

# **JAPAN AND NORTH KOREA: An Assessment and Some Policy Approaches**

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## **Synopsis**

**Japan and North Korea: An Assessment and Some Policy Approaches** is a primary account of Japanese-North Korean relations written by the Ambassador in Charge of KEDO from 1994-1996, Ambassador Tetsuya Endo. North Korea's contemporary economic, diplomatic, military situation, and internal politics are assessed. Objectives and future directions of Japanese policy towards North Korea are suggested.

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## **About the Writer**

Ambassador Endo is currently Japan's Ambassador to New Zealand. Ambassador Endo has published widely on nuclear non-proliferation and Korean issues and served as a Research Associate at the International Institute for Strategic Studies, London.

## **Acknowledgments**

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## **Editors Preface**

First hand perspectives on North Korean matters, and especially sensitive security issues, are rare. In view of the importance of this issue the Centre for Strategic Studies (CSS:NZ) has departed from normal editorial practice and has published this unique inside view of Japan and North Korea relations. This Working Paper **Japan and North Korea: An Assessment and Some Policy Approaches** is the result of Tetsuya Endo's reflections on his experiences while Ambassador Extraordinary in Charge of Japan-North Korea Normalisation Talks in 1993-1994, and as Ambassador in Charge of the Korean Peninsula Energy Development Organisation (KEDO) from 1994 to 1996. This Working Paper should be regarded then as a unique primary account of a sensitive foreign policy issue that has significant implications for the security of the Asia-Pacific.

*Dr David Dickens - Editor*

## **Introduction**

For Japan, the Democratic People's Republic of Korea (DPRK or North Korea) is of major importance. By its actions it has the potential to shape Japan's foreign policies into the twenty-first century and to affect profoundly Japan's relations with other states, in particular with the United States, China and the Republic of Korea (ROK or South Korea). It is important that Japan understands North Korea and the way it will develop in the future so that appropriate policies can be formulated and responses developed in relation to the situation.

This analysis is in two parts. The first is an assessment of the economics, diplomatic and military situation and internal politics of the country. Part two discusses the objectives of Japanese policy towards North Korea and suggests some sensible directions for Japan.

North Korea is perhaps the most difficult country in the world to study and to understand. It is opaque because of its homogeneity and its compactness which allows it to close its borders and act rather like a porcupine does in defence. It is aptly described as the 'hermit kingdom'. Most information about the country is anecdotal and mediated through the prism of interest and prejudice. There is more guesswork and wishful thinking than there is clear and knowledgeable analysis. This present analysis suffers along with many others from, firstly, the lack of hard information about the country, and perhaps secondly from the subjectivity which is almost inevitable from an Ambassador writing about a neighbouring state. The potential for subjectivity is well understood and to the fullest extent possible has been taken into consideration to allow an objective and open-minded assessment to be made.

## **Economy in Distress**

Although almost all information about North Korea is difficult to obtain, economic data is somewhat easier to find and analyse than information about other areas of North Korean activity. The economy can at least be seen, if only from a distance.

It seems that there are several economies, or layers of economy, in North Korea. They are: the military economy; the party economy; the general economy; and the underground or black economy. Of these the first two, comparatively, are in fair shape. It is the general economy which is in serious condition and three areas specifically contribute to this: the food sector; oil and energy; and the foreign currency shortage. Since the 1970s the North Korean economy has deteriorated, particularly in the last half decade in which there are indications that annual GDP decline is in the order of 4%-5% and exports have declined by more than 12% a year in the same period.<sup>i</sup> In this, the country is an exception to the general dynamic growth in the Asia-Pacific region.

There are four significant reasons for this. Firstly, there is a fundamental deficiency in socialist economic practices, especially in the degree of central control and party interference over most areas of the economy. This judgement may be modified in part to note that the command economy did work in the decade or two following the Korean War as North Korea followed the industrialisation model adopted by the Soviet Union. Targets were set and met for heavy industry, and growth rates were higher than in South Korea.

Secondly, there has been no investment in technology for many years. Since the 1960s the economy has had to rely on the industrial investment of that period and has not introduced, or not been able to introduce, new technology and new ideas in almost any area of the economy. This has been a direct result of the demands of a closed society which has not wanted the 'contamination' of

new technology and the outside links it inevitably brings. This means that economic development of the kind experienced in most of the rest of Asia has not been possible.

