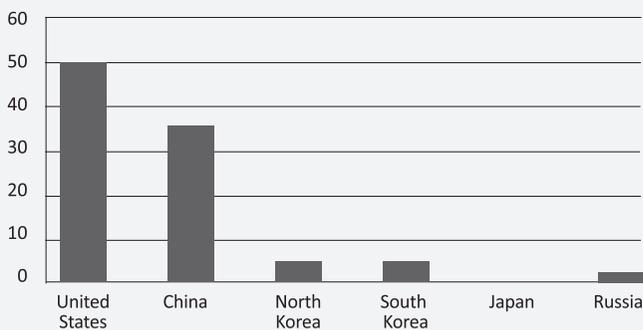


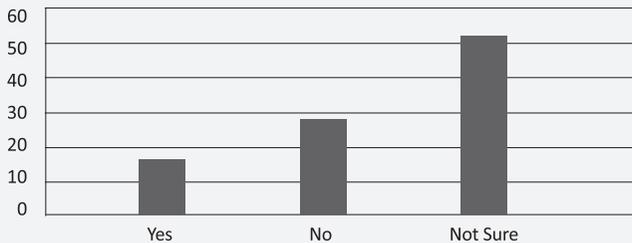
Figure 6: Among the six countries participating in the Six Party Talks, which country do you think holds the largest leverage in resolving North Korea's nuclear drive?



Chinese scholars believe that a lack of trust between North Korea and the U.S. is the biggest challenge facing the Six-Party Talks (33 percent), followed by the lack of trust between the U.S. and China (16 percent), and a lack of trust between the two Koreas (16 percent). One out of five Chinese scholars also pointed out that the number of participating countries in the Six-Party Talks is too many, with their different national interests (23 percent).

This is one of the most interesting elements in the survey. While the international community believes that China has the most influence over North Korea, Chinese experts indicated it is actually the U.S that wields the most influence over North Korea, followed by China. This is a counter-intuitive result, challenging the commonly-held assumption by the outside world. But then, for this author, the view isn't aberrant, but has been consistent over the years. This is definitely one question that needs more discussion. Yet it is one good example that also illustrates the difference between how international media frames the narrative surrounding North Korea and how the Chinese themselves see the matter.

Figure 7: Do you support the unification of the two Koreas?



Eighty-two percent of Chinese respondents either oppose the Korean reunification or are ambivalent. China is a key stakeholder of the Korean Peninsula and it is imperative for South Korea to gain support from its giant neighbor to achieve reunification. South Koreans may look at the results with disbelief, but Seoul often misreads China. For example, in the wake of the Cheonan incident, Seoul wrongly believed China would side with Seoul and condemn North Korea. It did not.

Figure 8: If the Korean Peninsula is unified under South Korea's initiative, what do you think is the likely relationship between unified Korea and China?

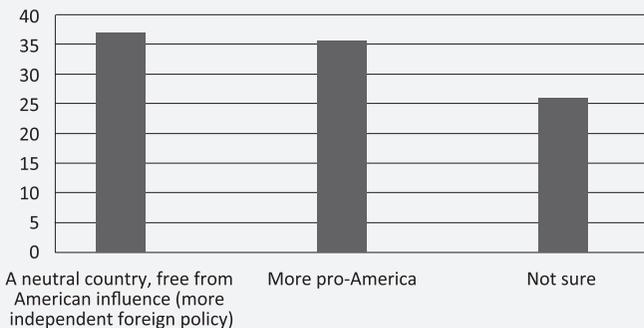
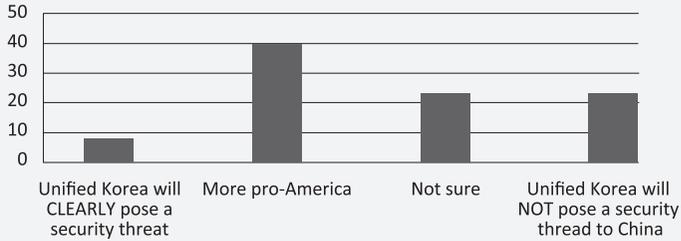


Figure 8 shows the Korea-U.S. relationship after unification has been achieved under the South Korean initiative. The results show a bit of ambivalence, while some believe that a unified Korea will take a more independent foreign policy

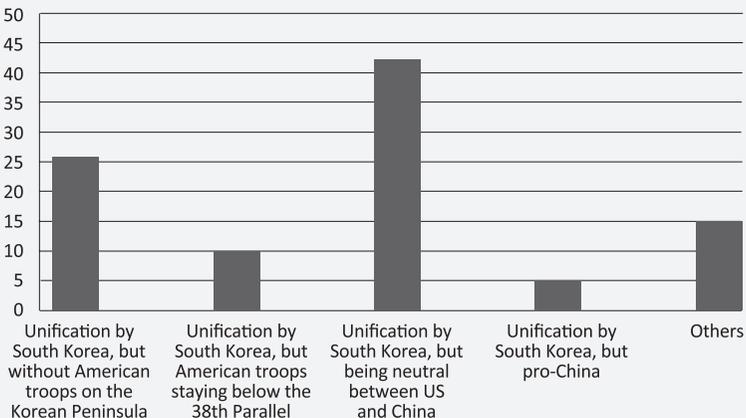
position away from U.S. influence, others think a unified Korea is likely to be more pro-U.S. But the Chinese attitude becomes clearer when the question is addressed on the future relationship between China and Korea, as seen in Figure 9.

Figure 9: If the Korean Peninsula is unified under South Korea's initiative, what do you think is the likely relationship between unified Korea and China?



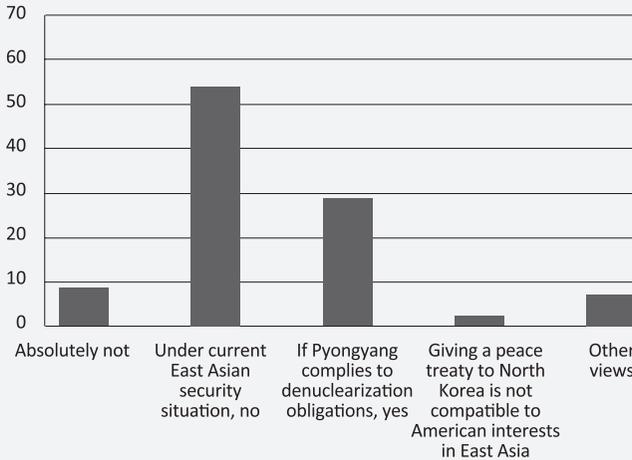
About 50 percent of Chinese scholars believe a unified Korea is likely to pose a threat to China. This result partly explains why China is concerned about Korean reunification, which would likely be achieved under the South Korean initiative. As will be elaborated on later, China fears that a reunified Korea would become stronger, and is likely to become nationalistic and therefore pose a threat to China, including igniting territorial claims over “Gan-do,” today’s Manchuria. Many Koreans see it as their “lost territory.” It is notable that only a quarter of Chinese respondents are confident that a unified Korea will not pose any security threat to China.

Figure 10: If you conditionally support the Korean unification, what is the condition?



When Chinese scholars were asked to cite one condition for them to support the Korean unification under South Korean initiative, presence of American troops in the unified Korea is a major concern for China (36 percent). Most Chinese (43 percent) prefer a unified Korea which is neutral between the U.S. and China. Interestingly, the Chinese don't necessarily require a unified Korea to be "pro-China" in order to support Korean reunification.

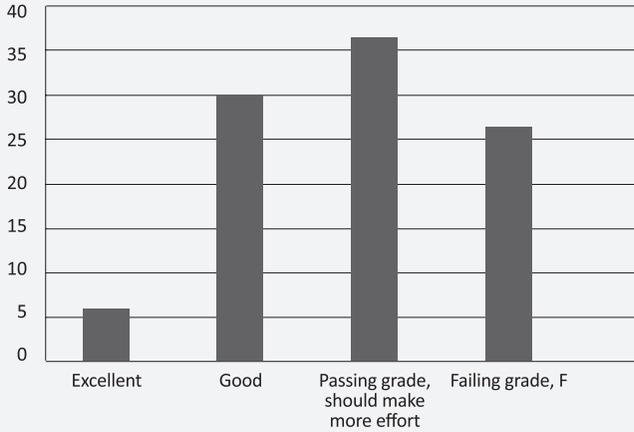
Figure 11: Do you think the American government is willing to sign a peace treaty with North Korea to resolve Pyongyang's nuke issue permanently?



This is a question that has often been raised among academics, but also one that seldom gets media attention. Signing a peace treaty and normalizing a relationship with the United States has been North Korea's primary demand for years, and was newly reaffirmed by Kim Jong-il's first son, Kim Jong-nam (which was revealed in his e-mail correspondence to Japanese journalist Yoji Gomi who had interviewed Kim Jong-nam on numerous occasions). Signing a peace treaty will also officially end the Korean War, which has been in a state of truce since 1953. An overwhelming number of the respondents (77 percent) believe that the U.S. is not likely to sign a peace treaty with North Korea to resolve North Korea's nuke issue once and for all under the current security environment in Asia where the interests of China and America collide. Many Chinese experts doubt the U.S. will be willing to sign the treaty. They believe the U.S. is status quo oriented, and the tension generated by North Korea serves the U.S.'s justification for having its troops in East Asia, whose primary aim (according to Chinese scholars interviewed separately by this author) is to contain China, while the North Korean threat serves as a convenient ruse.

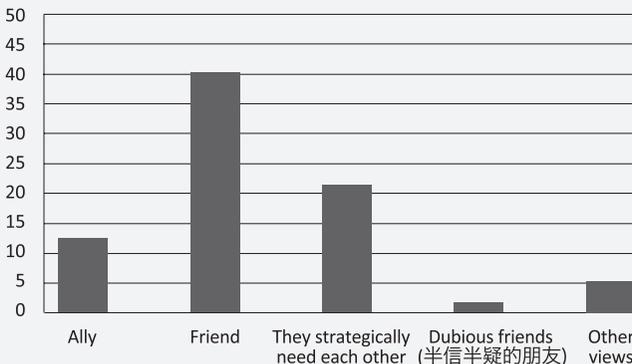
One out of four Chinese scholars said China's effort to contain North Korea's nuclear drive is a failure. The self-admission of failure is unlikely to appear in any official Chinese documents, especially when China is chair for the Six-Party Talks.

Figure 12: With regard to China's effort to goad Pyongyang to denuclearization, which grade would you assign?



However, they are willing to admit it in private. For some years, the strategy by Washington and Seoul has been to influence North Korea through China. And the result shows the Chinese self-assessment of their country's performance. The fact that a quarter of the respondents said China failed in persuading Pyongyang to choose the path for denuclearization is the reflection of the current stalemate. But it then poses an important question of what may motivate China to exercise its much touted influence on North Korea to goad it to denuclearization?

Figure 13: You believe the current relationship between China and North Korea is...

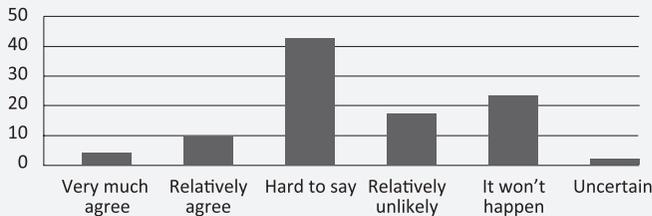


About half of the Chinese scholars believe the current relationship between China and North Korea is "dubious friends," while 25 percent said the two countries need each other for strategic purposes. Only 4 percent said the two are friends. Thirteen percent said they are allies. This is a wakeup call for the news outlets which tend to portray the duo as having "blood ties" since the Cold War period. This actually

reflects the feedback the author has been getting from Chinese scholars for years. In fact, the Chinese expression “半信半疑的朋友” (literally meaning “half-trusting and half-suspicious friend”) was the direct expression by a prominent Chinese professor in his lecture to Chinese university students. The students giggled upon hearing it (a sign that they also agreed on the characterization of the two nations’ relationship). It is also worth noting that a quarter of the respondents said that Beijing and Pyongyang formed a relationship out of their mutual strategic needs.

In fact, unlike popular commentaries on the staunch ideological affinity of the two, their relationship has also been shaped by mutual tension and mistrust. For example, the 1992 establishment of diplomatic relations between Beijing and Seoul deeply hurt Pyongyang’s feelings. Therefore, the correct question to ask is what prevents the couple from breaking away from each other? And what “missteps” have Seoul and Washington made in their strategy to work together with China? It also has a bearing on the recent Cheonan incident. Despite the tumultuous relationship between Pyongyang and Beijing, the question goes, why did China decide to side with North Korea in the end?¹⁶

Figure 14: In recent years, there have been media reports, predicting the collapse of North Korea. Do you agree?



In the wake of the “Arab Spring,” there was an increase in news reports, citing experts, on the growing possibility of North Korea’s collapse. However, Chinese scholars were skeptical about media reports of the “imminent collapse” of North Korea. This question is particularly relevant in the aftermath of Kim Jong-il’s sudden death and increased uncertainty over North Korea. Since 2008, Washington and Seoul have prepared contingencies to be ready for North Korean uncertainties, including the possibility of implosion or a power struggle or a military coup within North Korea. If the Chinese believe the possibility for the collapse of North Korea is not high, then they are also unlikely to cooperate with Washington and Seoul, which think the opposite. In fact, Seoul and Washington have mapped out a detailed plan for what to do, in case North Korea suddenly collapses. They have also been urging China to join. So far, there has been no public indication that China has participated in any of the U.S.-Seoul plans. China is believed to have its own contingency plans. It is apparent that if the Chinese don’t communicate with Washington and Seoul, it will increase room for miscalculation.

CHINA'S INFLUENCE INCREASES AS CHINA'S POLICY ON NORTH KOREA BECOMES MORE PROACTIVE

In the past, China's policy on North Korea was characterized as reactive rather than proactive. Perhaps the death of Kim Jong-il was a clear exception. (It's not yet clear whether that was the watershed moment in China). The abrupt death of Kim Jong-il on December 17, 2011 sparked a palpable information thirst to know what was going on inside the reclusive country, as uncertainty surrounding the untested leader Kim Jong-un became a subject for intense speculation. China's status as the only country that maintains regular high-level contacts with Pyongyang, as well as its much-touted clout over North Korea, was once again turned into a coveted diplomatic currency. As each country was scrambling to craft its own appropriate diplomatic response, fears of possible miscalculations among different stakeholders were also brooding. This again made the status of China as the "gateway" to North Korea all the more prominent.

Kim's sudden death also exposed – surprisingly – how little Seoul and Washington know about what's happening within the North's leadership. In the past, they had normally been the ones who first detected signs of unusualness or cried foul over the North's stealthy nuclear and other illicit activities. Apparently, Seoul and Washington were caught off guard when North Korea's state media announced Kim Jong-il's death. By then, more than two days had passed since the leader's death. No doubt, it was a serious intelligence flop. And being a "late-comer" deprived Seoul and Washington of viable up-and-coming strategies, while Beijing was taking the driver's seat in shaping the development of the situation in its best interest. In fact, Beijing's "sudden" transformation was well noticed.

China was the first country to express condolences after the death of Kim Jong-il. China was the first country to endorse the untested young successor, Jong-un, calling him the "great leader." It was again China that, within hours after North Korea's announcement of Kim's death, took the initiative for diplomatic coordination by rounding up ambassadors from the U.S., South Korea, Japan and Russia, and counseling them not to "provoke" North Korea during this highly volatile time. The next day, then President Hu Jintao personally visited the North Korean Embassy in Beijing, flanked by other top Politburo members, and paid condolences to the late Kim, a further signal to the world of the importance Beijing attaches to Pyongyang.

China's top leader's move was a subtle, yet clear warning to other stakeholders in the region not to "misjudge" the situation as an opportunity to topple the North's regime.¹⁷ Since Kim Jong-il's stroke in 2008, South Korea and the U.S. have developed military contingency plans involving North Korean instability. China sees North Korea as its "backyard" and wants stability. It also regards North Korea as a strategic buffer against the presence of U.S. military in East Asia.

China, therefore, hopes for a smooth power transition in the North and has rallied all-out support around the untested young leader, Kim Jong-un.

Looking back, China's rapid and decisive response in the aftermath of Kim's death set the tone for the rest of the world, which was still struggling for a diplomatic recipe on how to react to the event. China's "trend-setting" move was successful. Even South Korea, which was attacked by North Korea in 2010, expressed condolences, despite a few hardliners' clamoring for taking advantage of the situation as an opportunity for "unification." China's *Global Times*, the international news arm of the official People's Daily, said China played the role of "stabilizer" on the volatile situation. The series of rapid initiatives China displayed also fueled the belief that Beijing had its own well-planned manual to prepare for North Korean contingencies. Previously, it had shied away from discussing such matters with Seoul and Washington, for fear of antagonizing Pyongyang.

All in all, Kim Jong-il's sudden death once again highlighted the prominence of China as a key, if not the most influential, stakeholder on the Korean Peninsula. But do Chinese scholars see China's measure of influence that way? To such a claim, Chinese security experts usually resort to modesty. For example, while discussing post-Kim Jong-il North Korea, Wang Junsheng of the Institute of Asia-Pacific Studies under the Chinese Academy of Social Sciences, penned: "Beijing's influence over Pyongyang is limited."¹⁸ What is unspoken in the modesty is that China has the ability to influence the North Korean regime *when* it wants to, and it is a primary stakeholder in the international narrative on North Korea.

As China competes with the U.S. for leadership in Asia, it will utilize the "North Korean card" to counter the U.S.'s "return to Asia" strategy. China has increasingly seen South Korea, a major American ally in Asia, as colluding with Washington to contain China since the conservative South Korean president Lee Myung-bak was sworn in in 2008. For years, China has been wary of the Seoul-Washington military alliance. That doesn't bode well for Seoul's national mandate to unify the Korean Peninsula. Power politics in the region dictates that without Beijing's endorsement, Korean unification will remain an elusive goal to achieve, especially now as North Korea, under Kim Jong-un's helm, will be more dependent on China for economic aid.

Against this backdrop, with regard to China's stance on North Korea, some analysts resort to a wholesale assumption that China will "never" give up North Korea, nor will China ever support Korean unification. In fact, that's a popular sentiment, which is similar to the sweepingly pessimistic view that states North Korea will "never" give up nuclear weapons. Surprisingly, the Chinese scholars surveyed also largely share this pessimism. But then, it was also the Chinese scholars, including a former senior government official who used to be in charge of North Korean affairs, who privately shared with this author that "the question of North Korea's

nuclear weapons is not so much one of whether North Korea wishes to stick to nuclear weapons, but is more dependent on the concerted effort of other countries to make North Korea give up nuclear weapons.”¹⁹ This statement gives room for optimism, even if pessimism prevails today surrounding the likelihood of North Korea’s giving up nukes. China worries about the nuclear "domino effect" on East Asian countries, including South Korea and Japan. However, the lack of strategic trust between China and the United States has been deterring China from being enthusiastic about pressuring North Korea.

Today, China and North Korea appear all the more closer to each other in the aftermath of Kim Jong-il’s death. But the survey results point out that China’s sculpting of such an appearance is strategic rather than genuine. The results debunk the widespread belief that states: “China will never give up North Korea,” or “China and North Korea are Cold War allies.” Only 13 percent of respondents view the bilateral relationship as an alliance. Even a smaller percentage of respondents (4 percent) see them as genuine “friends.” Rather, almost half of them (47 percent) feel ambivalent about their relationship, as defined by the Chinese expression “*ban xin ban yi de peng you*,” which literally means “half-trusting, half-suspicious friend.”

On the other hand, a quarter of the Chinese scholars said that China and North Korea strategically need each other. The obvious implication is the Cold War rivalry structure that has put China (together with North Korea and Russia) in one camp²⁰ and the U.S. (together with South Korea and Japan) in the other. The Chinese response is that this Sino-North Korean “wedlock” is a necessary part of their joint coping strategy against the U.S. camp, and it acknowledges that the two have their own trust issues. Outside strategists, therefore, need to explore creative ways to work with China in approaching the North Korean issue, instead of resorting to the wholesale belief, resiliently propagated in the media, which states the two are “blood allies” and that they will always stick together.

The danger of such a wholesale belief is that it only limits Washington’s and Seoul’s policy options. Resisting old habits and maintaining flexibility in judgment is especially needed today, as China and North Korea have been showing the outward appearance of deepening their ties after Kim Jong-il’s death. The appearance may last for a while, as Kim Jong-un stabilizes his power grip. Yet it should be noted that China’s strategy toward North Korea is fluid too. A few prior incidents endorse this view.

In the aftermath of North Korea’s nuclear test in October 2006, China issued an unprecedentedly strong condemnation against North Korea, characterizing Pyongyang’s move as a “flagrant” (“*hanran*” in Chinese²¹) act. In the Chinese language, the term “*hanran*” is a very undiplomatic language to be used. But the Chinese foreign ministry used the term because, according to a source, this was

the very word uttered by the Chinese top leadership.²² In terms of Washington-Beijing ties, it was also a time when China was nearly part of the U.S. camp in terms of cooperating together to pressure North Korea. But two factors kept China from staying in league with Washington. First, China didn't feel it was gaining any tangible reward by cooperating with Washington. Second, the more China pressured North Korea, the farther North Korea drifted away from China's sphere of influence. Chinese strategists then began to sound alarm that China was not benefiting by helping Washington. In fact, they feared that Washington's strategy was to drive a wedge between Pyongyang and Beijing.

In the summer of 2009, the Chinese leadership held a heated internal debate on its North Korean policy and decided, finally, not to abandon North Korea. After the conclusion was drawn, in October of the same year, China dispatched Premier Wen Jiabao to Pyongyang to ink a series of agreements, including a firm pledge of commitment for bilateral ties. The North's official newspaper, *Rodong Sinmun*, said the visit "clearly illustrates the Communist Party and the government of China attach great importance to the friendship between the two countries," adding that its significance was commensurate with marking "a new chapter" in Sino-North Korean history. During Kim Jong-il's meeting with Hu Jintao in May 2010 in Beijing, Hu told Kim: "Strengthening Sino-DPRK friendly and cooperative relations is the consistent policy of the Communist Party of China and the Chinese government."²³ What we're seeing currently is the continuation of China's 2009 policy adjustment on North Korea. In other words, China's all-out friendly gesture toward North Korea in the aftermath of Kim Jong-il's death should be seen in the larger picture of the continuation of China's policy since 2009, not an abrupt impromptu gesture.

CHINA-KOREA RELATIONS IN THE KIM JONG-UN ERA

It is this author's position that China's foreign policy stance toward North Korea is not an immovable principle, but remains fluid. Once again, a sweeping statement such as "China and North Korea will 'always' stick together" is an over-blown statement. For instance, China's policy shift in 2006 to harshly criticize North Korea was very unusual, given China's "traditionally friendly ties."²⁴ But China's policy shift three years later in 2009 to mend back ties with North Korea was also unusual. What shouldn't be missed is that China's policy on North Korea vacillated in that mere three-year period. That, this author argues, means something. And the biggest determining factor for China's foreign policy change is its calculation of its national interests.²⁵ Remarkably, this fundamental principle in international relations has often eluded the purviews of outside analysts. As China's perception of its own national interest changes, so will its relationship with North Korea.

To this end, Seoul and Washington need to do more confidence-building efforts with their Chinese counterpart. For example, as seen in the survey data, so few

of China's experts on Korea have ever visited South Korea (just 60 percent) and even more surprising that only 20 percent of them have visited North Korea. South Korea should be focusing on inviting those "Korea experts" to visit South Korea for extended study tours, as part of a long-term effort to manage and resolve the Korean Peninsula problem.²⁶

The year 2012, and the period immediately following it, will be critical as China has its own leadership shuffle. How the dynamics between China's new leader Xi Jinping and North Korea's Kim Jong-un will evolve will be a keenly watched item among security experts. The duo's relationship will also be naturally influenced by outside variables as well, such as Washington's relationship with Beijing and Seoul's positioning with China in the post-Lee Myung-bak administration. Here, the results of the current survey – which are not meant to be comprehensive but a ballpark indicator – will come in handy in appreciating the overall Chinese elite sentiments on North Korea and the Korean Peninsula and where the ball goes from here. Over the long-term, the United States and South Korea also need to seek to reassure China that South Korea and U.S. intentions in general, and especially in connection with North Korea, are not incompatible with China's interests.

ENDNOTES

- ¹ Many individuals offered helpful feedback, including Jin Canrong of Renmin University in China who read the entire dissertation that incorporated this paper, David Straub of Stanford University who offered detailed comments, and Edward Baker at Harvard University, who pointed out a numerical typo.
- ² This paper was revised from the previous paper presentation to KEI on January 24.
- ³ These are commonly cited numbers by the South Korean media which credit them to the government and think tanks.
- ⁴ “东北” (*dong bei*) in Chinese.
- ⁵ Kim Bo-geun, “Let us prevent Kim Jong-un's North Korea becoming China's fourth province in its northeastern region.” *Economy Insight*, published by the *Hankyoreh Sinmun*, January 1, 2012, <http://www.economyinsight.co.kr/news/articleView.html?idxno=1066>.
- ⁶ Kim Tae-wan, “North Korea falls into China's economic colony,” Economic dependence approaches 70%, *Hankyung* newspaper, December 22, 2011, <http://www.hankyung.com/news/app/newsview.php?aid=2011122235331&sid=010512&nid=005<type=1>.
- ⁷ Lee Yoon-sang. “North Korea's dependence on China is the key,” *Money Today*. December 19, 2011, <http://news.zum.com/articles/1203248>.
- ⁸ Bruce Jones, during Q&A session at a Brookings-Tsinghua Center for Public Policy conference, March 20, 2009, Beijing, China.
- ⁹ Victor Cha, “Kim's Death is Watershed Moment for North Korea,” *Financial Times*, December 21, 2011, <http://www.ft.com/cms/s/0/d21bbc9a-2a0d-11e1-8f04-00144feabdc0.html>.
- ¹⁰ Author's interview with Linda Jakobson, East Asia Program Director at the Lowy Institute for International Policy, September 2010.
- ¹¹ *Ibid.*

- ¹² Ibid.
- ¹³ Ibid.
- ¹⁴ A Chinese security expert privately told this author that another reason behind China's reluctance to discuss the sensitive matter with Seoul and Washington is because "they cannot keep their mouth shut. Whatever we say in confidence, we will see it printed later."
- ¹⁵ A Chinese reviewer of this survey later suggested that a personal face-to-face would have yielded more participation from the older generation of scholars. The survey was done through e-mail, with a link to an electronic survey website. It may be the case that the older generation of Chinese scholars (and people in general) are more willing to accept a personal interview, rather than a mass e-mail survey. It's not established whether the lesser participation of the older generation of Chinese experts was due to their lack of ease with computer or personal habits.
- ¹⁶ For the history of China's strained relationship with North Korea, please see, Choi Myeong-hae, *Sino-North Korean alliance* (Seoul: Oreum, 2009).
- ¹⁷ Jack Pritchard, former president of Korea Economic institute, had the view that the Chinese move should be seen as a "normal" diplomatic maneuver with a set of goals in mind, rather than a particular one. Author's interview, January 26, 2012, Washington.
- ¹⁸ Wang Junsheng, "Don't ignore DPRK's concerns," *China Daily*, January 5, 2012, http://usa.chinadaily.com.cn/opinion/2012-01/05/content_14383565.htm.
- ¹⁹ Author's interview. November, 2011.
- ²⁰ Together with North Korea and Russia.
- ²¹ 悍然 in Chinese.
- ²² A Chinese scholar, attending the Asan China Forum, on Dec 11, 2012, in Seoul, said that the word "*hanran*" was chosen by Hu Jintao himself.
- ²³ "Top leaders of China, DPRK hold talks in Beijing," Xinhua News Agency, May 7, 2010, <http://kp.china-embassy.org/eng/zcqx/sbgx/t692927.htm>.
- ²⁴ *chuan tong you hao guan xi*.
- ²⁵ Sunny Lee, "China's North Korean policy decoded," *Yale Global Online*, July 28, 2011, <http://yaleglobal.yale.edu/content/chinas-north-korean-foreign-policy-decoded>.
- ²⁶ I thank David Straub of Stanford University for this suggestion.

A CONVERGENCE OF INTERESTS: PROSPECTS FOR RASON SPECIAL ECONOMIC ZONE

Andray Abrahamian

ABSTRACT

Rason, North Korea's Special Economic Zone (SEZ) located in the far Northeast of the country, is undergoing change at a pace unseen in its twenty-year existence. Its history has been one of insufficient support, both from leadership in Pyongyang and from external actors. Now, however, amid political transition in North Korea, reform and reorganization has taken place in the SEZ, while at the same time China has included Rason in its ambitious plans to develop its Northeastern province of Jilin. These changes demonstrate Pyongyang's increasing need to reach out to foreign investors to reinvigorate its economy. They also point toward China's desire to develop its Northeast region and promote stability while increasing its leverage over North Korea's economic growth. Despite the myriad challenges facing both the SEZ and North Korea's economy, these factors give Rason better prospects for development than we have seen before.

