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CHANGING DYNAMICS OF THE NORTH KOREAN SYSTEM

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I. Introduction

North Korea has recently shown signs of rapprochement with the outside world by agreeing to the denuclearization of the Korean peninsula at the six-party talks. The changing dynamics of the North Korean system can be explained by changes in the interplay among interacting key actors in North Korea and the structure in which the key actors are arranged or positioned. The structure defined by the arrangement of its actors could be explained by the rules and resources. And the structure could be divided into two kinds: domestic and external (Waltz 1979, chapters 3 and 5).

One salient characteristic of the changing dynamics of the North Korean system is that the challenges of the times have exerted a decisive influence on the changing dynamics of the North Korean system, particularly since the collapse of the Soviet Union and the East European socialist states and the unification of Germany. For the strengthening of national security and the achievement of economic development in an effort to meet the challenges of the times, the North Korean system has had to accommodate changes in the arrangement of the key actors in terms of power, official ideologies, and policy choices, which has brought about the dynamics of change in the system itself. The changes in the North Korean system and structure have produced changes in the key actors' behaviors and performances because the system or systemic effects have constrained the actors.

During the past 15 years or so, the North Korean leadership has made four critical choices to meet the challenges of the times, choices that reveal the changing dynamics of the North Korean system. I will first review North Korea's four critical choices in order to provide an overview and identify clues to the changing dynamics of the North Korean system. After this, I will deal with the changing arrangements among the party, the state, and the military in order to identify which actors played what key roles in meeting what challenges of the times, particularly national security, system security, and economic recovery and development.¹ This will lead to a discussion of North Korea's effort to achieve security and economic reform and identify North Korea's changing policy priorities as it has tried to meet the challenges of the times. Finally, the North Korean system today, which is the product of all of the above dynamics, will be described as "overloaded" and "secularized"; and the prospects for the North Korean system and its implications will be discussed.

1. The key actors in North Korea are the "supreme leader," the party, the state, and the military. Recently—since the introduction of market reforms in July 2002—economic actors such as firms and households have also become important actors, but these economic actors are not regarded as key power institutions in North Korea and will not be covered here.

II. Four Critical Choices: Meeting the Challenges of the Times

During the past 15 years or so, North Korea has made four critical choices to survive the unprecedented political, security, and economic hardships it has faced: the first choice was made in the early 1990s, the second in 2000, the third in 2002, and the fourth in 2005 (Paik 2003, 59–87; 2001, 7–13; 2004a, 3–4; 1998, 54–55; 1995, 17–50).

Early Reforms and Opening to the Outside—Early 1990s

The most urgent problem occurred in the early 1990s when the Soviet Union and the East European socialist states collapsed and North Korea had to overcome its economic and security crises caused by these events. In an effort to induce foreign investment, North Korea designated the Rajin-Sonbong strip along its east coast as a free economic and trade zone and promulgated various laws and regulations. In the meantime, North Korea began to seek ways to open a high-level dialogue with the United States and normalize relations with Japan. Also, in December 1991, North Korea concluded with South Korea the Agreement on Reconciliation, Nonaggression, and Exchanges and Cooperation, and together they entered the United Nations. In 1992, North Korea also issued a joint declaration on the denuclearization of the Korean peninsula with South Korea, and in 1994 North Korea made a critical decision to give up its nuclear weapons program by signing the Agreed Framework with the United States.

These critical measures in external political and economic relations, which took place in 1991–94, could be regarded as North Korea's serious attempt to adapt policy to the changing international structure in order to enhance its survivability by securing its security and economic interests. Note that these reform and opening measures were limited to the external realm only. The North Korean leadership's intention was to keep the domestic sector intact and thus protect its own form of socialism by obtaining political and economic cooperation and assistance from the outside—the United States, Japan, and South Korea.

Contacts with South Korea and the United States—2000

In 2000, North Korea made another round of critical choices: inter-Korean summit talks and a dramatic improvement in North Korea–U.S. relations. In June 2000, North Korean leader Kim Jong-il held the first-ever summit talks with South Korean President Kim Dae-jung in Pyongyang. Jointly the Korean leaders issued a declaration. This historic event provided new momentum for improvement of relations not only between the two Koreas but also with the United States and the international community (Albright 2000b).

In October 2000, the first deputy chairman of the National Defense Commission (NDC) of North Korea, Vice Marshal Jo Myong-rok, in the capacity of a special envoy of Kim Jong-il, visited Washington. Jo carried Kim Jong-il's message that he was willing to improve relations with the United States and solve various problems, including the missile issue. Kim Jong-il demanded a security guarantee for North Korean sovereignty and territory from the United States (Jo 2000; Albright 2000c). On 12 October, the United States and North Korea issued a joint communiqué that provided a golden chance for a dramatic improvement in relations between the two countries (DOS 2000). Kim Jong-il, through Jo, also invited President Bill Clinton to visit Pyongyang.