Thirdly, the burdens of military expenditure are also great. The economy is only a fraction of the size (perhaps 5%) of South Korea's, yet the North attempts to match the South in military capacity. Some 20%-25% of the North Korean economy is devoted to military expenditure compared with between three and five percent for South Korea.<sup>ii</sup>

Finally, there has been a dramatic collapse in the economies of North Korea's economic partners. In the 1980s some 50% of North Korea's trade was with the then Soviet Union, which was a source of consumer and manufacturing goods at friendly prices and which provided an open account for North Korea to draw on. Since then transactions have had to be in hard currency and at international prices.

### *Food*

North Korea is not suitable for agricultural production because of its unfavourable terrain and climate. In the period of Japan's colonial rule this was well recognised with industrial production being concentrated in the North while agricultural development was mainly confined to what is now South Korea. Since the birth of North Korea as an independent state, the chronic long-term problems of poor weather (especially in the 1990s) and unsuitable geography have been exacerbated by specific systemic problems which have been caused by the regime's own policies. Since the 1960s, ideologically based agricultural collectivisation policies have led to low levels of labour morale which in turn have caused low productivity. This has been made worse by a shortage of fertilisers and pesticides, because of cuts in oil supplies and the consequent lack of any petro-chemical industry, and high levels of erosion caused by the 'political' agricultural policies of previous leader Kim Il Sung who, without the benefit of research, directed that forests be cut down and replaced with maize plantings and dense overcropping which could not be sustained in the long-term.

It is difficult to know precisely how severe the food shortages are. Clearly the situation is critical – the recent and unprecedented requests for bilateral and multilateral food aid are an indicator of that. The difficulty for the world is to determine to just what extent the requests for food demonstrate disastrous shortages, to what extent the requests are an attempt to engage the attention of the United States, and to what extent there is additional capacity within the economy which could be utilised, perhaps by reducing the food levels of the privileged economies.

### *Oil*

North Korea has many energy sources. There is for example a lot of hydro-electricity and coal. The country does not, however, have any oil at all. In the 1980s some 2.3 million tons of oil were imported annually: about 1.0 million tons from China, the same amount from the Soviet Union and about 0.3 million tons from the Middle East. After the collapse of the Soviet Union imports from there have ceased, but China has continued supply. The major question is 'how does North Korea pay for the oil?' Is it receiving credit from China and if so will it have to repay the loan?

Because oil imports in the 1990s have sharply decreased, the US-North Korea Agreed Framework agreements of October 1994, which established the Korean Peninsula Energy Organisation (KEDO), are most important. As well as the modern nuclear reactor to be obtained by North Korea, the country also gets 500,000 tons of oil annually until the new reactors are completed; perhaps in about 10 years time.

Energy shortages were made worse by floods in 1995, which seem to have severely damaged the country's coal mines. Repairs may take years.

### *Foreign Currency*

From the mid 1970s the levels of North Korea's debt to the rest of the world became apparent as it defaulted on loans from Japan and Europe. Since then, according to informed Japanese sources, there has been no improvement in this situation. Now, it owes some US\$10 bn of which about half is to the former Soviet Union and Eastern Europe, with some US\$2.0 bn owed to China and US\$3.0 bn owed equally between Western Europe, Japan and a western banking consortium which includes Australian and New Zealand interests. In Japan's case, both principal and interest payments from North Korea have stopped.

The lack of foreign currency may be alleviated to some extent by remittances from expatriate North Koreans in Japan. In the 1950s many Koreans who identified with the North (although not all were from that part of the Peninsula) lived in Japan. Following a propaganda drive in the late 1950s and early 1960s about 100,000 of those returned to North Korea. Now there are still some 200,000 Koreans in Japan with families in, and sympathies for, the North. It is known that remittances are made by these people to their families in North Korea; it is not known, however, how large the remittances are. It seems likely, though, that in the 1990s with the Japanese depression, the capacity to remit large sums of money to North Korea has been diminished. Also, family ties are loosening because of time and the generation gap which has developed. This all means that remittances to North Korea will have been reduced substantially, but they will still have substantial value in relation to the overall economy of North Korea.

### *The Future*

The North Korean economy is in exceptionally bad shape and it is hard to see where any quick or easy improvement could occur anywhere. In this North Korea is exceptional in the Asia-Pacific region, which has been showing remarkable economic growth over the last two decades to the extent that South Korea has now joined the OECD. The gap between North and South Korea is wide and widening. It is considerably worse than the gap between the two Germanies before they reunified.

The North Korean leadership must be aware, in their own way, of the problems, and may be groping for solutions. If so, they have been without any success. The solutions being considered are variations on opening the economic door slightly. There have been limited reforms to establish economic enterprise zones on the Korean east coast, the development of the Tumen River region and the freeing up of joint venture rules. All of these developments are more limited in scope than their equivalents in China.