Key Words: *Rajin-Sonbong; Special Economic Zones (SEZs); China; Economic Reforms; Changchun-Jilin-Tumen (Changjitu)*

INTRODUCTION

In 1991, the same year that the world watched the dissolution of the Soviet Union, the Democratic People's Republic of Korea (DPRK or North Korea) established Rason as a Special Economic Zone (SEZ): one that could be a hub for export-processing and transportation. This caused considerable excitement for long-time North Korea watchers. Rason hinted that even if Pyongyang didn't go the way of the Eastern European socialist governments, perhaps Chinese-style reforms could be expected. Instead, Pyongyang's resistance to change has proven remarkably strong, even as its economy ground to a crawl and its people suffered through famine. Rason, meanwhile, languished in the far Northeast, its minimal development a symbol of the leadership's enduring opposition to opening up.

Several factors contributed to Rason's two decade-long inertia including disinterested neighbors, lack of international coordination, and not least, Pyongyang's ambivalence. Now, however, China's twin concerns about its geopolitical influence and Jilin province's development have aligned with a new Pyongyang leadership that can no longer rely on *songun* (military-first) alone for its legitimacy and must make some attempt to improve the economy. This harmony of interests gives Rason prospects for change and growth that have not existed since its creation in 1991. Indeed, long-discussed and delayed projects are finally being implemented along with practical administrative changes.

HISTORICAL IMPEDIMENTS TO GROWTH IN RASON

Pyongyang, like Beijing before it, has identified Special Economic Zones as a means to experiment with economic reforms in a manner that is controllable, regional and, above all, containable. Both countries' leaders recognize that a swift marketization of the economy could jeopardize their positions of power. Beijing's gradual marketization, however, has proceeded with remarkable success: The model of the first SEZ at Shenzhen has been replicated all over the country, with its endemic influences allowed to penetrate the broader economy and society as a whole.

This was not replicated in North Korea for several reasons. First, with the important exception of Chongryon Japanese Koreans, North Korea could not rely on an ethnic diaspora to invest in the SEZ, as China did. In the mid-1980's almost 80 percent of investment in China came from overseas Chinese.¹ Overseas Koreans, far fewer in number and less dispersed than their Chinese counterparts, were much more easily attracted by South Korea's rather more normal investment conditions.

Economic competition with the South also has a political component that constrains Pyongyang in a way that has never fettered Beijing. This was (and remains) the fear that should reforms in Rason (or anywhere else) become uncontrollable, North Korea's citizens would lose faith in the revolutionary Democratic People's

Republic's *raison d'être* and begin calling for reunification on Seoul's terms. Andrei Lankov calls this concern "a rational and well-informed assessment of North Korea's domestic and international situation."² After all, the influence of even an isolated SEZ cannot be fully geographically contained, as inputs and outputs spill into the regions around it.

The pressure from this direct competitor for legitimacy south of the DMZ has led to a deep ambivalence about Rason in particular and economic reform in general, reflected not only in Pyongyang's lack of investment in Rason during the 1990s, but also in its halting attempts to reform and then undo reforms in the 2000s. Perhaps realizing that some form of marketization was unavoidable following the breakdown of the Public Distribution System, Pyongyang enacted reforms in 2002. These reforms, though dramatic by North Korean standards, essentially tried to allow market activities while maintaining a degree of central control. The authorities did, however, grant greater freedom for state-owned enterprises, allowing them to set their own prices as well as introducing incentives for efficiency. They also legitimized *Jangmadangs* (trader's markets) by providing covered spaces, licenses and rental fees, both official and otherwise.

In 2005, however, those reforms were undone and greater restrictions were placed on international communication and market activities in general. The knowledge of international norms and transactions could not be taken away, though, nor could the experience of participating in money-earning activities be forgotten. As pre-2005 economic freedoms crept back into society, conservative forces in Pyongyang made one more attempt to return to North Korean orthodoxy through the 2009 currency reform. This failed to both diminish market activity and revive the public distribution system.

Compounding Pyongyang's suspicion of the SEZ it had created was a lack of interest internationally. This was manifested through the perpetually moribund Tumen River Area Development Programme (TRADP), a project run by the United Nations Development Programme (UNDP). This project sought to embrace and shape a post-Cold War Northeast Asia with a hugely ambitious and equally vague vision. It imagined a twenty-year, \$30 billion plan to modernize and integrate a vast region that included northeast China, Mongolia, North Korea and Eastern Russia, with Rason as a hub.³ However, from the beginning it suffered from a lack of interest from member nations: funding, communications and staffing have all been problems. High-level officials did not participate and plans were not well formulated.⁴

The TRADP very quickly turned into little more than a talk shop: a 2007 UNDP evaluation report concluded that financing remained a key issue as no one country displayed a commitment to take ownership of the project.⁵ It is important to remember that during the 1990s China was focused on developing its populated

coastal regions and managing the takeover of Hong Kong; Japan was slipping into ‘the lost decade’; Russia’s transitional economy was in turmoil; North Korea was descending into a food crisis and South Korea spent the latter part of the decade dealing with the aftermath of the Asian financial crisis. There was precious little interest or capacity to spare on developing the TRADP or Rason.

TRADP was rebranded in 2005 as the Greater Tumen Initiative (GTI), ostensibly as a means to transfer operational control from the UN to member states, but cooperation has continued to prove elusive despite Northeast Asia’s generally favorable economic conditions. One evaluation concluded that the project would be “unsustainable” if the UN were to fully cede leadership.⁶ The GTI continues to make plans with little relevance or mechanisms for implementation and with unrealistic goals such as increasing international tourism in the zone 10-15 percent or increasing cross-border trade by 10-15 percent by 2015.⁷

South Korea’s role in North Korea’s development will be crucial in the future, with a somewhat tenuous but growing foundation laid during the heyday of the Sunshine Policy. South Korean interest in economic engagement with North Korea grew in the early 2000s, but has been focused on the Kaesong Industrial Complex and the embattled Kungangsan Tourist Zone. For a variety of reasons, there has been little government or private sector interest in Rason.

A CONFLUENCE OF INTERESTS

North Korea’s Leadership

There are several indications that North Korea is developing a greater seriousness about investment, international trade and economic management. This stems from a key problem facing the new generation of leadership: how can they ask their citizenry to endure privation under the songun banner, when the ultimate justification for that ideology – a nuclear arsenal – has already been attained? Ultimately, military-first asked its people to sacrifice material wellbeing in the name of national defense. It is not an ideology that inspires hope; the suffering that North Koreans involuntarily associate with it cannot be endured forever. The new government will have to demonstrate some other kinds of success to its people if it has any hope of capturing or retaining their loyalties.

Indeed, an observation of domestic propaganda reveals that a more hopeful message focused on improving quality of life has become increasingly and rather overtly conveyed. Kim Jong-il’s last couple of years of on-the-spot guidance tours demonstrated a renewed emphasis on economic issues. Following North Korea’s nuclear test in 2006, Kim’s visits to military sites relative to economic ones began to drop. The year 2010 saw the fewest visits to military sites since he succeeded his father.⁸ In fact, visits to economic sites outstripped military ones by

58 to 33 that year (through December 6th).⁹ In 2011, similar attention was paid to economic sites.

The first major event in North Korea after Kim Jong-il's funeral was a January 3rd rally in Pyongyang, which was focused on economic issues. Slogans included "Light Industry First-ism" and "The People's Lives Upward!"¹⁰ Also, in the several weeks immediately after Kim's death, North Korea's media stressed that Kim Jong-un's succession drew upon the inheritance of *juche* ideals to a greater degree than on *songun*.¹¹

Also worth noting is the tenure of the New Year Joint Editorial, which is published by Pyongyang's top three newspapers and communicates the state's goals for the upcoming year. As the year's key piece of domestic propaganda, its content is very carefully thought out. There is always some element of economic instruction and admonition, but the editorial has traditionally revolved around military and revolutionary themes. In 2010, however, the editorial emphasized "a radical turn in the people's standard of living" by focusing on light industry and agriculture. The catchy title for 2011 was "Bring about a Decisive Turn in the Improvement of the People's Standard of Living and the Building of a Great, Prosperous and Powerful Country by Accelerating the Development of Light Industry Once Again This Year."

Again, the focus was on quality of life and economic growth, with revolution and military matters taking a backseat.¹² (2012 broke this trend – Kim Jong-il's death resulted in a hastily written piece, focusing on continuity and succession. We'll never see the editorial that was originally planned.) All this propaganda contains both explicit and implicit promises to the public about their economic wellbeing that were relatively absent for most of the Kim Jong-il era.

Propaganda can be dismissed as being without real value. However, concrete steps taken among Pyongyang's very top elites also demonstrate a greater focus on economic management. Starting in 2009, two investment groups came to the fore. First, the Daepung International Investment Group was repurposed along the lines of a holding company model and paired with the newly created State Development Bank as a vehicle for attracting foreign direct investment. Individuals on the National Defence Committee have been linked to the Daepung Group as has Kim Jong-il's erstwhile confidant Jon Il-Chun, who is reportedly the Director of Office 39, a murky but influential international trade and finance organization.

The same year, North Korea formed the Joint Venture and Investment Committee, a governmental office tasked with attracting and regulating foreign investment in the DPRK. The reins of this organization were handed to Ri Chol, who, among other roles, has helped manage Kim Jong-il's foreign assets and mind his children while they studied in Switzerland. It is thought that his stewardship of the JVIC was a reward for brokering the deal that brought Orascom to North Korea.

Other investment groups have been folded into these two umbrella organizations even as rumors spread of attempts to set up new ones – with different patrons from the top of Pyongyang’s hierarchy. This centralization and competition suggests that elites recognize that participating in and controlling foreign investment and trade will become ever more important for securing influence in the future.¹³ It also suggests that the military is decreasing in relevance as a path for advancement.

As these reorganizations were developing, the DPRK passed a “corporate law” in the fall of 2010, just over a month after Kim Jong-un was introduced at the Party Conference in September. Under the new law, corporations are defined and receive autonomy in many areas, though sales and wage mechanisms are decided by the state.¹⁴

While still unwilling to truly open the economy, it seems apparent that North Korea’s elites are turning to economic development, growth in light industry and trade and investment to define the new era of governance. The creation of investment organs and national laws relating to corporate activity attest to this and coincide with material and legal changes in Rason as well.

Jilin’s Development –The “Changjitu” Plan

The other side of the story is how external economic actors view Rason; North Korea’s willpower alone cannot conquer an unfavorable external environment, despite propaganda rhetoric to the contrary. Fortunately for Pyongyang, both Beijing and Jilin province have both the interest and capacity to push for Rason’s development. Where the vague, overly broad and ultimately ineffective Tumen River Development Programme failed, China’s Changjitu Development Plan is having an impact.

In 2009, Beijing approved a locally formulated development plan called “Changjitu,” an abbreviation of Changchun-Jilin-Tumen. This is an ambitious yet focused program for developing a province that has lagged behind the development of China’s coastal regions. Jilin’s Gross Domestic Product in 2008 was about \$100 million. This is roughly double North Korea’s GDP, though Jilin’s population of 27 million is almost exactly the same. Under the Changjitu plan, Jilin’s GDP is to double 2008’s level by 2012 and to quadruple 2008’s level by 2020.¹⁵

In order to achieve this rapid growth, Beijing has invested in all manner of infrastructure. A high-speed rail connecting Changchun and Jilin, the province’s two major cities, began operating in early 2011. Construction is underway to extend the line to Hunchun, near the border, and was supposed to have begun running in 2012. Changjitu’s motorways have been expanded and upgraded, now crisscrossing the region. One of these motorways leads to a large new customs and immigration facility in Quanhe. Across a newly refurbished bridge – entirely Chinese financed – sits North Korea’s Wonjong-ri customs house.

Part of the plan includes creating regional financial infrastructure. Locally based financial institutions such as banks, local financial holding companies, and financial leasing firms are to be created to support the growth of targeted industries.¹⁶ These industries include automobile and parts manufacturing, petrochemicals, agricultural products, electronics, pharmaceuticals, medical equipment, metallurgy and tourism.¹⁷

Changjitu's planners have from the very start imagined the use of Rason's port as an integral part of its development, as an outlet for finished goods and raw materials for both international and domestic markets. In January 2011, Hunchun Mining Group, one of the province's most significant mining operations, conducted a test run of some 20,000 tons of coal from Hunchun to the Shanghai-Pudong port. Despite the lack of a paved road at that time, the usual transportation time of eleven days to Shanghai was cut to three days. With upgrades to Rason's infrastructure underway, Hunchun Mining Group had plans to increase its output from 5.6 million tons to 13.5 million tons in 2012.¹⁸ Two more runs were conducted in early 2012, but it seems yet to have become a regular route. Essentially, however, the grandiose plans for Jilin simply do not work without continued, guaranteed access to Rason.

The Changjitu plan and its relationship to Rason are also very much in congruence with Beijing's geostrategic goals for the Korean peninsula. China hopes above all to reduce the possibility of events that might jeopardize its own rapid economic growth. Beijing, frustrated by its inability to prevent North Korea's nuclear tests, has effectively decided it needs more leverage over its erstwhile co-combatant. Encouraging economic reliance on China during a period where South Korea and Japan have written themselves out of the story can only give Beijing greater influence in Pyongyang's decision-making.

Encouraging economic ties with North Korea not only increases leverage over its neighbor, but should also reduce the frequency of food shortages, while sheltering Pyongyang from the effects of sanctions. If reducing North Korean provocations is a core concern of Beijing's, preventing an absolute and sudden collapse is its primary one. Improving her ally's food and attendant human security issues through economic exchange is an indirect means of accomplishing this. Bonding Jilin's economy to Rason's serves all of these interests and will help stabilize North Korea's northeastern provinces, the most impoverished and vulnerable.

Recent Developments

Rason is undergoing changes that are manifestly different from anything previously observed. Pyongyang's lack of initial commitment to its SEZ was perhaps most visible in its failure to pave the road from the Chinese border to the port. The unwillingness to invest in the road, port, or power plant reflected

Pyongyang's reluctance to really let Rason become an international trading hub and a large-scale experiment in attracting foreign direct investment.

Now, however, infrastructure upgrades are taking place, the most conspicuous of which is the construction of a paved highway linking Rajin and Sonbong to the border crossing at Wonjong. If anything over the last twenty years has symbolized Pyongyang's failure to move forward on Rason, it was the dusty, bumpy road that connected the SEZ to China. As poor as North Korea may be, building a thirty-some kilometer road is certainly within its capacity. (Far more so, say, than upgrading a decaying power plant.) Now, however, the road is almost fully paved, with work beginning in the spring of 2011 and "90 percent complete" by November. It was fully completed by mid-2012. Four Chinese companies, making use of both Korean and Chinese laborers, oversaw construction, which was entirely paid for by the Chinese. Whether the funding came from the firms involved in exchange for tolling rights or concessions or whether it was from central or provincial Chinese government subsidies is not entirely clear. Whatever the case may be, the road is absolutely fundamental to any further development, because the incentive to invest heavily in factories or port facilities is low if there is no capacity to transport products and materials easily and quickly.

Despite this, Rason's port facilities have seen some limited upgrades in recent years. Out of three ports, the primary one is Rajin. The Rajin port is 9.8 meters deep and has three piers and nine berths. Chinese companies have leased the use of the 1st pier for coal and the 2nd for containers. The head of the Port's Foreign Affairs Department, Kim Chun-il, claimed there was an agreement with Chinese companies to build two more piers at a depth of 15 meters. This would allow for some of the biggest New Panamax class ships to dock, increasing economies of scale for transport beyond Japan and South Korea all the way to the Americas. While this seems consistent with Jilin provinces' development goals, it has proved impossible to confirm the details of this agreement. Most crucially, it remains unknown whether a finished contract has been signed and whether there is a timeline for construction.

A Russian company signed a 49-year lease for the 3rd pier in 2008, for which they agreed to invest approximately 1 billion US dollars. For the first 17 years of the lease they will collect 100 percent of the port fees on that pier. After that, fees will be split 70 percent-30 percent (in favor of the Russians) until the end of the lease period. Rajin port has 11 DPRK-owned cranes with a capacity of five tons, five Russian-owned ones with a capacity of 10 tons and also two Russian-owned ones with a capacity of 30 tons.

Another issue is the chronic power shortages that plague Rason, not unlike most of North Korea. Along with transportation infrastructure, electrical power is any special economic zone's most rudimentary necessity. Resolution of this issue,

therefore, would represent a great deal in terms of Rason's validity as an export-processing zone. After years of negotiations, promises, and rumored agreements, progress here is finally underway. In November 2011, claims that work had begun on electricity transmission lines linking Rason to power plants in Yanbian Autonomous Prefecture in Jilin surfaced.¹⁹ These reports appear to have been premature, but decisions taken by the State Grid Corporation of China in October 2012 suggest that significant steps to realize this plan are being taken.²⁰ The cost of electricity will be set at Chinese prices and payment will be made through the new Golden Triangle Bank in Rajin. This will give Chinese investors confidence that prices will be consistent. Moreover, this agreement gives China effective control of one of the commanding heights of Rason's economic future.

The imperative point to recognize is that for twenty years such construction has been talked about, promised, and reported upon. North Korea may be a place where commitments, memorandums of understanding, and contracts go to die, but now, for the first time in Rason's history, there is tangible movement taking place on key infrastructure projects. It is difficult to overstate what this means for the zone. For the first time, Chinese finance and expertise are combining with North Korean acquiescence to create a Rason with the basic capacities of a modern free economic zone.

Also, 2010 saw legal changes in Rason that wrested it from the provincial government and granted more local autonomy. Rason is now the responsibility of the Joint Venture and Investment Committee in Pyongyang but is administered by the Economic Cooperation Bureau, a semi-autonomous organization under the City People's Committee. One official stated that 80 percent of decision-making is now made locally while only the most important decisions require consultation with Pyongyang. It was also explained that individual companies are free to negotiate and conclude deals with their foreign partners autonomously, before seeking final approval from the government.²¹ Foreigners with long-term experience in Rason note that decisions do appear to be made with greater speed and flexibility than in the past. Moreover, it is said there is less suspicion and greater openness in local attitudes towards foreigners. This is particularly evident towards Chinese visitors, who are increasingly allowed to drive themselves around the zone. Chinese tourism expanded to such an extent that several weekends in summer 2012 saw hotels overbooked.

Finally, it should also be noted that Rason's administrators appear to be increasingly talented, pragmatic individuals. Many come from Pyongyang's top universities and have studied or worked abroad and have a better grasp of international business than in earlier years. The Vice-mayor, Hwang Chol Nam, seems particularly impressive in both his language skills and his understanding of technical and market issues. Anecdotes suggest that Rason is no longer seen as a

place of exile, but rather a place where incentives to succeed exist and personal career advancement is possible.

Remaining Issues

It would be remiss to ignore the multitude of constraints facing Rason, however. The environment in the DPRK remains challenging and while Rason is freer than most places in the country, it still operates under a political system that is essentially trying to balance the need to revive the economy with a desire to retain as much central control as possible.

This political uncertainty is the ultimate impediment to development in Rason and elsewhere. North Korea has, after all, rolled back previous reforms in the past. When feeling relatively confident about its economic and agricultural situation, Pyongyang has tried to move back towards orthodoxy as in 2005, with repeals of the 2002 economic reforms, and in 2009, with the unsuccessful currency reform. If investors are not confident in Pyongyang's commitment to maintaining Rason as a functioning platform for free trade and investment, they will be wary about committing assets that might be jeopardized by a change in Pyongyang's political winds.

The uncertainty over the application of law is a worry as well. Stories abound of conflicts over contracts, assets confiscations and done deals coming undone. Rason's managers need to realize that this will have to change if they hope to attract investment from sources other than China. As we have seen, Chinese control over key parts of Rason's infrastructure is increasing. If we begin to see bigger Chinese enterprises investing in Rason, this may be a sign that leverage is sufficiently counterbalancing concerns over the DPRK's irregular legal environment. Investors from elsewhere, whose governments do not have their hands on such levers, will likely continue to stay away.

Communication remains an issue. Rason's administrators currently do not have access to individual email accounts – a prerequisite for operating businesses at the normal pace of the 21st century. And while roughly one-fifth of all adults in Rason have mobile phones – exceptionally high by North Korean standards – foreigners in the zone cannot be on the same network and cannot call their Korean partners. (They can apparently both call landlines, however.) Calling internationally from the zone remains highly restricted, making business very, very slow by today's standards. Rason administrators claimed that starting sometime in 2012, foreigners would have access to Internet and international telephony from certain hotels.

Finally, while infrastructure projects are underway, there is still much work to be done. As promising as developments at Rajin Port have been, they remain ultimately quite minimal. The crane system they employ can only handle six

moves per hour (the number of crates that can be unloaded in an hour). This is slow compared to many regional ports (17-25 moves per hour) and positively somnambulant compared to the world's most efficient ports (over 40 moves per hour). Rason's two other ports, Sonbong and Unsang, are dedicated to transporting crude oil and lumber respectively. They are both too shallow for heavy use and lie in significant states of disrepair, largely unused.

Ultimately, to attract truly transformative investment, Chinese industries will need to see a few more changes.²² What investors seek are efficiency in logistics and consistency in the enforcement of rules and regulations. Rason's infrastructure upgrades are beginning to address the former; Pyongyang has yet to show commitment to the latter.

CONCLUSION

Beijing intends to bond Rason's economy to Jilin's, making them impossible to separate without risking instability and loss on both sides. The upgrades to transport networks both in Jilin and Rason and the impending resolution of Rason's power shortage indicate a seriousness of purpose that has not previously been evident. Furthermore, Chinese control of key utilities, especially the power supply, increases Rason's dependence on its northern neighbor.

Pyongyang's acquiescence to economic engagement and recent legal reforms give Rason the best administrative environment it has ever had. A shrewd yet realistic management team is in place and operating with greater autonomy than ever before. Pyongyang's increasing need to create economic success stories and China's commitment suggest Rason will develop quickly over the coming years. This doesn't mean we can expect Rason and the DPRK to follow a trajectory of reform along the lines of Shenzhen and China before it. It does mean, however, that Rason's relative importance both as a locus of experimentation and as a generator of wealth in North Korea's economy will increase in the coming years.

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KOREAN TRENDS IN AN
ASIA-PACIFIC CENTURY

BRACING FOR LOW FERTILITY AND A LARGE ELDERLY POPULATION IN SOUTH KOREA

Elizabeth Hervey Stephen

ABSTRACT

For the first time in its history South Korea is experiencing the challenge of extremely low fertility and a rapidly increasing number of elderly persons. This dramatic shift in population distribution is a result of total fertility rates below replacement levels for the past thirty years and to a smaller extent, increases in life expectancy. To date, policies have not been effective in increasing fertility levels; social and economic structures currently in place have encouraged delayed marriage and delayed childbearing. For any pronatalist policy to be effective there will need to be major changes so that women can better integrate working and familial roles. It will become critical for South Korea to adjust to smaller families to care for the elderly and to have a greater reliance on the government for pensions and support of the elderly. The income redistribution will come at a time when the numbers of persons in the labor force will be contracting as a result of sustained low fertility. If government actions are not effective to increase fertility, then it will take collective efforts of civil society to make the necessary adjustments to the new population distribution.

Key Words: *demographics; fertility replacement levels; total fertility rate (TFR); elderly poverty rate; childcare and education costs*

Since 1983 the Republic of Korea has experienced below replacement fertility. As recently as 1970, Korean women were having on average 4.5 children, but there was a 54 percent decline in fertility between 1970 and 1983 when fertility was first recorded as being below the replacement level of 2.1 children per woman (Figure 1). In the next twenty years, the total fertility rate (TFR) dropped from 2.08 children per woman in 1983 to 1.19 in 2003, and has remained steady at 1.2 ever since 2003.¹ This sustained low fertility level is one of the most dramatic in the world and is unprecedented historically.

This demographic shift over the past generation is already evident in the age structure of South Korea. The number of children enrolling in school for the first time declined by 39 percent between 1990 and 2011 and the number of young men aged 15-24 who are potential recruits for the military will decline by 1.3 million between 2010 and 2025, which is a 37 percent decline.² Conversely, the number of persons aged 65 and over in the South Korean population increased from less than a million in 1970 to 5.4 million in 2010 and is expected to be nearly 18 million by 2050.³

To understand the full impact of this demographic tsunami requires an examination of the causes of the fertility decline, as well as the structural changes and policy ramifications that will be required in South Korea to adapt to a rapidly changing population distribution.

CAUSES FOR THE FERTILITY DECLINE

In order to have a sense of whether the fertility trend can be reversed, it is important to understand what caused the fertility decline. The South Korean baby boom of the 1950s, coupled with slow economic growth, was a concern to Korean policy makers who saw a cycle of poverty. The Planned Parenthood Federation of Korea (PPFK) was started in April of 1961 with financial and technical assistance from the International Planned Parenthood Federation.⁴ The National Family Planning program was initiated in 1962 as part of the first Five-Year Economic Plan; the government worked closely with the PPFK and policies were included in successive five-year economic plans.⁵

The drop from a TFR of six in the early 1960s to replacement level fertility in 1983 was hailed as a success.⁶ The slogans imploring citizens to limit births matched the rapid economic expansion and social change of that era in the ROK. “Unplanned parenthood traps you in poverty” was an early slogan, followed by “Sons or daughters, stop at two and raise them well” in the 1970s.⁷ The economic incentives offered to women for using contraceptives and the state-disseminated messages promoting small families coincided with the country’s rapid rise of urbanization and industrialization and women’s desires to limit pregnancy and childbirth.⁸

Unintended consequences did arise in the 1980s and early 1990s with rising sex ratios at birth (as high as 115 males per 100 females) as parents strove to have a male child.⁹ The importance of having a son was critical for families as a means of economic and social support, as well as maintaining Confucian patriarchal traditions passed on through a son. Sex determination technology allowed families to terminate unwanted pregnancies.¹⁰ The government did revise laws to outlaw prenatal sex determination and by promoting the value of daughters as well as sons, the sex ratio at birth has declined to much more natural levels of about 105 boys born for 100 girls.¹¹ To date no policies have been as effective, however, in reversing the sustained low fertility levels.

Although nearly all childbearing in Korea takes place within marriage—98.5 percent as of 2007—marriage is much less attractive to the current childbearing generation.¹² Marriage is seen as a sort of luxury, which is sought after an “expanded educational and job-seeking period.”¹³ In 1970, 88 percent of women aged 25-29 in South Korea were married; by 2005 it was 40 percent.¹⁴ This retreat from marriage has resulted in a rapid rise in the mean age at marriage and in the mean age of childbearing. Mean age at first marriage rose from 26.4 years in 1995 to 28.9 years in 2010; mean age at first birth was 27.2 and was 30.1 years over the same time period.¹⁵

The delay in marriage is a result in part of greater opportunities available for women who have made tremendous gains in obtaining higher education and securing jobs. Between 1995 and 2008 the percentage of females who graduated high school and entered higher education increased from 50 to 84 percent.¹⁶ Among women aged 25-29, 48 percent were in the labor force in 1995, which increased to 73 percent in 2007.¹⁷

The effect of the increased percentage of women working outside of the home is exacerbated by long working hours. According to the Organization for Economic Co-operation and Development (OECD), South Koreans work the most hours per year of any member country.¹⁸ (The concept used is the total number of hours worked over the year divided by the average number of people in employment.) In 2010, Koreans worked on average 2,193 hours per year, as compared with the United States at 1,778 and the average for the OECD countries of 1,749. The long hours create strain for employed women with children and place more of a burden on women whose employed husbands have limited time with their families.

Women’s employment has yet another feature that tends to decrease fertility. Although the number of childcare facilities is increasing, childcare facilities meet only 30 percent of the demand.¹⁹ In 2003 there were 4,405 childcare facilities (public and workplace); by 2007 this had increased to 17,650. Even with the nearly quadrupling of facilities, the number of spots available falls far short of demand. Employed women spend nearly three and a half hours on household

chores/childcare on an average working day, which is about seven times as much as their husbands.²⁰ As a result of few childcare facilities and/or the demands of childcare and housework, nearly half of all employed women quit their jobs when they have a child.

