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HONG YUNG LEE

North Korea in 2013

Economy, Executions, and Nuclear Brinksmanship

ABSTRACT

The second year of Kim Jong Un's rule in North Korea was enormously eventful. The year began with Pyongyang carrying out its third nuclear test, a move of reckless brinksmanship that alarmed the region and beyond. North Korea formally declared its goal of "simultaneously pursuing nuclear and economic development," but failed to take a decisive step toward economic reform. The ruthless purge and execution of Jang Sung-taek revealed the structural weakness of the ruling system.

KEYWORDS: Kim Jong Un, nuclear test, nuclear brinksmanship, Six-Party Talks, Jang Sung-taek

A SPECIAL NOTE

As *Asian Survey's* yearend issue went to press, there were unconfirmed but widespread reports from South Korean media that the entire extended family of Jang Sung-taek had been executed, including children and two ambassadors. See Update, last section, below.

INTRODUCTION

The past year, 2013, marks the second year in the rule of Kim Jong Un, who inherited a failed state with nuclear capabilities after his father Kim Jong Il passed away in December 2011. In order to bolster his diminishing political legitimacy—he is two generations removed from Kim Il Sung, the founder of the state—Kim Jong Un is under great pressure to deliver tangible economic benefits to North Korea. Economic development requires structural reforms

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and a willingness to open up the most isolated country in the world to foreign capital and technology. However, such reforms would be risky for his regime, due to the tight intertwining of nation, regime, and personal rule that has always characterized the Kim dynasty. Still, now that North Korea has demonstrated enough nuclear deterrence capability to be regarded as a “safety blanket” against both external and internal threats (whether from dissenting elites or mass protests), Kim Jong Un should be ready to shift his priorities to economic development.

Overall, 2013 was the year North Korea demonstrated to the world that it not only has nuclear capability but is also determined to use it if needed. In addition to completing three nuclear tests, North Korea successfully launched a satellite into orbit. More importantly perhaps, confident of North Korea’s nuclear capability, Kim Jong Un publicly announced his “new strategic line”—the simultaneous development of nuclear capabilities and the economy. He justified this approach as being the most appropriate given North Korea’s situation: in addition to allowing the regime to reduce its military expenditures while strengthening its defense capabilities, such an approach would allow him to simultaneously promote economic development.¹

As a result, North Korea’s foreign policy behavior in 2013 seemed almost schizophrenic, with the first half of the year seeing mounting tensions with the U.S. that threatened to verge on the possibility of a military confrontation. Pyongyang’s posture was extremely belligerent, provocative, and defiant, using harsh rhetoric that included even the threat of preemptive nuclear attacks. Puzzled by this reckless and unprecedented form of nuclear brinkmanship, the U.S. was forced to find a “rational” response to an “irrational” challenge. More importantly, North Korea’s position also alarmed China, its most important ally, which felt compelled to review their relationship while seeking a new role within the complex international politics of East Asia.

However, during the second half of the year, North Korea toned down its provocations and proposed a return to negotiations, even agreeing to resume the Six Party Talks on its nuclear capability. At the same time, Pyongyang continued to publicly declare that its nuclear weapons “are neither political bargaining chips nor a thing for economic dealings.” Consequently, the current political stalemate on the peninsula is likely to continue.

1. *Rodong Shinmoon*, April 2, 2013; *New York Times*, March 31, 2013.

NUCLEAR BRINKSMANSHIP AND RISING TENSIONS

At the beginning of 2013, the Korean Peninsula was clouded with tension and even concerns about a potential military clash after North Korea reacted defiantly to U.N. Resolution 2087, enacted to censure the country over its missile testing. The resolution, which took direct aim at key figures and trading companies involved in North Korea's nuclear and space programs, froze the country's assets and banned the trade of relevant technologies. Global pleas were made to renounce further testing. China, under its new leader Xi Jinping, strove to make it clear to Pyongyang that it did not want to see such a test.

Nonetheless, North Korea carried out its third nuclear underground test on February 13, 2013. Its official news media reported successful detonation of a "miniaturized and lighter nuclear device with a greater explosive force than previously" in "a safe and perfect manner" so that the test "did not have any negative impact on the surrounding ecological environment."² This test seems to have amply demonstrated at the very least that North Korea will be able to produce miniaturized bombs (capable of fitting in missiles) in the coming years.