Such limited reforms are not likely to be effective and more fundamental reform will be necessary if North Korea's economy is to develop at all. Open economic policies are inevitable in the longer term. They will include a reduction in the military economy, the removal of political interference in economic ventures and the introduction of transparency into the economy to allow market signals to be received and acted upon.

It is still an open question as to whether an open economy can coexist with the closed North Korean political system.

## **Diplomatic and Military Matters**

### *The Diplomatic Situation*

The 1970s were the peak time for North Korean foreign relations. The North Korean leadership had to attempt the difficult task of balancing the relationships with China and the Soviet Union in an attempt to play one off against the other to maximise their own returns from each. In this they were successful. They also began to join the international community of nations. North Korea joined the specialised agencies of the United Nations, beginning with the World Health Organisation in 1973, and in 1975 joined the Non Aligned Movement. By 1976 North Korea had formal diplomatic relations with some 91 countries compared with the 96 states with which South Korea had opened diplomatic relations.

From the early 1980s North Korea's position of diplomatic strength against the South began to erode. Firstly, South Korea's economic growth, which had begun in the 1970s, accelerated and surpassed the North's to the extent that the South was able to use its economic power in its foreign relations. Secondly, combined with this, the Non Aligned Movement began to lose political and ideological influence as it shifted its primary emphasis to North-South economic issues. As a result, non aligned states, ideologically friendly with the North, began to court the South for its economic expertise. North Korean adventurism (such as the assassination of South Korean Cabinet Ministers in Burma in 1983 and the 1988 bombing of a South Korean airliner) also led many states to reassess their position towards the North. As the decade ended, democratisation in Eastern and Central Europe led most of the former Soviet bloc to establish relations with the South and by the early 1990s the North was effectively isolated as both the Soviet Union in 1990 and China in 1992 established diplomatic relations with the South.

In response North Korea tried to adjust its relations with both the United States and Japan. At first it targeted Japan as it believed that the US as leader of the 'free world' was too formidable and that Japan as a more vulnerable state, from the point of view of its domestic policies, would be easier to manipulate. The fact of 36 years of colonial rule by Japan in the Korean Peninsula would, it was believed, lead to the North receiving the same economic benefits as those received by the South in 1965 when normalisation took place.

Former Japanese Deputy Prime Minister Kanemaru, visited Pyongyang in September 1990 for discussions with Kim Il Sung. The visit led to a series of 'normalisation' talks, initially in the respective capital cities but subsequently in Beijing. No substantive progress was made in the talks as the participants talked past each other on matters of principle rather than on practical issues. For example, Japan wanted to discuss nuclear issues, but the North only wanted to talk to the US and the IAEA on these matters. As soon as the North realised that it would not be possible to get any quick economic benefits from the talks the negotiations were stopped by the North Korean side.

From about 1992 the United States became the focus of North Korean diplomatic activity, with the thinking that if North Korea could get recognition from the US then public opinion in Japan and South Korea would force those governments to follow suit rather than risk being left out. North Korea is not concerned with potential economic benefits from the US. Rather, it calculates that if a settlement can be reached with the United States Japan would have to be associated and from that economic advantages would eventually follow. This would short cut more regular procedures in order to establish relations with Japan. The US is, as a result of this line of thought, the first and only priority in North Korean diplomacy.

Russia remains a minor player with North Korea. Although Russia wants to remain a major regional player, North Korea sees it as having limited economic value and therefore maintains correct relations but no more. With China the relationship is slightly stronger. The rhetoric talks of a friendship based on the Korean War and 'bonded by blood' but in practice, although China is the country's only friend, the relationship is no more than lukewarm. China provides some food and fuel oil to North Korea, primarily because it does not want the country to collapse.

### ***North-South Relations***

Reunification is clearly the desire of people on both sides of the border. But the North's dramatically inferior position means that they want and need it more. It is the *raison d'être* of North Korean policy towards the South. In practical terms, however, reunification will be extremely difficult. As well as the lasting memory of the Korean War and the continuing state of tension and occasional military skirmishes along the border, the countries have developed differently. Their structures and ideologies are different, there is only limited dialogue between the states, and most importantly the economic disparities between the countries are such that using the model of German reunification as an analogy is likely to be misleading.

Some basic and limited statistics show the extent of the problem. The population ratio between West and East Germany before reunification was about 4:1; between South and North Korea it is about 2:1. This means that West Germany was able to absorb that part of the population of East Germany which wished to move relatively easily. The task will be more difficult for South Korea if it has to attempt to absorb a significant part of the North Korean population. Similarly the ratio of per capita income between West and East Germany was about 3:1, between South and North Korea it is about 10:1. The potential problems seem obvious.