With a lack of public childcare facilities in Korea, the burden for caring for young children generally falls to families, and most specifically to mothers. Of the OECD-27 countries, Korea ranked last (as of 2003) in the total public spending per child as a percentage of average earnings and had the lowest public spending for children aged 0-6.²¹ As the family system has become more nuclear, there is less of a support network from other relatives for childcare. Although there are no school fees for public elementary and middle schools, extracurricular studies and private after school academies (*hagwon*)—which are attended by most children—are very expensive and time consuming. Children have upwards of a fifteen-hour school day by the time they complete their after school academy. The oversight of the child's education traditionally falls to the Korean mother and excellence is expected. A *New York Times* article quoted one South Korean mother as saying, "Most Korean mothers want their children to get 100 on all the tests in all the subjects."²² A child's three-year preparation time for the college entrance exam is nearly a full-time job for mothers and some families have resorted to being "goose families" with the mother moving with the child great distances from the family home, just so the child can attend an international school.²³

The high costs of childcare and extracurricular education, combined with the change in women's status, have increased the costs of having a child to women and families. "The average share of household expenditure spent on children's education increased from 7.4 percent of the total household expenditure in 1985 to 11.6 percent in 2005."²⁴ The cost of raising and educating a Korean child is estimated to be at least US \$253,000.²⁵

Economic factors, in addition to demographic factors, have kept fertility rates very low. The 1997 economic crisis was devastating for Korea with unemployment rates for men aged 20-24 jumping from 8.7 percent in 1997 to 19.4 percent in 1998 and Korea has again been affected by the international financial crisis of 2008.²⁶ The economic shocks have led to diminishing expectations for labor market success, which is one of the factors that has led to an increasing mean age at marriage as well as young persons enjoying a more materialistic life and continuing to depend on their parents.²⁷ Housing is very expensive for young people, and yet there is the desire to live separately from their families once the young couple marries. In the 2005 Census, 76 percent of single men aged 25-29 were living with their parents, compared with 86 percent of married men aged 25-29 living in their own households.²⁸

INCREASE IN THE ELDERLY SOUTH KOREAN POPULATION

Improved public health measures, diet, and medical advances have helped South Korea become a healthier country and as a result mortality rates have declined. Life expectancy at birth reflects these positive changes with an increase from 72 years in 1990 to 79 in 2012.²⁹ While the increase in life expectancy at birth has been an important feature of the health and welfare of the elderly population, it has actually been the dramatic drop in fertility that has shifted the percentage distribution of South Korea toward the elderly.

The very low fertility rates over a sustained period of time are also reflected in the overall population growth of the country and in the median age. The current population growth rate is 0.2 percent and by 2025 the country is expected to experience negative growth rates.³⁰ The median age has been increasing and will continue to climb: from 19.0 years in 1960 to 31.8 in 2000, and is projected to be 43.7 in 2020 and 56.2 in 2050.³¹

Korea will move from an aged society to a super-aged society very quickly as can be seen in the population pyramids for 2012, 2025 and 2050 in Figure 2. Note that the scale of the x-axis changes for the 2050 pyramid to account for the nearly 2.5 million elderly women in the terminal (85+) age group.

Historically the elderly were a very small percentage of the population in all countries. During the late-1800s European countries began to see an increase in the elderly population. It took France 115 years to move from 7 percent to 14 percent elderly, whereas it will only take Korea 18 years.³² Korea will be classified as a super aged society with an estimated 20 percent of its population elderly by 2026. Population projections for the year 2050 estimate that 38 percent of the South Korean population will be 65 or older, making it one of the oldest countries in the world.³³

South Korea is not the only Asian country to experience rapid aging. Japan has the highest life expectancy at birth in the world (84 years) and a TFR of 1.4, a bit higher than South Korea's. Currently the median age in Japan is nearly 45 years. The pattern of a rapid increase in the elderly has been observed in Japan, just as in South Korea. As of 1970, the elderly in Japan accounted for only 7.1 percent of the total population; in 1994, it had almost doubled to 14.1 percent. Although Japan has the highest life expectancy in the world, South Korea experienced an even more compressed rise in the elderly population combined with even lower fertility than in Japan.³⁴

The rapid rise in the aging population in Korea is a potential concern in terms of economic growth potential and the generational shift required for supporting the elderly with a shrinking labor force. There were seven persons in the working-

age population per one aged person in 2007. By 2020 the ratio will be 4.5 to 1, and in 2050 it is estimated that it will be 1.4 to 1.³⁵ Business leaders, as well as governments and civil society organizations, share concern about consequences of an aging population for public finance and global competitiveness.³⁶

Just as young adults are more likely to set up their own households, it is increasingly likely that the elderly in South Korea are living on their own. The percentage of elderly living with a child fell from 77.7 percent in 1988 to 42.6 percent in 2002 and family support decreased from 72.8 percent to 53.3 percent during the same time period.³⁷ One of the reasons for the decline is the small number of children for the elderly to live with, and this trend will only accelerate. If elderly parents do live with a child, they may be expected to look after grandchildren and/or do household chores, especially if their son and daughter-in-law or son-in-law and daughter both work outside the home.³⁸

Care of the elderly has traditionally been a family responsibility in South Korea.³⁹ Confucian family values have led to weak public policy for the elderly; it is only relatively recently that the government has taken on a role as the traditional family system changes. This has come at a critical time as not only are the numbers of elderly increasing, but also as families are increasingly limited in the ability or motivation to pay for their elders. Social welfare increases will require a political consensus, particularly if costs through taxation are to be shared.⁴⁰ If families are unwilling or unable to care for elderly members, and if the government is stretched to its limit, then the elderly may be required to either work longer and/or draw on personal savings.⁴¹ Potential conflicts abound, not only across generations but also between those working and not working.⁴²

The first national pension law in South Korea was first discussed in 1973 but had to be delayed owing to the economic hardship encountered after the oil shock. The National Pension System (NPS) was introduced in South Korea in 1988 and covers approximately half of the working population.⁴³ However, only 10.8 percent of those 65 and over currently receive any benefits from the public pension plan.⁴⁴

In addition to the NPS, there are three additional plans in South Korea: 1) the government employees' pension plan; 2) the military personnel pension plan; 3) and the private school teachers' pension plan.⁴⁵ All of these plans are intended to be the "first tier" pension plans. There are virtually no private pension systems. The NPS is targeted to pay 60 percent of average career earnings for a worker with 40 years of work experience and with a retirement age of 60, although the income replacement rate is scheduled to decrease to 40 percent over the next 20 years.⁴⁶ The entitlement age will increase to 61 in 2013 and then will have a phased-in crease to 65 by 2033.⁴⁷ Although the NPS is a critical part of the social safety net for the elderly, it clearly faces questions as to its long-term viability given the aging population.

Korea has the highest rates of economically active persons aged 50 to 64 of any OECD country, although the average retirement age is 55 for most employment contracts. National pension eligibility begins at age 60.⁴⁸ This gap in part explains the high employment rates for the older workers, although a high proportion of the population is self-employed and those workers are not covered by the pension plan. Of those aged 55 to 64 in 2004, 60 percent were self-employed and of workers aged 65 and over, more than three-quarters were self-employed.⁴⁹ On average, Koreans work an additional twelve years after they are retired from a primary job, owing to the lack of public support and declining family support.⁵⁰

With any aging society, it is difficult for contributions to outweigh the benefits in a pay-as-you-go system. A challenge for Korea is how to provide a decent level of support for the elderly without imposing a crushing burden on the working population given the generous benefit formula and the rapidly aging population.⁵¹ Pension participants will peak at 18.9 million in 2014, while pension recipients are expected to increase to 11.1 million in 2059.⁵² The military pension plan has been in deficit for several decades.⁵³

The cost of the National Pension System is projected to rise from 0.4 percent of GDP in 2005 to 7.3 percent by 2050. It is likely that additional reforms will be forthcoming as it is estimated that the pension fund will be exhausted by 2060.⁵⁴ When all four pension programs are included—NPS, government employees, private school teachers, and the armed forces—the total cost of public pensions will reach 10.2 percent of GDP.⁵⁵ Virtually all of the elderly are covered by National Health Insurance, but with costs that are 2.1 times that of the population under age 65.⁵⁶ When health care and other programs are included the total cost of benefits to the elderly could exceed 25 percent of GDP by 2050.⁵⁷ The IMF projects that pensions in Korea will be 10.1 percent of GDP in 2050, along with 7.8 percent of the GDP for health costs of the elderly and 4.1 percent for long-term health care.⁵⁸

Prior to the implementation of the pension system, the Korean retirement allowance system was introduced in 1953. The severance allowance is equal to “one month of wage for every year of service at the rate of average monthly wage over the last three months prior to departure.”⁵⁹ Thus the critical feature of the retirement allowance is the number of years worked and the final salary. For companies, this allowance was beneficial in that no other financial provisions were required at the time of retirement and payment was made from current operating funds. With the changing tide of elderly, the government is allowing large corporations to replace this plan with more traditional corporate pension plans.⁶⁰ This plan was a compromise between business leaders who wanted to abolish the retirement allowance entirely and labor organizations that sought to keep it. Long-term care insurance has also been established. To date public expenditures on this program are 0.3 percent of GDP, as compared with the OECD average of 1.1 percent.⁶¹

Even with these plans in place, the poverty rate of the elderly in South Korea is very high. It is particularly difficult for the current cohort of the elderly who were not able to participate fully in government pension plans and who are feeling the effects of smaller extended families who are less likely to be co-resident. According to an OECD study published in 2008, 45 percent of South Korea's elderly households live in a state of "relative poverty," (income below 50 percent of the average household income of the nation).⁶² In comparison, the mean poverty rate for the elderly among OECD countries was 13 percent.⁶³ As of 2005, 14 percent of the elderly received government social assistance with monthly benefits averaging less than US \$80 per person. The elderly poverty rate is now three times that of the young.⁶⁴ The elderly are vulnerable to shocks to the economic system; during the financial crisis of 1998 the poverty rate for the elderly was nearly 50 percent.⁶⁵

EXISTING POLICIES AND OPTIONS FOR THE FUTURE

Without an increase in fertility, the population redistribution will create serious imbalances that will have long-lasting consequences for South Korea. Efforts to increase fertility rates are much more challenging than the successful family planning programs in the 1970s and 1980s that very effectively lowered fertility.

The Saeromaji Plan 2010 was announced by the government in 2006 and is intended to address both low fertility and the increase in the elderly population.⁶⁶ The plan calls for: 1) stable income of the elderly through an improved public pension system and guaranteed retirement income; 2) a healthy life for the elderly through long-term care and senior health management; 3) a safe and active life through providing public housing at a low cost and senior-friendly public transportation; and 4) active participation in society through an expansion of job-creation projects and meaningful voluntary projects. Included in the plan are provisions for subsidies for daycare, tax and housing incentives for large families, expanded maternity and childcare leave. The government also announced the Vision 2020 Plan, which is intended to shift some of the burden of child-rearing and care of the elderly from the family to the general society through increased childcare and after-school programs, subsidies for day care, and lower taxes for households with young children.⁶⁷ This plan is very explicit in stating that society is responsible as a whole for fostering the next generation, which Lee has argued is a public good.⁶⁸

In 2008, the ROK government spent 10.7 trillion *won* (which as of February 2012 would have been just over US \$9.5 billion) on programs to increase the birthrate and to cope with the aging population, with about 40 percent of the funds earmarked to raise the birth rate and support child-rearing initiatives.⁶⁹ To date the policies have not been effective, which in large part is due to the country's work culture and gendered society that will require societal shifts for success of any pronatalist plan.⁷⁰

Even if efforts to increase fertility are successful in the future, the echoes of low fertility will reverberate through the population structure for years to come and will be most evident over the next 25 years. During this adjustment period to an aged country, South Korea must adjust to a smaller workforce (in percentage terms, and in absolute terms as early as the next decade) who will be able to support the elderly population while at the same time providing for the nation's children. There are no easy fixes.

Jackson et al. suggest an increase in immigration, but while the short-term effect may be to increase the number of workers, South Korea would find it very difficult to assimilate a large number of immigrants.⁷¹ In addition, the numbers of immigrants that would be required to maintain the support ratio are staggering. To show the extreme immigration that would be required to reach replacement level of workers, Coleman titled a paper "Replacement Migration, or Why Everyone's Going to Have to Live in Korea."⁷² In response to a United Nations report that showed the difficulties of correcting the country effects of aging through increased immigration, Coleman stated in his paper that, "For South Korea, the most exciting example, 94 million immigrants per year would be needed, almost twice its current population, adding up to 5.1 billion by 2050 (that is, 5/6ths of today's world population). Even the United Nations decided that might be 'extreme'."

If immigration is discounted as the likely savior to increase the number of workers and children in South Korea, then the pleas to increase fertility will require multifaceted changes in the country. To encourage such a government-planned massive fertility turnaround may not be feasible given all the economic, social and demographic aspects that would be required to change in lock step in South Korea. In order to address the incompatibility of worker and mother roles for women would require a reordering of male and female roles in the household and perhaps shorter working hours. The retreat from marriage would need to be reversed, combined with an earlier age at marriage and childbearing. The costs of children would need to decline, which like these other factors is difficult to change through public policy. For instance, the Saeromaji Plan proposes to extend publicly funded after-school classes and cyber-education programs. Given the intense competition for highly coveted university spots, however, it is likely that private education services will remain much more popular than public after-school programs.⁷³

While the numbers of children populating elementary schools will be contracting, the dependency ratio will sky rocket. In fact, by 2050 South Korea will have the highest age-dependency ratio (as measured by the number of persons 65+ to the number of persons aged 15-64) of the primary emerging market countries (Argentina, Brazil, China, Indonesia, Mexico, Russia, Saudi Arabia, South Africa and Turkey).⁷⁴ The economic downturn, combined with the rapidly aging population, will require South Korea to adjust with limited available labor-force options. South Korea benefitted tremendously in the previous generation from

the demographic dividend, i.e. a large labor force, but will now have to deal with labor contraction. Although some European countries may increase retirement ages in order to delay the drain on pensions, that is less viable for South Korea with such a large percentage of the elderly already working and with the long work hours being recorded.

In the past 50 years the demography of South Korea has twice changed course very effectively. First was the national family planning campaign as described earlier in this paper that resulted in the steep decline in fertility rates. The second example was a result of a rapidly increasing sex ratio at birth (males per 100 female babies), which was as high as 115 in 1994. This largely came about as a result of using prenatal technology for parents to select for a male birth. But Eberstadt has argued convincingly that it was not the outlawing of prenatal technology that caused the sex ratio to return to a more historical and balanced pattern of about 105 boys born for every 100 girls, but rather that it was civil society, including the faith-based community, that brought to the fore the value of daughters to the family and the country at large.⁷⁵ Although the country leaders would be remiss not to have pronatalist policies in place, it appears that it will again be the collective efforts of civil society that will necessitate changing course in order to increase fertility. This change will not happen in a vacuum and will require concomitant changes in society and the labor force to accommodate women and mothers, that children are valued as emotional and financial support for their elderly parents, and that the costs of children decline.

Given that Japan has experienced the onset of an aging population earlier than Korea, one might look there for lessons to be learned. The government of Japan has listed the growing elderly population as the major demographic concern and has passed legislation that has increased the age of eligibility for the full flat National Pension benefit—in stages—from ages 60 to 65, by 2013 for men and by 2018 for women. “In 1999, the Government announced its intention to institute a similar increase with respect to the other part of the retirement benefit—the earnings related pension, fully effective in 2025 for men and 2030 for women.”⁷⁶ Pronatalist policies such as the Angel Plan, which was revised as recently as 2009, combine the improvement of public childcare support systems with gender policies for equal treatment for women and men in the workplace. Japanese women have found working and mother roles to be incompatible to a great extent; as a result, the median ages at marriage and first birth have been creeping up in Japan as in South Korea. To date, immigration has not been seen as an option to alleviate the population crisis in Japan in large part due to its homogeneous population, although nearly 600,000 immigrants are Korean.⁷⁷ In sum, although Japan has looked to legislation to help alleviate concerns over pensions for the elderly and has instituted pronatalist policies, concerns about societal and economic ramifications of the population redistribution remain a national concern as the TFR has remained constant at 1.4 children per woman since 2008.⁷⁸

Although Singapore has its unique properties, it is also facing the rapid expansion of the elderly population, with a TFR (0.8 in 2012) even below that of South Korea and a life expectancy of 83.75 years.⁷⁹ Its multifaceted economic approach to address the dependency ratio relies on self-reliance and individual savings, combined with a mandatory savings plan for all workers (the Central Provident Fund), which is a defined contribution plan. They have just added an annuity plan attached to the Central Provident Fund. Policy changes encourage workers to continue working for three years past the retirement age of 62. Singaporeans have the benefit of living in close proximity to one another so elderly “wellness” groups can meet and encourage elderly to remain active and promote healthy lifestyles.⁸⁰

While it is tempting to hope that South Korea can learn from the experiences of Japan, Singapore, and even some of the European countries with burgeoning elderly populations, no country has yet rebounded from such low fertility for such a prolonged period of time. The one facet that is very unique to South Korea is the potential for reunification. Fertility in North Korea is estimated to be right at replacement level (2.1 children per woman) and the median age in 2008 was 30.1 for males and 33.7 years for females as compared to 35.3 years for males and 37.4 years for females in South Korea in the same year.⁸¹ There is no question that immediately following reunification the fertility rate would be higher than it is now in South Korea if fertility remained unchanged in the two geographic areas, and the total population would be younger. What would happen in five, ten or twenty years after a Korean reunification is anyone’s guess, but the experience of Germany’s reunification was that former East Germany’s fertility dropped from 200,000 births in 1989 to 80,000 births in 1994.⁸² One can imagine that reunification of the two Koreas would cause staggering social and economic adjustments that would likely result in a downward shift in fertility in North Korea, and possibly in South Korea as well. It is unlikely that reunification would have any hope of increasing fertility in the long-term.

Perhaps South Korea is in a better financial situation than some of its Asian neighbors to deal with the financial considerations of the elderly population given that it has one of the lowest debt to GDP ratios in the OECD countries. But one factor that differentiates South Korea from the Asian dragons is that Korea has the sixth largest armed forces in the world. Although it has a large military, Korea spends a relatively small amount on the military; as of 2008 South Korea spent 2.8 percent of its Gross Domestic Product (GDP) on the military, which in 2006 was ranked 53rd in the world for countries with available data on the percentage of GDP spent on the military. If South Korea maintains a large military into the future—and there is every reason to believe it will given the threat to its north—there may be competing demands between supporting the elderly and the military.⁸³

The demographic restructuring facing South Korea is unprecedented and there are no easy or obvious solutions. Are these intractable problems or can current planning alleviate the social and economic challenges the countries with more elderly than children will face? The optimist will argue that there are economic safety valves and adjustment mechanisms that are available to be utilized such as shifting more of the public coverage of services back to individuals and families, while the pessimist will focus on the impending inversion of the population pyramid. Whether and how the South Korean government and families can adjust to the demographic dilemma facing the country remains to be seen.

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ADVANCING ECONOMIC FREEDOM: KEY TO ENSURING SOUTH KOREA'S GREATER ECONOMIC FUTURE

Anthony Kim

ABSTRACT

Despite a considerable level of uncertainty caused by the global economic slowdown since late 2008, South Korea has outperformed many other advanced economies in terms of installing a path of solid economic recovery. Nevertheless, South Korea has confronted its own economic and political challenges as the country attempts to weather uncertain times ahead and to chart a new chapter of advancement. In 2012, the intensity of the debate on how to further reform and reshape South Korea's economy for the future, particularly the role of government in free markets, was greater than ever before. Sound development and progress of a market economy requires a fair and transparent competitive environment as well as the security of economic freedom. The South Korean economy needs greater transparency and market competition fostered by economic freedom, not a new kind of government meddling or the policy pursuit of big government in the name of "economic democratization." Economic freedom, cultivated by the rule of law, limited government, regulatory efficiency, and open markets, is critical to generating the broader-based economic dynamism. Indeed, many of the positive changes South Korea has achieved over the past decades can be attributed to discarding the old way of thinking. A truly dynamic Korea should embrace greater economic freedom in order to adapt its social model to global realities.

Key Words: *economic freedom; trade; economic democratization; chaebol reform; financial crises*

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INTRODUCTION

With global economic recovery far from secure, many major economies continue to be at a critical juncture and face decisive policy choices. Political and economic developments since the economic and financial turmoil in late 2008 have inspired a fundamental rethinking of the social contract between citizens and governments in many parts of the world. Indeed, South Korea, one of the world's top 35 free economies according to the Heritage Foundation's *Index of Economic Freedom*, has confronted its own economic and political challenges as the country attempts to weather uncertain times ahead and to chart a new chapter of advancement.

Both economically and politically, the year 2012 was an important milestone for the South Korean economy. In the midst of the ongoing global economic slowdown and weak recovery, it marked the fifteenth year after the 1997 Asian financial crisis that South Korea successfully upgraded its economy. With earlier market reforms triggered by the crisis relatively well institutionalized and other macroeconomic policies to sustain economic expansion in place, the South Korean economy grew at a respectable pace of over three percent in 2012. Also notably, for the first time in twenty years, South Korea held both parliamentary and presidential elections in the same year. The intensity of the debate on how to further reform and reshape South Korea's economy for the future, particularly the role of government in free markets, was greater than ever before.

This paper will take a brief look back at South Korea's economic transformation since the 1997 financial crisis and argue that advancing economic freedom through more committed institutional reforms is critical to meaningfully realizing the country's pursuit of so-called "economic democratization" as well as installing broad-based economic expansion for the future. Undoubtedly, the South Korean economy has the fundamentals—such as its large supplies of capital, highly educated labor forces, modern infrastructure, and stable legal system—all in place. The extent of South Korea's long-term economic vigor and competitiveness, however, will be critically determined by both the outcome of ongoing debates about the proper scope of government and the country's progress toward greater economic freedom.

SOUTH KOREA'S ECONOMIC TRANSFORMATION SINCE THE 1997 ASIAN FINANCIAL CRISIS

The 1997 Asian financial crisis triggered extensive economic and political unrest in emerging Asian markets, sending many countries from Thailand to South Korea into recession. Unlike previous economic crises in Mexico and Latin America, the Asian crisis was not caused by excessive government spending or unmanageable public debt, but instead was mainly rooted in the private sector.¹ At the time, one common interpretation was that the crisis debunked the "Asian Miracle."

Capitalism and globalization were repudiated and blamed for the bursting of currency and property bubbles and the resultant economic difficulties.

Some observers even argued that “the Asian miracle was always a sham” and predicted “a decade of lost growth in East Asia,” like the one that Latin America went through after its debt crisis in the early 1980s.² Yet the economic recovery after the crisis has proven that reports of the Asian Miracle’s demise were premature. In hindsight, the 1997 crisis was just a temporary setback.³ The late Milton Friedman stated that the “Asian Miracle is real” and observed, the thought that “one crisis discredits three decades of growth is allowing the headlines to overwhelm history.”⁴ As the recovery has shown, Friedman was correct in predicting that the Asian economies would fix their problems and get back on track.⁵

Indeed, for the South Korean economy, the temporary setback provided much-needed momentum to adjust its economic system to the constantly changing global economy. The fifteen years since the crisis have validated that point. South Korea continues to be one of the most dynamic economies. As painful as the 1997 financial crisis was, it has provided South Korea a strong incentive to make its economic system more open and transparent. To their credit, successive governments have taken steps to address economic problems by reforming financial sectors, increasing regulatory transparency, strengthening corporate governance, and opening the market to greater competition. In addition, they have continued to promote South Korean competitiveness by embracing foreign trade and further integrating into the global trading system.

Although it took time for post-crisis reforms to restore investor confidence, the subsequent recovery was stronger and swifter than recoveries in other emerging market countries.⁶ Fifteen years after the financial crisis, the South Korean economy has firmly rebounded, with real per capita GDP passing the pre-crisis level (See Chart 1). With greater economic resilience in place, South Korea has been able to bounce back and resume the soaring growth rates that have enabled its per capita GDP to double since 1998, catapulting South Korea into the ranks of the world’s wealthiest nations.

It is notable that almost ten years after the Asian financial crisis, the South Korean economy confronted yet again a larger-scale economic turmoil that originated in the United States – namely, the global financial meltdown in late 2008. Compared to the Asian crisis, however, South Korea has fared quite better through the immediate months of the crisis and the current global economic slowdown. As a matter of fact, South Korea’s renewed economic upturn began within months of the financial panic of late 2008 and has largely continued since then.

South Korea’s capacity to emerge from not one but two debilitating economic and financial turmoil without prolonged stagnation has drawn attention in a world that suddenly needs economic role models. As Barry Eichengreen, a professor of

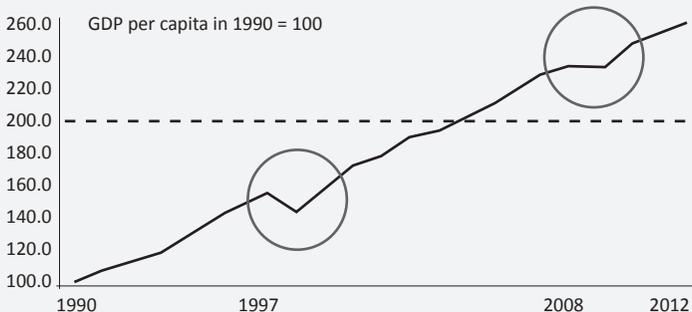
economic history at the University of California, Berkeley, observed, “Korea has many differences with the United States, but they certainly did financial reform right. Korea under the I.M.F. did radical surgery.”⁷

Indeed, despite a considerable level of uncertainty caused by the economic and financial crisis since late 2008, South Korea has outperformed many other advanced economies in terms of installing a path of solid economic recovery. The South Korean economy has recovered faster and more vigorously from the 2008 global crisis than most members of the Organisation for Economic Cooperation and Development (OECD), and has enjoyed low unemployment and low government debt.

To be certain, as an export-oriented open economy, South Korea initially experienced moribund economic growth along with the rest of the world. However, net exports remained remarkably robust through the current global economic slowdown, and GDP per capita fell markedly less than in the aftermath of the 1997 crisis. What is remarkable is that the relatively strong economic performance of South Korea in years since late 2008 has occurred in an environment of very weak global demand. In large part, such impressive export performance has been facilitated by South Korea’s strategic and steadfast pursuit of various free trade agreements with key economic partners around the world, which was culminated by the long-awaited implementation of the Korea-U.S. FTA in March, 2012. These trade agreements have all contributed to South Korea’s remarkable achievement of trading over \$1 trillion on the global market over the past two years.⁸

In fact, as pointed out by a November 2012 Foreign Policy special report, South Korea is rightly considered as one of the seven countries that won the great recession. South Korea “was the first wealthy country to emerge from recession in 2009, and household income has grown for the last 11 quarters.”⁹

Chart 1: South Korea’s Economic Performance



Source: International Monetary Fund, World Economic Outlook Database, October 2012

Reflecting such impressive performance of the South Korean economy, all three major rating agencies—Moody's, Fitch, and Standard and Poor's—upgraded South Korea's sovereign credit rating in 2012.¹⁰

It is also notable that during the past decade, South Korea has been one of the fastest-growing OECD countries, with real GDP expanding by over 4 percent per annum. Such growth has narrowed the per capita income gap with the United States from 62 percent in 1991 to around 35 percent in recent years.¹¹

THE SOUTH KOREAN ECONOMY AT THE CROSSROADS

Beyond further solidifying its ongoing economic recovery, South Korea should focus on building its economic potential by strengthening its commitment to reforms that enhance economic freedom and, therefore, competitiveness in its economic system and greater opportunities for many.

Today's economic growth and prosperity depend on maintaining and improving an environment in which entrepreneurial activities and innovation can flourish. Investment capital and entrepreneurial talent flow toward economies with low taxes, secure property rights, sound money, sensible regulatory policies, and greater transparency. Countries with higher degrees of openness and flexibility benefit from the free exchange of commerce and thereby enjoy long-term and broad-based economic growth and prosperity.

The global economic and financial turmoil of the past four years has emboldened critics of the capitalist, free enterprise system and raised questions about the best policy framework for supporting economic growth, employment, and overall prosperity. Questions relating to the role and size of government have been front and center, both in national debates and in international discussions. For example, with countries from Europe to China facing the demographic challenges of aging populations, problems of funding pensions on a sustainable basis are becoming acute. Also notably, the global recession has strained social safety nets almost everywhere; increased spending in some countries has turned what was previously a debate about long-term funding solutions into an acute crisis demanding immediate decisions about austerity measures to restrain national debt.

When dealing with democracies, of course, battles are fought not just among countries, but also within them through the political system and the electoral process. In Europe, decades of high social welfare spending and stifling regulation have combined to reduce economic and social dynamism and flexibility. As electorates were clamoring for action during the financial crisis and recession, governments' scope for effective response proved surprisingly small. For governments increasingly constrained by budget deficits and rising debt, the disconnect between their past political promises and their economic capability to fulfill them, and between their

financial assets and liabilities, became difficult to ignore. A fundamental rethinking of the social contract, the basic relationship between government and citizen, became, for some countries like Greece or France, not just an academic exercise but a political debate that spilled into the streets.

South Korea has confronted its own economic and political challenges as the economy attempts to weather uncertain times ahead. Particularly in 2012 when for the first time in twenty years, South Korea held both parliamentary and presidential elections in the same year, the intensity of the debate on how to reform and reshape its dynamic economy for the future had centered on social welfare issues and the role of the government in the economy.

In other words, keen observations made in 2005 by a long time Korea watcher, Marcus Noland of the Paterson Institute for International Economics, remained quite relevant to South Korea's political scenes in 2012:

Today South Korea is an awkward interstice as the country tries to work out the appropriate role of the state. While there is a consensus that the country cannot return to the ways of the past, there appears to be less of a consensus about the way forward. This difficulty is compounded by what appear to be—at least in the context of comparative data—institutional weaknesses in the political system. South Korea's economic development has, in effect, outstripped its political development. A strengthening of those political institutions and a clear redefinition of the role of the state vis-à-vis the economy would appear to be a central challenge looking forward.¹²

The extent of South Korea's long-term economic vigor and competitiveness will be surely determined by the outcome of ongoing debates about the proper scope of government, the existing social contract, and welfare policies.

