Integration of the Korean Peninsula:  
Articulation of Regional and International Cooperation

Position-in-Brief

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Anyone who has visited the DMZ or had the opportunity to travel in China on the new highway between Yanji and Tumen can see clearly that North Korea remains a major roadblock on the way to regional economic integration. Given the relative wealth that now surrounds North Korea, there is no question that North Korean integration into Northeast Asia would provide enormous economic benefits, first and foremost in terms of raising the standard of living of the North Korean people. North Korea in its current form is a drag on regional prosperity. Yet the political stalemate on the Korean peninsula persists and has even been sharpened by a failure to find ways of effectively integrating North Korea with its neighbors in Northeast Asia.

From a political perspective, the obvious prerequisites to more effective integration of North Korea into Northeast Asia are improved political relations by North Korea with South Korea, Japan, and the United States. But improvement of these diplomatic relations hinges on North Korea’s willingness to commit to the path of denuclearization, based on the common view of all parties in the region that a non-nuclear Korean peninsula is most conducive to regional stability and prosperity. The objectives of denuclearization and promotion of prosperity seem to be inextricably tied with each other as part of the regional consensus, as represented in the Six Party Joint Statement of September, 2005. But North Korea challenges these assumptions through its pursuit of a “rich and strong state,” a formulation that ties North Korean nuclear capacity and economic capability together, but defies the concept of integration with neighboring states. North Korea’s desire not to be integrated with Northeast Asia because such integration is perceived as threatening to the North Korean leadership’s regime survival is the fundamental contradiction that must be resolved in order to unleash the full development potential of the region.

North Korea’s defiance of the regional consensus embodied in the September 2005 Six Party Joint Statement now stands as the major factor that has led to a stalemate in the development of regional relations. Each of the parties that have not normalized their relations with North Korea has tied the future of the relationship to North Korea’s return to the path of denuclearization, so North Korea’s denuclearization has become a prerequisite for further political integration in Northeast Asia.

But North Korea has tried to separate normalization of political relations with the United States from the task of denuclearization, as reflected in North Korean foreign ministry statements from January 2009. This raises the question of whether political integration
itself might inevitably lead to denuclearization. Put more provocatively, would the North Korean regime in its current form be able to survive the possible results of deep political engagement with the United States, Japan, and South Korea, or is deeper political engagement harmful to health of the regime in its current form? Are there ways that more active non-governmental engagement might be pursued effectively in pursuit of North Korean regime transformation? This is the question underlying the concept of “subversive engagement” that Andrei Lankov has proposed.2 The North Korean regime appears to have been particularly sensitive to the possible political dangers that may result from such engagement, especially from South Korea following the 2000 inter-Korean summit. This may be why inter-Korean exchanges during this period seemed to be “one-way” exchanges, involving South Koreans coming North with little reciprocation by North Koreans coming to South Korea.

Political engagement by Japan and the United States at a non-governmental level seems less threatening to the regime’s political health, yet North Korea appears to have tied widening of such exchanges to improvement in political relations. However, this doesn’t mean that the United States and Japan, despite poor relations, shouldn’t consider opening their doors more widely to deeper non-governmental exchange with North Korea through a wide range of educational, sports, and cultural exchanges. Over the long-term, these exchanges are essential both to North Korea’s integration and political transformation because they would provide some North Koreans with the technical knowledge necessary to more effectively promote integration with the outside world when the time eventually does come for deeper political integration. Under current circumstances, even if political obstacles to North Korea’s integration with the region were to be shattered, would there be people in North Korea with the skills to manage successfully the “system” requirements of political integration with the outside world?

Although this analysis suggests that immediate prospects for effective regional political integration remain bleak as long as the North Korean nuclear stalemate remains in place, what about prospects for economic integration? From an economic perspective, there are some potentially significant changes that suggest the inevitability of economic integration, regardless of the immediate prospects for political integration, and possibly even as the leading edge of a wedge that might eventually result in political integration. This question might be considered in two forms: first, whether state-led efforts to manage North Korea’s economy through limited economic integration (i.e., attraction of foreign investment) are likely to be successful; second, the extent to which the financial effects of globalization are already washing onto North Korean shores in ways that herald changes that could pose a direct challenge to the regime.