Secretary of the State Madeleine Albright paid a return visit to Pyongyang that month and discussed with Kim Jong-il President Clinton's possible visit to North Korea as well as pending problems, including the missile issue (Albright 2002a; 2002d). In addition, the sixth round of the U.S.–North Korea experts' meeting on missile talks was held in Kuala Lumpur, Malaysia, in early November 2000. North Korea's offers and compromises in the second half of 2000 with regard to the North Korean missile issue were "unprecedented" in scope (ITF 2001). It was said that the United States and North Korea needed just one more high-level negotiation, which did not materialize, regarding the North Korean missile issue before President Clinton would decide whether to visit to North Korea.

Reforms in the North Korean Economy—2002

A third critical choice was made on 1 July 2002: North Korea announced an epochal policy designed to improve its economy by introducing market elements into its economic management system (*Choson Sinbo* 2002; KCNA 2002). Reform measures included abolishing "free rationing" of food and daily necessities, discontinuing subsidies to factories and firms for carrying out production and distribution activities, decentralizing economic planning and management except in some key strategic areas, expanding the autonomy of the business administration of firms and factories, introducing capital goods exchange markets, introducing prices based on real production factors, decentralizing decisions about prices, elevating the role of currency in economic management, increasing salaries to meet the costs of food and necessities, and devaluing the North Korean currency against the U.S. dollar.

These measures were designed to introduce reform in the domestic economy, unlike the two previous critical choices that dealt with external areas. In the latter part of 2002, North Korea also attempted to improve relations with Japan; designated Sinuiju as a special administration district, Mt. Kumgang area as a special tourist zone, and Kaesong as a special industrial zone; and issued the DPRK–Japan Joint Declaration in Pyongyang (KCNA 2002).

Promise to Denuclearize North Korea—2005

On 19 September 2005, in the joint statement of the fourth round of the six-party talks, issued in Beijing, North Korea made the fourth critical choice by agreeing to the denuclearization of the Korean peninsula. Almost three years had passed since U.S. Assistant Secretary of State James A. Kelly visited Pyongyang in October 2002 as a presidential envoy and a second nuclear crisis occurred in Korea: the United States raised the new issue of North Korea's clandestine highly enriched uranium program, accused North Korea of violating the 1994 Agreed Framework, the 1992 North and South Korea joint declaration on the denuclearization of the Korean peninsula, and the Nuclear Non-Proliferation Treaty (NPT); and stopped delivering heavy fuel oil to North Korea. Although North Korea responded by kicking out the International Atomic Energy Agency (IAEA) inspectors and monitoring cameras from the Yongbyon nuclear reactor site, withdrawing from the NPT, terminating the freeze on the Yongbyon nuclear facilities, and resuming the reprocessing of spent nuclear fuel to extract plutonium, North Korea finally decided to resolve the North Korean nuclear crisis after a comprehensive give-and-take with the United States in September 2005.

North Korea committed to abandon all nuclear weapons and existing nuclear programs and to return to the NPT and the IAEA safeguards in exchange for security assurances by the United States; for normalization of relations with the United States and Japan; and for economic cooperation in energy, trade, and investment with countries participating in the six-party talks. It promised negotiation toward lasting peace on the Korean peninsula talks and the development of multilateral security cooperation in Northeast Asia. It is an agreement North Korea has long sought, and North Korea sees it as a key to its survival.

The four critical choices indicate that North Korea has been flexible enough in its own way to meet the challenges and needs of the times and enhance its survivability as a system and regime under extremely unfavorable domestic and external circumstances. North Korea's critical choices expressed themselves in its efforts to survive and, more concretely, to enhance its national, system and regime security through political, diplomatic, and military endeavors and to accomplish economic recovery and development through market reform and opening.

We now look at the changing dynamics of the North Korean system, focusing on how challenges and needs of the times critically influenced arrangements of the party, the state, and the military in terms of power positions, official ideologies, and policy choices. Kim Jong-il has supervised all three of the power institutions in his position as supreme leader (*suryong*) of North Korea.