PROMOTING ECONOMIC FREEDOM, NOT BIG GOVERNMENT, IS THE KEY TO “ECONOMIC DEMOCRATIZATION”

During the last presidential race, the campaign buzz word was so-called “economic democratization.” Both the opposition candidate, Moon Jae-in, and the ruling, conservative Saenuri Party's Park Geun-hye, endorsed the notion of “economic democratization” as the key economic and political goal. The elusive concept's two main aims focused on reducing economic inequality—notably in the context of controlling and regulating *chaebol*—and expanding South Korea's welfare system. The two contenders' specific approach towards the concept had quite differed in scope and detail, and still, how the notion of “economic

democratization” will eventually translate into real policies in coming years remains largely uncertain.

In fact, any possible translation of “economic democratization” into specific policies would be inevitably shaped by how to define the role and scope of government in the South Korean economy. In other words, considering that any discussion of economic freedom is essentially about defining the relationship between individuals and governments, “economic democratization” needs to be discussed in the frame of enhancing economic freedom, not limiting it.

As various countries’ successful democratic developments have vindicated, political democratization is about advancing and ensuring lasting political freedom. Democracy is fundamentally rooted in the proposition that political sovereignty originates with citizens. Enduring democratic systems are often characterized by protection basic human rights as well as promotion of opportunities to engage in meaningful political participation and competition under the rule of law.

By the same token, “economic democratization” should be about ensuring that everyone has equal opportunities to compete to succeed in the free market system.

As discussed in the *Index of Economic Freedom*, a comprehensive annual country-by-country analysis on economic freedom by the Heritage Foundation:

Economic freedom is a condition or state of being in which individuals can act with autonomy while in the pursuit of livelihood...In general, state action or government control that interferes with individual autonomy limits economic freedom... The goal of economic freedom is not simply an absence of government coercion or constraint, but the creation and maintenance of a mutual sense of liberty for all. As individuals enjoy the blessings of economic freedom, they in turn have a responsibility to respect the economic rights and freedoms of others. Governments are instituted to ensure basic protections against the ravages of nature or the predations of one citizen over another so that positive economic rights such as property and contracts are given societal as well as individual defense against the destructive tendencies of others.¹³

As the definition of “economic democratization” remains largely elusive, the political and academic debates over the value and policy direction of the concept will continue in coming months and years. Nonetheless, particularly in the context of defining the appropriate role of government in forming related policies, it needs to be noted that “economic democratization” should not mean to guarantee equal outcomes in competitions, justifying government interference in the free market system.

A free market system that provides for economic freedom allows for greater diversity, promoting creativity and innovation. It is true that government can play an important role in ensuring economic stability and vibrant growth while sensibly overseeing markets. However, the role of government is neither to create and distribute wealth nor to ensure equal outcomes. Given the diversity of individual efforts, not all will succeed. Unequal results are a natural outcome of equal opportunity. Government's role is to clear the way for people to create their own wealth. It must uphold the rule of law, secure property rights, and thus sustain transparency of the market system.

During South Korea's past presidential campaign, "*chaebol*-bashing" had been quite often employed, and how to reform the *chaebol* took the center stage of the economic policy debates. Under the slogan of "economic democratization," presidential candidates on both political sides had proposed various forms of regulating the *chaebol*, whether through restrictions on cross-shareholdings or higher taxes.

The *chaebols* have been important pillars of South Korea's economic development over the past decades. Nonetheless, it is undeniable that the *chaebol*'s overdominance of the economy as well as their untidy corporate governance has gradually undermined South Korea's free market system, especially in the context of crony capitalism—the symbiotic nexus between big business and big government that undermines the rule of law in the free market. Having seen the *Chaebol*'s historically close ties with politicians and government officials that have distorted competition in the free market, many ordinary South Koreans are right to be critical about the *chaebol*.

As a matter of fact, South Korea's bigger problem is more fundamental than the *chaebol*. For the past six decades, the country's government-led economic strategy has been mainly to encourage large, exporting firms to grow larger and export more. A greater number of South Koreans have noticed that this outdated approach and its lingering legacy, which runs the risk of systematically perpetuating crony capitalism in South Korea, has become increasingly detrimental for an advanced and open economy like today's South Korea.

Sound development and progress of a market economy requires a fair and transparent competitive environment as well as the security of economic freedom. South Korea needs greater competition fostered by greater economic freedom, not a new kind of government meddling or big government in the name of "economic democratization."

ECONOMIC FREEDOM MATTERS TO SOUTH KOREA'S ECONOMIC FUTURE

Reviewing the economic performance of over 100 countries over the past thirty years, a 2011 World Bank study revealed new empirical evidence supporting the idea that economic freedom and civil and political liberties are the root causes of why some countries achieve and sustain better economic outcomes.¹⁴ According to the World Bank's research, a one unit change in the initial level of economic freedom between two countries is associated with an almost one percentage point differential in their average long-run economic growth rates. In the case of civil and political liberties, the long-term effect is also positive and significant with a differential of 0.3 percentage point.¹⁵

Furthermore, the study found that the expansion of freedom conditions over time also positively influences long-run economic growth. As noted by the study:

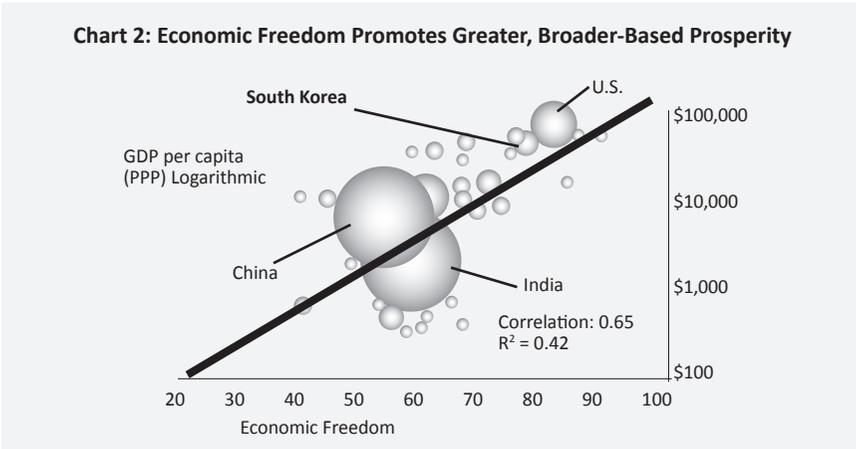
No evidence was found that the initial level of entitlement rights or their change over time had any significant effects on long-term per capita income, except for a negative effect in some specifications of the model. These results tend to support earlier findings that beyond core functions of government responsibility—including the protection of liberty itself—the expansion of the state to provide for various entitlements, including so-called economic, social, and cultural rights, may not make people richer in the long run and may even make them poorer.¹⁶

Economic freedom, cultivated by the rule of law, limited government, regulatory efficiency, and open markets, is critical to generating the broader-based economic dynamism that brings more opportunities for people to work, produce, and save.

This multidimensional relationship between economic freedom and development has been empirically documented in cross-country research, the annual *Index of Economic Freedom*, and in many other academic studies.¹⁷ Not only does a high level of economic freedom clearly induce a greater level of prosperity (See Chart 2),¹⁸ but it also facilitates progress in overall human development including better health, longer lives, greater education, and cleaner environments. And freer countries have a much better record at reducing poverty and promoting capacity for innovation.¹⁹

Numerous other studies have also shown that the entrepreneurship encouraged by greater economic freedom leads to innovation, economic expansion, and overall human development.²⁰

In pursuing sustainable prosperity, both the direction of policy and commitment to economic freedom are also important. Indeed, over the last decade, the countries



with greater improvements in economic freedom achieved higher rates of economic expansion, as shown in the *Index*.

As indicated by the findings of the *Index*, sustaining dynamic and inclusive economic expansion is in fact about putting into practice three fundamental principles of economic freedom: empowerment of the individual, non-discrimination, and open competition. This is not a dogmatic ideology. In fact, it represents the rejection of dogmatism, allowing individuals the freedom and flexibility to embrace diverse and even competing strategies for economic advancement.

TIME FOR SOUTH KOREA TO FREE ITS ECONOMY

The Heritage Foundation's *Index of Economic Freedom* provides a framework for measuring economic freedom by identifying the most important components of economic freedom and determining how each country measures up, factor by factor.

Today, according to the 2012 *Index*, South Korea's economy ranks 31st among 179 countries rated. Its score of 69.9 (on a 0-100 scale, with 100 being best) ranks ahead of both the global and Asia-Pacific regional averages. As one of the "moderately free" economies (countries with economic freedom scores of 60 through 60.9) in the *Index*, South Korea's economy has the fundamentals—such as its large supplies of capital, highly educated labor forces, modern infrastructure, and stable legal system—all in place. Since 2000, as Chart 3 depicts, the South Korean economy has fluctuated within the boundary of "moderately free."

Unfortunately, however, a closer look reveals that South Korea's level of economic freedom is neither as comprehensive nor as concrete as it should be. The economy of South Korea, the fifth largest economic power in Asia-Pacific, shows favorable but conflicting indicators. Current performance reflects a solid track of economic recovery, but long-term challenges caused by inconsistent economic policies,

Chart 3: South Korea's Economic Freedom Since 2000

lingering systemic deficiencies, and increasingly competitive rivals threaten to sap its momentum.

For example, although its regulatory process has improved, bureaucracy and lack of transparency still hinders entrepreneurial activities. Interventionist government policies still linger.

Perhaps more critically, corruption and weak political institutions have continued to damage government integrity and undermine the foundations of economic freedom, keeping South Korea from becoming a “free” economy. According to the *2012 Corruption Perception Index* by Transparency International that measures “how corrupt a country’s public sector is,” South Korea’s ranking has slipped for two years in a row, placing the country 45th among 176 countries.²¹

It might not be surprising that frustration has been building up among people, in particular among young people whose unemployment rate stands at a high level. South Korea’s youth unemployment rate has hovered at around nine percent, more than twice the national average.²² Anti-business sentiment and populist attacks on the free market system become more frequent as well. These developments, in turn, make it even harder to achieve the necessary reforms.

How should South Korea respond? Rather than just talking, seriousness about enhancing South Korea’s economic freedom should mean matching rhetoric with more concrete actions in modernizing and upgrading its economic system. More importantly, South Korea must start with a bigger change—a change in mindset. Globalization is a fact of life in Korea. It is happening in the economy, but it should also happen in the way of thinking. Indeed, many of the positive changes South Korea has achieved over the past decades can be attributed to discarding the old way of thinking. A truly dynamic Korea should embrace more economic freedom in order to adapt its social model to global realities.

A failure to carry through on necessary economic reform with strong leadership and commitment to advancing economic freedom may add to growing concerns over South Korea's competitiveness. The danger isn't that the South Korean economy will collapse but that it will become less attractive to investors who will increasingly bypass South Korea to invest elsewhere.

CONCLUSION

Economic freedom leads to prosperity because free economies allow for competition, which is the best proven method by which the daily activity of a great number of people can be coordinated without coercion. Competition, at the same time, requires the organization of institutions, such as stable money, minimal and transparent regulation, minimal participation of the state in economic activity, and a strong enforcement of property rights and regulations.

South Korea possesses enviable economic strengths. It enjoys a stable political system, a strong cultural work ethic, a highly educated workforce, and a history of technological innovation. But the country is fast approaching a critical juncture. Insufficient transparency and lingering cronyism have undermined the integrity of the government, prevented the creation of dynamic small and medium-size enterprises, and discouraged investment by domestic firms.

As Friedrich A. Hayek foresaw decades ago, "The guiding principle in any attempt to create a world of free men must be this: a policy of freedom for the individual is the only truly progressive policy."²³ Thus, the battle of ideas must also be a battle for the meaning of the very words with which we debate. Is it "progressive" to utilize the coercive power of the state to redistribute and level incomes within a society? Is it "liberal" to build a massive state apparatus to regulate conditions of employment, usage of energy, and access to capital? The answers to such questions and translating the concept of "economic democratization" into practical policies will determine how South Korea enhances its economic dynamism and sails through the 21st century.

Neither South Korea nor any other country can turn back the clock. Globalization is a fact of life – both economically and socially. As real time examples around the globe have been clearly showing, welfare-statism based on populist big government policies is the road to bankruptcy. In rejecting that path, South Korea must not shy away from the challenge of pursuing greater economic freedom that will empower South Korea's coming generation with more opportunities.

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KOREAN POLITICS
AND SECURITY

THE POLITICS OF DESIGNING AGRARIAN AFFAIRS IN SOUTH KOREA

Albert Park

ABSTRACT

This article outlines and analyzes the various factors that have shaped agriculture and rural life in South Korea. This paper first outlines the historical role of the government, farmers and the public in influencing and shaping agrarian life from 1961 to 1992. Second, it looks at the effects of deregulating the agricultural economy over the last two decades. Finally, based on this historical analysis, it considers the present and future course of agriculture/rural life in South Korea. In particular, this article argues that stabilizing and enhancing the agricultural industry and rural life depends on 1) the South Korean government crafting sensible, democratic agrarian policies that give farmers the flexibility and power to adapt to the continually changing global economy and 2) farmers developing an infrastructure of power through which to strengthen economic positions, influence policy making and shape cultural trends. In short, the survival of agriculture and rural life under an industrial/urban centered-global economy requires a process of retrofitting agrarian institutions, structures and cultures in ways that not only ensure social and economic diversity and stability, but also national security through food self-sufficiency.

Key Words: *agriculture; free trade agreements (FTAs); economics; globalization; food security*

INTRODUCTION

Agriculture, rural life and the farmer have long been revered in modern Korea. Historically, agriculture was considered as a valuable source of wealth that drove economic development especially in the *Chosŏn* period (1392-1910). Peasants and farmers were considered the pillars of the nation as they cultivated crops and raised livestock that fed and nourished the country. Because of their central roles in society that have endured since the early recorded history of Korea, agriculture, rural life and farmers acquired a mythical status and became crucial sources of national identity during the Japanese colonial period when Koreans partook in nationalist movements that sought to resist colonialism by identifying what was “Korean” and constructing a unified national body.¹ Agriculture and the farmer continue to be spoken of very highly by Koreans and used as symbols that embody the nation. According to a 2010 survey on Korean agriculture, urban residents declared that “agriculture will continue to be important in the future” and an important role of agriculture is “the preservation of natural environment and balanced development of national territory.”²

Despite the farmer and agriculture’s prominent place in nationalist discourse, Korea’s agricultural industry and rural life has steadily deteriorated over the last four decades. Since 1961 when the government started a path of modern development centered on industrialization and urbanization, the percentage of Koreans working in agriculture and livestock has declined from 49.5 percent (1970) to 6.4 percent (2011) with only 17.6 percent of land devoted to farming (2008 est.). Agriculture’s share of the country’s GDP also shrank from 25.5 percent (1970) to 2.6 percent (2008). Whereas 90 percent of the population lived and worked in rural Korea before 1945, only 18.5 percent of Koreans live in the countryside today (2010 est.) with the majority of them being between the ages of 50 and 80. High debt is experienced in most farming households as their incomes have steadily declined. In 2005, each household averaged close to 27.2 million Korean *won* in debt. High debt with lower income in farming households has helped widen the income gap between the urban and rural.³ Today, not only do farmers face a series of developments that threaten to erode their livelihoods and rural life, including the passage of Free Trade Agreements (FTA), but the country also faces a national security issue because the decline of the agricultural industry has resulted in the sharp reduction of Korea’s food self-sufficiency rate.⁴

In order to understand the decline of the agricultural industry and the farmers’ livelihoods, this paper examines the factors, forces and developments that have shaped the direction of agriculture and rural life, or agrarian affairs, in South Korea since 1961. In particular, this paper looks at the role of government, farmers and the general public. Through a historical analysis, this paper seeks to shed light on the powers and influences behind agrarian development and offers policy suggestions for stabilizing and enhancing agriculture and rural life. This paper

argues that new possibilities for the agricultural economy and rural living can be accomplished in two ways. First, the government should actively collaborate with farmers to retool its approaches to the agriculture and livestock industries. Second, farmers may better adapt to the changing environment by creating an infrastructure of power that features cooperatives and a new culture of food.

THE ROLE AND POWER OF GOVERNMENT, FARMERS AND THE PUBLIC IN SHAPING THE DIRECTION OF THE AGRICULTURAL ECONOMY AND RURAL LIFE IN SOUTH KOREA FROM 1961—1992

In present day South Korea, agrarian affairs have largely been determined by the views and practices of the government, farmers and the general public. Among the three groups, the government has held significant control over the make-up and direction of the agricultural industry and rural society since the country's founding. Before 1948, however, rural inhabitants had already experienced heavy government intervention in their daily affairs through colonial government-led rural movements. These movements were different than rural projects before 1910 in that Japanese colonial-era movements (1910-1945) marked the first time in which the state devoted significant effort and resources toward controlling the countryside in order to create a comprehensive rural market system that would increase agricultural productivity and the output of crops. The colonial government started the Campaign to Increase Rice Production in 1920 and the Fourteen-Year Plan (1926) with the hope of turning peasants into productive, disciplined agricultural laborers. The 1920 Plan featured programs that encouraged "the use of chemical fertilizers and improved seeds, cultivation of new lands, and irrigation improvement, and required inspection of rice and beans to enhance quality and marketability."⁵ In order to pacify peasants at a time of growing rural unrest, the Rural Revitalization Campaign (1932-1940) introduced "spiritual programs" to mold the moral and ethical behavior of peasants—programs teaching virtues such as frugality and "loyalty to the emperor" and correcting "wrong" behavior.⁶

The colonial government's thrust to redesign Korea's agricultural economy and discipline peasants through top-down initiatives stemmed largely from Japan's need for a reliable supply of inexpensive agricultural goods. Because state-led industrialization in Japan was increasingly drawing rural inhabitants to cities, domestic production of agricultural goods started to decrease, which increased food prices and led to "rice riots" and protests over these high prices in Japanese cities. The colonial government reformed Korean agriculture and rural life as a way to help resolve instability in Japan. Agricultural and rural policies in colonial Korea, in short, were developed for the sake of industrialization. This trend of reforming agriculture and rural society based on the needs of manufacturing and heavy industry has been seen in many developing countries in the post-World War II era.⁷

The South Korean government also placed agriculture and rural Korea under the needs and interests of the urban sector and industrial capitalist development after 1961.⁸ Park Chung-hee, the authoritarian leader, centered his economic policy chiefly on a program of “labour-intensive manufactured exports-led growth.” Until the early 1970s, this program’s success was based upon the “squeezing of the agricultural sector” through several initiatives, especially the direct procurement of rice and agricultural goods that lowered the wages and wealth of farmers by keeping agricultural prices low. Low prices on agricultural goods kept labor costs down by reducing “the reproduction costs and thus wage levels for the industrial labour force” and indirectly exerting a “downward market pressure on urban wage rates” by providing a steady supply of cheap laborers who were fleeing from poor economic conditions in rural Korea.⁹

The government’s policies on and approach to rural Korea evolved through the New Village Movement (NVM, *Saemaul undong*) in 1971. This movement began because the U.S. government phasing out agricultural aid programs such as PL480 that supplied inexpensive food for urban residents and permitted the government to reroute vital resources to industry and manufacturing.¹⁰ Equally important, increasing discontent by rural inhabitants over the growing income inequality between the urban and rural motivated the government to start this rural movement. Seeking to achieve food sufficiency and pacify the countryside, the NVM tried to “modernize” agriculture and rural life through infrastructure projects that included the construction of roads, agricultural initiatives that distributed new types of fertilizer and strains of seeds, including the new high-yielding rice seed *t’ongil* (unification), and political indoctrination classes that taught villagers how to “improve” their lives. Like the colonial government’s reasons for emphasizing moral training in its own rural movements, the NVM featured classes on morality and the promotion of “work-ethic” because the government believed rural problems stemmed from “farmers’ lack of willingness, self-confidence, and determination, including their conservative resistance to change...and their laziness.”¹¹

The NVM marked the beginning of the government’s determination to carry out rural reforms through a patronizing, intrusive, top-down manner. Government officials forced farmers to use certain seeds, especially the *t’ongil* rice seed that farmers disliked because of its poor taste and its weakness to pests, and ordered them to change various aspects of their lifestyles, such as removing thatched roofs and installing painted tiles for the sake of modernization. It unitarily imposed its development program on and tightly monitored and controlled local communities because it believed that it was the only modern rational entity that could determine the “correct” content and direction of reforms. The government, in effect, believed it was the sole proprietors of “High Modernism.”¹² Government officials therefore rarely consulted with farmers over the direction of the NVM because they believed farmers were traditional and “backwards.”

As a type of top-down agrarian development that embodied the government's policy of organizing agriculture around the needs of industrialization and urbanization, the NVM also expanded the government's influence in and control of the countryside. The establishment of the National Agricultural Cooperative Federation in 1961 (NACF, *nonghyŏp*) first allowed the government to become a more influential power over the everyday lives of farmers.¹³ The NACF supplied services "required of a modernizing agricultural sector: marketing, agro-input supply (fertilizer and machinery), agricultural credit, and other banking services."¹⁴ Unlike a traditional cooperative, however, the organization rarely represented the interests of farmers, who had no voice or voting power in determining NACF affairs. Local NACF cooperatives were linked to low-level government administrative units and farmers were forced to join the cooperative in order to obtain valuable resources, such as fertilizer and capital, from the government.¹⁵ Alongside the NACF, the NVM with its numerous programs solidified the government's ability to influence the daily affairs of farmers directly.

Beginning in 1961, a statist form of rule determined agricultural and rural affairs, which was in line with the government's approach of planning and directing the overall economy in a top-down, unilateral fashion. Hence, starting in the late 1970s, it was unsurprising when farmers challenged statism at the same moment labor and democracy movements in cities began to demonstrate against the government's process of political and economic development. As labor protests and the fight for democracy grew during the early and mid-1980s, farmers loudly criticized government economic reforms, such as the decline of price subsidies for grains and the failure of movements like the NVM to overcome rural/urban inequality, and the government's standard approach of excluding farmers in crafting rural policies.¹⁶ A study on the discourse of farmers' protests around 1987 when the democracy movement was in full force explained that democracy, farm land, import liberalization, democratization of cooperatives and price of farm products were key issues pushed by farmers.¹⁷ This study showed that farmers recognized that creating an inclusive process of agrarian development that would improve their livelihoods required them to participate in the democracy movement and fight for political reforms—not just economic reforms.

The changing historical conditions of the late 1970s and 1980s helped farmers to publicize their demands, gain support in their struggles and challenge the government's approaches to agrarian development. The most distinctive feature of this new historical period that helped farmers was a culture of dissent. This culture was constructed through mass protests for democracy by members of the working class and university students who demonstrated against authoritarianism and new ideologies, such as *Minjung* Ideology, that framed the struggle for democracy as a historical mission to fight for the rights and security of "common people." Pushing for a more inclusive, democratic form of modern development, this culture fostered an environment that not only gave farmers a powerful forum through which to speak

out against the government and connect their issues with broader political, economic and social matters, but also drew the public's attention to the serious problems in the countryside. Urban activists and residents, in particular, took up farmers' causes as way to transform the entire political, economic and social culture of South Korea. In large part, urban activists and university students took strong interest in the plight of farmers as a response to *Minjung* Ideology's emphasis on farmers as the symbols of the nation.¹⁸ *Minjung* was considered an inclusive category that comprised all Koreans, but the ideology particularly valued farmers because they had long been considered the first cultivators of the land and thus the leading force to embody the national spirit. *Minjung* Ideology expected activists and students to cultivate the political consciousness of farmers in order to help farmers become "makers" of history and assume their leading place in the nation.

There is a long history of urban intellectuals, activists and students being active in agrarian affairs since the colonial period. Organizations such as the YMCA and the Presbyterian Church and newspaper companies such as the *Tonga ilbo* started rural movements that featured literacy campaigns and economic programs.¹⁹ Leftist groups, for example, established organizations, such as Red Peasant Unions, in order to radicalize peasants and construct a socialist society. After 1953, religious figures, such as Hong Pyŏng-sŏn and Pae Min-su, started rural movements as ways to construct an agrarian-based nation-state anchored by a Danish-style cooperative system. The culture of dissent unleashed a huge wave of rural activism in which many religious organizations and university students, in particular, organized farmers against the government and promoted their struggles. The Catholic Farmer's Union (CFU) and the Christian Farmer's League (CFL) became two of the most active groups to assist farmers. They set up training schools to turn farmers into activists and helped them organize public protests against the undemocratic nature of the NACF, unfair land policies and the rice price system. The partnership between activists and farmers benefited both sides because farmers acquired additional means to achieve their demands and activists found another cause through which to criticize and organize against government authoritarianism.

The culture of dissent was a pivotal factor that enabled farmers to express their grievances, protest against unjust rural reforms and achieve some concessions from the government. Through the culture, farmers grabbed the attention of non-rural inhabitants, gained popular support for their causes and created alliances to advance their interests. The culture afforded the structure that briefly ruptured the existing agricultural and reform process and empowered farmers to challenge the government's system of rule. By the middle of the 1980s, farmers started their own organizations and movements independently from activists. By 1985, there were eight county-level organizations leading farmers' movements. The number of county-level organizations grew to the point that a national organization, the National Farmers Association (NFA), was started in February 1987 to coordinate activities and lead the fight to resolve land problems, reform the NACF and

train farmers to become leaders.²⁰ Farmers achieved some democratic reforms, including a revised cooperative law that authorized farmers to elect primary cooperative presidents who in turn would elect the national NACF President.²¹

THE STATE OF AGRICULTURE FROM 1993 TO THE PRESENT

Since the Kim Young-sam administration's (1993-1998) call for globalization (*saegyehwa*), economic development in South Korea has featured a process of deregulation and trade liberalization, which has created a very unstable environment for farmers. Neo-liberalism, which calls for the total liberalization of the economy and the reduction of the welfare state, has played a pivotal role in motivating the government to complete a series of multi and bilateral trade pacts, including the General Uruguay Round Agreement on Agriculture (URAA, 1994), and South Korea's membership in organizations such as the World Trade Organization (WTO).²² Under President Roh Moo-hyun's administration (2003-2008), the government has pursued bilateral trade treaties through FTAs.²³ For those countries involved, FTA agreements provide preferential trade conditions through such measures as the reduction or elimination of tariffs and additional barriers on goods. South Korea has concluded FTA agreements with Chile (2004), Singapore (2006), EFTA (European Free Trade Association, 2006), ASEAN (2007), India (Comprehensive Economic Partnership Agreement, 2010), the EU (2011), Peru (2011) and the United States (2012).

