



POLICY PAPER

No. 1 (84), January 2014 © PISM

Editors: Marcin Zaborowski (Editor-in-Chief) • Maya Rostowska (Managing Editor)
Jarosław Ćwiek-Karpowicz • Artur Gradziuk • Piotr Kościński
Roderick Parkes • Marcin Terlikowski

Insanity or Part of a Plan? Prospects for Changes to North Korean Domestic and Foreign Policy

Nicolas Levi¹

Ever since previous North Korean leader Kim Jong-il passed away in December 2011, concerns about the new North Korean regime have been growing. Although the international community has worried mainly about the country's foreign policy, especially nuclear and missile threats, recent news about a purge in the North Korean leadership has brought to the fore the question of the regime's internal stability. Kim Jong-un has been steadily building a new system of governance, giving more power to the Korean Workers' Party apparatus at the expense of the armed forces. He has also shown interest in boosting North Korea's economy. In foreign and security policy, however, in the short term, North Korea is likely to continue on its previous uncompromising course.

For the North Korean leadership, which above all is interested in keeping its privileges and avoiding any kind of instability within the Korean Peninsula, political and economic issues are at the top of the agenda. This overarching goal is clearly discernible in the changes that have taken place in North Korea since the rise of Kim Jong-un in September 2010, in particular in the process of building the mechanisms for guaranteeing the perpetuation of the political system in North Korea.

The country has probably begun an era of building a new kind of governance mechanism that is managed jointly by Kim Jong-un and his advisors. This new trend has been manifesting itself through the activities of the institutions playing pivotal roles in establishing, cementing and formatting domestic and foreign policy of the DPRK (Democratic People's Republic of Korea). Some North Korea watchers assert that military institutions will naturally play a central role in building a strong country and will be promoted by the new North Korean leader. Yet, the military institutions are now partially under the control of the civilian officials. The command centres of the North Korean regime are now many, including some of the departments of the Korean Workers' Party Central Committee (KWP CC), the Central Military Commission (CMC) of the KWP, the Korean People's Army (KPA), the personal secretariat of Kim Jong-un and other organisations directly attached to these four. The reorganisation of the political system has to be seen in the context of the goals set up by the North Korean government within the *Kangsong Taeguk* ("a strong and prosperous country") policy. The recent ousting and execution of Jang Sung Thaek, Kim

¹ Nicolas Levi is an assistant professor at the Polish Academy of Sciences and a researcher with the Poland-Asia Research Center. The author of a number of books and analyses on North Korea, he has focused his research on the North Korean leadership and related economic issues, and travels frequently to the Korean Peninsula.

Jong-un's powerful uncle, may complicate readings of North Korean policymaking, but most probably will not change the general policy direction of the DPRK.

Change of Power within the North Korean System

It can be noted that Kim Jong-un, especially since the death of his father, has been emphasising the role of the Korean Workers' Party (KWP), not only regarding internal matters but also regarding external ones. Before the nomination of Kim Jong-un, the military was a crucial tool for overcoming internal difficulties. North Korea first faced a political and economic crisis in the 1990s, when the Cold War structures were dismantled and the DPRK suffered from global isolation. Regime change and implosion in some of its key allies (such as the Soviet Union and other communist bloc countries) meant that North Korea could no longer rely on its traditional partners, including in the military field. This situation drove North Korea into a strategy that put an emphasis on survival rather than the promotion of unification or cooperation with South Korea. Since then, the DPRK seems to be successful mostly in threatening the peace within the Korean Peninsula and East Asia, which underlines the role of the military.

The "military-first" policy, first promulgated by Kim Jong-il in a speech made in November 1996, is still at the centre of internal policy of the DPRK.² However, due to a better internal situation (improvement of the economic situation, increased exports), the role of the KPA could be decreased over the last few years. Since the mid-1990s, the military units had been committed to the management of various economic entities (cooperative farms, construction of public infrastructure, guarding of crops), but these activities seem to be in decline as party officials take control over the army. For example, Pak Pong-ju, the current prime minister of the DPRK, was the factory manager of the February 8 Vinylon Factory Complex in Hungnam, an entity managed by the KPA until the 1990s but which was later taken over by the civilian authorities.