III. Changing Party-State-Military Arrangements in North Korea

North Korea is basically a party-state, and the military is part of the state apparatus that is supervised by the party. The relationship between the party and the state in the traditional Soviet system was characterized by both the supremacy of the party over the state and the fusion of the two institutions; in the Soviet system, the party was in strict control of the military. The North Korean system today could be described as half traditional Soviet system and half its own Korean-style socialist system: the Korean Workers' Party (KWP) still holds supremacy over the North Korean state in terms of authority and prestige and of watching over official ideologies, but the challenges of the times, particularly since the early 1990s, have transformed the traditional relationships among the party, the state, and the military. No doubt, "supreme leader" Kim Jong-il is in full control of the key political and military apparatuses of the North Korean party and state. He holds the official positions of the general secretary of the KWP, the chairman of the NDC, and commander in chief of the Korean People's Army (KPA).

The North Korean state, of which the NDC and the cabinet are the most important elements, has acquired more practical power than the party in terms of the real politics of formulating and conducting policies to meet the challenges of the times—security of the North Korean system and economic recovery and development. The NDC controls the KPA and the paramilitary organizations, and the chairman of the NDC has been described by the Korean Central News Agency (on 5 September 1998) and in *Rodong Shinmun* (6 September 1998) as the "highest position of the state" that controls and commands the total power of politics, military, and economy in North Korea. This signifies the prestige of the NDC in North Korean politics today, and the NDC has functioned in practice as the supreme policy-making body in North Korea for the past 10 years, exploiting the official ideology of military-first (*son'gun*) revolution or military-first politics.

But relative powers among the party, the state, and the military have changed in accordance with changing priorities and needs. Which institution(s) or actor(s) played key roles in meeting the challenges as defined by the four critical choices made by North Korea?

First Critical Choice

The first strategic choice North Korea made in the early 1990s, just after the collapse of the Soviet Union and the East European socialist states and the unification of Germany, shows that North Korea had to deal with economic and security problems by introducing a free economic and trade zone; by seeking rapprochement with South Korea, the United States, and Japan; and by bartering its nuclear weapons program

for light-water reactors for power generation and improved relations with the United States in the fields of security, politics, and the economy.

The 1992 revision of the socialist constitution of North Korea indicates that North Korea needed to differentiate itself from other failed socialist systems through an emphasis on the independent and unique North Korean system, that is, a “mass-centered our-own-style socialism” (or Korean-style socialism) (Kim J. 1997, 40–80). North Korea needed to abandon its international isolation for political and economic reasons, and the prestige of the military was enhanced when the constitution was revised in 1992. Article 113 of the constitution empowered the NDC to control “all armed forces.” The stage was set for Kim Jong-il to become the chairman of the powerful NDC, and Kim took over that position in 1993. Note that Kim Jong-il had already become commander in chief of the KPA one year before the revision of the constitution.

It is clear that the power of the military was strengthened substantially and visibly in order to deal with external threats. And the official ideology of Korean-style socialism also indicates that the KWP had its mission to accomplish and its duties to perform for the ideological support of the North Korean system when the Soviet Union and East European socialist states were gone.

Before a discussion of the second critical choice, in 2000, we undertake a brief review of events between the first critical choice in the early 1990s until the time of the second choice in 2000. The problem of the first critical choices was not that the choices were not correct or not timely, but that most of the critical measures were not implemented successfully. The economic benefits expected from the free economic and trade zone and the rapprochement with the United States, Japan, and South Korea did not reach the levels planned and expected, mainly because of the North Korean nuclear crisis, North Korea’s inexperience in carrying out decisions and dealing with the outside world, the international community’s lack of trust in and help for North Korea, and the sudden death of Kim Il-sung. The North Korean economy was also crippled from structural problems that had accumulated for more than five decades.

The net outcome was the collapse of the North Korean economy, which led to unprecedented mass famine in North Korea in the mid-1990s. The party and the state failed to function as expected under the dire circumstances, and only the military remained as the prop for the system. North Korea itself defined its arduous situation as the hardest time since the Korean War. National, system, and regime security were in danger. Fortunately, U.S. policy toward North Korea was not completely hostile because of the Clinton administration’s engagement policy toward North Korea.

North Korea advocated the ideology of “socialist red flag” in 1995 as an official ideology of defending North Korean socialism, but it did not appear to have any serious influence on the people when they were starving to death. The red-flag idea meant the “revolutionary philosophy of *juche*, single-minded unity, and faith,” which the North Korean leadership had to mobilize in order to manage the unprecedented hardship it was going through. For example, the 1 January 1997 joint editorial for the new year in *Rodong Shinmun*, *Choson Inmin’gun*, and *Ch’ongnyon Chonwi* emphasized that, in the red-flag ideology, there should be no betrayal, no ideological degeneration, a single-minded unity between the leader and the people, and a belief in eternal life in the bosom of the leader.

