Continuity through change: North Korea’s second succession

Glyn Ford

New leadership in a number of key countries offers a window of opportunity for North Koreans.

After the death of Kim Jong Il in December 2011, North Korea was called on to orchestrate only the second leadership transition in its sixty-five year history. The previous time, in 1994, the situation had been bleak. The ‘Arduous March’ period was well under way: tens of thousands of people were dying every month from the effects of malnutrition, and the economy was in meltdown, as factories, farms and workshops closed due to the scarcity of a wide range of inputs, including electricity. The government went into limbo as Kim Jong Il spent three years mourning his father - he did not officially take over the reins of power until autumn 1997. This time, with barely a 100-day pause for mourning, Kim Jong Un has become the head of a new collective leadership that appears firmly in control; and this time it’s a leadership that talks. In fifteen years as leader Kim Jong Il uttered only a single sentence in public, while on 15 April 2012 Kim Jong Un gave a carefully crafted twenty-minute speech that was effectively Pyongyang’s ‘State of the Union’ address.

The economic situation is also sharply different this time around. Eighteen years
ago the economy was grinding to a halt, while today in Pyongyang everyday life serves to demonstrate the failure of sanctions. The citizens of Pyongyang have never had it so good. For those with money almost anything is available. Dog carcasses in Tong-Il market and Running Machines in the shops; SUVs on the streets sporting the new number plate of distinction 727 (27 July, the ‘Victory’ in the Fatherland Liberation War); and indigenously assembled DVD-players for watching pirated copies of the latest South Korean soaps and Hollywood movies. One hundred thousand new apartments are under advanced construction in the city - transforming the skyline surveyed by the new twin statues of father and son from Mansudae Hill - as well as theatres, new 15 million-euro funfairs, a waterpark and even a dolphinarium, for which a new seawater pipeline bringing water 60 kilometres from Nampo has been constructed. And Pyongyang’s residents can talk about all of this and more on their almost one million 3G mobile phones, as they chat, text and exchange photos incessantly, while cruising the city in the new fleets of taxis.

This consumerism is of course only part of a much more complex reality, but it offers a very different image from the one that has for so long been assiduously cultivated in the West. And my argument here is that to engage with the complexities of North Korean reality requires both a willingness to talk and a willingness to understand. If Pyongyang is a profoundly objectionable regime, it gets us nowhere to intone that like some kind of Buddhist mantra. Nor will trying to make North Korea and its people look absurd get us any further. Thus what was routinely described as ‘mass hysteria’ after Kim Jong Il’s death could also be seen as an admittedly somewhat upgraded version of Britain’s response to the death of Princess Diana; while the dating of the calendar from the birthday of Kim Il Sung is little different from Japan’s longer-running

*Pyongyang - soldiers enjoying themselves at the Kaesong Youth Funfair, © Marialaura De Angelis.*
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No one is unaware of the deeply problematic nature of the North Korean regime. The Party always was, as in China, the locus of power and the place where key decisions were made. But even the Party’s institutions had become etiolated during the later years of Kim Il Sung and the Kim Jong Il years, given that ‘charismatic’ power had little need for its legitimising function. And it is from the revitalisation of these institutions that the green shoots of change are likely to emerge. Any change in North Korea will be presented, however, in a context of continuity. (And the government itself is still a family affair, with a small group of relations and friends dominating, within which Aunt Kim Kyong Hui is central, as is her husband Jang Song Taek, seen by many as a surrogate Regent.) The third generation ideology is a syncretic mix of Kimilsungism and Kimjongilism. Interestingly the twin pictures of Marx and Lenin that used to adore the facade of the Ministry of Foreign Trade on Kim Il Sung Square have been removed for ‘refurbishment’, but no-one is expecting them back anytime soon. Jang Song Taek has been sent to China to discuss new and old Special Economic Zones, while Kim Yong Nam, North Korea’s formal Head of State, has visited Laos and Vietnam to talk economic reform, and Iran to sign a Cooperation Agreement.
Part of Kim Jong Il’s plan for the transition, the first signs of which emerged in 2008, was to rebuild the Party as a platform for the new leader. Kim Jong Un, too young and inexperienced to be a charismatic leader himself, was to gain his authority by speaking on behalf of the institution of the Party. In the wake of the leadership transition, the new approach will both shore up traditional positions and consolidate public support. There is in all this a clear window of opportunity for improving North Korea’s relations with the outside world. Pieces of the puzzle to unlock one of the world’s longest-lasting conflicts are currently being put in place.

