

# The Pyongyang paradox

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Diplomacy is the only way out of the crisis in North Korea

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Pyongyang is trapped in a paradox. The very measures it feels to be essential to the ensuring of its long-term survival are precisely those that are putting it in short-term peril. Kim Jong Un's *Byungjin* line - which gives equal importance to the building of the nuclear deterrent and the development of the economy - is designed to provide the security and space necessary to allow time for the economy to grow. The ultimate intention is to transform North Korea into a variant of Vietnam or China. Yet the nuclear strand of this policy makes the country vulnerable to a 'preventive' strike by Washington and its 'Coalition of the Willing' (which would devastate Northeast Asia, not just North Korea).

The US sees North Korea as an undeveloped communist state in hock to Beijing, led by an irrational playboy with an odd haircut - and thus as a dangerous pariah that is not susceptible to the normal political levers of cause and effect. It would be more accurate, however, to see North Korea as operating in a situation with very limited choices. It is a failed industrial economy rather than one setting out on the road to development, and its ruling regime is desperate to ensure its survival in the face of clear existential threats, with legitimate reasons to distrust the outside world. From Pyongyang's perspective, its actions are the inevitable corollary of this struggle for survival. And here the political stratigraphy of North Korea is revealing: the feudal layer was first overlain by brutal Japanese colonialism (Japan ruled Korea from 1910 to 1945); and then came the careless division imposed by the United States in the aftermath of the second world war. This was followed by an initial

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victory in an internal civil war, which was then hijacked and turned into a surrogate clash of civilisations that ended in stalemate (the Korean war of 1950-53 and its aftermath). All this was then capped by the detritus from the collapse of the Soviet Empire. North Korea's behaviour is less a war cry than a call for help.

Deeply burnt into Pyongyang's psyche is the fate of other leaders and countries targeted by Washington. The problems of Iraq, Libya and Syria could easily be understood as resulting not from their possession of Weapons of Mass Destruction, but from their lack of them. When, in 2003, Libya formally renounced its nuclear programme, a sceptical North Korea rejected the invitation to give up its own nuclear ambitions and join Libya in the embrace of the global community of nations. Not much more than a month before Kim Jong Un took over from his father in 2011, the video of Muammar Gaddafi's murder could be read as the bloody proof of the perils of trust in the 'international community'.

The North Korean leadership believes that regime survival will not be possible without both economic growth and a nuclear umbrella. However, their efforts to achieve this goal are hindered by the entanglement of their economic and military problems. Their economic problems result from the failure of their industrialisation policies, but this is also linked to the military imperative. There is no vast pool of peasant labour awaiting induction into the discipline of the factory. Instead, manpower has been sequestered in Pyongyang's million-men army. But here too there are problems: quantity is no substitute for quality, and North Korea has long been losing the conventional arms race. Despite spending a quarter of its GDP on the military, the North is outspent by the South - which has an economy that is fifty times larger - by a factor of five, year on year. Every time there is a naval clash along the Northern Limit Line (the disputed maritime boundary between North and South), awareness of this disparity is reinforced. The gap becomes even wider when Pyongyang's military budget is set against the combined military spending of Washington, Tokyo and Seoul: it achieves barely two per cent of these countries' total expenditure. Thus developing a nuclear deterrent and a delivery platform is seen as the only option: the hope is that it can ensure the safety of the regime while allowing manpower and resources to be decanted from the army into future industrial development.

Kim Jong Un's policies represent a rapid intensification of the policies of Kim Jong Il. Once his authority was assured (this required, among other things, the execution of his uncle and mentor Jang Song Thaek and the assassination of his

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brother Kim Jong Nam), Kim Jong Un pushed forward with the *Byungjin* policy, which was adopted by the Party early in 2013. Under Kim Jong Il the economy had already slowly begun to open up, and the first nuclear tests had taken place, but Kim Jong Un wanted to go further and faster.