The test case for the former lies with current North Korean efforts to attract new foreign investment. Regardless of the motive, the North Korean leadership appears to have established a new set of foreign investment laws and has launched a state development bank, a leading state-sponsored corporation (Taepung), and may have plans for foreign
invested economic zones in several North Korean cities, including Rajin-Sonbong, which arguably could be in the best position to attract outside investment, even despite the existence of sanctions regime under UN Security Council Resolution 1874.

Chinese local and regional officials from Jilin province, which includes the Yanbian Korean Autonomous Prefecture, have coveted Rajin’s port facilities since the 1990s, but progress in achieving that strategic objective has been halting. Rajin port was the delivery point for Japanese automobiles brought into North Korea and resold in Northeastern China in the 1990s, while a limited number of logging and container trucks delivered logs, wood chips, and other natural resources from China to Japan via Rajin Port. Rows of empty buildings constructed as part of a real estate boom in Hunchun in the mid-1990s served as testimony to the failure of the UN-led Tumen River Area Development Programme (TRADP) to draw in international investment. At the time of Hu Jintao’s visit to Pyongyang in late 2005, there were reports that the Hunchun district had made a deal to pave the 50-kilometer dirt road that connects the Quanhe-Wonjong border crossing to Rajin, but nothing came of it. The Chinese designation of Changchun, Jilin, and the Tumen River Area as a border development region in November of last year shows continued Chinese interest in developing external links to China’s northeastern provinces.3

Given the strategic value of access to Rajin-Sonbong port facilities for China’s booming northeastern provinces, it would be natural for China to seek maritime access to the East Sea/Sea of Japan regardless of the UN resolution—or perhaps as part of a package of inducements designed to bring North Korea back to the Six Party talks. China now has its own capital to invest in the port, in contrast to the situation in the 1990s. North Korea’s financial distress provides an opportunity for China to gain strategic access at bargain prices. North Korea has once again tried to involve Russia in a competition with China for access to the port by pursuing deals with both sides simultaneously. In addition, North Korea’s offer of such a prize, if successful, provides an opportunity to evade the negative effects of the UN Security Council resolution on the North Korean economy.

How the PRC central government handles Rajin-Sonbong may provide additional needed leverage to drive a financially hurting regime back to the negotiating table, or it may provide the North Koreans with a lifeline that sustains the leadership and provides it with the capacity to avoid necessary reforms. If it is the case that Chinese private firms recognize the risks of investing in North Korea under the current regime, a central government decision to invest in Rajin-Sonbong is likely to be aimed at perpetuating the status quo than at achieving the regime transformation necessary to promote North Korea’s economic integration into the region.

In many ways, the latter example of economic integration that is occurring despite the policy desires of the North Korean leadership is more interesting. The currency revaluation of last November suggests that the regime understands well the dangerous
effects posed by the influx of the economic and cultural effects of globalization, a powerful force for North Korea’s integration. The main effects of these forces are dissemination of information and the development of markets inside North Korea. These two developments may constitute the most severe current threats to the political control of the North Korean leadership.

Hazel Smith has described the social changes that occurred in North Korea following the famine of the mid-1990s, describing the effects of marketization, monetization, and decentralization on aspects of North Korean daily life. The fact that the markets have replaced the government as the primary factor influencing everyday life in North Korea shows the impact of “bottom-up” reforms, regardless of the policies of the central government in North Korea.

Moreover, an ongoing stream of reports from Good Friends illustrates in recent years the extent to which controls over dissemination of information out of North Korea have broken down. A similar breakdown in control of information about the outside world is occurring inside North Korea through word-of-mouth as well as the dissemination of CDs, DVDs, and other cultural products within North Korea that make the outside world accessible to average North Koreans for the first time. These breakdowns suggest that structural changes are occurring that will further weaken the political control of the DPRK government. These structural changes are likely to pose particular challenges for North Korea’s leadership that raise the questions of whether economic integration may eventually lead to a North Korean political transition. Thus, it is unsurprising that the North Korean leadership feels a need to take measures to reconsolidate power and ensure political loyalty at all levels of society. But with the currency revaluation, those measures appear to have had the effect of further weakening the political control of the leadership. In some important ways, the leading edge of North Korea’s economic integration is already having a political effect on the regime that is likely to lead to political transformation. These are trends that the international community should encourage and support to the extent possible, since they will ultimately lead to North Korea’s integration with the outside world, while also having the effect of improving living conditions and standards for the North Korean people.

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