**Industrial and agricultural modernisation**

Kim Jong Un’s anointment as the new leader has been accompanied by a confirmation of the emphasis during the last years of Kim Jong Il on improving agricultural productivity and boosting light industry and the railways, while also creating ‘Juche’ industries: a steel industry that substitutes indigenous anthracite for imported coking coal, a fertilizer industry that uses anthracite as a feedstock, and textile plants that produce North Korea’s unique ‘vinalon’ from limestone.

**Agriculture**

In agriculture there will be continuation of the modernisation efforts began a decade ago, when the 2002 agricultural reforms set new low targets for production, and allowed any surplus to be sold in the emerging markets. As one minister said shortly afterwards, this was better for boosting productivity than fertilizer. Since 2002 productivity has risen and harvests have grown - albeit not to levels at which the country could become self-sufficient, apart from in the best of all possible years. To bridge the gap the DPRK has sought and welcomed a drip-drip of food aid, notably from the World Food Programme and the EU. Such aid has proved of critical importance in avoiding any hint of sliding back into the horrors of the second half of the 1990s, when up to three million people died of starvation, partly because the collapse of the Soviet Union put an end to subsidised fuel and raw material, and partly because of a series of natural catastrophes.

However, though Pyongyang no longer suffers from food shortages, food insecurity and malnutrition is still prevalent in most of the rest of the country. The
World Food Programme estimates that around 16 million North Koreans (two thirds of the population) continue to depend for food on the government’s Public Distribution System. Actual rations delivered are well below the official minimum of 573g of cereals per person per day, and in 2011 were closer to a harrowing 250g - even though the sale of rice on markets has been banned since 2005. Anything over and above the minimum is confined to the limited number of high days and holidays. Even those who manage to obtain the minimum suffer: the relentless monotony of a cereal diet means the body is deprived of the micro-nutrients necessary for health. The consequences for public health are very serious. Using data from North Korea’s all too efficient family household doctor system, UNICEF estimates that one in four women aged 15 to 49 is malnourished, and that stunting affects 32 per cent of children under five, while 19 per cent are underweight and 5 per cent wasting - and regional inequalities worsen the picture in some areas. There has also been a return of malaria (more than 16,000 cases in 2011) and tuberculosis. There is an excellent health service system but it lacks medicines and equipment.

Poor weather in the summer of 2012 has made a bad situation worse in some places. Consequently Pyongyang is already requesting new and further emergency food aid. The 5 per cent level of severely malnourished children in the North and North East of the country would normally trigger a ‘Red Alert’ within the

*Taedonggang Fruit Farm - Run by Ministry of Public Security, © Marialaura De Angelis.*
international community, but whoever said ‘hungry children know no politics’ hadn’t seen the world response to North Korea. The current aid spend per year per child is $9 for North Korea, $200 for Zimbabwe and $2000 for Afghanistan.

According to the FAO, agriculture engages around one third of the active population - much more in May, when extensive swaths of military and civilian labour are drafted in to ensure the rice planting is done on time, and in September when they work on the harvest. It has contributed an estimated 25 per cent to GNP since the early 1990s, despite challenging conditions (limited fertile land, propensity to flooding and drought) and chronic shortages of fertilizer, seeds, farm machinery and equipment as well as fuel. There have recently been efforts to expand arable lands with the reclamation of tidal lands alongside re-alignment of agricultural land, but it was exactly these kinds of areas that were overwhelmed in the mid-1990s by the sea, driven far inland by storms. The construction/reconstruction of two fertilizer production facilities at Hamhung and Nampo has recently been completed, with a total annual capacity of 1,300,000 tons. Once fully functioning and operational these two plants will provide one ton of fertilizer per hectare per year, but they are not yet working at full capacity and in the meantime the country still needs to import fertilizer. Requests for fertilizer delivery as aid in 2012 have so far met with little response.