Critics have particularly focused on how multilateral trade agreements and FTAs have quickly stripped farmers of protective measures for the agricultural and livestock industries.²⁴ For example, starting after the implementation of the URAA, South Korea has been required to reduce tariffs on agricultural products, with the exception of rice, by 24 percent from 1995 to 2004.²⁵ Though all FTAs have spaced out the removal time of tariffs, each of the agreements have targeted the ultimate elimination of most tariffs in the agricultural and livestock industries, especially in key fields of Korean specialization such as apples, pork and beef.²⁶ At the same time protective tariffs have been removed during the 1990s, the government's agricultural policy included the reduction of "domestic (price) support" through the government agricultural purchase program, which declined from 1.4 million tons (1995) to 0.7 million tons (2004). The government eventually discontinued the program, including programs to purchase rice, in 2005.²⁷

As inexpensive agricultural and livestock imports have gained market shares in Korea and farmers have struggled to adjust to the new demands of the global economy, the agricultural economy has shown significant signs of weakening. The decline of the agricultural sector since 1994 is best summarized in the following excerpt from a 2010 study on trade policy and the agricultural economy in Korea:

...real agricultural output, measured as national farm gross revenue, increased by only 0.48% per annum from 1995-2009, compared to 5.2% per year from 1980-94. Furthermore, annual growth rates, on average, of real prices of farm products and real net farm business income per farm household are -1.9 and -3.9%, respectively, after URAA (1995-2009) relative to -0.13 and 6.7% from 1980-1994. Annual income per farm household, including its non-farm business income, declined from 95% to 66% of the average urban household between 1995 and 2009.²⁸

The government has predicted that agricultural and livestock industries will incur further losses through the U.S.-Korea Free Trade Agreement (KORUS). Estimates of losses stand at 12 trillion *won* (\$10.7 billion) within fifteen years, with 90 percent of losses coming in the areas of livestock and fruit. Some farmers have taken advantage of government assistance programs and are trying to increase their income through the export of specialty crops,²⁹ but farming household production and income on a whole have greatly declined, rural debt has increased and the number of farms has sharply declined.³⁰

The government's pursuit of FTAs is in line with its history of approaching agricultural policies. First, FTAs continue the government's practice of developing agricultural policies based on the needs of industrial capitalism. The government sees FTAs as the best way to eliminate foreign tariffs on goods from Korea's major manufacturers, "especially those producing automobiles, ships, semiconductors, telecommunication equipment, and steel."³¹ With Korea dependent on exports to fuel its economy and fears that China will dominate the export market, the government will do anything to eliminate foreign trade restrictions in order to increase foreign market shares for Korean industrial goods. The government, therefore, eliminates agricultural and livestock restrictions, especially with countries who specialize in agricultural and livestock exports, for the sake of industrial growth. Second, FTA negotiations have shown the government's established pattern of unilaterally designing and carrying out major agricultural policies.³² Farmers and critics of the FTAs have complained that they were only able to participate in crafting FTAs after the government has already negotiated and completed major terms of the agreement.³³ According to a critic, "during the negotiations [KORUS], people were kept distant from the information and the deal was done in secrecy."³⁴

Farmers cannot be blamed for standing idly by while the government carried out major policies to deregulate the agricultural economy. After the 1987 election, farmers established a number of progressive organizations to protest these reforms, such as the National Federation of Farmers Organization (1990). Today, struggles against FTAs have been led by the Korean Peasant League (KPL, 1990) and the Korean Women's Peasant Association (KWPA, 1989). Both groups are grass root organizations³⁵ that share the same objectives of resisting agricultural

trade liberalization policies; protecting farmers' rights, food sovereignty, and the environment; and promoting democracy and the construction of a "people's economy." However, the KWPA seeks to unite women farmers and enhance the rights and status of all Korean women.³⁶

Since 1990, the KPL and KWPA have organized large-scale public protests against FTAs and have called for the continuation of "domestic agricultural support and farm debt relief,"³⁷ which appear to be the most important concerns and demands of farmers today.³⁸ KPL and KWPA protests essentially embody and express the frustrations of farmers who believe that FTAs and debt are responsible for the deterioration of rural social and educational infrastructures, thus eroding their quality of life.³⁹ Currently, the KPL and KWPA have focused their protests against negotiations for a China FTA, a China-Korea-Japan FTA and the Trans Pacific Partnership Agreement (TPPA), which is an expansive free trade pact with Asia-Pacific countries, including the United States and Australia. A majority of Korean farmers are against these potential FTAs because they believe these agreements would destroy the Korean agricultural industry as inexpensive agricultural goods and livestock pour into the country from its close neighbors. The Korean Rural Economic Institute estimates that agricultural production would drop as much as 2.36 trillion *won* (\$2.1 billion) within ten years of removing tariffs on Chinese agricultural goods. Lee Dae-jong, the leader of the KPL, has therefore declared that farmers will conduct an "all-out battle" against the Chinese FTA.⁴⁰

Despite the KPL and KWPA's efforts that have established networks for farmers to exchange information and devise protest strategies collaboratively, farmers have been unsuccessful in preventing the passage of FTAs and influencing the process of deregulating the agricultural economy. In part, the organizations' chief strategy for achieving reforms and promoting farmers' interests through public protests helps explain this problem. One of the most widely publicized protests by farmers occurred at the WTO ministerial meeting in Cancun in September 2003 when Lee Kyung-hae publicly committed suicide in order to express his outrage over the WTO and multinational corporations creating an "undesirable globalization that is inhumane, environmentally degrading, farmer-killing, and undemocratic."⁴¹ Though protests like Lee's suicide have gained media attention and loudly broadcasted farmers' issues, they have had little effect on official policy making.⁴²

Protests are essential for spreading ideas, educating people and gaining support, but attaining structural reforms in the economy and society also requires directly influencing the political processes that are behind policy making. For example, though the number of Japanese farmers is small and their contribution to Japan's GDP is minuscule, the JA Group, a large-scale cooperative, has united the farmers to create a powerful bloc of influence that has successfully lobbied farmers' interests and determined agricultural policies and legislation, especially the direction of FTAs.⁴³ Though the JA Group is mired in a number of controversies,

its way of mobilizing resources and pressing farmers' demands through its strong influence over the Liberal Democratic Party (LDP) and the agricultural ministry has resulted in institutional reforms that have protected farmers.

Korean farmers could claim that their protesting strategy has successfully pressured the government to maintain rice tariffs in all Korean FTAs. The government, however, recognizes that removing rice tariffs would cause a huge political crisis because it holds strong symbolic and historical value to Koreans.⁴⁴ Il Sa-kong, the former finance minister, commented that in the KORUS negotiation, "the inclusion of rice could have made it politically more difficult to negotiate the FTA. You must understand, for Koreans, rice is more than just a commodity. It has historical, cultural and emotional dimensions." Regardless of farmers' activities, then, the government is committed to preserving rice tariffs.⁴⁵

Farmers have also encountered difficulties in protecting their interests because of the diminishing support from outside of agriculture and rural Korea since 1993. The loss of support from the general public started as the culture of dissent metamorphosed into a new culture of consumption centered on the *sinmin* (citizen). Unlike the Minjung-centered culture of dissent that emphasized the overthrow of military authoritarian regimes and the protection of farmers, this new culture focused on the protection and enhancement of the consumer rights of citizens at a time when neo-liberal policies were promoting consumption. According to John Feffer, the consumer's needs were most important in this new culture and thus consumers believed that the "Korean farmer is expected to plant only what the consumer wants."⁴⁶ In other words, the farmer should not expect help from the public, but instead should help urban consumers realize their desires and ideal lifestyles. In fact, a number of middle class Koreans began to "feel frustrated by the protective regulations concerning agriculture" and advocated trade liberalization because protective trade measures "put restraints on their ability to engage in consumerism."⁴⁷ The 2008 protests over the resumption of beef imports from the U.S. was a moment when urban residents and the media expressed strong support for farmers through calls for the protection of farmers and food sovereignty.⁴⁸ This support, however, quickly disappeared after the protests, which showed that people's reasons for demonstrating was less about their hope to improve the position of farmers and more about anti-American sentiments and fears over becoming sick from beef tainted with mad cow disease.

POLICY SUGGESTIONS

The Korean agricultural economy is in a state of transition in which conditions for farming and raising livestock are being drastically readjusted to conform to the standards of a global economy that stresses deregulation and trade liberalization. Korean farmers should accept this reality, especially the inevitability of the government concluding more FTAs in the future, and no longer fight for the

restoration of already-cut tariffs, price controls and government purchasing programs. Farmers instead must adapt to this new reality by developing innovative ways to produce and market agriculture and livestock and enhance rural life while promoting their interests to the government—a process already underway in many rural communities. The government should be supportive of these efforts and drives to reconstruct the agricultural economy, especially for national security. South Korea currently has one of the lowest food self-sufficiency rates among all OECD countries—26 percent or 4.6 percent if rice is not included. Food self-sufficiency, or “the extent to which the nation can supply its own food,”⁴⁹ is a major problem in Korea as result of the large disappearance of farms and the rising importation of grains, especially wheat and corn and soybeans, which are primarily used as feed for a growing livestock production.⁵⁰ During the 2007-2008 world food crisis, grain and food prices increased throughout the world and contributed to food price inflation in Korea, which is currently the second highest among OECD countries (8.1 percent, 2011).⁵¹ Policymakers have grown gravely concerned about “the impact of rising grain prices on the overall economic performance of the economy and political stability.”⁵²

The government has addressed food self-sufficiency issues by enhancing its capabilities for food security—“a state’s ability to provide enough food to feed its people.”⁵³ In particular, the government has helped Korean companies purchase farmland overseas in return for sending agricultural goods to Korea at low prices.⁵⁴ Government officials have also focused on securing a steady supply of inexpensive grains by setting a semi-government commodities brokerage and trading firm in Chicago.⁵⁵ Regardless of their potential effects, the catastrophe of the 2008 Daewoo led-farming program in Madagascar⁵⁶ and the continual domination of Cargill, Archer Daniels Midland, Bunge and LDC in controlling agricultural trading and prices raises serious doubts about any positive developments coming from these recent initiatives.⁵⁷

Though the government should still explore various external food security options that are fair and effective, it also should adopt a balanced approach to food security by devoting resources to the support of farmers’ initiatives to transform and reconstruct the agrarian economy and strengthen Korea’s food self-sufficiency level. Indeed, because internal factors and forces are far easier to manage and control than events and developments outside of the country, national and local programs to increase food self-sufficiency could prove to be very effective. The government has already promised and begun administering numerous long and short-term forms of aid to help farmers transition to an FTA-conditioned economy.⁵⁸ In order to ensure a path of development that increases food self-sufficiency and provides benefits and security to farming households, the government still needs to expand its ways of helping farmers boost productivity and gain new markets through reforms that are democratic and sustainable. First, in order to help farmers acquire the latest innovations in farming practices, materials and technology, the government should increase spending on

agricultural R&D, which is considerably low in comparison to other developed and developing countries, and relax laws that prevent certain forms of agricultural investments by domestic and foreign capital.⁵⁹ Second, government agencies should help farmers cultivate new overseas markets, which would enable the Korean agricultural industry to expand. Third, it should provide more resources to small and medium size farms instead of only increasing the number of large-scale farms and the amount of aid to farms owned by corporation because historical evidence has shown that a high-level of agricultural productivity has been achieved through smallholding farming in developing countries.⁶⁰ Fourth, it should carefully reconsider its land redevelopment projects, which have decreased over one million acres of rich farmland over the past thirty years.⁶¹ Finally, the government should pour resources into sustaining the social-welfare system in rural Korea, which has seen mass closings of schools and hospitals that has contributed to the overall decline of rural life.⁶²

Any new reforms should be carried out in close consultation with farmers. The Korean government should rethink its long-standing practice of unilaterally designing and pushing through agricultural and rural projects and programs. Studies on local rural economies have shown the success of farming and rural projects have depended on how well the government worked with local communities who have the expertise and knowledge to determine what is best for developing their immediate areas of living.⁶³ The NVM proved that a top-down movement does not ensure the improvement of the agricultural economy but instead could lead to deep resentment toward the government by rural inhabitants.

For their part in revitalizing rural Korea, farmers should utilize the resources given to them by the government and redesign their approaches to the agricultural economy in ways that would allow them to achieve new economic opportunities and gain more influence and support in society. In particular, these new approaches should take advantage of the growing market for organic food and high-end agriculture and livestock in China, Korea and Japan and create the necessary mechanisms that would sustain their plans of development, such as shaping political legislation and increasing public interest in agriculture and rural life by influencing cultural trends. Farmers, in short, should create an infrastructure of power that enhances their economic, political and cultural strength. Currently, among farmers throughout the world, cooperatives (*hyōpdong chohap*) represent one of the most democratic and effective institutions to create an infrastructure of power. Cooperatives serve to deal with the farmer's most pressing problem of a scarcity of organization and resources toward adequately dealing with the forces and institutions of capitalism, especially in the area of finance. What distinguishes a cooperative from a corporation is that it is a democratic institution owned and controlled by members that emphasizes community and healthy social relationships alongside economic goals.

Cooperatives in Korea first gained popularity during the colonial period when intellectuals and religious groups such as the *Ch'ōndogyo* created large-scale

cooperative systems that stressed the economic goals of improving the material situation of farmers in order to save and cultivate human life.⁶⁴ Cooperative movements expanded in the late 1980s and began to challenge the NACF, especially confronting its authoritarian nature. Cooperatives in South Korea have proven to be effective and powerful mechanisms that have strengthened the economic powers of farmers and given farmers more autonomy and control over their lives. By collaboratively marketing and selling agricultural goods and livestock directly to consumers, marketing cooperatives, in particular, have allowed Korean farmers to gain stable and fair incomes through the maximization of resources and lowered costs by sidestepping intermediaries between the producer and consumer.⁶⁵ Founded in 1986, *Hansalim* (Save All Living Things), for example, has flourished with over 280,000 consumer cooperative members, 2,000 farmers, 328 employees and over 131 stores with over \$162 million in sales (2010). Under *Hansalim's* cooperative system that is centered on organic farming, farmers streamline their costs by sharing the labor and responsibility to distribute their goods and sell them at cooperative stores that are located in urban centers, such as Seoul and Pusan.

Hansalim has been extremely beneficial for farmers and rural residents on several levels. Economically, the cooperative has created a production and distribution system for farmers that has expanded the market for their goods and their economic opportunities. Socially, the cooperative has strengthened ties between farmers and urban residents through visiting farm programs and educational projects, which has gotten urban consumers to become more aware of and interested in agrarian affairs. Politically, *Hansalim* has fostered relationships with NGOs throughout the world in order to promote the interests of rural residents and environmental policies to governments and policy makers. In effect, *Hansalim* has enabled farmers to compete with large-scale agricultural corporations and has provided members with the means to participate and shape processes that directly influence their livelihoods.⁶⁶

In today's globalizing capitalist economy, important trade decisions and financial decisions and trends that play significant roles in determining agricultural and rural settings, such as commodity prices and the flow of capital, are being made by global institutions. Building more cooperative movements should be a powerful way for farmers to establish economic, political and social networks and give rural locales the power to assert their influences over national and global affairs. In fact, the conditions are ideal for starting cooperative movements because the government has recently enacted laws that make it easier to start a cooperative and there is a growing popularity for cooperatives.⁶⁷

In addition to strengthening their institutional powers through cooperatives, farmers should collaborate toward cultivating strong ties with the general public, especially urban consumers. In order to regain the support the farmers' movement had experienced under the culture of dissent and foster again a broad alliance that is powerful enough to push their interests and goals today, farmers should

specifically reach out to and influence people through a new culture of food centered on agriculture and rural life. Part of the infrastructure of power, this food culture should more than just highlight the current prospects and challenges facing farmers in that it should persuade the general public that it is in their best interest to care about what is happening to Korean agriculture and rural life. A new food culture in Korea could arouse public support for farmers by stressing how farming is not only about producing food of good quality, but also about protecting society by bringing awareness and solutions to political, economic and social issues that affect everyone. Organic food movements by farmers in the United States today have done a masterful job of drawing consumers to their causes by showing that addressing agricultural and rural problems helps to bring attention to and tackle significant problems in society, such as the political lobbying power of agribusiness in determining government food and nutritional standards, the relationship between income inequality and access to healthy food and the erosion of the natural environment and ecosystems through pesticides and chemicals. By spreading their message and familiarizing the public about agricultural life through mechanisms that connect farms to consumers, such as farmer's markets, the U.S. organic food movement has successfully linked agricultural and livestock issues to protecting democracy, tackling economic inequality and safeguarding the environment, thus raising public support for farmers.⁶⁸

Several studies have recently shown that Koreans are concerned over the possibility of FTAs drastically diminishing the country's sovereignty, and domestic instability and health disasters erupting because of economic globalization.⁶⁹ A culture of food can articulate how sustainable organic farming, which already has a favorable impression on society, could forcefully address these concerns because organic farmers are creating local agricultural systems with high quality control that strive for food self-sufficiency on the peninsula.⁷⁰ By linking agricultural and rural issues with important political, economic and social issues in contemporary Korea, the culture of food could draw broad attention and support from the public as people recognize that helping farmers and addressing agricultural and rural problems could serve as an alternative means to confront and resolve pressing problems in society. Far from needing to invent new language, farmers could simply deploy already existing concepts to articulate this linkage. Indeed, farmers could adopt the KPL and KWPA's concept of "food sovereignty," which "stresses the importance of redefining the relationship between producers and consumers such that the food economy can again be primarily a local economy and dependence of Korean consumers on the corporate food system and large scale industrial agriculture can be lessened or eliminated."⁷¹

The successful creation of an influential culture of food requires more than just language and discourse to make connections. It also requires farmers to familiarize urban dwellers with their livelihoods. Because people living in cities and their suburbs are far removed from the daily life of farmers and unfamiliar with rural

living, there is a lack of awareness of what farmers are currently experiencing and thus few reasons for them to support farmers' causes. Farmers could create mechanisms through which to overcome this chasm of knowledge and experience by learning from Hansalim's educational and exchange programs, such as "Life Class," that invite urban dwellers to work on farms and celebrate holidays with farmers and KWPA's cooperative program "Our Sister's Garden," which directly connect rural food producers with urban consumers. Agritourism, which "incorporate[s] both a working farm environment and a commercial component," is a growing industry in Korea and could also serve as a powerful mechanism to expose people to farming and rural life.⁷² Organic farms engaged in tourism activities, for example, teach visitors about the history of agriculture in Korea and emphasize farming's role to "sustain and enhance the health of ecosystems and organisms" and "...restore ethical and spiritual values of life for all of us."⁷³ Fostering powerful mechanisms, like agritourism, to influence urban dwellers is crucial for the culture of food to create new networks through which to spread the farmer's message and draw assistance.⁷⁴

CONCLUSION

Currently, agriculture in South Korea is at a crossroads. Whether agriculture rises to new levels or continually declines depends on how well the government, farmers and the public collaborate to create an inclusive, transparent and democratic path of agrarian development. Each party has a stake in the present and future course of agrarian development because agrarian issues not only affect the everyday lives of farmers and rural inhabitants, but also the country's overall economic, political, social and cultural conditions. The government must make sensible and democratic macro-changes that enable farmers to easily adopt and sustain micro-decisions; farmers must continually adapt to changing environments by creating innovative designs and approaches toward enhancing rural life and the agricultural and livestock industries; and the public must support farmers' efforts and refrain from anything that romanticizes the rural, which is an unrealistic, conservative approach to agrarian development.⁷⁵ It is too early to know how the Park Geun-hye administration will approach agricultural and rural policies, but forceful calls for "economic democratization" during the presidential campaign⁷⁶ and growing concerns over a path of development centered only on industrialization and urbanization indicate that changes may be in store for rural Korea.⁷⁷

ENDNOTES

- ¹ For more information about the connection between agrarianism and nationalism, see Gi-Wook Shin, *Ethnic Nationalism in Korea* (Stanford: Stanford University Press, 2006), 135-150.
- ² Korean Rural Economic Institute, *Agriculture in Korea 2010* (Seoul: Korean Rural Economic Institute, 2010), 489.

- ³ This decline in farming income has contributed to the widening urban-rural income gap as the level of farm household income in relation to working urban household income dropped from 90% in the 1990s to 66% in 2009.
- ⁴ This percentage includes feed and excludes rice.
- ⁵ Gi-Wook Shin and Do-Hyun Han, "Colonial Corporatism: The Rural Revitalization Campaign, 1932-1940," in *Colonial Modernity in Korea*, ed. Gi-Wook Shin and Michael Robinson (Cambridge, MA: Harvard University Asia Center, 1999), 78
- ⁶ *Ibid.*, 88.
- ⁷ In countries such as Argentina and Turkey, governments enacted several measures to protect domestic industries that damaged agricultural sectors and the lives of farmers, including overvaluing the real exchange rate, pushing down the price of agricultural goods through direct procurement programs and placing high taxes on agricultural exports. Maurice Schiff and Alberto Vades, *The Plundering of Agriculture in Developing Countries* (Washington D.C.: The World Bank, 1992), 5.
- ⁸ This is an argument well researched in the works of Larry Burmeister. See Larry L. Burmeister, "Agriculture cooperative development and change," in *Transformations in Twentieth Century Korea*, ed. Chang Yun-shik and Steven Hugh Lee (New York: Routledge, 2006), 64-85, Larry L. Burmeister, "South Korea's Rural Development Dilemma," *Asian Survey* 30-7 (July 1990): 711-723 and Larry L. Burmeister, "State, Industrialization and Agricultural Policy in Korea," *Development and Change* 21 (1990): 197-223.
- ⁹ Mick Moore, "Mobilization and Disillusion in Rural Korea," *Pacific Affairs* Winter (1984-1985): 583.
- ¹⁰ PL480 (U.S. Farm Surplus Importation Agreement) was a program to ship agricultural surpluses in the U.S. to countries throughout the world for political purposes.
- ¹¹ Moore, "Mobilization and Disillusion in Rural Korea," 588.
- ¹² High Modernism is "a supreme self-confidence about continued linear progress, the development of scientific and technical knowledge...the rational design of social order... and, not least, an increasing control over nature (including human nature) commensurate with scientific understanding of natural laws." James Scott, *Seeing Like a State* (New Haven: Yale University Press, 1998), 89-90.
- ¹³ The 1950 Grain Management Law and the Office of Rural Development (ORD, 1961), gave the government broad powers to control agricultural and rural affairs. In particular, the 1950 Grain Management Law, which "gave the government far-reaching budgetary authority to purchase, store, transport, allocate, and establish prices for agricultural commodities," gave the government strong powers to regulate agrarian affairs. See Burmeister, "Agriculture cooperative development and change," 66.
- ¹⁴ The NACF was established through the merging of several village cooperatives with the Korean Agricultural Bank.
- ¹⁵ According to Burmeister, "over 90 percent of all farm households have belonged to the cooperative since its establishment" while it served "to insure that a politically docile countryside could be harnessed to the industrialization drive." Burmeister, "Agriculture cooperative development and change," 68 and 71.
- ¹⁶ Nancy Abelmann, *Echoes of the Past* (Berkeley: University of California Press, 1996), 213.
- ¹⁷ Chul-Kyoo Kim, "Globalization and Changing Food Politics in South Korea," accessed December 1, 2012, http://www.waseda-giari.jp/sysimg/tresults/456_report_2-2.pdf, 78.
- ¹⁸ For an excellent study on the Minjung movement see, Namhee Lee, *The Making of Minjung* (Ithaca: Cornell University Press, 2007).
- ¹⁹ Trying to create a united front against Japanese imperialism and attempting to realize their ideal visions of the nation were few of the reasons for starting rural movements.

- ²⁰ Abelmann, *Echoes of the Past*, 218.
- ²¹ Burmeister, "Agriculture cooperative development and change," 74.
- ²² Neo-liberal reforms of the economy and welfare state started with banking and financial reforms under President Chun Doo-hwan in the early 1980s and greatly accelerated through reforms prescribed by the IMF and undertaken by President Kim Dae-jung after the Asian Financial Crisis of 1997-1998.
- ²³ FTAs have been pursued for several reasons, especially due to the stalled multilateral trade discussion in the Doha Development Round.
- ²⁴ Though the Korean government argues that FTAs lifts the national economy by increasing exports and creating new jobs, the agreements are still controversial because critics argue that they give too much power to foreign corporations and strip the government's power to protect consumers' rights and privacy and curb speculative financial activities. See Martin Hart-Landsberg, "Capitalism, The Korea-U.S. Free Trade Agreement, and Resistance," *Critical Asian Studies* 43:3: 319-348.
- ²⁵ Chun Kwon Yoo, Munisamy Gopinath and Hanho Kim, "Trade Policy Reform, Productivity Growth and Welfare in South Korean Agriculture," *Applied Economic Perspectives and Policy* (2012): 3.
- ²⁶ For a list of tariffs to be eliminated, see Choi, Yong Kyu, "Free Trade Agreements of Korea in Agricultural Sector," November 25, 2011, <http://www.kikou.waseda.ac.jp/wojuss/achievement/publication/pdf/norinchukin/i4-2.pdf>, 397-421.
- ²⁷ Yoo, Gopinath and Kim, "Trade Policy Reform, Productivity Growth and Welfare in South Korean Agriculture," 3.
- ²⁸ *Ibid.*, 2.
- ²⁹ Mari Fujisaki, "FTAs push S. Korean farmers into 'sink or swim' crises," *Asahi Shimbun*, July 11, 2012.
- ³⁰ Employment in agriculture has steadily decreased with nearly 60,000 jobs being lost yearly since 1991. See Byongwon Bahk, "Policy Recommendations for the Korean Economy," *South Korea and the Global Economy in Transition: Selected Working Papers*, ed. Byongwon Bahk and Gi-wook Shin (Stanford: Walter H. Shorenstein Asia-Pacific Research Center, 2012), 101.
- ³¹ Hart-Landsberg, "Capitalism, The Korea-U.S. Free Trade Agreement, and Resistance," 327.
- ³² During Kim Young-sam and Kim Dae-jung's administrations, it could be argued that they established agricultural and rural policies with little input from farmers. For example, in response to the new trade agreements that deregulated the agricultural economy, the Kim Young-sam administration set up the "Agricultural and Rural Development Committee" in February 1994 to design new agricultural and rural policies that would help farmers adjust to the new economic environment. Given the responsibilities to craft significant policies that will directly affect farmers, the committee was composed of only thirty civilian "experts" and no farmers. The Roh government had encouraged farmers working closely with officials to design agricultural programs under its policy of "participatory government," but it rarely included farmers during the negotiation process for international treaties like the FTA.
- ³³ Induk Kim, "Voices From the Margin: A Culture-Centered Look at Public Relations," (PhD diss, Purdue University, August 2008), 189
- ³⁴ "South Korea, conclusions from regional strategic meeting against FTAs," July 30, 2012, <http://viacampesina.org/en/index.php/actions-and-events-mainmenu-26/stop-free-trade-agreements-mainmenu-61/1283-south-korea-conclusions-from-regional-strategic-meeting-against-ftas>, 5.
- ³⁵ The KPL, in particular, has "over two hundred village branches, 64 country headquarters, nine provincial headquarters and national headquarter in Seoul." See Kim, "Voices From the Margin: A Culture-Centered Look at Public Relations," 90.

- ³⁶ Ibid., 86 and 90.
- ³⁷ Ibid., 86.
- ³⁸ Chul-Kyoo Kim, "Globalization and Changing Food Politics in South Korea," 77-78.
- ³⁹ See Heesun Chung and Gregory Veeck, "Pessimism and pragmatism: agricultural trade liberalization from the perspective of South Korean farmers," *Asia Pacific Viewpoint* 40-3 (Dec 1999):271-284 and Kim, "Voices From the Margin: A Culture-Centered Look at Public Relations, 119.
- ⁴⁰ Kim Hun-dae, "Agriculture at risk under FTA with China," *Hankyoreh*, May 5, 2012.
- ⁴¹ John Feffer, "The Legacy of Lee Kyung Hae," *Yale Global Online*, August, 29, 2005, <http://yaleglobal.yale.edu/content/legacy-lee-kyung-hae>.
- ⁴² Commenting on the impact of Lee's suicide on the government and policy making, Na Gi-soo said, "... The South Korean government and other governments stated that they were sad about his death. But there was no big change in Korean agricultural policy. It's a sad thing." See Feffer, "The Legacy of Lee Kyung Hae."
- ⁴³ "JA at crossroads/TPP, agriculture can coexist/But reform of huge farming federation is unavoidable," *Yomiuri Shimbun*, January 18, 2011 and Aya Takada and Yuriy Humber, "Japan Wants Free Trade. Its Farmers Don't," *Businessweek*, August, 2 2012.
- ⁴⁴ U.S. Congressional Research Service, The Proposed South Korea-U.S. Free Trade Agreement (KORUS FTA) (RL 33435; July 18, 2007) by William H. Cooper and Mark E. Manyin, <http://www.fas.org/sgp/crs/row/RL33435.pdf>, CRS-2.
- ⁴⁵ Il Sa-Kong, the former finance minister, commented that in the Korus negotiation, "the inclusion of rice could have made it politically more difficult to negotiate the FTA. You must understand, for Koreans, rice is more than just a commodity. It has historical, cultural and emotional dimensions." See "Korea-U.S. FTA/Il Sakong Interview," *East-West Center*, accessed January 1, 2013, <http://www.eastwestcenter.org/news-center/east-west-wire/korea-us-fta-il-sakong-interview>.
- ⁴⁶ John Feffer, "Korean Food, Korean Identity: The Impact of Globalization on Korean Agriculture," *Shorenstein APARC Seminar Series*, 2004, http://iis-db.stanford.edu/pubs/20815/Globalization_and_Korean_Agriculture_John_Feffer.pdf, 34.
- ⁴⁷ Ha Joon Chang and Jang-Sup Shin, *Restructuring 'Korea Inc.'* (New York: Routledge, 2003), 69-70.
- ⁴⁸ For a description of the protests, see Choe Sang-hun, "Korean Leaders Considers Ways to Rework Government," *The New York Times*, June 11, 2008.
- ⁴⁹ Anders Riel Müller, "The Fight for Real Food in Korea," *Korea Policy Institute*, April 4, 2012, <http://www.kpolicy.org/documents/interviews-opeds/120404andersmullerfightforrealfoodinkorea.html>
- ⁵⁰ Su-kyeung Lee and Anders Riel Müller, "South Korean External Strategy Qualms: Analysis of Korean Overseas Agricultural Investments with the Global Food System," (Paper presented at International Conference on Global Land Grabbing II, Cornell University, Ithaca, NY, October 2012), 14.
- ⁵¹ For an excellent discussion on the 2007-08 Food Crisis, see Deborah Johnston, "Introduction to a Symposium on the 2007-8 World Food Crisis," *Journal of Agrarian Change* 10-1 (January 2010): 69-71.
- ⁵² Lee and Müller, "South Korean External Strategy Qualms: Analysis of Korean Overseas Agricultural Investments with the Global Food System," 14.
- ⁵³ Malte E. Kollenberg, "Food insecurity alarm for quality food," *Yonhap News Agency*, April 18, 2012.
- ⁵⁴ Under the guidance of the Overseas Agricultural Development Service (OADS), 85 projects in 20 different countries were being carried out by the end of 2011. See Lee

and Müller, “South Korean External Strategy Qualms: Analysis of Korean Overseas Agricultural Investments with the Global Food System,” 22.