His father had introduced measures of economic liberalisation because of necessity: he had taken most of the industry off 'The Plan' as the country's supply of energy and raw materials dried up. But it was the son who put 'The Plan' to the sword - and the son is motivated by aspiration rather than necessity. He wanted 'socialist enterprise management methods in which all enterprises carry out their management activities independently with initiative'. In 2014 Kim Jong Un introduced the 30 May reforms, which allowed factory managers to set wages, hire and fire, and buy spare parts and raw materials on the market. This was not a complete success: the bottlenecks caused by erratic energy supplies and the lack of raw materials limited the impact of the reforms. Nevertheless, as Russian commentator Andrei Lankov has argued, Kim Jong Un is 'the most pro-market leader North Korea has ever had'.

### Economic changes

North Korea has experienced dramatic economic and social changes since the turn of the century, and this has accelerated under Kim Jong Un. The Public Distribution System, which previously - though increasingly fitfully - fed and clothed the population, is now defunct in Pyongyang, and the capital's inhabitants rely on the market and markets. The most obvious development has been the proliferation of 'kiosk capitalists' that have sprung up on every street corner. Markets are multiplying in Pyongyang, spreading the availability of consumer goods from watches to high-heeled shoes, TVs to smart phones.

In the last six years Pyongyang has seen the construction of 100,000 new apartments - some in seventy-storey tower blocks - as well as a dolphinarium, funfairs, waterparks, and museums of Science and Natural History. After all those old pictures of a dark North Korea at night, Pyongyang is now lit up like a Christmas tree. Last year saw the inauguration of the Taedonggang Beer Festival, alongside the river that shares the name - an event uniquely unconnected with State, Nation or Party. The capital's photogenic traffic officers - women selected for the role because

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of their beauty - would nowadays actually have traffic to direct (had they had not suffered technological redundancy at the hands of traffic lights). There are three million people on North Korea's mobile network. And the selfie-stick has landed.

In 2106 there was four per cent growth, but this was driven by trade rather than manufacture. Enterprise, rather than the Party, is increasingly the ticket to the future, but Party membership remains an added bonus. Amongst the entrepreneurs, the ones that endure are those sheltered under the umbrella of joint ventures with ministries, military units or party sections - trading protection for profit. The kiosk capitalists who were lucky enough a decade ago to get rich, and had the temerity to flaunt their wealth and engage in conspicuous consumption, were punished, brought back into line by December 2009's monetary reform, which rendered their hidden wealth worthless.

The market is producing stark inequalities within the capital. To buy one of the Omega Speedmaster watches on display in the most affluent shops, a middle-ranking bureaucrat would have to spend 200 years' worth of wages, while a pizza in one of the new Italian restaurants would cost the equivalent of a month's salary. Outside of Pyongyang too, in regional hubs such as Wonsan and Hamhung, living standards are also creeping up. Yet a chasm remains. Outside the capital, drinking water does not come through the taps but is bought for small change in 'water shops', constructed with British and European aid, which pipe drinkable water from the mountains. Hungnam, Kimchaek and Chongjin, cities in the 'rustbelt', are hungry - though not starving.

The first wave of reform in the rural areas came in 2002, when targets for delivery to the centre were lowered, and farmers were allowed to keep the surplus after targets were met, for private consumption. Ministers claimed that this was more effective at boosting productivity than fertiliser. The second wave of reforms, the 28 June instructions of 2012, reduced work teams to the size of a family unit (4-6 people), and allowed farmers to retain 30 per cent of their produce. This was a variant of Deng Xiaoping's agricultural reforms of the late 1970s, when he introduced the 'household responsibility system' that effectively de-collectivised agriculture and boosted productivity by 25 per cent over a decade. The industrial and agricultural reforms, taken together, mean that you really don't have to be a weatherman to know which way the wind blows. It is just that there is a lot of interference from sanctions, floods and drought.