Meanwhile there have been some attempts to diversify agricultural production in the Pyongyang area - in order to satisfy the capital’s consumers and feed into the export market. The Ministry of Public Security has recently created an enormous apple orchard on former paddy fields, the Taedonggang Combined Fruit Farm, just outside Pyongyang, which will provide the city with fresh and dried fruit, apple juice, cider and possibly apple brandy. The same agricultural complex is also breeding bullfrogs and snapping turtles for the tables of Pyongyang’s gourmet restaurants; while the Pongsu hydroponic farm is producing lettuce and tomatoes, cucumbers and strawberries.

**Industrial policy**

Unlike in agriculture, the industrial reforms of 2003 singularly failed. Means of production are outdated and poorly maintained, and managers are untrained in the working of modern economies. Numerous attempts have been made to shift
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the emphasis towards light industry, but they have nearly all been thwarted by the
inexorable marriage of the military with the coal, steel and cement industries. And
military necessity has also pre-empted investment decisions: around 25 per cent
of GDP annually is accounted for by military spending. This strikingly high share
produces the world’s fifth largest army, with 1.2 million troops in uniform and 7
million in reserve. Yet the strength of the military is only 0.4 per cent of the combined
military might of the US, Japan and South Korea, and Seoul spends more on its
military than Pyongyang’s total GDP. The DPRK is still technically at war with the
world’s largest military superpower, and this means that defence requirements trump
economic development every time. Yet here too there are hints of change. Some seek
to stand accepted wisdom on its head, and argue that a powerful military is founded
upon a strong economy rather than the other way around. Others argue that the
possession of a nuclear deterrent allows a degree of military decommissioning.

The emphasis on building a strong economy is argued by none more fiercely
than by the officials of the Joint Venture and Investment Commission, established
a little over eighteen months ago to take over responsibility for inward investment.
The Commission’s goal is to import technology and business methodology as well as
defining investment policy, to facilitate negotiations between the various branches
of government, and to help foreign companies establish themselves in the country’s
Special Economic Zones. It wants North Korea to step into the global market, and
attract some of China’s erstwhile investors, by establishing joint ventures that can
capitalise on North Korea’s ‘stable’ political environment, lack of class and religious
conflict and low-wage skilled labour force. The question of course is: will anyone
other than the Chinese invest?

To promote and encourage FDI, the DPRK has signed FDI protection agreements
with around thirty countries, and agreements for the prevention of dual taxation
with a dozen. A recent law (MDA2) lays down three possible options for Foreign
Direct Investment: equity joint ventures, contractual joint ventures and exclusively
foreign-owned business, the last of which can only operate inside the Special
Economic Zones. The recent re-emphasis on these zones is likely to be a game
changer.

There are two basic models of Special Economic Zone. In the two zones
established on the border with the South, the model relies on the daily coming
together of North Korean land and labour and South Korean capital and expertise.
In the Kaesong Industrial Complex they work together to service the needs of almost a hundred small and medium sized enterprises devoted to electronic sub-assembly and garment manufacture. In the Kumgang Special Touristic Zone they provide the infrastructure for an extensive tourist development. Both these areas have suffered in recent years from the deterioration in North South relationships.

The second model is that of Raijin-Sonbong, the first Special Economic Zone established in 1994, and this is the one being adopted for the two new sites near Sinuiju on the Chinese border. In this model small ‘territories’ are spun-off to an economic independence, into which the local population are locked, albeit in a privileged existence. These are similar to the ‘charter’ city models of Africa and Latin America. It took a recent group of VIP visitors nearly thirty minutes and their passports to cross the ‘border’ into Raijin-Sonbong (now relabelled Rason, and covering a territory the same size as Singapore).

Outside of the Special Economic Zones, mining is the most important sector. North Korea has potentially enough coal for all its requirements, but many of the mines are desperately rundown and in need of renovation. A key problem is the coal mix: there is an absence of coking coal for steel production; and the jury is still out on the innovative ventures in substituting anthracite mentioned above. Other opportunities are available in phosphate mining, and in the all-important ‘rare earths’ minerals (minerals that are needed in the manufacture of mobile phones, electric cars and other high-tech goods). There has been massive Chinese investment in this sector, but little, if any, from elsewhere.

The energy problem

Energy supply is a serious problem for the North Korean economy. Outside of Pyongyang and a limited number of privileged industrial sites, electricity is limited to three or four hours a day. North Korea’s electricity supply, mainly based on coal and hydropower, is likely to remain woefully insufficient to meet demand in the foreseeable future. For example further investment would be necessary to enable the production of better quality coal (especially anthracite).