Although the peoples of both countries want reunification, the South is afraid of the economic and social problems and the North, especially its leadership, is afraid of absorption. Until reunification becomes inevitable the Northern leadership will resist South Korean participation in most dialogues and activities because this will expose North Koreans to Southern prosperity and highlight the inadequacies of the Northern system, a system which has been promoted as superior to the US imperialist dominated South.

### ***The Military Situation***

Current data show that on most indicators the North is quantitatively superior or at least equal to the South for most classes of military equipment.<sup>iii</sup> The only major areas in which the North is quantitatively weaker is in surface warships. However, the South is qualitatively considerably stronger. It operates modern aircraft and armoured vehicles and it has the support of some 36,000 US ground and air forces stationed in Korea with more available for rapid reinforcement from Japan. The South's overall qualitative superiority is reinforced by its logistic support capability, force sustainability and its combined command with the US. All of this means that the South is at least the equal of the North in military capability.

North Korea's armed forces have habitually received the major portion of government expenditures (some 26% of GDP in 1994) but as GDP shrinks, so too eventually, will the amount available to the armed forces. The country has lost the military backup and access to advanced weaponry from the Soviet Union, and the oil shortage means that training and operational sustainability are limited. If war was to be contemplated, it could only be in terms of a surprise attack

on the South with the hope that ground could be seized quickly and held after an agreed armistice. Protracted war would not be possible. The trends are not good for the North.

North Korea trained some 300-500 officers annually in the Soviet Union, and even in the *perestroika* period some 200 officers continued to be trained there. Although a number of these officers were purged on their return to North Korea because of their tendencies to dangerous 'modern' rational thinking which challenged the conventional wisdom, many still remain. Now, North Korea has a cadre, of unknown size, of officers trained in the Soviet Union. They are mostly senior middle grade officers, perhaps at the rank of Colonel or the like. The question must now be: how do these officers look to the future? If North Korea becomes unstable for any reason, their reactions could be critical.

### ***Nuclear Matters***

Because of its deteriorating military circumstances, it is not surprising that North Korea is attracted to nuclear development. They have sufficient technical skills to develop weapons suitable for political blackmail or for use as terror weapons. Precision is not necessarily important in these cases. There is considerable circumstantial evidence that the North has developed a nuclear weapons capability (although we do not know for sure), and the country continues to play the nuclear card to the greatest extent possible in an attempt to get the US to the negotiating table.

Regardless of whether North Korea has nuclear weapons or not, if it is to be a constructive member of the international community it cannot use the threat, or even the hint of a threat, of nuclear weapons as a component of diplomacy. For that reason, the 1994 accord between the United States and North Korea, in which the North agreed to close and dismantle its graphite moderated nuclear reactors which can produce weapons grade plutonium, and also to close and dismantle its plutonium reprocessing capability and allow IAEA inspectors into its facilities, is welcome. By implication, this will also allow special inspections of North Korean nuclear facilities.

This accord, which also established the Korean Peninsula Energy Development Organisation, has so far operated in a businesslike manner. To the extent that full implementation goes smoothly, suspicions about the North's nuclear intentions will, it is to be hoped, be lessened.

### **Internal Politics**

#### ***Features of the Political System***

Trying to determine the nature of North Korean politics is one of the most difficult tasks for the analyst. Several features of the political system may be discerned:

- The political ideology is based on an unique Korean style of socialism which seems to be based on a mixture of three distinct elements:
  - a form of Marxist-Leninist socialism
  - the national ideology of self reliance – *juche*
  - traditional Confucianism

These elements are combined within the rhetoric of a very strong nationalism which appeals to some in South Korea.

- A nascent form of political dynasty building. Authority and power have been transferred from Kim Il Sung to Kim Jong Il. Because this hereditary transfer has only occurred between two

generations the regime has also created a mythology of the semi-deification of Kim Il Sung to emphasise the legitimacy of his dynasty.

- An almost completely closed system. There is almost no knowledge of even the basic facts about the North Korean leadership. For example, does Kim Jong Il have a wife and children? The answer is not known. Why has Kim Jong Il been Commander in Chief of the armed forces and Chairman of the Defence Committee of the North Korean Labour Party, but not until some three years after the death of his father, was he able to add the position of party Secretary-General? And why is he still not yet President of the Republic? Again, the answers are not known. The lack of clarity about the internal workings of North Korean politics means that the reaction of the country to external events is extremely unpredictable.