North Korea also introduced the idea of military-first politics in 1995 and formulated it more fully in *Rodong Shinmun* on 12 December 1997. The military-first concept was designed to encourage the military to be the prime engine or force of revolution (Kim C. 2000, 30–31) and to play a leading role in safeguarding the existing regime, to advance toward economic construction, and to encourage the people to follow the examples of the military. Military-first politics also represents Kim Jong-il’s political need to retain the loyalty of the military, which is the most powerful and potentially dangerous institution at a time of unprecedented political and economic difficulties in North Korea. Using military-first politics, Kim Jong-il intensified ideological indoctrination programs and urged the people to equip themselves with “revolutionary optimism” in order to overcome the pending crisis. Military-first politics was not only an official ideology but also an embodiment of the spirit of the time and was necessary for the country’s survival.

Kim Jong-il assumed the title of general secretary of the KWP, and he revised the North Korean constitution in 1998 with the clear purpose of strengthening national security, system security, and regime security and achieving economic recovery and development. According to the 1998 revised constitution, the NDC basically takes care of military affairs, and the Presidium of the Supreme People’s Congress (SPC) and the cabinet of North Korea assume responsibility for nonmilitary affairs under the guidance of the KWP. The chairman of the Presidium of the SPC represents the state sovereignty externally, and the premier of the cabinet represents the North Korean government internally.

The Korean Central News Agency on 5 September 1998 reported that the chairman of the Presidium of the SPC, in his recommendation of Kim Jong-il to the chairman of the NDC, defined the chairman of the NDC as “the highest state office that organizes and guides the enterprise of defending the socialist Fatherland’s state system and the destiny of the people and of strengthening and developing the state’s defense forces and general national power by controlling and commanding the state’s political, economic, and military capacity in totality” and as “the sacred office that symbolizes

and represents our Fatherland's honor and our people's dignity." The power of the NDC was well demonstrated when an NDC member was ranked higher than party secretaries during official public gatherings.

The economic disaster of the mid-1990s acted as a catalyst for the North Korean leadership to concentrate on economic recovery and development as the top policy priority; the leadership was less concerned about its security thanks to the Clinton administration's engagement policy. North Korea advocated and included in the 1998 revised constitution the "building-up of a strong and prosperous state," in which three kinds of strength and prosperity—ideological, military, and economic—were outlined. It was said that the first two had been already achieved, with an economically strong and prosperous state remaining to be built in the years to come (CRC 2004, 566). The phrase, "building-up of a strong and prosperous state," practically replaced the red-flag idea. Thus, a vision of the bright future was brought in as a promise of better times ahead, winding up past years of arduous hardship.

Second Critical Choice

North Korea was now set to resume full-scale implementation of the first critical choices, however belatedly. But two obstacles stood in the way of economic recovery and development: the lack of much progress in improving relations with South Korea and the missile problems with the United States. These two obstacles had to be removed before progress could be made; hence, the critical choices in 2000.

North Korea's choice in 2000 to improve its relations with South Korea and the United States had much to do with the need to reduce tensions with South Korea and the United States as North Korea endeavored to gain economic recovery and economic cooperation from the outside. It was clear that inter-Korean reconciliation and cooperation were the necessary first steps for North Korea to get international help and cooperation.

After the first critical choices were unsuccessful, the military and the state played significant roles in propping up the failing system and in meeting the need for economic recovery and development. The party invented the red-flag idea, military-first politics, and the building up of a strong and prosperous state. The fact that the first vice chairman of the NDC visited Washington, D.C., to attempt a breakthrough in relations with the United States suggests that the NDC is the most prestigious state institution in North Korea and that high-ranking generals, particularly those in the NDC, are not mere professional generals but high-ranking policymakers in North Korea. Kim Jong-il clearly demonstrated his power and prestige over the military, persuading it to accept his decisions.

Third Critical Choice

President George W. Bush took office in January 2001 with an anti–North Korea policy. In addition, the 11 September 2001 terrorist attack on the United States basically put a stop to North Korea’s rapprochement with the United States and drove a wedge between the two Koreas. President Bush included North Korea in an “axis of evil” in his 2002 State of the Union Address, and in January 2002 the U.S. Nuclear Posture Review stated that nuclear weapons could be used against North Korea, one of the seven states hostile or potentially hostile to the United States. North Korea’s external environment had suddenly deteriorated.

The North Korean economy did not show promise of a future upturn or meaningful structural change, and pressure for reform continued to grow from the lower levels of society. In the new year’s editorial published jointly by *Rodong Shinmun*, *Choson Inmin’gun*, and *Ch’ongnyon Chonwi* on 1 January 2001, the North Korean leader emphasized the importance of “new thinking” and technological innovation to meet the need for economic reform. Kim Jong-il also visited model “opening” cities in China and Russia. It was later learned that North Korea had planned to announce the introduction of market reform as early as January 2002, but President Bush’s axis-of-evil remarks made the North Korean leadership postpone its historic reform measures till 1 July 2002.