Efforts are continuing for the provision of small scale locally produced sources of power, but what Pyongyang really wants and needs are indigenous sources of power that are both high quality and reliable. In 1994 there was an agreement for the US to
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arrange for the eventual provision of two proliferation-resistant Light Water Reactors, and the interim provision of 500,000 tonnes of Heavy Fuel Oil, in exchange for Pyongyang freezing its civil nuclear programme. But ultimately this agreement came to nothing. The North's current uranium enrichment programme would offer a way of providing the engineered fuel required for an LWR indigenously. But the problem is, as in Iran, that the enrichment process can be continued to the start of the path that leads through Highly Enriched Uranium (HEU) to uranium-based nuclear weapons. Pyongyang has also been keen to emphasise its efforts to boost power production from renewable energy sources. A hydropower station with a capacity of 300,000 kW has recently been completed in Huichon, and the Foreign Trade Ministry boasts of encouraging solar and wind, geothermal and hydropower. But this doesn’t start to fill the energy gap, especially if economic modernisation becomes a reality. This leaves the option of a massively enhanced coal production from rehabilitated mines - an option that would not suit those with an environmental bent; or a possible tidal barrage scheme - for which the North has enormous potential resources. The latter would be both conventional and renewable, and would keep both the climate change community and the non-proliferators happy.

But coal is currently the main energy source in DPRK and this is unlikely to change in the near future. (And coalmining has been flagged as a priority sector by the Kim Jong Un.) Though the quality of domestic coal is not that high, it accounts for almost 90 per cent of the fuel for industry, 45 per cent of energy for power generation and 80 per cent of the energy for household usage. Pyongyang's potential indigenous resources of oil and gas are hard to estimate, although there is promising hydrocarbon geology offshore, particularly in the Yellow Sea. However all attempts to seriously explore off the west coast have been frustrated by Chinese interference. One spill-over of this internationally little talked about maritime boundary dispute was the arrest in May 2012 of 28 Chinese sailors, and the seizure of three boats by the DPRK Authorities. (They were all eventually released.)

North Korea has to meet virtually all its oil demand - about 6 per cent of its total primary energy consumption, mostly limited to non-substitutable uses such as motor gasoline, diesel, and jet fuel - through imports. North Korean oil supply would therefore be greatly aided by a recent Gazprom proposal to build a gas pipeline across the country to supply up to 10bcm of natural gas annually to South Korea - and ultimately Japan. This proposal would allow the North to
bleed a percentage off for its own use in exchange for transit rights. Overall the project would benefit the two Koreas as well as Russia. But the intergovernmental agreements to back the Memorandum of Understanding signed by the North Korean Ministry of Oil and Gazprom in September 2011 have so far failed to materialise. And with Pyongyang’s finger on the pump switch there would need to be some serious guarantees from the North Koreans regarding security of supply, though these problems could be mitigated by the reverse supply of power from new nuclear plants in the South close to the DMZ, which even in the current climate might be buildable.

In the face of all these problems - insufficient investment in domestic energy sources, nuclear power generation being politically explosive, and severe restrictions on hydrocarbons imports - electricity and fuel shortages will continue to hinder the DPRK’s economic development.

Foreign and security policy

Currently, DPRK sees nuclear deterrence as a sine qua non condition for the protection of its national sovereignty. And the Libyan experience means there is little current chance of the North surrendering its remaining nuclear weapons. But there is a possibility that might give up its capacity to make more.

If the privileging of Pyongyang was intended to bolster the new leadership in the civilian sector, the strengthening of military support was sought through its recent satellite launch. Unfortunately for Kim Jong Un, the launch all too publically failed, and Pyongyang almost certainly doesn't have the capacity to try again until 2014 or 2015. There is also growing suspicion of US sabotage, as with Iran. For Pyongyang there are double standards in the international condemnation of this launch: few have questioned Japan and South Korea's Space Programme or India's recent testing of long range missiles. And the US-Japanese deployment of Theatre Missile Defence technologies is seen by Pyongyang as an attempt to give the US a pre-emptive first-strike capability against the North. In the last days of the Clinton Presidency Pyongyang offered to negotiate away their programme in exchange for other help, but to return to the status quo ante would require some serious security guarantees.