### *The Kim Jong Il Regime-Inclined to Stability*

Kim clearly has a grip on power and this makes his regime, at least for the time being, not unstable. Kim's power is derived from a number of sources:

- he was heir presumptive since at least the 1970s. In those years he gained training in leadership and he developed a core of supporters at senior levels in the ruling group who share a common destiny and interest with him;
- from his close relationships with the supporting structures of the military, the Party and the bureaucracy; and
- from the tightly disciplined and hierarchical structure of Confucian society which is emphasised by the control over information held by the state.

The relationship with the military leadership is of particular importance. Kim has developed the prestige of the military and allows them control of the levers of power. He holds the senior military positions within the country and he appears primarily at military functions, again to demonstrate his support for them.

However, Kim does have some potential problems in consolidating and sustaining his leadership. He has no real experience. His father had experience of guerilla war against Japan and he fought in the Korean War. He subsequently kept his power through a mixture of ruthlessness and manipulation. Kim has no charisma. His father was an attractive and extroverted personality who could be diplomatic when the circumstances required it.

Because Kim is reclusive and, as noted, there is a dearth of information about him, judgements as to his personality and competence are mixed, ranging from stupid to great. The examples generally used to demonstrate his stupidity (e.g., womanising and excessive watching of western movies) do not in fact say anything about his political capabilities. In the medium-to-long term, the keys to making sensible judgements about Kim Jong Il will be based on the way he is able to operate in the new international and domestic environment. Most importantly he needs to be able to manage the country's economic rehabilitation to give hope to the people whilst at the same time reassuring the military that they will not lose their privileged place in society. His capability to manage his country will be most closely tested in times of crisis management.



### ***Possible Futures-Instability Ahead***

Although continued relative stability is the most likely medium term outcome for North Korea, internal instability could eventually come from perhaps three general causes:

- Continued economic decline combined with the circulation of information about the economic prosperity of South Korea. Economic decline is likely to continue and, despite the best efforts of the regime, dissatisfaction about absolute levels of poverty and also the relative impoverishment of the country when compared with South Korea will increase, perhaps beyond endurance. But a people's revolt is not likely to be successful because the people have no ability to control the instruments of power. As long as the armed forces remain faithful to the regime it will be able to sustain itself, and thus any disturbance may be violent but will not last.
- Military revolution or coup d'etat is always a possibility, but given that the military (its senior leadership in particular) share the same vision of society as does Kim and that they already have a privileged position this is not likely to be initiated by senior officers. The junior ranks in the armed forces are, however, from the countryside and likely to be well aware of how impoverished their families are. If they can get some form of leadership to allow them to mobilise anything could happen. Leadership could come from middle level officers who were trained in Moscow in 'rationalistic' analysis and who are worried about the future of North Korea and the deterioration of the military balance between the South and the North. There are similarities in this scenario with Japan in 1931 or, more recently, the Philippines and Romania.
- An assassination attempt could be made on Kim Jong Il. This could only realistically be carried out by someone close to him, either alone or as part of a group. If an assassination was by an individual working alone, the result would lead to a power vacuum and considerable instability as senior individuals attempted to grasp power, either to ensure 'stability' or merely to replace Kim as dictator. If, on the other hand, an assassination was carried out by a group of senior people working together and with a planned transition, the fact of the assassination could possibly be concealed for some time and could lead to a situation of enhanced stability rather than instability. This would rely on the group trusting each other completely and for there to be a clear individual who would be able to become dictator with the support of all of the others. For immediate effectiveness an assassination plot requires a relatively small group to ensure secrecy. For long term success and a stable transition, a large group prepared to support the nominated successor seems necessary. The two requirements may be contradictory.

These scenarios are possible rather than particularly probable. If any one of them did occur, it would lead to considerable internal instability and could trigger an attempt to attack the South, either to remove attention from internal problems or because of internal confusion.

### **Japan and North Korea: Policy Objectives**

This section deals with the kind of policies that Japan should pursue towards North Korea and the objectives of Japanese policy. There are three aspects to these objectives. All are inter-related.

### **Normalisation of Relations**

Although it is over 50 years since the end of World War II, two key diplomatic issues remain for Japan: the conclusion of a peace treaty with Russia to get back the Northern Territories; and the normalisation of relations between Japan and North Korea.

Normalisation is important for several reasons:

- it will give a final settlement to the unhappy days of the last decades by establishing fundamental relations in order, for instance, to resolve property claims and personal issues arising from the 36 years of colonial occupation.
- neighbouring countries which do have economic and personal exchanges need relations to be normalised. The situation is inconvenient for them and it is unnatural.
- Japan's national security needs relations to be normalised. There are no official dialogue channels with North Korea in politics or security issues. It is particularly important to have dialogues with countries as veiled and unpredictable as North Korea.