- ⁵⁵ Formed in April 2011, aT Grain Co. is a jointly owned company between the state-owned Korea Agro-Fisheries Food and Trade Corporation, Samsung C&T Corp., Hanjin Transportation Co. and STX Corp and specializes in purchasing, transporting and storing grains.
- ⁵⁶ This project led to the overthrow of the Ravalonmanana administration by protests over highly questionable terms in a lease for 1.3 million hectares of farming land given to Daewoo Logistics by the Malagasy government.
- ⁵⁷ Alongside these four companies, Mitsubishi and Marubeni, Japanese companies, are also major trading companies. According to Lee and Müller, “79% of total imports of the three major grains are controlled by foreign trading companies.” See Lee and Müller, “South Korean External Strategy Qualms: Analysis of Korean Overseas Agricultural Investments with the Global Food System,” 14.
- ⁵⁸ Types of aid include direct payments for damage compensation from excessive imports, loans and consulting services to diversify production and increase productivity and funding rural infrastructure projects such as wiring up rural homes for internet connection and setting up websites through which farmers could easily acquire data and information and develop relationships with urban consumers.
- ⁵⁹ Byongwon Bahk points out that “In the case of agriculture, even investment or management by domestic capital and companies is still strictly regulated, a legacy from years past when agriculture was virtually the only source of wealth. . . . If Korea had, beginning in the early 1960s, attracted FDI, capital, technology, and managerial skills from advanced countries such as the Netherlands, Denmark, and France, Korean agriculture and its food processing industry would look very different—and much more successful—today.” See Bahk, “Policy Recommendations for the Korean Economy,” 114.
- ⁶⁰ Derek Byerlee, “Are We Learning from History?” *The Global Farms Race*, ed. Michael Kugleman and Susan L. Levenstein (Washington: Island Press, 2013), 21-44.
- ⁶¹ “According to Anders Müller, through controversial projects such as the Four Rivers Restoration project that destroyed nearly a thousand acres of healthy farmland along riverbanks, agricultural land over the past 30 years has been “reduced by almost one million acres.” See Müller, “The Fight for Real Food in Korea.”
- ⁶² The erosion of the quality of life in rural Korea has led to a growing exodus of young men and women out of the countryside, which has caused a steep decline in the number of farming households with a successor (3.6%, 2005). See Korean Rural Economic Institute, *Agriculture in Korea 2010*, 75.
- ⁶³ Scott, *Seeing Like a State*, p. 3.
- ⁶⁴ For more information on religious-based cooperative movements like the Ch’ondogyo cooperative movement, see Albert L. Park, “Building a Heaven on Earth: Religion, Activism and Protest in Japanese Occupied Korea,” (unpublished manuscript), Microsoft Word File.
- ⁶⁵ For a good description of one cooperative, see Michael Reinschmidt, “Rural Development: Lessons from the Liberalization of Korean Trade,” *Korea Journal* 49-4 (2009): 91-134.
- ⁶⁶ For more information on Korean cooperatives, Hansalim and its impact on Korean farmers and consumers, see Do Wan Ku, “The Emergence of Ecological Alternative Movements in Korea,” *Korean Social Science Journal* 36, no. 2 (2009): 8-29, Hyejin Choi, “Institutionalization of Trust as Response to Globalization: The Case of Consumer Cooperatives in South Korea,” *Transit Studies Review* 16, no. 2 (2009): 457-461 and Reinschmidt, “Rural Development: Lessons from the Liberalization of Korean Trade,” 91-134.

- ⁶⁷ Editorial, “‘Sahoejök kyöngjae’ silhöm, Hyöpdong chohap kkotpiryömyön.” *Hankyoreh*, November 29, 2012 and Kim Hyönda, “Hyöpdong chohap sidae kaemak...” *Hankyoreh*, November, 29, 2012.
- ⁶⁸ Michael Pollen, “Vote for the Dinner Party,” *New York Times Magazine*, October 10, 2012, 62-64.
- ⁶⁹ See “Koedam üi nara,” *Chosön ilbo*, November 10, 2011 and Shi Young Lee, Taejoon Han and Sung Hee Jun, “Anxiety over Globalization in Korea,” December 5, 2008, http://www.kiep.go.kr/skin.jsp?bid=news_06_view&grp=news&mode=view&num=183081.
- ⁷⁰ Bo Won Suh, Anita Eves, and Margaret Lumbers, “Consumers’ Attitude and Understanding of Organic Food: The Case of South Korea,” *Journal of Foodservice Business Research* 15-1 (2012): 49-63.
- ⁷¹ The KWPA and KPA’s version of food sovereignty “stresses the importance of redefining the relationship between producers and consumers such that the food economy can again be primarily a local economy and dependence of Korean consumers on the corporate food system and large scale industrial agriculture can be lessened or eliminated.” See Müller, “The Fight for Real Food in Korea.”
- ⁷² Hyungsuk Choo and Tazim Jamal, “Tourism on Organic Farms in South Korea: a new form of eco-tourism?” *Journal of Sustainable Tourism* 17-4 (July 2009): 431-454.
- ⁷³ *Ibid.*, 448.
- ⁷⁴ Korean farmers need to set realistic goals on how to achieve these new networks. Many Koreans have supported the ALBA system (Bolivarian Alliance of the Americas) as a viable way of creating a democratic and sustainable system for agriculture that will greatly benefit farmers. Yet, the problem with ALBA is that it is a regional government institution funded by Latin American countries, especially Venezuela. Though it has merits, ALBA would not work in Korea or East Asia because governments would not support this system. Korean farmers need to create a regional system that does not rely on the support of governments. Taking time to thinking about these autonomous regional agricultural systems controlled by farmers is important because it could lead to alternative ways of organizing and strengthening agriculture in Korea.
- ⁷⁵ A trend founded in reaction to industrialization and urbanization, the romanticization of the rural emphasizes not only farming as a noble profession because agriculture is the source for living and wealth, but also the country as the ideal space for a healthy life because of its natural surroundings. Because of their connection to nature, both farming and the country have been typically characterized as “authentic,” unlike industry and the city, which have been depicted as “artificial.” Agrarianists today, who typically have been behind romanticizing the rural, have sought to preserve and protect the rural as a sanctuary from the harms and ill effects of industrial and urban living by rejecting any changes or forms of development in the country. Aiding rural residents cannot be accomplished through the idealization of the rural and the rejection of all changes for these options only unfairly dictate a way life and overly presume that preventing changes can be achieved easily under globalization. The romanticization of the rural is found prominently in today’s “back to land” movement.
- ⁷⁶ For a short summary on calls for economic democratization, see Choe Sang-hun, “South Korean Resist Hypermarkets’ Intrusion on Small Businesses,” *The New York Times*, October 3, 2012.
- ⁷⁷ In Korea, there is a growing movement of people in cities moving to the countryside and taking up farming because of their discontent of urban living and industrialization. According to a Reuters report, “more than 10,503 families left Korean cities in 2011 to take up farming, more than double the number in 2010. For many, the constant need to compete for jobs, promotion and space in the city was just not worth it.” See Iktae Park, “Koreans flee stress and the city for rural idylls,” *Reuters*, May 9, 2012.

KOREAN AMERICAN VOTING BEHAVIOR

Taeku Lee

ABSTRACT

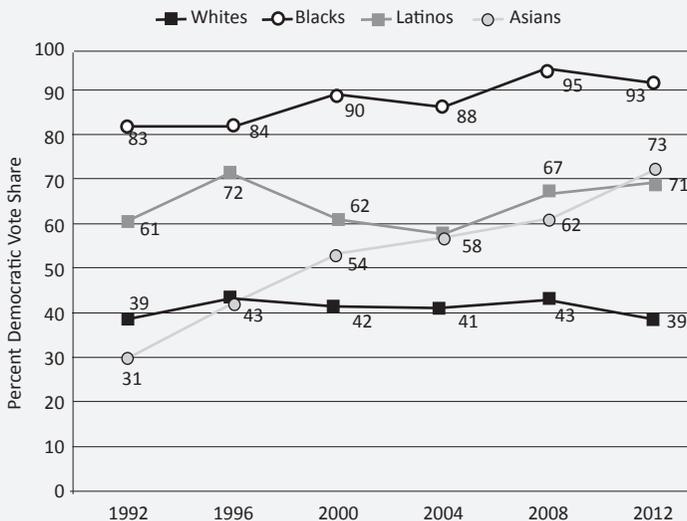
The 2012 election saw the rising prominence of Korean Americans as an increasingly visible force in U.S. politics. This paper discusses key features of the Korean American vote, using data from the 2012 National Asian American Survey. First, of those who favored a presidential candidate, Korean Americans were partial to Barack Obama over Mitt Romney by a nearly three-to-one margin. At the same time, nearly 40 percent of registered voters were undecided, even in the last weeks of the campaign. The paper further examines, among those who had a preference between Obama and Romney, the basis of this preference. The analysis finds three pivotal elements: whether Korean Americans identify as a Democrat or Republican or chose to remain non-partisan; President Obama's high candidate favorability among Korean Americans; and the electoral salience of policy issues like health care, immigration, the budget deficit, and U.S.-Korea free trade, issues on which Korean Americans were partial to the President's positions. The future of the Korean American vote – whether they will further consolidate as Democrats or find a home among Republicans in ensuing elections – will depend on party mobilization, the candidates they field, and the issues they champion.

Key Words: *Korean Americans; Asian American demographics; voting behaviors; Barack Obama reelection; importance of issues*

Long after the suspense over the outcome of the 2012 U.S. presidential election has been settled, one aspect continues to draw the abiding curiosity of many close observers of American politics: 2012 appears to have heralded a clear shift among Asian American voters in favor of the Democratic Party.¹ Most immediately, exit poll results showed that 73 percent of Asian Americans reported voting for the incumbent Barack Obama. This is a high rate of Democratic voting that falls shy of the 93 percent vote share among African Americans, but closely compares to Obama's support among Latinos (71 percent), Jews (69 percent) and LGBT voters (76 percent). What makes the 2012 Asian American vote particularly notable is the trend over time. In an election in which nearly all politically noteworthy segments of the electorate shifted ever so slightly in their partisan voting towards the Republican Party's candidate, Governor Mitt Romney, the 73 percent figure for Asian Americans in 2012 marks a visible jump from 62 percent in 2008. No other group – across a broad array of markers like age, gender, race, education, income, marital status, sexual orientation, partisanship, ideology, religion, or urbanism – moved as dramatically toward the Democratic Party between 2008 and 2012.

Adding further ballast, the 73 percent figure in 2012 also represents a highwater mark of a sea change over a twenty year period. Figure 1 compares exit poll results over the last six presidential elections, from 1992 to 2012. In the 1992 contest between Bill Clinton, George Herbert Walker Bush, and H. Ross Perot, 55 percent of Asian Americans reported voting for the Republican Bush and only 31 percent for the Democrat Clinton.² From this solidly Republican vote in 1992, the degree of Democratic support among Asian Americans has risen steadily and surely with

Figure 1: Presidential Vote Choice by Race/Ethnicity, 1992-2012



each ensuing election. Over this twenty year time period, no other demographic or political subgroup shifted as forcefully in their partisanship in either direction. These trends in exit poll findings are further supported by scholarly studies of Asian American politics. The earliest academic survey of Asian Americans in California, conducted in 1984, found that roughly 40 percent identified with the Republican Party, 35 percent with the Democrats, with 25 percent Independents. More recent studies, such as the 2000 Pilot National Asian American Study and the 2008 and 2012 National Asian American Surveys find a marked shift towards the Democratic Party over the Republicans among Asian American partisans.³

The clear shift over a relatively short time frame in the span of American political history has contributed to widespread speculation that 2012 may augur a new political realignment of Asian Americans, African Americans, Latinos, and traditional New Deal Democrats in a coalition that could re-define American electoral politics for the foreseeable future. Electoral realignments, of course, are rare and defining political moments and a full examination of whether 2012 represents such a "critical" election is well beyond the present scope. The aims of this paper are far more discrete. This brief narrows in on Korean Americans and their contributing role in the political emergence of Asian Americans.

The paper begins with a brief presentation of the demographic shifts that animate the intensified interest in Asians and Koreans in America. The U.S. Korean American population, like that of Asian Americans more generally, has soared in size since immigration reforms of the mid-1960s. This growth continues to the present day and is punctuated by high rates of population growth beyond traditional immigrant gateways and, of particular relevance to electoral politics, in key battleground states.

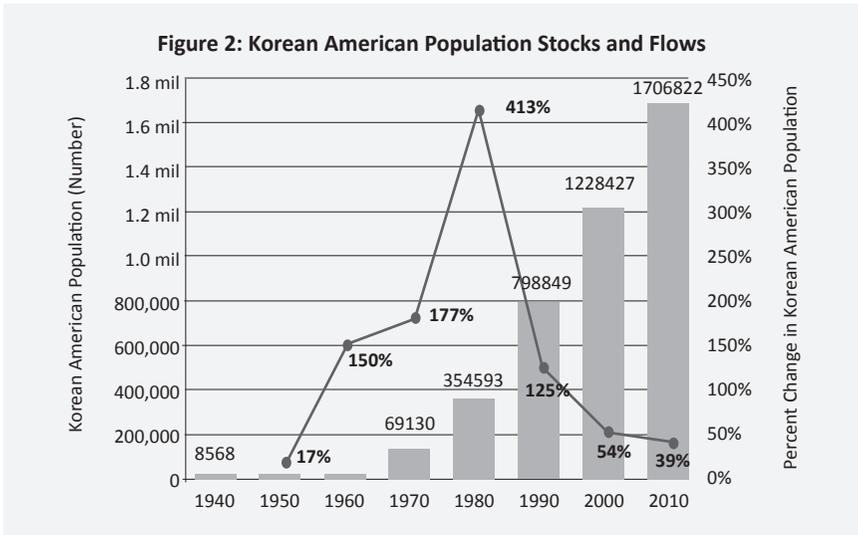
The main focus of the paper is on the 2012 presidential vote among Korean Americans. The primary data source for the analysis – the 2012 National Asian American Survey – shows two seemingly paradoxical findings: a very high rate of support for Barack Obama over Mitt Romney; a very high rate of voter indecision and uncertainty between the two major party candidates. The paper then considers, in sequence, the contributing role of demographic factors, party identification, candidate traits, and policy issues in shaping the 2012 Korean American vote. The key findings here are that demographic characteristics like gender, age, education, income, and nativity are relatively minor players in the 2012 vote. In addition, partisanship – when Korean Americans avow it – is a powerful guide to voting behavior, but a very large segment of Korean Americans show no fealty to either major political party. Perhaps the most compelling elements of the 2012 vote appear to be a uniquely positive relationship that Korean American voters have to President Obama and the defining role of mostly liberal policy opinions that Korean Americans hold across a diverse range of issues from health care reform, immigration, fiscal policy, and trade policy.

DEMOGRAPHIC BACKGROUND

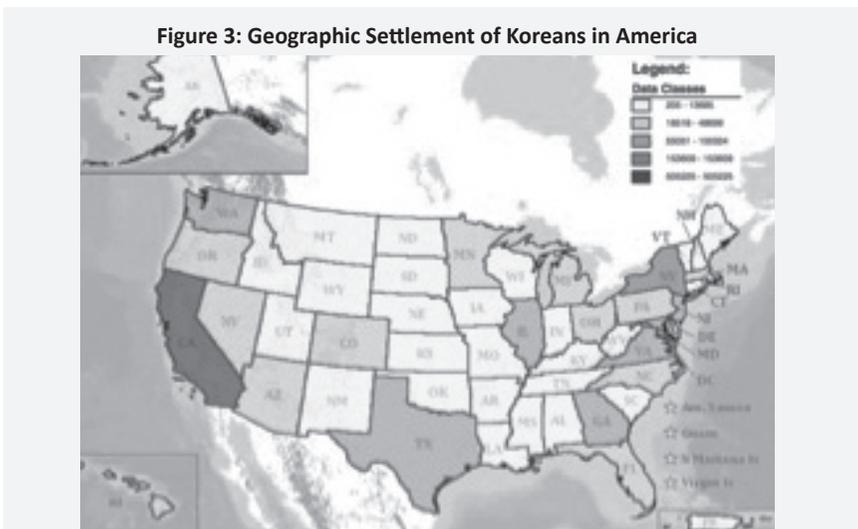
The reasons for the recent scrutiny on the Asian American vote start with the foundation stones of demographic change. With the possible exception of Latinos, no other major racial/ethnic group in the last half-century has grown as rapidly as Asian Americans. In 1960, there were fewer than one million Asian Americans, comprising less than 0.5 percent of the total United States population. By the most recent 2010 decennial census, the Asian American population grew to more than 17 million, or more than 5 percent of the total U.S. population. Between 2010 and 2000, the “Asian alone” population grew by more than 43 percent, outpacing any other major racial/ethnic group and far outpacing the national population growth over the same period of just under 10 percent. The growth of the U.S. Asian population, moreover, is expected to continue with seeming inexorable constancy into the future. Census projections estimate an Asian American population count of around 40 million by 2050, or nearly 10 percent of the total U.S. population expected that year.

Do such patterns of change apply to Korean Americans as well? This question merits asking because one of the defining features of the Asian American population is its remarkable internal diversity: there are at least twenty distinct ethnicities, more than thirty different languages, and variation by gender, class, religion, migration histories, geographic settlement patterns, and the like. Patterns that characterize a “pan-ethnic” group like Asian Americans could look quite different for sub-groups, like Korean Americans. A closer look at Korean Americans in the 2012 U.S. presidential elections is also of particular interest for reasons that are probably clear to readers of the KEI Academic Paper Series. In addition to Koreans being one of the largest Asian American groups in size, Korea is a nation of increasing economic and geopolitical interest vis-à-vis the United States, as evidenced most recently by the Obama Administration’s “pivot” from the Middle East to the Asia-Pacific.

In numbers, the 2010 census counted roughly 1.7 million Korean Americans. This figure accounted for about 10 percent of the total U.S. Asian population, with larger proportions of Chinese (23 percent), Indian (19 percent), Filipino (17 percent), and Vietnamese (11 percent) descent. The size of the Korean American population today comes after several decades of quite explosive growth, shown in Figure 2, which represents population “stocks” (the total number in any given year) and “flows” (the change in number from one time period to the next). Between 1970 (when census counts reported roughly 70 thousand Koreans in America) and 2010, the population grew twenty-five times in total number. The peak decade of growth was in the 1970s (413 percent increase between 1970 and 1980), with slowed growth in the decades since. Since 2000, the size of the U.S. Korean population has increased 39 percent, a rate roughly comparable to the 43 percent growth rate for the Asian American population as a whole.



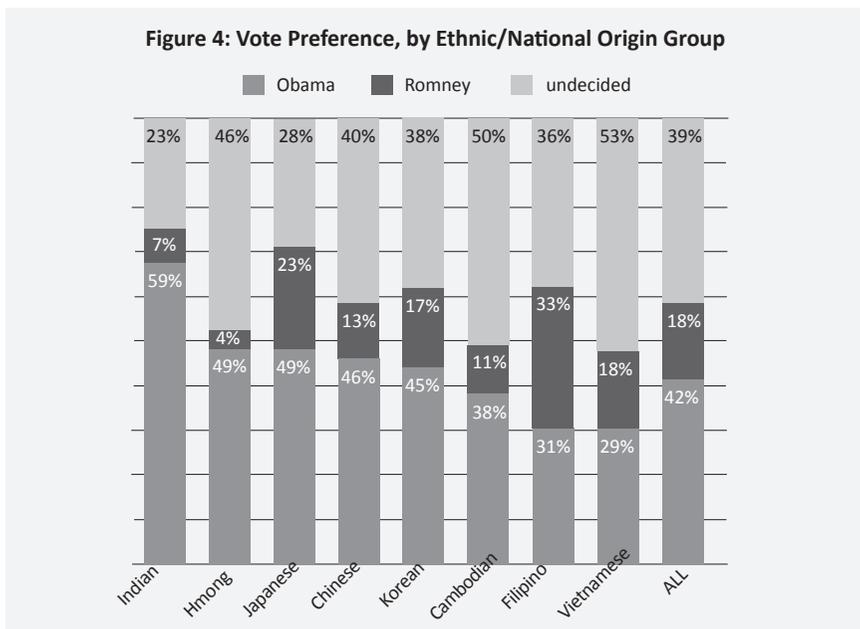
Two additional features of the U.S. Korean population are worth noting. First, unlike historic patterns of migration to gateway destinations like Ellis Island in the east and Angel Island in the west, more recent settlement patterns are decidedly more dispersed (shown in Figure 3 below). By state, California remains a dominant hub, accounting for nearly one in three Korean Americans. Yet eight other states have populations of more than 50,000 Korean Americans, including states with sizeable numbers of electoral college votes such as New York, Texas, Illinois, Georgia, New Jersey, and Virginia. Moreover, in many of the key electoral battlegrounds of 2012, the 2000 to 2010 growth rates are quite impressive: e.g., 93 percent in Nevada, 65 percent in North Carolina, 62 percent in Virginia, 50 percent in Florida, and 39 percent in Colorado.



THE 2012 PRESIDENTIAL VOTE

How then, did Korean Americans vote in 2012? Most of our data on how Korean Americans voted in the 2012 election come from the 2012 National Asian American Survey. The National Asian American Survey (NAAS) is a groundbreaking project collecting the most exhaustive and systematic data available on the political and policy opinions of Asian Americans and Pacific Islanders. Two surveys have been conducted to date, in 2008 and 2012. Additional details on the 2012 NAAS are contained in the Appendix. All the analysis below is conducted on the 633 Korean American respondents to the 2012 NAAS unless the figures below or the discussion of their findings explicitly state otherwise. In several instances, where specified, the results are described for all Asian American and Pacific Islander (AAPI) respondents to the 2012 NAAS, or compare the non-Korean AAPI respondents to Korean American respondents.

The main findings from the 2012 NAAS are that Korean Americans, consistent with exit poll data and in line with Asian Americans as a group, heavily favored Barack Obama over Mitt Romney, among those who had an expressed preference between the two candidates. At the same time, a very high proportion of Korean Americans (and Asian Americans writ large) were undecided between the two major party candidates even as late as the last weeks of the election. There were some demographic differences in which Korean Americans were likelier to support Obama over Romney, but the more striking differences were in terms of political factors like party identification, the personal favorability of President Obama, and substantive policy issues.



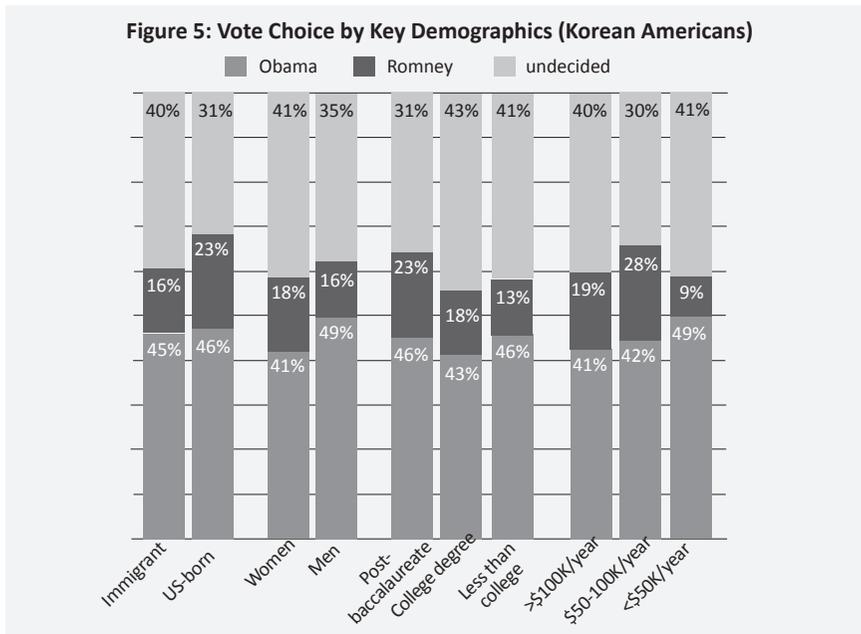
2012 NAAS respondents who were registered to vote were asked, “For President of the United States, do you plan to vote for Barack Obama, the Democrat, Mitt Romney, the Republican, some other candidate, or are you still unsure how you will vote?” Figure 4 shows the distribution of answers for our full sample as well as for the six major ethnic/national origin groups in the NAAS sample. Of those who expressed a vote preference, Obama was strongly favored over Romney, 42 percent to 18 percent, or 70 percent of the two-way split between Obama and Romney.⁴ This two-way split closely resembles the final exit poll results that showed 73 percent of Asian Americans voted for Obama. Among Korean Americans, 45 percent favored President Obama and 17 percent favored Governor Romney, a 73 percent two-way split for Obama. Koreans are roughly in the middle among Asian sub-groups, with a pretty large spread between Asian Indians and Hmong as the most Democratic groups on one end (favoring Obama over Romney 59 percent to 7 percent and 49 percent to 4 percent, respectively), and Filipinos and Vietnamese as the least Democratic groups (with a 31 percent to 33 percent and 29 percent to 18 percent split between Obama and Romney, respectively).

Yet Figure 4 is perhaps more striking for the very high rate of voter uncertainty amongst Korean and Asian Americans. Nearly 40 percent of Asian American registered voters indicated no preference between Obama and Romney. This high rate of uncertainty barely budges between late July, when NAAS began interviewing and mid-September, hovering at between 40 percent and 43 percent. It only diminishes slightly after mid-September, dropping to 36 percent. Notably, most media horse race polls during this same period reported between 6 percent and 8 percent undecided voters. The rate of voter uncertainty is also high among Korean Americans at 38 percent.

Key Demographic Factors in the 2012 Vote

Which Koreans were most inclined to vote Democratic in 2012? As an initial cut, Figure 5 shows how the Korean-American vote sorts along several key demographic markers: nativity (born in the U.S. or in Korea), gender, educational attainment, and family income. There is some movement along these common divisions in electoral choice. The rates of voter uncertainty are quite a bit higher among naturalized Korean Americans than among their U.S.-born counterparts; this difference is largely offset by somewhat higher rates of support for Romney among the U.S.-born. By gender, President Obama's support is stronger among Korean American men than women, reversing the gender gap found in the general electorate. By education and income, Governor Romney finds very little support among Korean Americans with less than a college education or those earning less than \$50,000 a year in garnished family wages. Romney's highest support levels are found among middle-class Korean Americans (making between \$50,000 and \$100,000 a year) and among those with a post-baccalaureate degree.

While these differences are suggestive, they are for the most part modest in degree and it is hard to discern which of these effects hold sway over which others. A standard way of isolating the independent influence of any one factor, taking into account the influence of a range of other factors is through multivariate statistical regression analysis. In this and ensuing sections of this paper, the main results from deploying this method of analysis are shown. For the sake of simplicity, the analysis is focused only on explaining Korean Americans' preferences for Mitt Romney or Barack Obama, leaving aside the very high proportion of Korean Americans who were undecided between these two major party candidates.



The analysis shown here examines the demographic factors in Figure 5 – gender, education, family income, and nativity – along with age and English language proficiency. Once these various potential influences on voting are taken together, only one measure remains statistically significant: education. As Figure A1 in the Appendix shows, the predicted effect that a Korean American with less than a high school degree will vote for Obama (roughly a 90 percent chance) is markedly higher than that of a Korean American with a post-baccalaureate degree (roughly a 60 percent chance). Except for this education effect, the differences we see in Figure 5 (between U.S.-born and Korean-born respondents, Korean American men and women, and mid-range wage earners and others) effectively wash away in a multivariate context. Even the education effect largely erodes when some of the political factors in the next sections are included in the statistical analysis. Moreover, the minimal effect among these demographic factors remain essentially unchanged even when other possible demographic measures are included in the

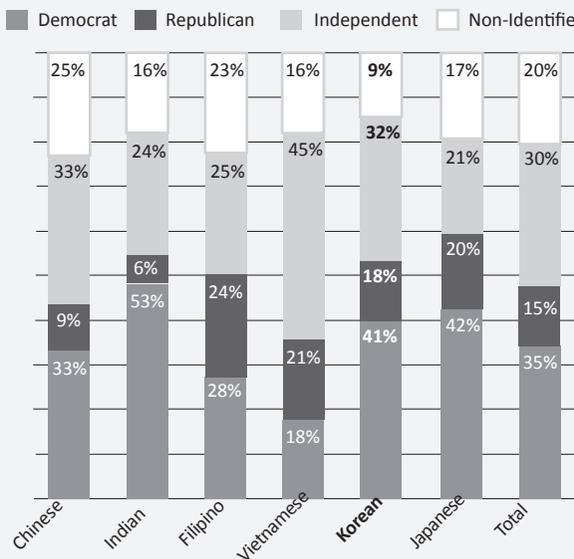
analysis including unemployment, home ownership, marital status, and geography (e.g., whether or not respondents lived in a battleground state).⁵ On the whole, then, the 2012 NAAS finds that demographics were not a determinative factor in the 2012 Korean American vote.