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One of the centrepieces of North Korea's search for a successful economic model has been its Special Economic Zones (SEZs). One of the two main SEZs is Rason - an area the size of Singapore, with a population of around 200,000, fenced off from the rest of the country and abutting both China and Russia. Recently Rason had been thriving, but both its main industries - export fish-processing and textiles/clothing processed on commission - have been affected by the latest sanctions regime. The endless ratchetting up of sanctions has increasingly deterred SEZs investors, apart from the most resolute or most proximate. These problems were made all the worse by the plundering of profits by local individuals: the most reliable way of making money has been as a Chinese small trader operating under the radar, and making a 'smash and grab' investment with no concern to build for the future. Now that China is seemingly following the US policy of implementing sanctions, the future is bleak. As for the other main SEZ, Kaesong Industrial Complex, where, for almost a generation, North Korean land and labour were married with South Korean management and capital - it was unilaterally closed in February 2016 by then South Korean President Park Guen-hye. This closure deprived Pyongyang of an annual bounty of \$50 million.

### Nuclear developments

The regime's interest in nuclear weapons is longstanding. Kim Il Sung's initial attention was triggered by what he saw as the Soviet Union's cowardly capitulation to Washington during the Cuban missile crisis. This signalled that the Soviet Union was no longer to be counted on as a reliable security guarantor - and, when it disappeared almost thirty years later, Pyongyang's insecurity and paranoia became even worse.

However, in the early 1980s, before it collapsed, the Soviet Union had supplied Pyongyang with nuclear information and technology, and North Korea had built a 5 MWe Magnox reactor that went critical in 1986. Pioneered by the British, this kind of dual-use reactor was not particularly efficient at producing electrical power: its attraction lay, rather, in its ability to produce weapons-grade plutonium. Under pressure from Moscow, North Korea nevertheless signed the Treaty on the Non-Proliferation of Nuclear Weapons (NPT) in 1992, and consequently thereafter permitted four rounds of inspections by the International Atomic Energy Agency (IAEA). Nevertheless, such cooperation was short-lived: it came to an end once

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the IAEA detected anomalies in North Korea's nuclear accounting. Under threat of pre-emptive action from Washington, Pyongyang invoked Article X, Paragraph 1 of the NPT, which asserted a participating state's 'right to withdraw from the Treaty if it decides that extraordinary events (...) have jeopardised the supreme interests of its country'. It then suspended its withdrawal in exchange for direct talks with the US; and an intervention by former US President Jimmy Carter led to the 1994 Agreed Framework between the US and North Korea. Under the terms of this agreement the Clinton administration agreed to facilitate the construction by 2003 of two 1000MW Light Water Reactors (LWRs), which were energy-producing but proliferation-resistant; and in the interim it agreed to provide 500,000 tonnes of heavy fuel oil per annum. In return, Pyongyang promised to take their Yongbyon reactor out of service and halt construction of two new reactors at Yongbyon and Taechon.

These promises by the US were not to be counted on, however, in terms of either willingness or ability to deliver. The Agreed Framework was largely intended as a way of buying time: after the collapse of the Soviet Union, many in Washington saw North Korea as the last domino in the row. But the domino failed to keel over as scheduled - despite the famine of the late 1990s. By the time of President Bush's inauguration in 2001, the construction of the LWRs was already running almost a decade behind plan. Then, in 2002, Bush named North Korea as part of the 'axis of evil', and in October the same year, US Assistant Secretary of State James Kelly claimed that North Korea had admitted to a secret Highly Enriched Uranium Programme to produce alternative nuclear weapons material. The Agreement collapsed. (Kelly subsequently noted that Congress would have never in any case authorised the dispatch of nuclear technology to North Korea.) A few years later the North Koreans returned to their nuclear programme; for them this was a necessity that had been underlined by the 2003 invasion of Iraq. In the intervening period Beijing had brokered Six Party Talks, in which China, South Korea, the US, Russia and Japan tried to persuade North Korea to give up a more advanced nuclear programme in return for less than had been on offer in 1994. Pyongyang finally walked out of the talks in 2009.

While the talks were still going on, in 2005, North Korea declared itself a nuclear state, and then in 2006 it conducted a partially successful underground nuclear test. Yet in February 2007, it agreed in Beijing to close its main nuclear reactor, in exchange for \$400 million in aid. It did indeed demolish Yongbyon's cooling tower

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on live TV in June the following year, as the US removed North Korea from the 'terror state' list. But the reconciliation didn't last. Talks broke down in December 2008, when Pyongyang refused to allow IAEA inspectors free access to nuclear facilities, and this was compounded by a second nuclear test in May 2009.