It is also noteworthy that the DPRK is no longer conducting activities to propagate the military-first policy on the domestic scene. The regime's propagandists are still promulgating claim that the KPA is the strongest army in the world, but now they emphasise that the KPA is *the Army of the Party*. This means that the army is subordinated to the KWP. In fact, the military policy of the DPRK is now under the control of civilian officials such as Kim Kyong-ok (deputy director of the KWP Organisation and Guidance Department), Pak To-chun (member of the KWP National Defence Commission) and Ju Kyu-jang (member of the KWP National Defence Commission and director of the Machine-Building Industry Department). A strong party organisation within the KPA is the Second Economy Committee (a kind of KPA ministry for economic matters) managed by Paek Sae-bong. The military-first policy is then managed by civilian officials.

The decreasing role of the KPA should be also put in parallel with the creation of new special economic zones,³ the development of tourist projects and the rise in contacts with foreign partners.

The decrease of the role of the military should not be overestimated. The DPRK is still placing high importance on the strengthening of its military. Since coming to power, Kim Jong-un has been frequently seen engaging in official functions related to military affairs. He has been regularly visiting military units or installations erected by the soldiers. In fact, military-related activities were top among Kim's public appearances during the first half of 2013.⁴

Party Organisation

The institution that plays the most important role in developing the internal policy of North Korea is sure to be the KWP Central Committee. Three offices are particularly important: the Organisation and Guidance Department, the Administration Department and the Propaganda and Agitation Department.

² Ko S., "The Fundamental Characteristic of Great Leader Kim Jong-il's Military-First Politics," in: *A Study of Philosophy*, no. 1, Pyongyang, Science and Encyclopedia Press Group, 1999, p. 17.

³ "North Korea Plans to Expand Special Economic Zones," *Huffington Post*, 16 October 2013.

⁴ C. Melvin, "Kim Jong-un's Activities for the First Half of 2013," *North Korean Economy Watch*, 5 July 2013, nkeconwatch.com.

The most important organisation within the KWP is the Organisation and Guidance Department, is arguably the most important player in the Central Committee. This section of the KWP is responsible for supervising party affairs and the internal policy of North Korea. It may be associated with the personal secretariat of Kim Jong-un, a structure composed of advisors to Kim Jong-un who decide the future policies of North Korea.

Regarding the Administration Department, this organisation was managed by Jang Sung Thaek, the uncle of Kim Jong-un, from 2007 until his 2013 purge. It is responsible for the appointment of new party leaders and for the development of cities. This entity is also managing some companies subordinate to the NDC (National Defence Commission). Finally, the Propaganda and Agitation Department is an organ tasked with ideological matters. It is the guardian of the North Korean system in terms of ideological purity, and is managed by Kim Ki-nam and Choe Ik-kyu, advisors of the Kim family.

The recent rise of non-military figures has led North Korea watchers harbour the view that the country's military is under the control of the party and is no longer top of the structure of power. Important details serve as confirmation of this new hierarchy. Up until the mid-2000s, the North Korean VIPs seated on the main platform during public events had been listed in the order of the importance of their functions in the military structures of the DPRK, and not their membership in various party organisations. Since the late 2000s, however, VIP names have been quoted according to a new classification, starting with the members of the Central Military Commission (an organisation subordinated to the KWP), followed by the deputy premiers (heads of departments in the KWP CC), and only afterwards listing the officials of the KPA.

Consequences for Some Aspects of DPRK Economic Policy

When Kim Jong-un assumed power, the characteristics of North Korea's economic strategy showed the desire to restore its traditional economic model, characterised by a strong role for the party within economic entities. According to financial data, the North Korean economy began to recover in 1999 after a huge slump in the 1990s.⁵ Its foreign trade has also dramatically increased. North Korean trade, which totalled \$2.4 billion in 2000, reached \$5.6 billion in 2008. Inter-Korean trade jumped, respectively, from \$425 million to \$1.8 billion in 2008. The increase in exports of natural raw materials contributed to the improvement of the country's economic situation.