Party Identification and the 2012 Vote

For political scientists, the limited power of demographic factors alone in explaining voting behavior is no surprise. Typically, the most visible element of a voter's electoral choice is found in his or her partisanship. At least since *The American Voter* was published in 1960, a canonical result has been that the political behavior of an individual starts with one's allegiance to a political party.⁶ Party identification lies at one end of the “funnel of causality” that leads, at the other end, to a vote for Barack Obama or Mitt Romney. In a synopsis of the field of political behavior, Donald Kinder and David Sears note, “party identification remains the single most important determinant of individual voting decisions.”⁷

Indeed, when one's identification as Democrat or Republican is included in the multivariate regression on vote choice between Obama and Romney, they are the only factors that are statistically significant; all the demographic factors (including education) recede into the background and no longer help to differentiate between Korean American Obama and Romney supporters. Figure A2 in the Appendix graphically represents this relationship of party identification to vote choice. The predicted probability of Korean Americans who identify as Democrats voting for Obama – holding all other factors equal – is well above 90 percent and similarly,

Figure 6: Party Identification, by Ethnic/National Origin Group

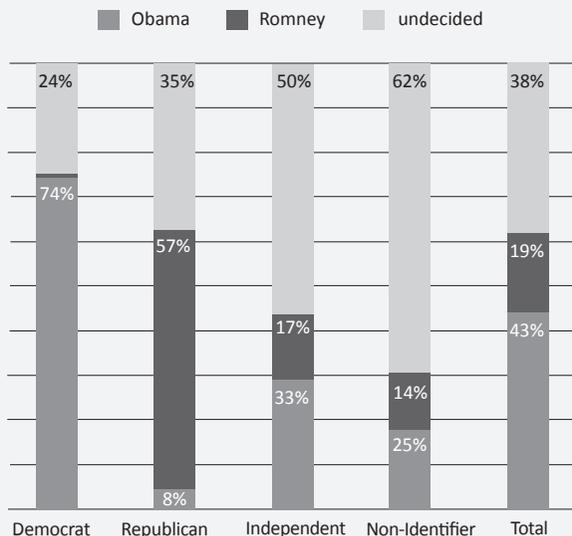


the likelihood of Korean Americans identifying as Republicans voting for Obama is less than 50 percent. Thus, party identification tells us a lot about which Korean Americans express a preference for Obama over Romney.

The danger in simply looking to party identification in understanding the 2012 Korean American vote is that for a large subset of Korean Americans – and Asian Americans more generally – their relationship to political parties is an ambivalent one. This is most evident in tallying up replies to the question, “Generally speaking, do you usually think of yourself as a Democrat, Republican, Independent, or in terms of some other party?” Figure 6 shows two salient patterns of response to this question. First, Asian Americans (and Korean Americans within that group) are far more likely to identify as Democrats than as Republicans. This pattern does not hold across all ethnic sub-groups, with Filipinos and Vietnamese being nearly equally likely to identify as Republicans as they are to identify as Democrats.

Figure 6 is equally notable for a second and perhaps more striking pattern: Asian Americans in the 2012 NAAS are just as likely to be non-partisans as they are to identify with a major party. Fully 30 percent identify as Independents and another 20 percent are “non-identifiers” – those who give a reply like “I don’t know,” “I don’t think in terms of political parties,” or simply refuse to answer the question. Among Korean Americans, despite the high rate of voting for Obama, only 41 percent opt to identify with the Democratic Party and another 41 percent are reluctant to ally with either major party in a U.S. political system defined by two-party competition.⁸

Figure 7: Party Identification and Vote Choice (Korean Americans)



The apparent paradox between voting for Obama and opting not to identify with the Democratic Party is somewhat clearer when the intended vote choices of Korean American respondents are compared to their party identification, shown in Figure 7. Self-identified Democrats overwhelmingly favored Obama to Romney and self-identified Republicans also heavily preferred Romney to Obama. For these partisans, moreover, rates of uncertainty over whom they will vote for are discernibly lower than for all Korean Americans (especially among self-identified Democrats). Yet as was just noted, a very high proportion chose not to identify as either a Democrat or a Republican. Among these non-partisans, rates of uncertainty between Obama and Romney are extremely high. Among Korean American Independents, half are undecided; among non-identifiers, the figure jumps even higher to 62 percent. Thus while Korean Americans exhibit a high level of political cohesion in the voting booth, this cohesion comes from some other source than their steadfast devotion to a political party.

The findings from the 2012 NAAS on partisanship and the 2012 vote – specifically, the juxtaposition of high rates of partisan voting together with the absence of high rates of party identification – are consistent with previous scholarship on the relatively weak role of political parties in the political incorporation of immigrant-based groups like Asian Americans and Latinos.⁹ In the 2012 NAAS, respondents were asked, “Over the past 12 months, were you contacted by anyone to register or to vote in this year’s election?” Only 29 percent of Asian Americans (and 28 percent of Korean Americans) responded affirmatively. By comparison, in the 2008 National Election Study (ANES) – the gold-standard survey on voting and public opinion in the American general public – fully 46 percent of respondents reported being mobilized to vote or register to vote. Moreover in the ANES, 43 percent of the American public reported being contacted by a political party about the election. By contrast, only 7 percent of 2012 NAAS respondents reported being contacted by a political candidate or campaign and 8 percent reported being contacted by a political party (for Korean Americans, the relative ratios are 10 percent and 6 percent, respectively).

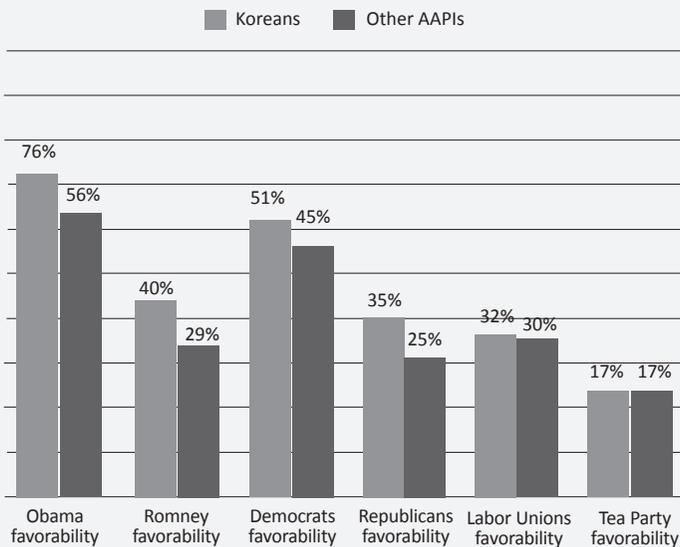
Candidate Favorability and the 2012 Vote

Given the incomplete accounting based on demographic factors and party identification, what were other keys to the Korean American vote in 2012? The two remaining sections on the 2012 vote present two important additional elements: candidate favorability and issues. On candidates, it is important to recall President Obama’s high popularity with Asian Americans in general and with Korean Americans more specifically. In the 2012 NAAS, Obama’s presidential approval ratings were a soaring 73 percent among Asian Americans and Korean Americans alike. This is especially impressive given that approval ratings for the president among the general public struggled to reach 50 percent during the same time period.¹⁰

Not surprisingly, the NAAS also shows a significantly higher rate of consistent partisan voting between elections among Democrats than Republicans. Korean Americans who reported voting for Obama in 2008 were overwhelmingly more likely to report that they intended to vote for Obama again in 2012: 69 percent of 2008 Obama voters favored Obama in 2012; 3 percent favored Romney; and 28 percent were undecided. By contrast, Korean Americans who reported voting for Senator John McCain in 2008 were a bit more mixed about how they would vote in 2012: only 51 percent of 2008 McCain voters favored Mitt Romney in 2012; 9 percent favored Obama; and 40 percent were undecided.

Perhaps the most telling marker of Obama's special relationship to Korean Americans is in the relative favorability ratings given to the major party candidates and various political organizations. 2012 NAAS asked how favorably impressed respondents were by President Obama, Governor Romney, the Democrats and the Republicans in Congress, the Tea Party, and Labor Unions. The vital finding in Figure 8 is the difference in favorability ratings between each major political party and their presidential candidates. For Korean Americans, 76 percent held a favorable impression of President Obama, a much higher level than the (still) high 51 percent favorability rating for Democrat Party elected officials in Congress. By contrast, the equivalent favorability ratings for Romney and the Republicans in Congress is far more similar (40 percent to 35 percent). Figure 8 also shows that this "favorability gap" between candidate and party is especially large for Korean Americans, as compared to other Asian American respondents in the 2012 NAAS.

Figure 8: Candidate and Party Favorability Ratings

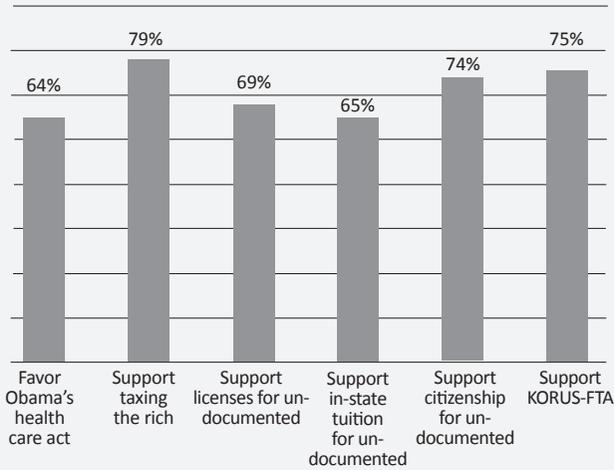


To convey this relationship as precisely as possible, a measure of net favorability – how favorably Korean-Americans evaluated President Obama, net of how favorably they evaluated the Democrats in Congress – can be constructed and added to our multivariate statistical estimates of the two-way Obama-Romney vote in 2012. Even after party identification as a Democrat or Republican is factored into the results, this measure of net favorability remains a significant predictor of Korean Americans' likelihood of voting for President Obama (shown in Figure A3 in the Appendix). Admittedly, for Korean Americans who rate the Democrats in Congress similarly to President Obama (a net favorability score of “0”), the likelihood of voting for Obama is already above 80 percent. Yet for those who rate Obama more positively than his fellow Democrats in Congress, that proportion quickly jumps to well above 90 percent.

Issues and the 2012 Vote

A final key to the 2012 Korean American vote that emerges from the National Asian American Survey is the differentiating role of issues. One of the earliest scholarly articles on the politics of Latinos and Asian Americans hypothesized that there are two ways that issues might pull a group like Korean Americans to identify with the Republican Party and its candidates.¹¹ The first among these is that largely immigrant-based groups might ally with the Republican Party out of an abiding set of foreign policy interests. The second is that immigrant groups that advance in material well-being are also likelier to support the Republican Party and its candidates. These hypotheses find little evidence from the 2012 NAAS data. To the contrary, Korean Americans on average are quite liberal across a wide range of policy areas and their liberal policy views were guides to their voting behavior in 2012. In this last section, this relationship between issues and voting behavior is shown in four diverse policy areas: health care reform, fiscal policy, immigration, and trade policy.

Health care reform – specifically the 2010 Affordable Care Act (ACA) – was in many respects President Obama's signature piece of legislation in his first term of office. Certainly, the Republican Party's primary candidates made it clear that their opposition to what they termed “Obamacare” would be the focal point of their campaign. The 2012 NAAS asked respondents if they have a “generally favorable or generally unfavorable” view of the ACA. As Figure 9 shows, nearly two-thirds of Korean Americans either “strongly favor” or “somewhat favor” the ACA. (Among other AAPI respondents in the 2012 NAAS, roughly 60 percent favored the ACA.) Furthermore, Figure A4 in the Appendix shows that, controlling for demographic factors and party identification in a multivariate statistical regression, this support for the 2010 health care reform legislation is a significant predictor of Korean Americans' likelihood of voting for Obama in 2012. In fact, the effect of Korean Americans' opinions on the ACA was about as strong as any single factor examined in this paper as a predictor of support for Obama.

Figure 9: Korean Americans' Policy Views

Another issue drawing a great deal of attention during the 2012 election campaign (and which has garnered even more notice since the election) was fiscal policy. Under the threat of lurching over a “fiscal cliff” that would reinstate income tax rates to levels that were extant prior to the Bush era tax-cuts, candidates for office in 2012 sparred over whether the nation's swelling budget deficits ought to be addressed through program cuts and a more limited scope of government or through revenue generation. One specific revenue-based policy proposal that roughly coincided with the Occupy Wall Street protests was a tax on those Americans in the highest income brackets. The 2012 NAAS asked respondents their views on the following statement: “In order to reduce the national deficit, the federal government should raise taxes on those earning more than \$250,000 a year.” On this item, Figure 9 shows an overwhelming level of endorsement for this idea, with 79 percent either strongly or somewhat supporting it. (Among other AAPIs, 66 percent strongly or somewhat supported this idea.) As with health care reform's effects on vote choice, Figure A5 in the Appendix shows that net of other key factors, Korean Americans who supported the idea of taxing those earning more than \$250,000 a year were significantly likelier to support Barack Obama for the U.S. presidency in 2012.

A third policy area that received somewhat faltering attention in the 2012 campaign was immigration reform. The 2012 NAAS focused on three policy proposals on issues affecting the large population of undocumented immigrants in the United States. Specifically, respondents were asked whether “undocumented or illegal immigrants should be allowed to get driver's licenses ... pay in-state tuition at public universities ... have an opportunity to eventually become U.S. citizens.” Each of these approaches show significant support among Korean Americans, with the idea

of a pathway to legal citizenship receiving the highest support. Notably, Korean Americans in each case supported the more liberal policy approach to immigration reform. Moreover, their support was markedly higher than that found among other AAPI respondents in the 2012 NAAS.¹² With immigration policy, the effects of Korean Americans' issued opinions on their support for Barack Obama are somewhat more modest, but nonetheless remain statistically significant, even after taking into account key demographic factors and partisanship (see Appendix Figure A6).

Lastly, the 2012 NAAS asked its Korean American respondents two items regarding U.S. policy toward the Koreans. One item asked if respondents agreed or disagreed that “[t]he recent Korea-US Free Trade Agreement will benefit the economies of both countries.” The second one asked about reactions to the statement, “The United States should increase humanitarian food aid to North Korea even if it means keeping Kim Jong-un in power.” On support for humanitarian aid, the opinions of Korean Americans are rather mixed, with 42 percent favoring the idea, 49 percent opposing it, and 10 percent opting to neither endorse nor object to it. By contrast, agreement that the KORUS-FTA would be mutually beneficial to both the United States and South Korea was widespread, with three out of four Korean Americans assenting to that view. This high level of support for the KORUS-FTA turns out to strongly predict whether or not Korean Americans, controlling for other factors, are likely to have voted for President Obama, an effect that is shown graphically in Figure A7 in the Appendix. The opinions on humanitarian aid to North Korea – conditioned on Kim Jong-un's hold on political power – proved not to be a significant predictor of Korean Americans' vote choice in 2012.

SUMMARY AND IMPLICATIONS

This paper has delved into the heavily Democratic 2012 Korean American vote. Nearly five decades of demographic changes have led to an Asian American population that is increasingly an electoral force with which to be reckoned. Korean Americans are an important element of this growing Asian American electorate, with a population that continues to grow through immigration. The story behind the high rates of support for the Democrat Barack Obama among Koreans (and Asian Americans more generally), is not a tidy one in which partisan voting is guided by demographic foundation stones like one's socioeconomic or immigration status, or by the ruling force of one's identification with a political party. Specifically, analysis of data from the 2012 National Asian American Survey finds three key characteristics of the 2012 Korean American vote:

- First, in addition to the high levels of support for Barack Obama over Mitt Romney, a sizeable proportion are indecisive between the two major party presidential candidates and ambivalent in their willingness to identify with either the Democratic and Republican parties.

- Second, Korean Americans exhibit a special bond with President Obama, net of how favorably they view the Democratic Party.
- Third, the Korean American vote is strongly influenced by their views across a broad cross-section of policy issues like health care reform, immigration reform, fiscal reform, and U.S. trade policy with South Korea.

These elements of the 2012 vote carry three critical implications for the future role of Korean Americans in electoral politics:

- First, given the growing size of the Korean American (and Asian American) population, this is a segment of the electorate that both Democratic and Republican parties can ill-afford to ignore.
- Second, notwithstanding the strong support for Barack Obama in 2012, the Democratic Party cannot take the partisan consolidation of Korean Americans for granted. Many Korean Americans appear to support Obama the candidate, and not the party he headlined. Furthermore, a solid majority of Korean Americans still choose not to identify with the Democratic Party.
- Third, based on the analysis in this paper, one of the most fruitful ways to appeal to Korean American voters is through their issue-based interests. In 2012, Korean Americans took views on issues that favored the Democratic Party. For the Republican Party to make a serious bid for a larger share of the Korean American vote in future elections, they will have to consider moderating some of their more extreme views on issues like health care reform, progressive taxation, and immigration reform.

APPENDIX

Additional Details on the 2012 National Asian American Survey

The 2012 NAAS is the second of two comprehensive and groundbreaking surveys of the political attitudes and behaviors of Asians in the United States. The first survey, the 2008 NAAS, interviewed 5,159 persons in eight languages by telephone between August 18, 2008 and October 29, 2008. The 2008 NAAS aimed to have a sufficiently large representation of the six largest Asian ethnic/national origin groups and its final sample yielded 1,350 Chinese, 1,150 Asian Indian, 719 Vietnamese, 614 Korean, 603 Filipino, and 541 Japanese origin respondents, with 182 additional respondents from other countries of Asia. The 2012 NAAS interviewed 6,257 persons by telephone between July 31, 2012 and October 20, 2012. Surveys were conducted by telephone in eleven languages (English, Cantonese, Hindi, Hmong, Khmer, Korean, Japanese, Tagalog, Thai, and Vietnamese). The sampling for the 2012 NAAS was broader than the 2008 NAAS, with oversamples of Native Hawaiian Pacific Islanders, Cambodians,

and Hmong and companion samples of White, African American, and Latino respondents. The sub-group breakdown of our Asian American sample was 827 Asian Indians, 743 Chinese, 633 Koreans, 599 Filipinos, 537 Vietnamese, 525 Japanese, 319 Hmong, 305 Cambodians, and 251 additional respondents from other Asian backgrounds. The Native Hawaiian Pacific Islander sample was 419 Hawaiians, 104 Samoans, and 48 other NHPs. The non-AAPI comparison samples were 350 Whites, 309 African Americans, and 308 Latinos.

A description of and background materials on the National Asian American Survey project are available at www.naasurvey.com. The main findings of the 2008 NAAS are also contained in Janelle Wong, S. Karthick Ramakrishnan, Taeku Lee, and Jane Junn, *Asian American Political Participation* (Russell Sage Foundation Press, 2011). Junn, Lee, Ramakrishnan, and Wong were co-Principal Investigators of the 2008 NAAS; Lee and Ramakrishnan were co-Principal Investigators of the 2012 NAAS.

Details on the Multivariate Statistical Analysis

The figures in this appendix show the predicted probabilities of key factors on Korean Americans' likelihood of voting for Obama. The likelihood of voting for Obama is measured as the two-way preference between Obama and Romney among those Korean Americans who expressed a choice between these major party candidates. Figure A1 specifies the following possible demographic sources of explanation for this choice between Obama and Romney: the respondent's age, gender, education, family income, nativity, and English language proficiency. Figure A2 adds to these factors whether respondents identify as a Democrat or Republican. The remaining figures specify the above demographic factors, these two measures of party identification, and then add each additional factor examined in the respective figures (e.g., net favorability, policy opinions). The predicted probabilities are calculated by holding each of the remaining explaining variables in the statistical model at their mean values using the `prgen` command in Stata version 12.

Figure A1: The Effect of Education on Likelihood of Voting for Obama

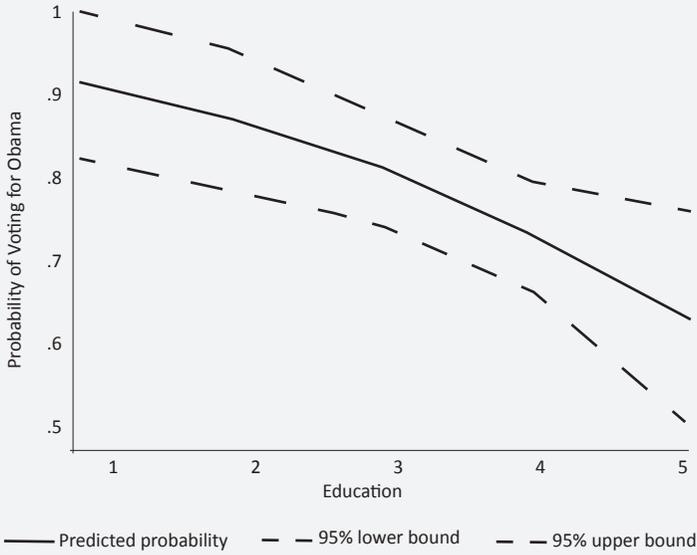


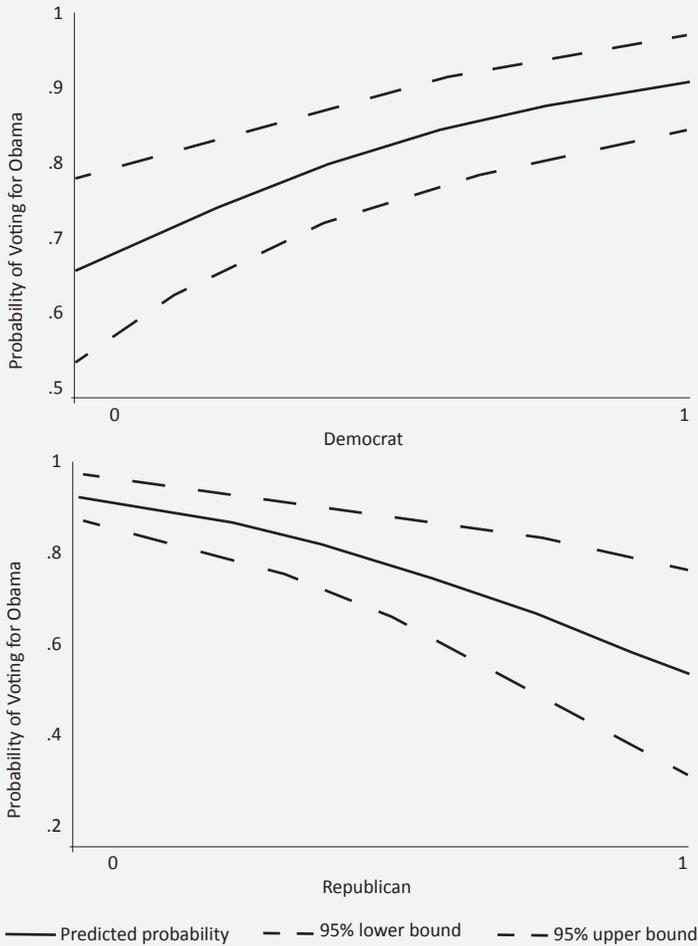
Figure A2: Effect of Party Identification on Likelihood of Voting for Obama

Figure A3: Obama's Net Favorability on Likelihood of Voting for Obama

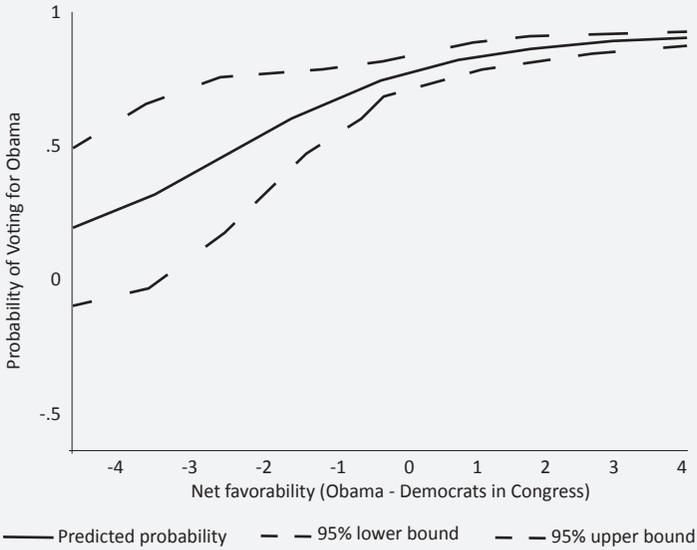
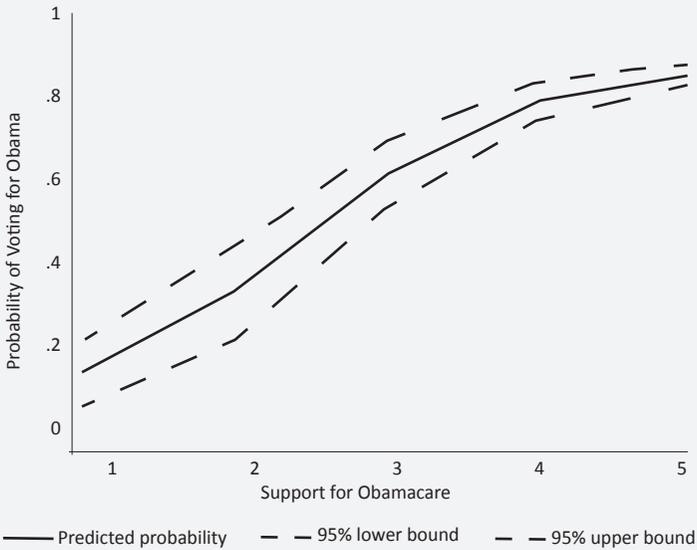


Figure A4: Support for Affordable Care Act on Likelihood of Voting for Obama



ENDNOTES

- ¹ See, for instance, Charles Murray, "Why Aren't Asians Republicans?" AEI Ideas (November 26, 2012), at <http://www.aei-ideas.org/2012/11/why-arent-asians-republicans/>; David Brooks, "The Party of Work," *The New York Times* (November 8, 2012), at <http://www.nytimes.com/2012/11/09/opinion/brooks-the-party-of-work.html>; Richard Posner, "Why Did Asian Americans Mostly Vote for President Obama," *Slate* (November 26, 2012), http://www.slate.com/articles/news_and_politics/view_from_chicago/2012/11/why_did_asian_americans_vote_for_president_obama.html.
- ² http://www.ropercenter.uconn.edu/elections/how_groups_voted/voted_92.html. Accessed December 20th, 2012. This was the first available exit poll data on Asian Americans by a national exit poll. Prior to 2002, exit polls were conducted by the Voter Research and Surveys, a consortium of ABC News, CBS News, CNN, and NBC News.
- ³ On these early studies, see Cain, Bruce E., D. Roderick Kiewiet, and Carole J. Uhlaner. 1991. "The Acquisition of Partisanship by Latinos and Asian Americans." *American Journal of Political Science* 35:390-422; Uhlaner, Carole J., Bruce Cain, and D. Roderick Kiewiet. 1989. "Political Participation of Ethnic Minorities in the 1980s." *Political Behavior* 17:195-231.
- ⁴ All the percentages reported in this brief are weighted unless explicitly stated otherwise. Sample weights are calculated to balance the respondent sample to general population parameters for Asian Americans by nativity, sex, education, ethnic/national origin group, state of residence, and citizenship.
- ⁵ The effects of other demographic divisions, such as age, employment status, geography (both state of residence and residence in a battleground state), and language proficiency on the 2012 Korean American vote are either minimal or non-significant.
- ⁶ Angus Campbell, et al. 1960. *The American Voter*. John Wiley.
- ⁷ Kinder, Donald and David Sears. 1985. "Public Opinion and Political Action." In Gardner Lindzey and Elliot Aronson, eds., *Handbook of Social Psychology*, vol. 2. New York: Random House.
- ⁸ In the 2008 NAAS, this reluctance to identify with either the Democrats or Republicans was even higher, with 55% of Asian Americans as a group exhibiting some form of non-partisanship (20% Independents and 35% non-identifiers) and 45% of Korean Americans (11% Independents and 34% non-identifiers). The higher rates of "non-identification" in 2008 are most likely due to a minor change in question wording between the two surveys.
- ⁹ See, e.g., Janelle Wong, *Democracy's Promise: Immigrants and American Civic Institutions* (University of Michigan Press, 2006); Thomas Kim, *The Racial Logic of Politics: Asian Americans and Party Competition* (Temple University Press, 2006); Zoltan Hajnal and Taeku Lee, *Why Americans Don't Join the Party: Race, Immigration, and the Failure (of Political Parties) to Engage the Electorate* (Princeton University Press, 2011).
- ¹⁰ See, e.g., <http://www.gallup.com/poll/116479/barack-obama-presidential-job-approval.aspx>.
- ¹¹ Cain, Kiewiet, and Uhlaner (1991). See footnote 3.
- ¹² Only 48% of other AAPIs were somewhat or strongly supportive of allowing undocumented immigrants to receive driver's licenses; 50% liked the idea that undocumented immigrants should be allowed to pay in-state tuition for college; 63% supported a pathway to citizenship.

THE SEOUL NUCLEAR SECURITY SUMMIT: HOW MUCH OF A SUCCESS?

Miles A. Pomper

ABSTRACT

The Seoul Nuclear Security Summit held in March 2012 was a watershed event for South Korea. It marked by far the largest gathering of world leaders on South Korean soil. In continuing a series of meetings initiated by President Obama two years ago, further cemented the already remarkably close ties between the current U.S. and ROK governments, and offered a showcase for the country's burgeoning and increasingly export-oriented nuclear industry.