### **Contributions to the Peaceful Reunification of South and North Korea**

Unification is primarily a matter for the two parties directly involved and as long as it is pursued peacefully, third parties such as Japan should not interfere. First and foremost, Japan should welcome moves towards reunification because it is the wish of the Korean people. As well, reunification may improve Japanese security.

There are, however, feelings in some quarters that the division of the Korean Peninsula is better for Japan because the South and the North have as a common denominator anti-Japanese sentiments. If the two countries unite, the anti-Japanese sentiment may well be amplified. But this view seems to be anachronistic. If the countries unite, South Korea in particular will have a heavy economic burden in the short term, but in the medium and long term the country will enjoy economic prosperity and political stability. A united Korea will be better for Japan's security than a divided peninsula and tense conditions. The German example may be a useful analogy here.

Certainly, anti-Japanese feelings may be amplified, but this should be solved through increased personal, cultural and economic exchanges and the normal diplomatic processes of discussion and negotiation.

From this perspective it is in Japan's interests to do whatever it can to assist in the reunification of the Peninsula. At the very least, it should not stand in the way of the unification process.

### **Japan's National Security**

The primary objective of diplomacy is to pursue national interests. Although there are many components to national interest, national security is the most important. For Japan, peace and stability on the Korean Peninsula are vital. The aims of Japanese diplomacy must be to reduce the threat and thus the tension of the confrontation on the Peninsula, and to increase North Korea's economic capacity so that it can become a constructive and responsible member of the international community.

Specifically in terms of a military threat, North Korea needs to ensure that the remaining nuclear issues are settled satisfactorily to remove any suspicion that it has a nuclear weapons programme and it must stop its ballistic missile programme.

Human rights are also of continuing international salience. For some western states, the United States for example, humanitarian factors are a strong component of the rhetoric and sometimes of the practice of foreign policy. Japan also considers human rights to be universal. However, how best to apply human rights criteria to specific issues must be considered on a case by case basis according to the balance of needs of the moment. Given the importance that Japan puts on its dealings with North Korea, the issue of human rights, while significant, needs to be considered within the overall context of the two countries' bilateral talks.

## **Approaches to Achieving Policy Objectives**

### ***Normalisation Talks***

Talks between Japan and North Korea began in September 1990 following the visit of joint delegation of Liberal Democratic and Socialist Party parliamentarians to North Korea and North Korea's proposal of further talks. Three preliminary meetings agreed on a four point agenda dealing with 'basic issues', 'economic issues', 'international issues', and 'other issues' for future substantive talks.

Between January 1991 and November 1992 eight meetings between the two sides were held until, at the eighth meeting, the North Korean delegation got excited and walked out from the talks. The immediate cause of the walkout was possibly an inquiry by the Japanese side about a missing Japanese woman who, according to a North Korean female terrorist captured following the bombing of a Korean airline flight in 1987 before the Seoul Olympics, had taught the terrorist Japanese language and customs.

The eight rounds of meetings comprised mainly theoretical discussions in which each side talked past the other. There was no substantive discussion or agreement on issues. On the positive side, the negotiations ensured that each side knew the other's position.

### ***Basic Issues***

Discussion was about the basic principles (such as sovereignty, mutual non-aggression and non-interference in each other's internal affairs) upon which future bilateral relations could be conducted.

Specific topics included the question of what jurisdiction the government of North Korea had over the Korean Peninsula and the validity of the 1910 annexation treaty between Japan and Korea. On the latter point, the Japanese side insisted that the treaty was legal and that therefore colonial rule was legitimate from the viewpoint of international law. North Korea, for its part, said that the treaty was illegally imposed and that it followed therefore that colonial rule was not legal.

### ***Economic Issues***

The Japanese position was that North Korea had been part of Japan for the 36 years until 1945 and that therefore economic issues should be separated into those dealing with the period of Japanese occupation and those from the time of North Korean independence. The North Korean position, on the other hand, was that Japan and Korea fought each other while Kim Il Sung was supreme commander of the Korean forces, North Korean forces defeated Japan and therefore Japan should pay reparations and compensation. In addition to the 36 years of colonial rule, they also argued, Korea has been divided since 1945 and North Korea has suffered from this and therefore Japan should pay compensation for this separation.

The Japanese side vigorously refuted this argument.

There was no agreement at all on economic issues during these meetings, but eventually they will come to be of extreme importance. The question will be how much does Japan pay. The only guideline is that in 1965 Japan agreed to pay South Korea \$US500 m in the form of grants and soft loans to settle property claims and to enable economic cooperation. This payment was not made as compensation or reparation however.