The increased role of civilians in the economic management of the DPRK may have an influence on the choice of investment and trade partners. Since 2000, China has been rapidly investing in the DPRK. The Chinese government has been very active in encouraging its enterprises to engage in various forms of cooperation with North Korea. The Chinese presence increased when North Korea took radical measures to improve its economy in 2002, establishing a stricter accounting plan for its companies and shifting to a profit model, which allows companies to keep part of their profit. The development of mining in North Korea also constituted an opportunity for Chinese companies, as Chinese investors are especially interested in the development of mineral resources. Chinese investments include joint ventures focused on the distribution of agribusiness products and fisheries activities. The internal market of basic goods is also dominated by Chinese products. Notably, Pyongyang First Department Store, the biggest shop in the capital, is also co-managed by North Korea and China. As North Korea still lacks foreign currencies, most of the deals between both countries are conducted under the form of barter or joint ventures. In addition to the business relationship, the official aid from China to North Korea is close to \$10 million.⁶ China is also helping North Korea by providing food (grain) and raw materials unavailable in North Korea.

The leadership realises that North Korea's reliance on China will be affected by its relations with other countries. Despite the centrality of its relationship with Beijing, North Korea is now pursuing an active policy of opening with countries that are competitors to China, such as Malaysia, Singapore, and selected European states. For these countries, the nuclear question is not decisive in affecting their relations with

⁵ Kim J., "Prospects for North Korea's Turning a *Kangsong Taeguk*: Focusing on Negotiations between North Korea and the United States," *Vantage Point*, vol. 33, no. 6, June 2010, p. 49.

⁶ Choi S., "Prospects for North Korea's Economic Reliance on China," *Vantage Point*, vol. 33, no. 2, February 2010, p. 50.

North Korea. In the context of the DPRK's search for other partners, a potential dispute between North Korea and China may emerge in the future. A decrease in trade between the DPRK and China in the next few years may indicate a willingness to change the economic relationship between China and North Korea. China has already recognised the new dynamics and is currently trying to focus its projects in the north-eastern part of the country, giving priority to the construction of infrastructure in the border area between the two states.

The main goal of the Chinese strategy now is to take over the strategic assets of the North Korean economy. With this in mind, the KWP leadership wants first of all to increase domestic control over the energy sector (e.g., the mines of Anju, the Vinylon complex), as well as machine-building and metallurgical plants. In addition, the leaders of the KWP realise that the wide presence of Chinese capital in the North Korean economy may result in a loss of political control over the state. Therefore, Kim Jong-un and his advisors want to reduce their dependence on China by diversifying the DPRK's pool of business partners, for example, through the establishment of 14 new, special economic zones open to foreigners.⁷

The increased presence of civilian officials in the economic structures of the DPRK can serve the purpose of attracting more foreign investment to North Korea, as foreign investors may be more willing to rely on civilian officials than on the military. The profile of investments in the country may also change as a result of the de-militarisation of the economy. For example, North Korea is developing various tourist projects similar to those initiated by South Korea for visitors to the North.⁸ As of today, North Korea has shown progress in developing its tourist infrastructure: major projects were launched, such as the erection of the Masik complex dedicated to winter sports.⁹ North Korea is also promoting an international golf tournament.¹⁰

The execution of Jang Sung Thaek may affect the fate of the industrial park in the border town of Kaesong. This industrial complex launched activities in 2004. In total, 116 South Korean companies were operating in the zone, employing more than 40,000 North Koreans. Seoul hopes to continue the operations in Kaesong. However, due to the fact that this zone was under the control of Jang Sung Thaek's relatives, it may be under threat.

Consequences on the Foreign Policy of the DPRK

North Korea set 2012 as a key year in order to become *Kangsong Taeguk*. However, it failed to become "a strong and prosperous country," since paradoxically it is largely dependent on the DPRK's relations with outside countries. North Korea's fundamental foreign policy challenge has to be seen in the framework of managing relations with its two most important regional neighbours—China and the Russian Federation. Since these countries are much more powerful than North Korea, DPRK's strategic goal has been to keep its neighbours divided and to avoid the emergence of a single hegemonic neighbour.