Unfortunately, the North's only alternative in demonstrating its military virility is with a third nuclear test. They've had time since the last test to make the necessary
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technical preparation, and the US’s stubborn refusal to recognise them as a nuclear power gives them a massive incentive. After all, a first fully successful test (the first two tests were fizzes rather than ‘bangs’, although the second was a marked improvement on the first) would give them so much more to bargain away in the future. If that is going to happen it’s likely to be quite soon, in order to get it out of the way before a potential window of opportunity for negotiation opens up in late spring/ early summer 2013, with a new President in Seoul and a new or re-elected last-term President in Washington and even a new leadership in Beijing. (The assumption is that for a second-term President Obama the electoral shackles would be off, and even Romney, with his hands full with Iran, could be open to offers.)

Recent clashes with Seoul have arisen through brinkmanship on both sides and a disputed maritime border. While the North would probably settle for a boundary based on UN Law of the Sea criteria, which would give it some but not all of the disputed waters, this issue is likely to be fully resolved only as part of a comprehensive settlement. In the meantime both sides have a fast track to confrontation. As for the longstanding issue of the Japanese abductees, the North might well live with a joint commission to investigate a final and definitive list of cases under an Independent Chair. However, despite recent positive talks on the issue not everyone in Tokyo wants a settlement, as the ongoing dispute favours those looking for an excuse to remove Article 9, the ‘Peace’ clause, from the 1947 Constitution; while the military-industrial complex is due to benefit from the tens of billions dollar contracts for Theatre Missile Defence technology.

China is the North’s best friend, but the field is very small. And one should not underestimate the degree of mistrust on both sides. China may have more influence on North Korea than anyone else, but it’s precious little. From a Chinese perspective, its economic relations with Seoul dwarf Pyongyang’s every time. The DPRK is very much more a political problem than an economic opportunity. Elsewhere in the world an EU-DPRK Human Rights Dialogue was established after the EU Troika visit in 2002, but this was suspended when in 2004/5 the EU sponsored - with Japan - a critical Human Rights resolution at the UN. Now might be a good opportunity to restore the Dialogue.

In its search for a peace settlement after sixty years of division, the DPRK makes no secret of its profound dislike of current South Korean President Lee Myung-bak. The DPRK saw Lee’s election in 2008 as leading to the effective abrogation of the
agreement on reunification set out in the 15 June 2000 declaration, in which both sides envisaged an eventual form of some kind of federation that would allow for the two political systems and ideologies to coexist. Lee Myung-Bak's support for reunifying the peninsula under liberal democracy was seen as a call for 'reunification by absorption'. Relations were subsequently too badly damaged to be seriously re-established under his presidency. South Korea's failure to send condolences on Kim Jong Il's death and Lee Myung-bak's talk of the need to redeploy US tactical nuclear weapons in South Korea (something the US army is reluctant to do) were the final nails in the coffin of reconciliation.

But President Lee's term of office will end in February 2013, and though the leading candidate to become the next President is Lee's fellow Saenuri Party leader Park Gun-hae, daughter of former South Korean President Park Chung-hee, she does not have the same history of confrontation. And a new right-wing President in what has been since the April 2012 elections a fairly evenly divided National Assembly would be better placed to reprise Nixon in China than a Progressive elected on what would be likely to be a minority vote.

Kim Jong Un's 15 April speech reaffirmed the DPRK's commitment to reunification 'by our nation itself', but for now this is a longer-term objective. North Korea is desperately keen to avoid repeating the German reunification experience, and sees a loose federation as allowing for the two Koreas to continue along their own paths of development.

With Lee Myung-bak's departure, a 'new' Obama (or Romney), and their own New Leader, at some point in 2013 there might just be a window of opportunity that Pyongyang can utilise to its and everyone else's advantage. And here there may be some role for the EU to play - on economic modernisation, energy policy, foreign and security policy as well as reunification (and one that goes beyond picking up a disproportionate share of the bill). North Korea clearly perceives Europe to be a separate actor from the US, with the potential to play its part in a multi-polar world, as a bridge or a catalyst. It is therefore vital that the EU defines the policy it wants to apply towards Pyongyang - and unless it does so, Washington is likely to milk us again as its most convenient 'cash cow'. The clock is ticking.

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Notes


2. ‘Energy scenarios for the DPRK’, p65.