The third strategic choice—a life-and-death decision on the part of the North Korean leadership—that was announced on 1 July 2002 was designed to improve North Korea’s economy by introducing market elements and taking dramatic measures to enlarge economic opening to the outside world; it was designed to introduce reform into the domestic economic realm. How did this reform affect the relationship among the three key actors in North Korea? It demanded that the state, particularly the cabinet, take a very aggressive role. Because this market reform was a watershed event in North Korean history, it demanded the full effort of the state for successful implementation.

One interesting phenomenon since market reform has been that ordinary households and firms have become important players in North Korea’s economy. Because households, as consumers, had to stand on their own and not lean on the state for food and daily necessities, and because firms as producers had to make real profits and not depend on the state to supply raw materials and goods, both households and enterprises have recently become two of the important players in the North Korean economy. This phenomenon has had a dramatic effect on the transformation of the traditional socialist economy in North Korea.

Fourth Critical Choice

How can the fourth critical choice, of 19 September 2005, be explained in terms of relationships among the key holders of power and of the changing dynamics of the North Korean system? The July 2002 reform was implemented as planned, and it brought about benefits and costs as expected: production increases in the agricultural and industrial sectors but an extremely high rate of inflation and growing income gaps among the people. Something had to be done to stabilize the economic situation.

The fourth round of critical choices, as expressed in the joint statement of the Beijing six-party talks, points to North Korea's giving up its nuclear ambitions and seeking security, diplomatic, and economic gains. North Korea's leadership wanted to improve its relations dramatically with the outside world in order to obtain security assurances from the United States; normalization of relations with the United States and Japan; gains in energy, trade, and investment that could help offset negative effects of the July 2002 market reform; and future negotiations toward a lasting peace on the Korean peninsula and multilateral security cooperation in Northeast Asia.

The fourth round of strategic choices shows that the military and the state played key roles in making these compromises necessary for their country's survival. The NDC and the state—the foreign ministry and economy-related ministries and agencies—must have been very influential in making the strategic choice of abandoning nuclear ambitions for security assurances and economic development.

To understand the changing dynamics of the North Korean system, we have until now examined how the three key actors—the party, the military, and the state—positioned themselves against one another in terms of their hierarchy, differentiated roles, and power distribution to meet the challenges and the needs of the times. Again, Kim Jong-il, as the supreme leader, controlled and guided the three key actors.

Overall, the military and the state have played more significant roles than the party during the past 15 years, mainly because the huge challenges North Korea had to meet were concentrated on the security threat caused by the hostile policy of the United States and the need to resurrect the North Korean economy, which had been devastated for almost a half century by the failed socialist economic system.

The party has always been important in North Korea, as demonstrated in the advocacy of the red-flag idea and military-first politics (or military-first revolution), which supported the massive ideological indoctrination of the North Korean people in order to sustain the North Korean system during the difficult times. But compared with previous times, the powers and roles of the party in North Korea have substantially

given way to the military and the state. This tendency is likely to continue far into the future.

IV. National Security and Economic Development in Light of North Korea–U.S. Relations

As they are for every country, achieving national security and economic development are two of the vital tasks for North Korea. Both tasks generally go hand in hand, or one is as necessary as the other for the achievement of both; however, the environment for achieving both may not always be favorable. In North Korea, economic recovery and development have been heavily constrained by security developments, particularly those related to the United States.

National Security

The North Korean leadership has been trying simultaneously to seek nuclear resolution and attain security assurances from the United States and enhance economic performance at home. Unless the North Korean nuclear problem is solved and security assurances from the United States (and the other participants in the six-party talks) are obtained, there will be isolation from the international community and a clear limit to North Korean economic recovery and development. No wonder North Koreans tend to think that “security is absolutely an important aspect of what they need to do to move beyond where they are now in terms of the reforms that they’d like to take place, in terms of relationships they’d like to develop with South Korea and Japan”; and that “they view these really as impossible without getting beyond the current state of affairs with the United States, and primary among that is a security assurance” (Brookings 2004, 13).

North Korea’s preoccupation with promoting national security has much to do with its hostile relations with the United States, with which North Korea has been in conflict for its entire existence. Because the fighting during the Korean War ended in only an armistice, the two countries are still at war. North Korea’s policy goal vis-à-vis the United States for the past 15 years or so, since the collapse of the Soviet Union and East European socialist states, has been noticeably consistent: it wanted to end the Korean War officially at the earliest possible time, sign a peace agreement, and normalize relations with the United States. By doing so, North Korea wanted to dismantle the Cold War structure on the Korean peninsula and make sure neither side harbors a hostile policy toward the other. It is noteworthy that any seemingly provocative actions North Korea took against the United States were not to cut off its relationship with the United States but to bring the United States back to the negotiating table, where North Korea wanted to make a deal with the United States to solve pending issues and improve and normalize relations with the United States (Paik 2005, 2).

