

Diplomatic scramble by Japan, US to open up North Korea

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Over the last four months, there has been a flurry of diplomatic activity aimed at lifting trade embargoes and opening up the isolated and economically crippled state of North Korea to foreign investment and international trade. The latest initiative has been a series of meetings between Japanese and North Korean Red Cross representatives and government observers from December 19 to 21 in Beijing.

The Red Cross delegations reached agreement on three contentious issues: Japanese women living with Korean husbands in North Korea will be able visit Japan next year; Japan will investigate the fate of North Koreans who went missing during World War II when Korea was under Japanese rule; and the North Korean Red Cross will inquire into missing Japanese citizens allegedly kidnapped by North Korea in the 1970s and 1980s.

The talks were prepared by a visit to Pyongyang earlier this month by 16 Japanese politicians, led by former prime minister Tomiichi Murayama. Their success paves the way for government-level talks on the re-establishment of diplomatic relations between the two countries, due to be held next year. The last official talks between Japan and North Korea, held in 1992, broke down over the kidnapping allegations. In August 1998, Japan cut off all food aid and financial assistance to North Korea after Pyongyang test-fired a medium-range missile over Japanese airspace.

On December 15, just prior to the Japan-North Korea talks, new contractual terms were signed between the North Korean government, the Korean Peninsula Energy Development Organisation (KEDO) and the Korea Electric Power Corporation for the construction of two light-water nuclear reactors in North Korea.

KEDO, made up of the US, Japan, South Korea and nine other countries, was established in 1994 to oversee the dismantling of North Korea's graphite-moderated nuclear power plants which the US alleged could have military application. Under the "Agreed Framework," KEDO was to replace the graphite reactors and the US was to supply heavy fuel oil to North Korea in the interim. Continuing tensions, particularly fostered by the US, prevented both the reactor construction and fuel deliveries. Then in August 1998, Japan withdrew its share of the reactor funding.

Under the terms of the new contract, South Korea, Japan, the US and the European Union will pay the \$US4.6 billion cost of the two reactors, with South Korea footing 70 percent of the bill. The construction is underway but the completion schedule is still under debate, with North Korea insisting it be by 2003 and KEDO nominating 2009. The North has agreed to conform to the strictures of the 1994 agreement that it cease nuclear power research and development.

Japan's renewed diplomatic activity comes in the wake of a deal announced on September 13 between the United States and North Korea. After extracting an agreement from the Pyongyang regime to suspend scheduled testing of a new long-range missile, the Taepong II, the Clinton administration lifted restrictions on US trade, investment and commercial air and shipping links with North Korea that have been in place since the

Korean War. The US has, however, retained a veto on international loans to North Korea and bans on the export of "dual-use" goods and technology—an extensive range of items deemed to have a military application.

The US-North Korea agreement was quickly followed by expressions of business interest. Within weeks, the American Chamber of Commerce (ACC) announced it was preparing a trade mission to North Korea to inspect investment opportunities. The ACC has already held preliminary meetings with South Korean transnational Hyundai, which has significant investment in North Korea. The mission is scheduled to go next month and reportedly involves Motorola, Coca-Cola, AT&T and the giant investment broker Goldman Sachs among others. Charles Kartman, the US special envoy on Korean affairs, indicated on December 15 that further talks between the US and North Korea are likely to take place early next year, with the North requesting the total lifting of sanctions.

Other countries have responded to the thawing of US-North Korean relations and the opening up of business opportunities. In November, North Korean diplomats held high level talks with representatives of the EU in Brussels. Matters discussed included economic assistance, human rights and "other issues of bilateral concern". The EU has dispatched a delegation to verify its \$US30 million in food assistance is reaching needy North Koreans. Upon receiving a report, European governments will discuss a further expansion in ties.

On December 7, it was confirmed that Australia and North Korea have been engaged in talks over preceding weeks. Further negotiations will be held in Pyongyang next year aimed at restoring diplomatic relations broken off between the two countries in 1975. There is little doubt that further business delegations to North Korea will also be prepared in Tokyo, Hong Kong, Sydney and European capitals.

The diplomatic activity stands in stark contrast to the tense situation only four months ago, when Washington and Tokyo were issuing thinly-veiled threats of economic and even military retaliation against North Korea over its planned missile tests. The Clinton administration claimed that North Korea's long-range missile program endangered Japan and the West Coast of the United States.

The alleged threat from North Korea has been the central justification for the Theatre Missile Defense (TMD) system now being developed between the US and Japan. Theoretically, the TMD would enable North Korea missiles to be shot down before reaching their target. The current Taiwanese government has requested, in the face of bitter opposition from China, that the system be extended to cover Taiwan.

South Korean president Kim Dae-jung asserted in September that North Korea's backdown on missile testing was in large part due to the pressure from Beijing. From China's standpoint, the ending of tensions on the Korean peninsula has assumed considerable importance. Moves towards normalising relations with North Korea undermine the rationale for the TMD, which Beijing believes is primarily directed against it.