After 2009 further attempts to negotiate made no progress, apart from the seemingly farcical 'Leap Day' Agreement of February 2012, when North Korea apparently offered to renounce its missile and nuclear programmes in return for 240,000 tonnes of food aid, only to conduct a third test in February 2013 (this was the first test of the Kim Jong Un era). At this point Pyongyang's problem was that their missile platforms couldn't carry the payload that was needed to deploy a basic nuclear device. But in 2015 they announced that they now had the capability to miniaturise their nuclear weapons. The pace hotted up. A fourth test in January 2016 was claimed to be of a hydrogen bomb, and this was followed by a fifth test in September. Then summer 2017 saw the launch of two Inter-Continental Ballistic Missiles (ICBM), with a threat that they could strike 'the heart of the US'. In September, two Intermediate Range Ballistic Missiles were fired high over Japan, demonstrating a range sufficient to reach US military bases on the island of Guam. A sixth nuclear test followed. This, most observers concluded, was of a hydrogen bomb, with a yield of 250 kilotons, making it fifteen to twenty times more powerful than the Hiroshima bomb.

Pyongyang has thus, over the last twelve months, made major steps forward in terms of missile technology, in particular with respect to ICBMs, and has also made important advances in its nuclear weapons programme. It now has missiles capable - just - of reaching the US mainland, though not Washington. If its claims for successful miniaturisation are true, it may be able to put a nuclear warhead on the tip. However, its re-entry technology remains uncertain, and any missile launched would be a comparatively easy target even for Washington's less than fully reliable missile defence systems, given that the payload is certainly insufficient to allow for the deployment of decoys - let alone Multiple Independent Re-entry Vehicles. North Korea's worst deficiency is its lack of sophisticated guidance systems. There is probably a 50 per cent chance that any of its ICBMs would hit within 80 kilometres of their targets. It currently has the material to construct fifteen to twenty-five nuclear weapons. To put that in context: one Trident submarine can fire 128-196 warheads. There is currently a baleful conspiracy between Pyongyang and Washington: the former is inflating its capabilities, while the latter is stretching them still further.

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## International relations

The United States and the UN have used North Korea's nuclear and missile programmes as a stick with which to beat it; they have not been in any sense 'deterred'. The policy of the Obama years was 'malign neglect'; and Pyongyang was under no illusion that things would get better under Hillary Clinton. As Secretary of State she was a hawk as regards North Korea. But Trump was on another level: within the first nine months of his volatile presidency he had stepped up the rancorous rhetoric to new heights. In his address to the United Nations in September 2017, moving on from earlier threats of 'fire and fury', he threatened to 'totally destroy North Korea', and defined Kim Jung Un as a 'Rocket Man on a suicide mission for himself and for his regime'. The United States is now following a twin-track strategy, preparing both for 'preventive strikes' - even with no imminent threat from North Korea - and for 'regime change', the use of covert action to undermine the regime and encourage a coup and civil unrest.

Pyongyang's relations with Seoul have gone from bad to worse. When South Korea recently returned home a group of North Korean fishermen who had strayed into South Korean waters, they were forced to rely on megaphones to communicate with the North. Under Conservative Lee Myung-bak, elected in 2007, communication between the two sides had been totally cut off. As we have seen, his successor Park Guen-hye closed down the Kaesong Industrial Complex. Current president Moon Jae-in, who took office in May 2017 after Park's impeachment, during his election campaign had promised engagement with the North and the re-opening of Kaesong. But so far he has only been able to deliver symbolic gestures - a joint team for the PyeongChang Winter Olympics, and the better facilitation of family reunions. This is largely because Trump's privileging of US policy over the interests of South Korea leaves Moon with little alternative than to cleave as closely as possible to Trump's line, in order to provide no excuse for abandonment.