North Korea appears to have come to the six-party talks assuming that the goal of U.S. policy was to denuclearize North Korea and that, if so, it could strike a give-and-take deal with the United States over the key pending issues in a comprehensive manner by strategically giving up its nuclear weapons program through multistage actions.

Economic Development

Two kinds of benefits can be put forth as the plus side of North Korea's economic reforms: increases in production in the agricultural and industrial sectors and a halt to the government's deficit financing practices. Still other benefits of reform are the widespread "market" mind-set among the people and their will to work as well as the increase in labor productivity (Paik 2004b, 9–10, 12, 27). Three kinds of costs of the reform loom large, however: high inflation, a high foreign currency exchange rate, and a growing income gap among the people. "Money talks" may be yet another cost of reform in the eyes of North Korea's leadership.

The North Korean leadership is known to have been well aware of the costs and benefits of the reform measures they introduced. What has to be pointed out is that the rate of inflation and the rate of foreign currency exchange in North Korea literally skyrocketed first, but they have been somewhat stabilized, albeit at a very high level. Food prices are harvest sensitive to some extent.

The majority of North Koreans are suffering from a widening of the income gap in addition to high inflation. Differentiation and gaps in income among the people and the regions have grown more visible since 1 July 2002. Those who were engaged in the business of goods distribution became more well-to-do compared with other occupational groups in North Korea. Some traders made huge profits and widened their business into various areas, including money lending at usurious rates of interest. Farmers are one of the high-income groups in North Korea because of the dramatic increase of the selling price of rice since 1 July 2002. In general, urban factory workers have fallen victim to the negative side of the economic reform (Paik 2004b, 9–12, 20–21).

The North Korean government appears to be more concerned about the negative side of the reform measures and about the situation becoming extreme and undermining the morale of socialist life in North Korea. North Koreans have recently become more dependent on money than on their government, and negative phenomena are the widespread attitudes that "money is everything," "money can do anything," and "I have to survive even by deceiving others." The senses of collectivism and socialist egalitarianism have substantially given way to individual selfishness across all social strata (Paik 2004b, 18; 2005, 3).

The North Korean leadership appears to be well aware that, for economic development, North Korea has to improve its relationship with the United States. An improved U.S.–North Korea relationship can show that the United States will not prevent other countries from normalizing relations with North Korea and from expanding trade, investment, and other economic activities with North Korea.

North Korea–U.S. Relations

For Kim Jong-il, it has never been an easy task to achieve both security and economic development under the circumstances of the hostile relationship and extended nuclear confrontation with the United States. Despite the increasing tension and threat to security resulting from the Bush administration's hostile policy, North Korea introduced a dramatic, epoch-marking, market-oriented reform and opening, not without being aware that reform measures would undermine the existing socioeconomic order and might potentially lead to instability and chaos in North Korean society.

In other words, North Korea's introduction of market elements in July 2002 at a time of a heightened security threat from the United States was a critical choice to untie or delink its economy from security at least for the time being in order to enhance its domestic security through better economic performance at home. What Kim Jong-il elected to do was promote and strengthen domestic security first, which he thought was possible under the circumstances, rather than strengthen external national security, which he thought would be more difficult to accomplish in light of the confrontation with the United States (Paik 2005, 6).

Some knowledge of the historical background of Kim's critical choice is needed in order to understand its significance. It is noteworthy that North Korea's top priority has been focused on economic recovery and development since the mid-1990s, when it experienced an unprecedented famine. It was thus natural that North Korea advocated and pursued a policy of "building up a strong and prosperous state" beginning in 1998 in order to feed its own people and pursue economic recovery and development.

It is also noteworthy that North Korea's pursuit of economic recovery and development as the top priority coincided with the engagement policy pursued by the Clinton administration and the Kim Dae-jung government, which came to power in 1998 and launched South Korea's Sunshine Policy. Kim Dae-jung's policy helped the United States see that engaging North Korea could be beneficial for promoting its national interests (Paik 2005, 6–7).

In other words, North Korea at that time was less concerned than before about the security threat coming from the outside, and this enabled the North Korean leadership to concentrate more on economic recovery and development. It was clear that

achieving security of the domestic system was more important for North Korea than concentrating its energy on external national security in the presence of the less confrontational governments in the United States and South Korea. North Korea appears to have believed that security threats coming from the United States could be lessened and should not be an obstacle on the way toward economic development (Paik 2005, 6–7).