### *International Issues*

There were two major topics under discussion: nuclear questions; and the promotion of North-South dialogue.

On the nuclear question, the North said it would deal only with the United States. The question had nothing to do with Japan. The Japanese side said that it was a question of vital interest to Japan because it dealt with Japan's security. Japan could not be indifferent to the issue. As the only victim of the use of nuclear weapons Japan had a natural concern about the issue and the Japanese people would not accept normalisation of relations unless suspicion about North Korea's nuclear ambitions were dispelled.

North Korea also said that the question of North-South dialogue had nothing to do with Japan. The Japanese side argued that they looked on the Korean Peninsula as a whole and that relations with North Korea could not be promoted without interactions with the other party concerned.

### *Other Issues*

Japan raised the question of the approximately 1800 Japanese wives of Korean men who returned to North Korea after the war. There has been no smooth correspondence, no productive meetings and no satisfactory communication. Their relatives would like to meet them and the Japanese government would like to arrange a homecoming for them.

The North Korean side did not respond positively to this issue and instead brought up the question of the status of North Koreans resident in Japan, including the question of education. (And yet, on the issue of the home-coming of Japanese wives, there has been some progress, although on a limited scale, with the return of a small group. It is my hope that this will continue and on a larger scale).

### *Prospects for Resumption*

It is some five years since the talks broke down. Japan is ready to resume talks at any time. There is, however, no definite prospect of a resumption at this moment.

If and when negotiations resume, we have to be prepared for ups and downs in the negotiation process. Issues such as the status of the 1910 treaty or economic and property matters, which have already been settled with South Korea are covered in international law. We can not have a different set of rules and solutions for North Korea. There is also the question of how to treat nuclear issues. North Korea wants them to be resolved before negotiations begin. Japan believes they should be treated as a part of the negotiation process.

It seems likely that if North Korea needs money badly it may shelve the legal issues and then the question will be about how much money should be paid to the North. This will require high-level political decisions, but some aspects may be easier than with the South. During the negotiations with South Korea, for example, there were difficult fisheries issues which had seen Japanese fishing boats

seized. Now, there is an international law of the sea regime which sets rules for the settlement of disputes and allows settlements within a broadly agreed framework. Also, the legal status of North Korean residents in Japan has improved (if only in a de facto sense) and nuclear issues are being solved through the KEDO process.

Although the negotiation process should not take as long as the fourteen years which it took with South Korea, we must be patient and flexible. Two elements are important in the negotiation process. These are the bilateral issues relating to the colonial period, and the international impact of the negotiations. Issues must be in harmony with each other and must not adversely affect the peace and stability of the Peninsula.

### **The Peaceful Reunification of the Korean Peninsula**

Unification of the Korean Peninsula is basically a matter for the parties directly concerned: North and South Korea. However, this is a matter of importance to Japan and Japan will be able to contribute to the process. There are several steps it can and should take.

- Japan must have close cooperation with the major countries with an interest in the issue. The United States, China and Russia, along with Japan must give their understanding and blessing to unification. This is relatively easily done between the United States and Japan because of the relationship already built up between them as alliance partners. There also needs to be an exchange of views and policy coordination with the other states. This will be more difficult in the short term with Russia because of the difficulties in that country and its relative lack of ability and perhaps will to act. In the medium to long term coordination may be possible.
- Japan must have good relations with South Korea if it is to assist the unification process. Compared with the recent past, bilateral relations have become better. The countries were close geographically but remote emotionally, but now, as witnessed by increasing exchanges and visits between the countries, they are coming together in all spheres. Despite that, relations can still be disturbed by even a small incident.
- Similarly, improved relations between Japan and North Korea will assist the process. Currently, relations are not satisfactory, but they are improving. There are, however, many difficulties in the path of a full normalisation of relations, but even before normalisation, substantial, if gradual, improvements are possible. Charter flights between the two countries are not uncommon and there is an increase in the movement of people. Step by step actions are the most likely way of improving relations.
- Economic disparities between North and South must be reduced if unification is to be successful. Unfortunately, the gap has been widening over recent years. This is North Korea's business, but Japan and other countries should cooperate with North Korea to assist in an economic recovery.

### **Japan's National Security**

Three aspects are of importance: the elimination of threat factors; the assimilation of North Korea into the international community; and the preparation by Japan of contingency plans against a range of possible occurrences involving the North.

### ***Threats***

North Korea's nuclear and missile capabilities provide both real and potential threats. Nuclear matters have been the subject of agreement between North and South, the joint declaration of 1992, to allow mutual inspection of each other's facilities, between the United States and North Korea in 1994 and 1995 for the establishment of KEDO and between KEDO and North Korea in 1995 to allow the construction of pressurised light water nuclear reactors in return for the scrapping of North Korean facilities.