North Korea's political relations with China - despite Trump's insistence to the contrary - are toxic. In September Pyongyang turned down a visit by China's Foreign Minister Wang Yi, and senior North Korean officials have even threatened military action against China. Nevertheless, China remains North Korea's only serious trading partner: it runs the Rason Special Economic Zone as a suzerainty, and imports much of North Korea's raw materials. The balance would be heavily weighted in its favour

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in any face-off with Pyongyang, but from China's point of view the collapse of the regime would bring serious consequences: millions of refugees streaming across its border, a hostile united Korea, and the prospect of US troops patrolling the south bank of the Yalu river. China's patience is wearing thin, but as yet it has not found a way of bringing the regime to book.

Japan also would have an important role in any diplomatic solution to the crisis on the peninsula. In the days when serious negotiations were still seen as a way forward, it had been expected that Japan, alongside South Korea, would make a major contribution to the financial aid that was required in order to deliver a settlement with the North. When Tokyo had normalised relations with South Korea, in 1964, it had provided billions of dollars in reparations for its period of colonisation, and a similar payment for the northern half of the peninsula was anticipated. But for many years now, relations with Japan have been coloured by the issue of the seventeen Japanese who were abducted by North Korea between 1977 and 1983: the abductees have been a *cause célèbre* in Japan for the last fifteen years and more. This has helped sustain continuing neoconservative hostility towards any normalisation of relations. A hostile and intransigent North Korea in many ways assists Prime Minister Abe's agenda to amend Article 9 of the Japanese constitution (imposed at the end of the second world war), which constrains the country from the use of armed force in international relations. Abe, re-elected in November 2017, has little interest in seeking a negotiated solution.

New Secretary General Antonio Guterres is keen for the UN to fill the vacuum left by the US and to engage with North Korea, but the latter regards the UN with suspicion, not least because in 2014 the UN Commission of Inquiry found that it had committed 'systematic, widespread, and gross human rights violations'. These findings were undoubtedly accurate, but this judgement, in combination with the ever-increasing layers of Security Council sanctions imposed in response to North Korean nuclear tests, make UN engagement problematic. North Korea sees the UN as being subordinate to US policy - and this also means that it mistrusts any UN position that does not have US backing.

Pyongyang has tried in the past to build a different relationship with the EU. In the early 2000s, *Rodong Sinmun*, the regime's official newspaper, ran a series of editorials identifying the EU as the only hegemonic power capable of challenging the United States. In 2014 Pyongyang offered (and has since continued to offer) to

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re-open the Human Rights Dialogue that was established in 2001 during a EU Troika visit to Pyongyang but suspended in 2003. However, this initiative has not been met with much enthusiasm. EU Foreign Affairs chief Federica Mogherini (of the Italian Democratic Party) has a more nuanced approach, but the Council of Ministers, led by France, the UK and Spain, are constantly proposing further measures to punish North Korea. These have included the banning of oil exports (though none of these have ever actually taken place), the personal sanctioning of Kim Jong Un, and the 'degrading' of diplomatic relations. Meanwhile the recent launch by the BBC of a Korean language radio station to be beamed into North Korea - to join the dozen or so stations already operating - is symptomatic of Tory pretensions. Moreover, the Tory government has also joined the 'Coalition of the Willing' for military action: in 2016 an RAF Typhoon Squadron participated in Operation Invincible military manoeuvres in the region, and the UK has also participated in further multinational operations to practise for war.

### Solutions?

Although North Korea is increasingly isolated politically, and the sanctions regime will gradually erode living standards as the economy starts to shrink, it remains tightly bound by its analysis of the lessons of Iraq, Libya and Syria. It has consequently put its head down and gone for broke, in the hope of completing its nuclear and ICBM programmes as soon as possible. There are four possible outcomes to the current situation.

The first is an American-led series of strikes against North Korea's nuclear and missile sites, with a simultaneous attempt to decapitate the leadership. At best - i.e. if this succeeded in destroying all North Korea's nuclear weapons capability - this would mean the destruction of Seoul and other population centres in South Korea and Japan. North Korea has 14,000 pieces of artillery that are capable of hitting Seoul, and the ensuing war would result in millions of deaths, millions of refugees, and the complete collapse of South Korea. But if such a preventive strike left the North with any nuclear weapons at all, the situation would be far worse.