President George W. Bush's coming to power in January 2001 and his pursuit of an anti-North Korea policy threw cold water on the developing relationship between the two countries, making the task of achieving national security against external threats (including the hostile policy of the United States) reemerge also as the North's top policy priority. North Korea now suffered greatly from an unfavorable international environment that would seriously incapacitate the North Korean leadership's need for economic recovery and development (Paik 2005, 6–7).

During the increasing security threat from the United States, North Korea introduced market elements in July 2002. There was more to this critical choice than meets the eye: it reflected the North Korean leadership's strategic choice of delinking the priority of accomplishing economic development from that of achieving national security in order to strengthen domestic system security. It was North Korea's attempt to preempt and offset the negative influence of the hostile U.S. policy on domestic economic performance (Paik 2005, 6–7).

North Korea has taken the position that it needs security assurances from the United States in order to facilitate reform for economic recovery and development and improve relations with the United States and Japan. But North Korea faced a serious setback when, owing to the Bush administration's lack of urgency and political will to resolve the North Korean nuclear issue as soon as possible, it was not able to begin real security negotiations with the United States. The fact that the United States was caught up in its Iraq War was no doubt one of the reasons for its procrastination on the six-party talks; but, more important, the Bush administration's bullying posture, which completely ignored the interests, intentions, and capabilities of North Korea, failed to move forward the six-party talks and, thus, North Korea's strategy of attaining security guarantees from the United States (Paik 2005, 7–8).

North Korea's inability to implement its strategy was basically responsible for its provocative announcement on 10 February 2005 (KCNA 2005) that it had manufactured nuclear weapons, that it intended to expand its nuclear arsenal, and that it would not return to the six-party talks until certain conditions were met by the United States. This offensive by North Korea put the United States on the defensive because the United States did not have a problem-solving strategy or effective countermeasures (Paik 2005, 8).

North Korea's 10 February 2005 announcement revealed that the U.S. policy for solving the North Korean nuclear problem had thus far been a failure because the policy could not prevent North Korea from going nuclear. So, also, was South Korea's policy, which was in line with the U.S. policy through close alliance cooperation. The United States had to control or manage this crisis, and it fully exploited South Korea's capacity to bring North Korea back to the negotiating table. South Korea successfully made an all-out effort to bring North Korea back to the six-party talks by even hastily promising to provide North Korea with 2,000 megawatts of electricity—exactly the same amount of energy the 1994 Agreed Framework had promised to deliver by building light-water reactors for North Korea.

Both the United States and North Korea had a stake in the success of the six-party talks. If the six-party talks failed, it would be impossible for both the United States and North Korea to achieve their fundamental policy goals—the denuclearization of the Korean peninsula and nonproliferation of weapons of mass destruction for the United States, and security assurances and normalization of relations with the United States and Japan and economic cooperation for North Korea. Therefore, the United States and North Korea could reach a compromise solution as expressed in the six-nation joint statement at the fourth round of the six-party talks in Beijing.

Despite the agreed policy goals that the joint statement sets forth, the implementation of the joint statement is currently at a standstill. The United States raised the new issue of North Korea's illegal activities such as counterfeiting and money laundering, accused North Korea of being a "criminal state," and applied economic sanctions against North Korea. North Korea countered these U.S. actions by deciding not to return to the six-party talks until the United States lifts its sanctions. All this indicates that the implementation of the joint statement will be a time-consuming and complex process.

V. New Thinking

We have reviewed North Korea's four critical choices for survival, made to meet the challenges of the times during the past 15 years or so since the collapse of the Soviet Union. We have also identified the changing power relations, official ideologies, and policy choices among the party, the state, and the military, which have reflected the effort of the North Korean leadership to strengthen national security and achieve economic development. We have found that the military and the state have played more significant and powerful roles than the party, even though the party has still played an important role in supporting the massive ideological indoctrination of the North Korean people in order to sustain the North Korean system during difficult times. We have also discussed North Korea's strategies to achieve security of the

nation, of the North Korean system, and for economic survival through reform and opening under difficult conditions both at home and abroad.

The four critical choices, the changing power relations among the key holders of power, and the strategies for achieving national security and economic reform have combined to produce a North Korean system that can be described as overloaded and secularized. It is overloaded with the two vital tasks of achieving national security and economic development. More substantively, however, the North Korean system today could be qualified by the concept of secularization, two indicators of which are military-first politics and practical-gain socialism (Paik 2005, 9).

Military First

The de facto—not yet de jure—precedence of the military over the party and the other power apparatuses can be regarded as a sign of the breakdown of the orthodox socialist politics in North Korea, where the party traditionally took priority over the military. The military's priority accommodates realities in terms of the change in power and power relations.