If and when agreements are fully implemented North Korea will eventually dismantle its plutonium reprocessing facilities and graphite moderated reactors. Spent plutonium fuel would be sent overseas. These processes would contribute to security as the proposed reactors would not be suitable for the production of weapons grade plutonium material and would use only low grade plutonium which would have to be supplied from overseas. This would put North Korea's nuclear activities into an international framework which would give transparency to the process and would allow proper scrutiny of it. Scrutiny would also be enhanced by other aspects of the agreements which allow IAEA inspections and in which the North agrees to stay in the NPT.

These arrangements will put a heavy burden on KEDO, the nuclear reactors could take 10 years to complete at a cost of some US\$4.0 bn or more, but they will be a significant step in reducing suspicion of North Korea's nuclear ambitions. The arrangements will also be difficult for North Korea. Exchanges of personnel will be unavoidable as technicians and engineers enter the country to supervise reactor construction. How the North deals with these visitors will be an important test of its ability to deal with the rest of the world in the future.

Missile capabilities are a second potential level of threat from North Korea. The country already has Soviet SCUD missiles with a range of about 500km. Missiles under development have a range of from 1000km to 4000km. These developments give Japan and neighbouring countries serious worries. They are moving against international trends and unless North Korea follows the provisions of international controls on missile proliferation will continue to cause worry. The United States has had discussions with North Korea. These must lead to some progress in cutting back the North Korean missile programmes.

### ***North Korea and the International Community***

For Japan, the elimination of any North Korean threat is only the first step in the process. More fundamentally, Japan wants North Korea to become a real partner in the international community and to contribute to the formation of a new international order in North East Asia. Japan must work with North Korea and encourage it to join in the work of the international community. North Korea should be removed from its international isolation. This is most likely to occur if incentives are given rather than impediments put in the way. A fable from Aesop asks 'which is more likely to encourage a traveller to remove his coat: sunshine or a cold wind?' I favour a sunshine approach which emphasises economic cooperation and political interdependence. This will require the cooperation of the United States and South Korea in particular as well as Japan, and it will require North Korea to give a positive response to dialogue with the South and to the concerns of other neighbouring countries. China's blessing will also be necessary.

Incremental and reciprocal actions and responses will allow the North Korean economy to get on track slowly. The aim is to give North Korea a soft landing as it enters the international community.

### *Japan's Contingencies*

Although a North Korean soft landing will be good for the whole region, this result is primarily up to North Korea itself. The country is facing a serious dilemma between the demands of economic liberalisation and its unique state socialism. Events may not proceed as we hope and we must therefore be prepared for the worst case.

Military aspects are primarily for the United States and South Korea to address. Japan can not become involved for constitutional reasons, and should not for historical reasons. But the Japan-United States security treaty is for both the defence of Japan and also for regional stability. That treaty should be maintained and strengthened.

If threats arise Japan should work through the United Nations to the maximum extent possible and should cooperate with UN decisions, but within the constitutional framework. The United Nations might not always be a viable organisation for problem solving, especially if one member of the permanent five chose to veto UN activity or to abstain from voting. In that case, Japan would be in a difficult position domestically. One possibility would be to work through a multinational organisation such as that established in the Middle East in similar circumstances, the Multinational Force and Observers.

Finally, internal disturbances in North Korea might arise. Of the various possibilities one would be an exodus of refugees. The magnitude and direction of such an exodus can't be known in advance, but could be in the direction of Japan.

Japan should follow a double track approach. It should work for a soft landing for the North, but it should also prepare contingency plans for all of the possibilities described and others. This requires proactive consideration of the possibilities now rather than reactive responses after the fact.

### **Conclusions**

North Korea is shrouded in a veil of secrecy which means that the current situation is unclear and possible futures are extremely difficult to predict. Policy should not, therefore, be overly prescriptive. There are four important points to be kept at the front of any consideration of the issues:

- Japan's policy towards North Korea has two aspects to be taken into account. Firstly, outstanding bilateral issues have to be resolved, and secondly the international aspects of policy should lead to an increase in regional peace and stability.
- Peaceful reunification is a matter for the Korean people themselves, but Japan should do what it can to assist.
- Japan and North Korea can not improve their relations in isolation. Instead, they should be developed within the framework of the other bilateral relations between the US and South Korea with North Korea and between Japan and South Korea.
- Japanese policy needs to remain flexible with the overall aim of bringing Korea as near to Japan emotionally as it is geographically.