Recognising the imbalance of power between the DPRK and these neighbours is fundamental to understanding North Korea's nuclear strategy. Due to the suspension of military and economic assistance to North Korea in the 1990s, Pyongyang had to develop its own strategy of survival, and chose to focus on the development of its nuclear programme.¹¹ Therefore, it is rather difficult to expect the DPRK to

⁷ Kim K. W., Choi H. J., "North Korea to Set up 14 New Special Economic Development Zones," *The Hankyoreh*, 22 November 2013.

⁸ South Korean companies invested \$325 million in the acquisition of land and buildings at the Kungang tourist resort. More than \$100 million were invested in the construction of a golf course, a spa and other tourist infrastructure. These projects were cut off after a South Korean tourist was shot dead in North Korea in August 2008. It is estimated that since the closing of the Kungang project, Hyundai Asan has lost about \$200 million from the operation, and only a few South Koreans are working within the complex. See: Lee K., "Shutdown of Mt. Kungang Tour Programs," *Vantage Point*, vol. 33, no. 6, June 2010, p. 58.

⁹ "North Korea to open multimillion-dollar ski resort," *CNBC News*, 10 October 2013, www.cnb.com/id/101101539.

¹⁰ An international golf tournament in North Korea was inaugurated in 2011.

¹¹ The North Korean strategy also includes the development of longer-range missiles. The capacity of the Taepodong-2 missile has improved, according to launches in 2009 and 2013.

definitively close its nuclear weapons programme, even if some North Korean nuclear facilities may be disabled as part of an agreement with outside powers.

A shift of power from the KPA to the KWP may lead to a softer position of the North Korean leadership regarding the nuclear issue. China certainly wants to avoid an escalation of the crisis around North Korea, fearing miscalculation and the outbreak of a conflict. Still, despite its influence over the DPRK, China has so far failed to persuade it to cease its nuclear activities, including uranium enrichment. It can also be expected that North Korea will continue its nuclear advances to obtain the international recognition of its status as a nuclear weapons power and create favourable conditions for potential negotiations directly with the United States.

The recent events related to the ousting and execution of Jang Sung Thaek, who was effectively the number two man in the DPRK, may worsen the chances for a positive change in North Korea's foreign policy.¹² The execution of Kim Jong-un's uncle was supposedly urged on by elements within the military that are opposed to the liberalisation of the North Korean economy. For them, reinforcing the confrontation with the United States may lead to a reinforcement of their own power and be the preferred path to a "strong" country. The prospect of potential instability inside North Korea has to be taken as a grave threat to the security of South Korea. Therefore, the commitment of the United States to the security of the South may increase within the next months, and a closer South Korean–U.S. cooperation can be envisaged under the form of joint military exercises.

Conclusions

At this point, North Korea's political system is not likely going to change as the Kim family has a tight grip on power and is expected to continue its policies. As Kim Jong-un is reducing his emphasis on the military role, this is a strong indication that the DPRK is changing its internal policy and that the leader is confident of his ability to overcome the current crises. When Kim Jong-un is highlighting the role of the military, it is not because his power base is not strong enough, but rather because the KPA constitutes an important tool for shaping the policy of the DPRK.

Capitalising on the changes within the North Korean governance system to achieve a stable Korean Peninsula would require a number of policy adjustments from all of the major players. First, if the Pyongyang regime aims to increase its stability, and if the leadership wants to obtain guarantees regarding its security, direct cooperation with the United States is a necessity. Second, South Korea should recognise officially the regime of Pyongyang and develop an engagement policy at a higher level than in the past, when the North Korean file was managed by officials from the South's Ministry of Unification. Third, North Korea should continue to open its economy, not only to potential South Korean investors but also to other countries. This would imply the maintenance of a stable and friendly investment environment within the DPRK, and putting an end to the discriminative perceptions of outsiders.¹³ This could be improved with the nomination of new party officials and technocrats to leadership positions within North Korea.

¹² N. Levi, "The Impact of Jang Song Thaek's Ouster," *NK News*, 5 December 2013, www.nknews.org.

¹³ Paek S.C., "Characteristics of the North Korean Succession System in the Post-Kim Jong Il Era and Prospects for the Adjustment of Its Policy," *Korean Institute for Defence Analysis Policy Brief*, April 2008, p. 36.