North Korea advocated its military-first politics and its building up of a strong and prosperous state as two mainstays of political stability amid a volatile and destabilizing atmosphere brought about by anti-North Korea policy on the part of the United States and its own economic failure long before the second nuclear crisis and its introduction of economic reforms in mid-2002.

North Korea's military-first politics, since its introduction in 1995, has exerted enormous ideological and practical power over the whole system. The military has replaced the workers as the prime force of socialist revolution (Kim C. 2000, 30–31, 37), and the military-first idea has practically taken the place of the *juche* ideology as the official guiding principle and slogan in North Korea today.

Socialism Redefined

The other sign of the secularization of North Korean politics is practical-gain, or real-gain, socialism, which has resulted in the decline of the *juche* ideology as the orthodox ruling ideology of North Korea. Currently, practical-gain socialism and the practical-gain mind-set prevail in the government's economic policy and the daily lives of North Koreans; this is in addition to the military-first idea advocated by the leadership. *Juche* emphasizes independence and self-reliance, but practical-gain socialism consciously or unconsciously emphasizes the importance of interacting and cooperating with the outside world for economic benefits. North Korean society appears to have become much more secularized recently (Paik 2005, 9).

What will be the main ideology that holds people together during the process of secularization in North Korea? *Juche* is undoubtedly embedded in the current military-first ideology, but *juche* itself is not emphasized as explicitly as before. North Korea argues that the military-first idea represents the “new higher stage” of the *juche* idea. Kim Jong-il is lauded as the founder of the military-first idea, and the military-first ideology is invoked as the official ruling ideology of North Korea. The idea of practical-gain socialism has more to do with how to make economic reform and performance a success (Paik 2005, 10).

Generational Change

Since 2004 North Korea has witnessed a change of generations in the important positions in government, in the military, and in industry. Younger cadres and officials in their 40s and 50s have been posted to party, government, military positions that until recently had been held by the old guard. This change has been most remarkable in industry. Most managers of companies and enterprises are now in their 30s and 40s. Kim Jong-il appears to have taken up the reins of the party, government, military, and industry in order to gallop toward his policy goals regardless of obstacles (Paik 2005, 11).

VI. Prospects and Implications

What are the prospects and implications for the North Korean system? What is crucial if the North Korean system is to sustain itself? First, political stability. Kim Jong-il is no doubt firmly in control, and North Korea is enjoying political stability. The party, the state, and the military are loyal to Kim Jong-il and his policies. Kim Jong-il as the supreme leader and as general secretary of the KWP, chairman of the NDC, and commander in chief of the KPA appears to have competently accommodated, balanced, and controlled key holders of power to produce compromise solutions, to mobilize them, and to retain their loyalty and compliance (Paik 2005, 10).

Kim Jong-il constantly faces the nagging question of how to strengthen the legitimacy of the North Korean system and how to prove his ability as the supreme leader under the current circumstances in which he is squeezed between the domestic demand for better economic performance and the external demand for solving the nuclear problem, in particular. To prove himself a leader, he must perform in some critical areas: convince the people to comply with the leadership’s new policy choices, flexibly and smoothly accommodate to the changes and developments inside and outside North Korea, proactively deal with outstanding security and international issues including the nuclear issue, and provide daily necessities for the people and achieve macroeconomic goals (Paik 2005, 10).

If North Korea has a chance of success in its economic reform and opening policy and in nuclear resolution with the United States, it owes much to Kim Jong-il's provision of a stable political leadership with no rivals challenging him. It is noteworthy that Kim Jong-il as a leader has been flexible and competent enough in accommodating new ideas and policy choices, as was demonstrated in the introduction of economic reform measures in 2002 and in the joint statement for nuclear resolution on the Korean peninsula at the fourth round of the six-party talks (Paik 2005, 11).

In the long run, there will undoubtedly be a time when the ability of Kim Jong-il and North Korea's system will be tested in terms of maintaining political stability and simultaneously accommodating more liberalized political demands. What is almost certain, however, is that the future North Korean leadership and the system will be more responsive to and accountable for the needs of the people, particularly their economic needs (Paik 2005, 11).

North Korea's leadership has initiated a regime transformation based on market-oriented economic reform. That the leadership sees this as a viable option for the country's survival and development enables us to predict that the North Korean system will survive for the conceivable future. It will be of much benefit for all of us to encourage North Korea to go down the road toward another critical choice: an expanded and deepened reform and opening. A faithful implementation of the six-nation joint statement will be required for providing North Korea with a favorable political and security framework for economic recovery and development and for peace, stability, and prosperity on the Korean peninsula and in Northeast Asia.

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