The summit's ultimate impact is unclear, however. Despite the summit's incremental steps forward on nuclear security, it seems clear that participants will fall far short of their ultimate goal of securing all vulnerable fissile materials when a four-year push initiated by the United States ends next year. That has led the United States and South Korea to chart out different paths for the future of the summit process, with Seoul advocating a more ambitious course and Washington a more conservative one. And while the summit polished South Korea's global nuclear reputation, it remains to be seen how much the effort will further Seoul's goals to win new contracts overseas and obtain concessions in bilateral nuclear negotiations with the United States.

Key Words: *nuclear weapons, security, Nuclear Security Summit, nuclear energy, denuclearization*

INTRODUCTION

The Seoul Nuclear Security Summit held in March 2012 was a watershed event for South Korea. It marked by far the largest gathering of world leaders on South Korean soil, offering a visible demonstration of the ROK's rise to global prominence. In continuing a series of meetings initiated by President Obama two years ago, it further cemented the already remarkably close ties between the current U.S. and ROK governments. By giving Seoul a lead role on a crucial issue affecting nuclear energy, it offered a showcase for the country's burgeoning and increasingly export-oriented nuclear industry.

The South Korean government made the most of the opportunity, operating the anti-nuclear terrorism summit with military-like efficiency for the fifty-plus governments in attendance. Seoul provided a theme song, catchy logo and endless banners proclaiming "beyond security, towards peace." Troops and police officers were out in force, worsening already dreadful Seoul traffic as they rerouted vehicles away from the summit site.

It's not clear, however, if the summit's impact will last much longer than the temporary barriers at the COEX center. Despite the summit's incremental steps forward on nuclear security, it seems clear that participants will fall far short of their ultimate goal of securing all vulnerable fissile materials when a four-year push initiated by the United States ends next year. That has led the United States and South Korea to chart out different paths for the future of the summit process, with Seoul advocating a more ambitious course and Washington a more conservative one. And while the summit polished South Korea's global nuclear reputation, it is not clear how much the effort will further Seoul's goals to win new contracts overseas and obtain concessions in bilateral nuclear negotiations with the United States.

BACKGROUND

Since taking office in January 2009, President Barack Obama has made nuclear weapons issues a centerpiece of his foreign policy. Not only did his well-known April 2009 speech in Prague call for seeking a "world without nuclear weapons," Obama also brought a new level of attention to the problem of nuclear security: preventing terrorists from stealing nuclear materials or threatening nuclear facilities.¹ For decades, such efforts had received attention only at lower levels of government. However, since the 9/11 terrorist attacks, concerns had grown that nuclear materials—especially those from less secure, civilian facilities—could fall into the hands of hostile, non-state actors. Beginning with President George W. Bush, the United States had ramped up its efforts to secure fissile material holdings at home and abroad. President Obama put his signature on the effort by bringing top-level attention to the issue.

The 2010 Washington Nuclear Security Summit

In his Prague speech, President Obama had identified nuclear terrorism as the most serious threat to international security and announced plans to hold a nuclear security summit in 2010. The 2010 Nuclear Security Summit (NSS) was convened in Washington with the intention of bolstering support for existing initiatives and strengthening international cooperation through a four-year intense effort.² The Washington summit's scope was intentionally narrow, focusing only on civil fissile materials (plutonium and highly enriched uranium) and sidestepping issues of securing radiological sources, creating guidelines for dealing with accumulations of separated plutonium, and securing military fissile material.³ To be sure the subject matter ranked low on the list of priorities for many other world leaders; nonetheless, they were eager to attend the summit as it gave them the opportunity to meet with and curry favor with a popular U.S. President and recent recipient of the Nobel Peace Prize. Delegates from forty-seven nations—one-third of IAEA members and one-quarter of UN members—attended, with thirty-eight delegations being represented by heads of state.⁴

Obama successfully leveraged his prestige by getting global leaders and their subordinates to give greater priority to a concern that they have too often seen as a U.S. responsibility and to bring some long-stalled nuclear security efforts to completion. But in terms of building a foundation for long-term nuclear security, the first meeting made only a limited contribution. The meeting produced a communiqué, which set broad goals, and a work plan that detailed objectives for all states. The work plan emphasized cooperation, whether through sharing information or coordinating efforts among states on various levels. Though all countries supported these documents, the commitments and goals were strictly voluntary, provided numerous caveats and only vaguely specified which new measures should be applied and in what time frame. Moreover, participation in the summit itself was limited to a “coalition of the willing” in a desire to avoid diplomatic sideshows, but that also meant excluding some countries, like Iran and North Korea, with significant nuclear programs or fissile materials. In this way, the Obama administration was able to steer clear of controversy but also was hampered in tackling the nuclear terrorism threat.⁵

In many ways the most concrete progress from the Washington summit were individual state commitments, referred to informally as “house gifts.” The White House announced that fifty-four national commitments were made by twenty-nine countries. These included pledges to donate money to the IAEA, remove or secure nuclear material, prevent nuclear smuggling, ratify or support existing conventions and treaties, and convert reactors from running on nuclear-weapons-usable highly enriched uranium (HEU) to safer low-enriched uranium (LEU).

The last promise was particularly important. Unlike its cousin, plutonium, HEU is suitable for use in the simplest kind of nuclear weapon, a so-called “gun-type”

bomb. In gun-type devices, one subcritical piece of fissile material is fired at another subcritical target. Together they form a critical mass and spark a chain reaction. The process is so simple and well understood that such a device does not need to be explosively tested; even the first such bomb, which was dropped on Hiroshima in 1945, was not tested prior to its use. Terrorists who acquired a sufficient quantity of HEU would not need to be backed by the scientific and financial resources of a state to construct such a nuclear device.

Yet even these important commitments were not an unqualified success. First, most of the pledges required minimal action on the part of the state and often reaffirmed initiatives already underway (such as Russia's plans to close its plutonium production facilities made prior to the 2010 NSS). Second, not all states made such commitments; almost half of them, in fact, left the summit without promising any deliverables beyond the vague commitments in the communiqué and work plan. Perhaps more problematically, states were able to set their own standards as to what constituted progress. Not surprisingly, they produced an international version of what has been called the "Lake Wobegon effect,"⁶ in which they might all claim to be leaders in achieving nuclear security. As a result, states could even claim success when they realized different levels of commitments toward the same goals. For example, some states pledged to ratify an important 2005 amendment to the Convention on the Physical Protection of Nuclear Material (CPPNM) that would require them to protect material held within their borders; therefore should they fail to fulfill their pledge they would be judged as failing at nuclear security. However, others had not even ratified the underlying convention (governing materials in international transit), but since they did not pledge to do so, could not be said to violate a summit commitment. In addition, rather than being required to satisfy any hard and fast requirements, states could claim success with even token gestures such as pledging to "consider" initiatives or to conduct feasibility studies without taking concrete action either way.

Moreover, while the new national commitments were welcome, they merely added new swathes to the already vast and yet inadequate patchwork of international nuclear-security efforts. Nuclear standards on the ground and adherence to various treaties, guidelines and regulations vary greatly from country to country. The result is a nuclear-security regime with enough loopholes to drive a truck through (one hopes not literally).

The Decision to Have South Korea Host the 2012 Summit

At the Washington Summit, states also agreed that South Korea would host another nuclear-security summit in 2012. On the face of it, South Korea was a strange choice to host, given that it neither possessed nuclear weapons nor the materials to make them—highly enriched uranium and/or separated plutonium. But Obama's first choice, Russia, turned down the opportunity, and South Korea's president

Lee Myung-bak was eager to raise Seoul's standing on the global stage as part of his campaign for a "global Korea." Holding the summit in Seoul also provided an opportunity for the country's growing nuclear-energy industry to gain a global showcase for its wares.⁷ Over the past few decades, South Korea has emerged as the world's fifth-largest nuclear energy producer and a new nuclear plant exporter. Its 2009 deal to sell four reactors to the UAE for \$20 billion has only whetted Seoul's appetite for more such agreements with Korea's government and industry competing eagerly to win a greater share of the global nuclear market.

Nonetheless, as the 2102 summit approached, many in South Korea—both politicians and average citizens—found the summit's planned subject matter of only marginal interest. Questions about the wisdom of the summit became more frequent after renewed North Korean saber rattling and the March 2011 accident at Fukushima in neighboring Japan made resolving issues of nuclear proliferation and safety appear far more important. Nor was South Korea alone in this sentiment. Other countries shared similar concerns, believing that the United States had devoted too much attention to the threat of nuclear terrorism at the expense of nuclear nonproliferation, safety and disarmament issues and the peaceful expansion of nuclear energy to developing countries.

THE SEOUL SUMMIT: SUCCESSES AND SETBACKS

Success for Nuclear Security?

Intent on having the summit viewed as a success domestically and internationally, South Korea sought to assuage those domestic and international concerns while ensuring that the commitments from the 2010 summit were met.

To address domestic concerns after Fukushima, Seoul made a big push to focus part of the summit on nuclear safety issues, that is preventing accidental (rather than intentional) radiation releases. Under U.S pressure, it narrowed this aspect of the summit to areas where nuclear safety and security overlap. But to the surprise of both countries, some developing countries challenged even this limited focus on nuclear safety issues. These countries argued that there were other international forums, such as within the International Atomic Energy Agency, where nuclear safety issues could be addressed. Ultimately, a lunch at the summit was dedicated to the subject and the communiqué called for nuclear security and safety measures to be "designed, implemented, and managed in nuclear facilities in a coherent and synergistic manner."⁸

By including language in the communiqué on the interface between and safety and security and urging the securing of spent fuel and nuclear waste, South Korea also sought to address concerns that terrorists might draw some unfortunate lessons from the Fukushima accident and seek to cause similar problems intentionally through sabotage.

Another initiative sought to win support for the summit process from countries that, like South Korea, do not possess highly enriched uranium or separated plutonium. Led by Germany, the initiative focused on enhancing accountability and securing far more numerous and often more vulnerable radiological sources. These sources are used in thousands of civilian applications—such as the cesium chloride that many hospitals use to irradiate blood—and are often in locations that are far more open to the public than nuclear reactors. They are incapable of generating a nuclear explosion that can kill hundreds of thousands of people. But they can be used in “dirty bombs” which use conventional explosives to distribute the radiological materials, contaminating areas and risking cancers and other health effects, and likely generating considerable public panic and economic costs.

Dealing with this threat makes good political and strategic sense, but the summit only made a small dent in the problem. It merely encourages states to ratify relevant international instruments and put relevant guidelines into national practice; establish registers of high-activity radioactive sources; and work cooperatively to maintain control over disused sources and recover lost, missing, or stolen sources.⁹ Given the significant scope and expense of addressing the issue, more concrete commitments are needed. South Korea showed initiative at this area at the summit by signing an agreement with Vietnam to establish a pilot program that would allow that Southeast Asian nation to build something akin to Korea’s renowned radiological tracking system.

Procedurally, the commitment to radioactive sources was elaborated in a new type of international instrument pioneered by the summit, a “gift basket” in which certain states willing to move faster than some other summit members make a collective pledge. Other important gift baskets addressed such issues as information security (i.e., protecting against threats such as cyberattacks), anti-nuclear smuggling (where fourteen states pledged to fund such efforts) and developing new non-HEU based research reactor fuel (South Korea participated in the pledge and made an important technical contribution).¹⁰ And some states continued to make important announcements by themselves, such as Jordan’s establishment of a counter-smuggling team.¹¹

South Korea had also made clear that one of its top priorities for the summit was to ensure that the national commitments made at the 2010 summit were carried out and its diplomats quietly prodded other countries to do so. Seoul was highly successful in this regard. According to an authoritative independent report, about eighty percent of the commitments had been met in the run-up to the summit and only two percent had failed to see any progress whatsoever.¹² Among the more important commitments to be met were the removal of 234 kilograms of highly enriched uranium from Ukraine to Russia and the establishment of a large number of Nuclear Security Training and Support Centers around the globe.¹³

Still, there were setbacks on implementation—even in the United States and South Korea. At the Washington summit, the United States had pledged to accelerate efforts to ratify two key nuclear security treaties, the 2005 amendment to the CPPNM and the International Convention for the Suppression of Nuclear Terrorism (ICSANT). At that time, the treaties themselves had been endorsed by the Senate, but the full Congress still needed to pass legislation implementing the measures in U.S. law before the U.S. could ratify the treaty. Two years later, the situation hadn't changed; indeed, no one in Congress had even introduced the legislation. South Korea had made similar progress by the 2012 summit: the National Assembly had approved the treaties in 2011 but had also not yet passed implementing legislation.

More broadly, South Korea failed to see some of its important goals realized—particularly on efforts to minimize HEU. France had led an effort, supported by the United States, to approve “HEU Management Guidelines,” meant to encourage states to minimize HEU stocks, securely manage any HEU they had, and publicly declare their holdings of the material. But the French proposal ran into opposition from some developing countries (such as South Africa) who preferred to see the issue discussed within the International Atomic Energy Agency, not the summit or other outside process where they hold less sway. Similarly, South Africa beat back calls for it to downblend to LEU the more than 600 kilograms of HEU that it holds.¹⁴ And Russia, which has the largest number of civilian facilities using HEU, dashed hopes that it would commit at the summit to converting some of those facilities to the use of LEU. Indeed Russia, despite its outsize role in nuclear matters, failed to bring a single “house gift” and (along with Canada) was also an obstacle to an effort to set a 2015 deadline to convert all medical isotope production facilities from using HEU to LEU. Instead, the summit had to settle for an important, but lesser pledge by three European countries (Belgium, France, and the Netherlands) to meet that 2015 deadline for conversion.¹⁵

Most importantly, the summit once again failed to make sufficient progress on the core goal of securing all vulnerable fissile materials. Indeed, the administration would have no means of judging whether it was achieved: there are no minimum international legal standards for nuclear security, nor is there any requirement that a country's security be evaluated to ensure that it is meeting the standard. To be sure, summit participants did pledge in the communiqué to “strive to use” what are seen as IAEA baseline guidelines and “reflect them into national practice.”¹⁶ Yet, if the threat of nuclear terrorism is to be reduced—and the nuclear-security-summit process to remain worthy of the attention of world leaders—it must at least make an effort to mandate such rules as a minimum legal standard and part of a broad framework for nuclear security.

The lack of movement in this direction was not the fault of South Korea, but of the United States. Washington was fearful that a more ambitious agenda would be

blocked by resistance from states such as Russia and Pakistan, which are inclined to dismiss the threat of nuclear terrorism, as well as developing countries who fear that new nuclear security instruments would further hinder their nuclear security aspirations,¹⁷ The Obama Administration instead focused on chalking up dozens of small victories. The lack of a broader vision meant that South Korea and other participants were left trying to understand and to explain to their publics why any of these measures mattered. While it would have been too much to ask to have such global rules approved at the Seoul summit, it might have made some initial steps in this direction.¹⁸

In any case, some leaders have called for the next summit in 2014 in the Netherlands to move in this direction. For instance Australian Prime Minister Julia Gillard told the Seoul summit that:

I think we need to establish an accountability framework on nuclear security that builds confidence beyond 2014. In that regard, one thing that we might consider would be regular peer reviews of our domestic nuclear security arrangements that would ensure ongoing transparency and keep each of us, and all of us, on our toes, which is where we should be as we deal with this challenge.¹⁹

Success for Korea's Interests?

While the summit results may have been a mixed success for nuclear security, it was unequivocally a step forward in achieving many of South Korea's national goals. Following on the heels of the 2010 G-20 summit, South Korea showed that it could once again serve as an excellent host for an important global event. By working with the United States, but clearly taking charge of the summit and putting forward its own initiatives, Seoul also showed again that it was an important player in its own right on the global stage. And by holding the meeting in a prosperous, thriving nuclear-weapon-free democracy—soon after North Korea had conducted long-range missile tests—South Korea offered a vivid and politically useful counterpoint to its northern neighbor.

Aside from the political gains from the summit, South Korea also scored indirect economic benefits. The ROK is seeking to build eighty reactors (worth \$400 billion) overseas by 2030 and was able to use the event to advance its commercial prospects in potential overseas markets.²⁰ Shortly after the summit, Korea's state-owned Korea Electric Power Company (KEPCO) announced that it was moving up its timetable for constructing the UAE nuclear reactors in a bid to boost future sales. Many of its potential customers attended the summit including Finland, India, Lithuania, Malaysia, South Africa, Turkey, and Vietnam. Shortly before the summit, Finland invited KEPCO to bid against Japan and France for

the construction of its next plant; during the summit Korean officials met their Turkish counterparts at a time when South Korea was locked in a competition with China and Japan to build a nuclear power plant in Sinop, Turkey.²¹

Those benefits were reinforced by an “industry summit” that nuclear energy leaders held in Seoul the day before the summit. Unlike a similar event in Washington, which served mainly as a platform for CEO chest-thumping, the Seoul industry meeting drafted a joint statement committing companies to take a number of important steps in areas such as HEU minimization, the nuclear safety/nuclear security interface, and information security.²² Seoul then followed this up by providing the visiting executives with a tour of South Korea’s nuclear facilities, another opportunity to boost sales.

2014 AND BEYOND

The next and perhaps final nuclear summit is scheduled for 2014 in the Netherlands. Relevant White House officials have called for transferring responsibility for enhancing international efforts on nuclear security matters to international organizations such as the IAEA, UN Office of Disarmament Affairs, and the Security Council committee implementing a broad series of UN resolution on WMD materials. Other countries are also far from enthusiastic about continuing the summit process.²³

U.S. officials have also derided efforts to impose universal standards for security or require peer inspections as “chasing rainbows,” claiming they would make little headway as compared to the current country-by-country incremental approach. Laura Holgate who led day-to-day summit preparations for the United States said after that summit that she was wary of “the notion of spending time now to actually negotiate new treaties when we can’t even get universalization of the existing treaties. I’d rather spend time with the doers than the ditherers and what the summit has done so far is empower the doers.”²⁴ Holgate instead suggested some lesser efforts that the United States or the nuclear industry could take on its own.

South Korean officials, by contrast, have called for the development of a “long-term vision” on nuclear security at the 2014 Summit and for strengthening the international legal regime on nuclear security significantly, including mandatory legal standards and a process of peer review. According to experts, several different strategies might be used to achieve this goal. One would be to develop a framework agreement embodying such principles among like-minded countries such as South Korea, Australia, and some European states and then seek to get other countries to sign on. Another might be having supplying countries use their leverage to condition any nuclear trade on such standards and peer review mechanisms. A third might be permitting IAEA safeguards inspectors to report back formally to

the IAEA on security-related issues uncovered during inspections.²⁵ In any case, South Korean diplomats have said that they hope that a debate over the ultimate goal of this process, including a specific action plan will be held before 2014 and will result in adoption by the Netherlands summit.²⁶

Relevant Korean officials have also differed from their U.S. counterparts in calling for an examination of different options for the summit process after 2014, including something akin to the U.S. approach, or perhaps less frequent or lower-level (i.e. ministerial) meetings.

Formally, the Dutch will lead the process to decide both these questions, but the ROK and the U.S. are expected to form the other two-thirds of the key decision-making troika. Korean officials also plan to work particularly hard before 2014 on coordinating and advancing efforts to improve nuclear safety and security and to develop technology to improve nuclear security.

CONCLUSION

As the summit recedes into the past, it is likely to leave a residue of good feelings around the globe about South Korea, and particularly its nuclear program. Those positive views may well bolster South Korea's nuclear exports, its role in the global nuclear policymaking and scientific communities, and support for its stance towards North Korea. Nowhere are these gains likely to be larger than in the United States, which is grateful to Seoul for successfully continuing a process begun by President Obama. Particularly if the two sides can narrow their differences over the future of the nuclear security summit process, those positive feelings should continue into the next U.S. and South Korean administrations.

Nonetheless, to what degree Seoul can spend the political capital it has accumulated is another matter. Seoul's business hopes depend on many other factors, most notably questions about the future of nuclear power in a post-Fukushima world both in South Korea—where public support for nuclear power has dropped sharply—and outside the country. Nor will this gratitude translate directly into U.S. acquiescence to Seoul's goal in nuclear cooperation negotiations. The two sides remain at odds over key aspects of how their nuclear cooperation will proceed after their current bilateral cooperation agreement expires in 2014. Seoul continues to press for Washington to grant it advanced consent to recycle (or pyroprocess) spent fuel and to enrich uranium. However, the United States has sought to limit the global spread of these technologies (including to South Korea) as they can be used to produce fissile material for nuclear weapons as well as fuel for nuclear reactors. If Seoul is ultimately to win U.S. support, it is likely to have to continue taking on greater leadership responsibilities in the global nuclear nonproliferation regime as well as resolve particular technical and political concerns about using such technologies.²⁷

In any case, serious negotiations for a new bilateral cooperation agreement are only expected to take place once new administrations are in place in both countries. Depending on the results of the twin 2012 presidential elections, Seoul and Washington may not enjoy the same kind of unusually close relations that they have seen during the Obama and Lee administrations. Their outcome—as well as other steps taken by Seoul and Washington on nuclear security and nuclear nonproliferation—will determine the ultimate significance of the 2012 Seoul Nuclear Security Summit.

ENDNOTES

- ¹ Obama, Barack. April 2009. Remarks. Prague, Czech Republic.
- ² Diehl, Sarah; Paula Humphrey. “The April 2010 Nuclear Security Summit: One More Step Toward the Mountaintop.” *Nuclear Threat Initiative*. 20 April 2010. <http://www.nti.org/analysis/articles/april-2010-nuclear-security-summit/>.
- ³ In addition, both the Seoul and Washington summits chose to steer clear of the more politically sensitive issue of continued accumulation of separated plutonium in the civil sector, largely the result of reprocessing programs in France, Japan, and the United Kingdom. However, President Obama in a speech at Seoul’s Hankuk University during the summit said, “We simply can’t go on accumulating huge amounts of the very material, like separated plutonium, that we’re trying to keep away from terrorists.” <http://www.whitehouse.gov/the-press-office/2012/03/26/remarks-president-obama-hankuk-university>
- ⁴ Pomper, Miles; Meghan Warren. “Progress Since the 2010 Washington Nuclear Security Summit: Successes, Shortcomings, and Options for the Future.” James Martin Center for Nonproliferation Studies, Washington, DC. 16 March 2012. http://cns.miis.edu/stories/pdfs/120316_nuclear_security_summit_pomper_warren.pdf.
- ⁵ This and the following paragraphs discussing the 2010 summit draw from Miles Pomper and Meghan Warren, “Progress Since the 2010 Washington Nuclear Security Summit: Successes, Shortcoming, and Options for the Future,” presented at the Seoul Nuclear Security Symposium March 23, 2012.
- ⁶ Lake Wobegon is a fictional community “where all the women are strong, all the men are good looking and all the children are above average.” The idea originated with radio satirist Garrison Keillor, who subsequently wrote about it in *Lake Wobegon Summer 1956 and Lake Wobegon Days*. More broadly, the Lake Wobegon effect refers to the human tendency to aggrandize oneself and one’s capabilities.
- ⁷ Jun, Bong-Geun. “Road to the 2012 Seoul Nuclear Security Summit.” USKI Working Paper Series. US-Korea Institute at SAIS. Johns Hopkins University. February 2012. (PDF, 22pp).
- ⁸ *Seoul Communique*, March 27, 2012, P. 4, http://www.thenuclearsecuritysummit.org/userfiles/Seoul%20Communique_FINAL.pdf
- ⁹ Seoul Communique, pp 3-4; *Contribution (“Gift basket”) by the Federal Republic of Germany to the Nuclear Security Summit 2012: Security of Radioactive Sources* March 27, 2012. The gift basket document was co-sponsored by Australia, Canada, Czech Republic, Denmark, Finland, Hungary, Indonesia, Italy, Japan, Kazakhstan, Republic of Korea, Malaysia, Morocco, New Zealand, Norway, Philippines, Poland, Singapore, Spain, Sweden, Switzerland, Thailand, and the United Arab Emirates. It is available through the official nuclear security summit website.
- ¹⁰ Belgium, France, Republic of Korea, United States, Joint Statement on Quadrilateral Cooperation on High Density Low Enriched Uranium Fuel, March 27, 2012, <http://>

www.thenuclearsecuritysummit.org/userfiles/High-density%20LEU%20Fuel%20Production.pdf; “Korea, Belgium, France, U.S. agree to develop high-density LEU.” Korea Herald. 27 March 2012. <http://www.koreaherald.com/specialreport/Detail.jsp?newsMLId=20120327000990>.

- ¹¹ Summit Preparatory Secretariat. Highlights of Achievements and Commitments by Participating States as stated in National Progress Reports and National Statements. Seoul 2012 Nuclear Security Summit. March 2012.
- ¹² Michelle Cann, Kelsey Davenport, and Margaret Balza, “The Nuclear Summit: Assessment of National Commitments,” *Arms Control Association and Partnership for Global Security*, March 2012, p.1.
- ¹³ Office of the Press Secretary, “Fact Sheet: Ukraine Highly Enriched Uranium Removal,” The White House, March 27, 2012. <http://www.whitehouse.gov/the-press-office/2012/03/27/fact-sheet-ukraine-highly-enriched-uranium-removal>; Cann, Davenport, and Balza, *The Nuclear Security Summit* p. 1; Algeria, Australia, Canada, et al., *Joint Statement on Nuclear Security Training and Support Centers*, <http://www.thenuclearsecuritysummit.org/userfiles/Nuclear%20Traning%20Center%20Gift%20Basket%20FINAL.pdf>
- ¹⁴ Cann, Davenport, and Balza, *The Nuclear Security Summit*, p.28; Peter Fabricius, “SA Playing Both Sides of the Nuclear Coin” <http://www.iol.co.za/the-star/sa-playing-both-sides-of-the-nuclear-coin-1.126718>, *The Star*, March 30, 2012.
- ¹⁵ Ramstad, Evan. “Smaller Pact Expected at Seoul Nuclear Talks.” *Wall Street Journal*. 26 March 2012. <http://online.wsj.com/article/SB10001424052702303816504577305471158594842.html>.
- ¹⁶ *Seoul Communique*, p. 2. In doing so, summit leaders perpetuated the shortcomings of the two international conventions that they support becoming universal. The 2005 CPPNM amendment lacks the specificity of the IAEA INFCIRC/225 standards while the ICSANT while supportive of these standards does not require them, contrary to the claims of some commentators. Article 8 of the ICSANT reads, “States Parties shall make every effort to adopt appropriate measures to ensure the protection of radioactive material, taking into account relevant recommendations and functions of the International Atomic Energy Agency.”
- ¹⁷ Wyn Q. Bowen, Matthew Cottee, and Christopher Hobbs, “Multilateral Cooperation and the Prevention of Nuclear Terrorism: Pragmatism over Idealism,” *International Affairs* 88: 2, 2012, p 357.
- ¹⁸ Pomper, Miles. “The Seoul Nuclear Summit.” *The National Interest*. 19 April 2012. <http://nationalinterest.org/article/the-seoul-nuclear-summit-6284?page=4>.
- ¹⁹ Australian national statement available through official nuclear security summit website http://www.thenuclearsecuritysummit.org/eng_media/speeches/speeches_list.jsp
- ²⁰ Kane, Chen; Stephanie Lieggi; Miles Pomper. “Going Global: Issues Facing South Korea as an Emerging Nuclear Exporter.” “Tomorrow’s North East Asia.” *Joint US-Korea Academic Studies*, Vol. 21. Korea Economic Institute. 2011. Kane, Chen; Stephanie Lieggi; Miles Pomper. “Time for Leadership: South Korea and Nuclear Nonproliferation.” *Arms Control Today*. March 2011. http://www.armscontrol.org/act/2011_03/SouthKorea.
- ²¹ April Yee, “Abu Dhabi Nuclear Bids Up,” *The National*, April 2, 2012. <http://www.thenational.ae/thenationalconversation/industry-insights/energy/abu-dhabi-nuclear-bid-speeds-up>
- ²² “Joint Statement of the 2012 Seoul Nuclear Industry Summit.” 23 March 2012. http://www.seoulnis.org/upload/data/NIS-ENGLISH-Joint_Statement_of_the_2012Seoul_Nuclear_Industry_Summit.pdf.
- ²³ Laura Holgate remarks at Hudson Institute, Washington DC, April 30, 2012. Interviews with diplomats from summit participants, Vienna, May 2012.

- ²⁴ Douglas Guarino, “U.S. Official Rejects Call For International Nuclear Security Standards,” *Global Security Newswire*, May 1, 2012.
- ²⁵ Jack Boureston and Andrew Semmel, “The IAEA and Nuclear Security: Trends and Prospects,” The Stanley Foundation, December 2010. http://www.stanleyfoundation.org/publications/pab/Boureston_SemmelPAB1210.pdf
- ²⁶ ChoongHee-Hahn, remarks at Hudson Institute, Washington DC, April 30, 2012. Hahn led day-to-day preparations for Korea for the Nuclear Security Summit and served as the summit spokesperson.
- ²⁷ Kane, Chen; Stephanie Lieggi; Miles Pomper. “Time for Leadership: South Korea and Nuclear Nonproliferation.” *Arms Control Today*. March 2011. http://www.armscontrol.org/act/2011_03/SouthKorea.

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