More broadly, China's interests on the Korean peninsula have changed

as a result of the development of steadily growing economic and political ties with South Korea since 1992. The two countries are now each other's third largest trading partner, have begun military exchanges and, at the recent ASEAN summit, announced informal plans for discussions on an East Asia economic zone centred on Japan. The economic and even political reunification of Korea is no longer viewed in Beijing as a great threat. It would remove the major justification for the presence of tens of thousands of US troops in South Korea and Japan and would strengthen the position of political figures in both countries arguing for their removal.

The over-riding factor behind North Korea's willingness to bow to the demands of the major powers is the catastrophic state of economic and social conditions in the country. A December 20 report by the North Korean Central News Agency provided a sanitised glimpse:

"Years of abnormal climatic conditions in Korea have seriously affected its national economy as a whole. In particular, the agricultural domain has suffered from serious damage, which makes the food problem difficult. From the beginning of the year, all the people and the entire army have been mobilised for farming to settle the food problem. However, the country was hard hit by drought from January to May, heat and cold weather in June and July and downpour and typhoon in late July and early August, which seriously affected the growth of crops... all domains of agriculture failed to reap estimated yields of crops as a whole.

"Natural disasters have hindered production and construction in different sectors of the national economy. This year large hydraulic power stations and hundreds of minor hydraulic power stations could not keep electricity production going as the country had little rain. Consequently, the supply of electricity is not properly made for production, construction and people's living. Thermal power plants are not operating their generators at full capacity owing to the shortage of coal. Abnormal climatic conditions are seriously affecting mines, forestry, railway transport, land and environment protection and other domains."

In other words, North Korea cannot provide sufficient food, electricity, water, heat or employment for the majority of its people. Through their economic sanctions, denial of assistance and military pressure, the major powers, in particular the United States, have literally starved North Korea into submission. Estimates of how many people have died of hunger range from several hundred thousand to two million.

On November 22, the United Nations announced that it would increase assistance to North Korea by 13.5 percent in 2000, providing \$US331 million in food aid and financial assistance for water, sanitation and education programs. The country has been totally reliant upon outside aid to feed its population for nearly three years.

The political consequences of North Korea's economic calamity were spelt out by Yang Young-shik, the South Korean Vice-minister of Unification, in a guest column to the *Korea Herald* on October 7: "According to our assessment, the North Korean regime has already become defunct and it cannot hope for revitalisation without implementing changes. Therefore, it is unlikely that the regime will survive for very long".

On November 27, the *Korea Herald* published a report concerning an underground organisation of North Korean intellectuals seeking the end of the Stalinist state, including the appeals it had issued for the population to rise up against the regime. Whether true or not, there is little question that the appalling conditions in the North have fueled wide social discontent. As in the case of Eastern Europe a decade ago, the Pyongyang regime is turning to the West for aid and corporate investment in a bid to save itself from a movement from below.

South Korean corporations have wasted no time exploiting the new opportunities. Hyundai, which holds a 30-year monopoly on operating cruise ships to the North Korean Mt. Kumgang Changjon port, revealed plans in November to dramatically develop the scenic mountainous area as a premier East Asian tourist resort. With a stated aim of drawing

500,000 visitors a year, Hyundai will be constructing a 183-room floating hotel at Changjon, railway links to surrounding attractions and further hotels and tourist facilities in a large area around Mt. Kumgang. Direct cruises are to be opened from Changjon to Japanese ports.

A series of other investments have been announced by major South Korean companies, aimed at preparing the way for the wholesale transfer of production facilities. North Korean wages are among the lowest in Asia and the North Korean regime has made clear its willingness to establish regimented conditions comparable to China's special economic zones.

Hyundai is pushing ahead with plans to construct an industrial complex in North Korea, capable of housing 850 factories and 220,000 workers. The corporation aims at relocating labour-intensive auto assembly, electronics production and ship dismantling by early 2001 and attracting other transnationals to do the same. It will also construct a smaller industrial park close to the Korean border with China and Russia. On November 27, Samsung announced plans to construct an industrial park and an agreement to begin joint venture manufacturing of televisions and other electrical goods in North Korea. Daewoo, which already operates textile plants, is also weighing up the expansion of its operations.

Far from defusing tensions on the Korean peninsula, the rush to open up North Korea is likely to intensify frictions between the major powers seeking economic and political pre-eminence in north-east Asia. Throughout the century, Korea's significance has not only been its economic resources but its strategic position close to Japan, northern China and Siberia. Within Washington there is no consensus as to the best means of prosecuting US interests within the region, with sections of the Republican right demanding a far more aggressive policy to both North Korea and China.

Despite the limited character of the US-North Korea deal in September, Jesse Helms, the Republican chairman of the Senate Foreign Relations Committee, denounced the White House for becoming "a benefactor of the most repressive communist government on the planet". Helms and others advocate the cutting of all aid to North Korea and a provocative military buildup aimed at bringing about the complete economic and political collapse of the country.



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