The second scenario is regime change - covert action by Washington to destabilise the Kim regime, or a 'palace coup' instituted by Beijing, which would replace the current regime with one more receptive to international demands. But replacing Kim

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Jong Un will not be easy. It was the very prospect of such a Chinese-orchestrated coup that led to Kim Jong Nam's assassination earlier this year. And even if Kim were toppled in a court power struggle, there is no guarantee that the resulting regime would be any better. Furthermore, if a coup turned out to be not as quick and clean as envisaged, and led to civil war, there would again be millions of refugees on the march as the economy collapsed. It would make events in Syria look insignificant.

The third option is a total trade embargo, which would include, crucially, the import of oil. The US tried to push such an embargo through the UN Security Council in mid-September 2017, but the Russians and the Chinese insisted that the ban should be partial. The non-oil related sanctions have not worked, however, and even the most draconian measures won't be effective within the timescale required to prevent Pyongyang from completing its nuclear weapons programme and establishing an ICBM capability. This is a country where millions died in the famine in the late 1990s. It won't easily be forced to the negotiating table. It is rumoured to have stockpiled a year's supply of oil. Whether or not this is true, when supplies do reach a critical point, military adventurism is a more likely response than submission.

The least bad option is a negotiated solution, given that the other three all lead to war, albeit on divergent timetables. Here Pyongyang is right to see any solution as dependent on the United States. They have no interest in resurrecting the Six Party Talks as the principal format for negotiations: they want bilateral DPRK-USA talks, possibly concurrent with North-South negotiations, with any multilateral talks consequent upon a road map agreed with Washington. Their aim is a comprehensive settlement, with some of the same kind of political architecture as the Helsinki process of the mid-1970s, which sought détente between the Soviet Union and the West. The Helsinki process moved forwards not by trading tit for tat, but, rather, by making seemingly incommensurable concessions across different spheres, ranging from economic co-operation to human rights and security.

A new Agreed Framework, modelled on the 1994 Agreement that froze Pyongyang's nuclear ambitions for a short decade, or on the 2015 Iran deal, would be one option. This could take the initial form of formal talks underpinned by a freeze on nuclear testing and a moratorium on new long-range missile development, in exchange for the suspension of the Joint Military Exercises by the US and its allies. A second stage would see a freeze on plutonium production, with North

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Korea's reactor shut down as the state re-joined the NPT and opened itself to IAEA inspections. Culmination of this Framework - after fifteen to twenty years - would see the LWRs going on stream, and North Korea dismantling the Yongbyon nuclear plant, thereby inexorably limiting its nuclear capacity. There are, however, many obstacles to such an agreement. When the 1994 agreement was signed, the US had little intention of delivering on its side of the bargain, and the ensuing credibility gap as regards US sincerity will require some serious bridging, including the setting up of international guarantors. A further problem is that Trump is unlikely to be either willing or able to fund the settlement costs, which would run into tens of billions of dollars. After the 1994 agreement, Congress blocked the funding of the promised supplies of heavy fuel oil, leaving the EU to pick up the financial slack. This time around the financial heavy lifting is likely to be supplied by South Korea, China (through an extension of its Belt and Road Initiative), Japan (with all the reservations mentioned above), and the EU - where Merkel has offered to contribute.

As for relationships between North and South Korea, if the North continues its deep embrace of a non-capitalist market economy, the best outcome for Peninsula is likely to be 'two countries - one system'.

While there could be light at the end of an as-yet-to-be-constructed tunnel, there is, at the moment, no tunnel. The recent belligerence on both sides has made early talks inconceivable. And any renegeing by Trump on the deal made with Iran will make negotiation with Pyongyang even more difficult. A pause for reflection would serve both sides well. Under the leadership of Antonio Guterres, it is possible that the UN could indeed play a constructive role here. Under his predecessor, the UN did nothing in terms of finding a solution - and did it badly. The next months may see Pyongyang suffering the fate of Hiroshima or Baghdad. But if it can escape that fate, it could turn out, in the longer term, to become a Beijing or Hanoi, Tirana or Bucharest. The fate of tens of millions hangs in the balance.

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