The Security Council of the U.N. again unanimously adopted a new resolution condemning this latest nuclear test, this time sanctioning "the illicit activities" of North Korean diplomatic personnel and banks, including questionable transfers of cash.³ China again supported the U.N. resolution; China's ambassador released a public statement saying, "We are formally committed to safeguarding peace and stability on the Korean Peninsula." Despite this rather tame explanation that it was concerned with regional peace and stability, Beijing was as a result explicitly criticized by North Korea for its failure to uphold its principles in the face of pressure from the U.S.⁴

Infuriated by this resolution and a subsequent joint military exercise between South Korean and U.S. forces, North Korea stepped up its verbal attacks on the U.S. Pyongyang declared the 1953 Armistice that had halted the Korean War null and void and threatened that it would "exercise the right to launch a preemptive nuclear attack in order to destroy the strongholds of the

2. *New York Times*, February 12, 2013.

3. *Ibid.*, March 5 and 7, 2013.

4. *Huanqiu Ribao* (China), March 8, 2013.

aggressors.”⁵ Potential targets in a propaganda video included American military bases in Japan, Guam, and Hawaii, as well as such American cities as Washington, D.C., New York, Los Angeles, and even Colorado Springs, where the North American Aerospace Defense Command (NORAD) and the U.S. Air Force Academy are located; however, the North Korean video showed Colorado Springs someplace in Louisiana.⁶ Pyongyang’s video depicting President Barack Obama enveloped by nuclear flames went viral. At the same time, Kim Jong Un inspected many military units, putting them on a war footing, and even transferring missile units to the eastern coast so that they could be aimed at Guam.⁷ Officials severed all communication channels with South Korea and closed down Kaesong Industrial Park in April, even warning all foreigners to evacuate South Korea in anticipation of possible war.⁸

The only rational option for the U.S. was to step up its retaliation capabilities in the region while seeking help from China to restrain North Korea. Washington dispatched nuclear powered submarines, aircraft carriers, and strategic B-52 and B-2 bombers to participate in joint military exercises with South Korea. The U.S. also strengthened its anti-missile defense capabilities, developing a “tailored deterrence strategy” in conjunction with South Korean forces that could be used to deal with possible North Korean missile attacks. At the same time, the Americans hastened deployment of an advanced missile defense system in Guam as “a precautionary move.”⁹ Beefing up U.S. military capabilities in Asia, even if in response to clear North Korean threats, is a very delicate matter, because such moves could potentially be construed as an attempt to contain China. For this reason, the spring of 2013 also saw many high-ranking U.S. officials visiting Beijing, presumably to clarify bilateral relations as well as discuss the North Korean threat.

Policy makers and academics in China engaged in heated internal debates about the North Korean issue. Although divergent opinions are apparent within the public debate, one can readily notice changes in the general tone. In the past, the focus was on how much economic assistance should be provided to North Korea; now the question is how much pressure should

5. *New York Times*, March 11, 2013.

6. *Ibid.*, April 13, 2013.

7. *Joonggang Ilbo*, April 5, 2013.

8. *New York Times*, March 27, 2013.

9. *Ibid.*, April 3, 2013.

China impose on Pyongyang.¹⁰ The opinion that seems to be shared by most Chinese editorials is that North Korea's strategic importance to China has diminished as a result of China's changed international status, and that such nuclear brinkmanship is incompatible with China's "national" or "core" interests. In any event, according to one of many insightful analyses in *Huanqiu Ribao*, the only important remaining decision for China is how severe its sanctions on Pyongyang should be—while not forcing the collapse of the North Korean regime.¹¹ Some analysts argue that with North Korea testing nuclear bombs on its own internal political and technical needs and schedules, denuclearization would be almost impossible. As such, China should change its objectives from denuclearization to preventing war in the region.

With regard to China's possible options, one *Huanqiu Ribao* article even evaluates the pros and cons of different forms of military interventions, from offering nuclear protection to Pyongyang to using military means, either surgical strikes or physical occupation—scenarios that would have been unthinkable in the past.¹² Some writers must have gone too far in the eyes of the state authority: one writer from the Central Party School in Beijing was fired after he publicly declared that China's strategic alliance with North Korea was "outdated" and that Pyongyang might turn its nuclear weapons against China.¹³

Beijing's official reaction to the nuclear test was strong and swift. The Chinese foreign minister immediately summoned the North Korean ambassador and lodged "a solemn protest," declaring that China "was strongly dissatisfied with and firmly opposed to" the test. There are many indications that China in fact raised a "yellow card" of behavior warning to North Korea.¹⁴ Yet, Beijing has continued its strategy of asking both North Korea and the U.S. to make concessions to achieve a negotiated settlement.

Whether as a result of Chinese pressure or because of its own strategic calculation that it had amply demonstrated its nuclear capability to the world, or both, North Korea later toned down its bellicose rhetoric while signaling its willingness to seek a negotiated solution. Beijing and Pyongyang, which

10. *Joongang Ilbo*, April 30, 2013.

11. *Huanqiu Ribao*, February 18, 2013.

12. *Ibid.*, January 29, 2013.

13. *New York Times*, April 2, 2013.

14. *Joongang Ilbo*, April 15, 2013.

had not seen any exchange of visits by high-ranking officials over the preceding several months, once again started official visits. This started with a visit in May to Beijing by Vice Marshal Choi Yong-Hai, the North Korean military's number two man who, as a special envoy, probably carried a personal letter from Kim Jong Un. Many news media outlets alleged that Beijing treated the North Korean envoy very coldly, and that Xi, when he finally received Choi, bluntly told him that North Korea should get rid of its nuclear weapons and return to the negotiation table. Xi also apparently refrained from replying to Kim Jong Un's expressed wish to visit China and to the invitation for Xi to visit Pyongyang.¹⁵

Thereafter, many North Korean leaders made visits to Beijing for "strategic dialogues," according to Chinese officials. By the time Chinese Vice President Li Yuanchao, the highest-ranking Chinese official to visit North Korea since Kim Jong Un's rise to power, visited Pyongyang in July on the 60th anniversary of the Korean War ceasefire (which, a few months before, North Korea had declared to be invalid), it seemed to some observers that North Korea had finally yielded to pressure from Beijing.¹⁶ According to a Korean newspaper, Kim Jong Un even went to Li's lodging to express his regrets that North Korea "had been too harsh toward the United States and South Korea," and "supports China's efforts to restart the Six Party Talks, and is willing to work together with all sides to maintain the peace and stability of the Korean Peninsula."¹⁷

Inter-Korean relations have also reflected North Korea's schizophrenic behavior. Initially, many observers expected improvement in inter-Korean relations when Park Geun-hye replaced Lee Myung-bak—a figure deeply disliked by North Korea—as South Korea's president. But the North's reckless nuclear brinkmanship could not but affect inter-Korean relations. At the height of this period, North Korea cut off all communication channels with the South, even going so far as to close down Kaesong Industrial Park.¹⁸ In the second half of 2013, when North Korea shifted its strategy to negotiation, the two Koreas resumed talks for the reopening of the industrial park. Park's government continued to take a firm stance on its demands that the Kaesong

15. *Ibid.*, May 28, 2013.

16. *South China Morning Post*, July 27, 2013.

17. *JoongAng Ilbo*, August 8, 2013; *New York Times*, July 26, 2013.

18. *New York Times*, April 8, 2013.

not be closed down again in an arbitrary fashion, and North Korea showed a more flexible attitude, agreeing to reopen the park.

Furthermore, North Korea wanted to reopen Mt. Kumgang to South Korean tourists, even indicating its willingness to allow meetings there between separated families. But Pyongyang cancelled a scheduled reunion for about 100 families with just three days' notice.

ECONOMIC REFORMS AND KIM JONG UN'S POWER BASE

Although Pyongyang has amply demonstrated its nuclear capabilities, it has not yet taken any decisive measures toward economic reforms, the prerequisite for any economic development, despite evidence that Kim Jong Un has shifted from his father's "military first" attitude to one that prioritizes the economy.¹⁹ Any significant attempts at reform seem to have encountered opposition from entrenched elites whose vested interests are tied to the existing institutional arrangement.²⁰ For example, the regime reportedly solicited new ideas on economic reforms from various research organizations, but those who proposed changes to the socialist system were eventually purged. When the 18-year-old daughter of the chief of Pyongyang Security defected to South Korea in May, North Korea allegedly recalled all the children of diplomats attending foreign schools.²¹ However, complaints from the top elite were so strong that this order was eventually rescinded.²²

Because of the constraints imposed by the U.N. sanctions, North Korea appears to be concentrating on expanding special economic districts, promoting foreign tourism, and exporting laborers to friendly countries such as China and Russia. Pyongyang has upgraded the General Bureau of State Economic Development to the Commission for State Economic Development, which is now entrusted with the authority to manage all special economic districts.²³ Moreover, all local authorities have been ordered to develop specific plans to carry out these changes.²⁴

19. *Economist*, August 6, 2012.

20. *Donga Ilbo*, October 15, 2013.

21. *Daily NK*, September 20, 2013.

22. *Donga Ilbo*, October 10, 2013.

23. *Joongang Ilbo*, June 7, 2013.

24. *Rodong Shinmoon*, October 17, 2013.

North Korea plans to increase the total number of its special economic districts from four to 16. The new areas being planned for include Shinyiju, Haeju, Nambo, Baekdu Mountain, Chilbo Mountain, and Wonsan, each of which will specialize in tourism, manufacturing processes for export, agricultural products, or sports and recreation, according to the comparative advantage of each locality. In fact, Pyongyang is soliciting a total of \$1.6 billion in foreign investment with an already well-prepared memorandum containing detailed information about each proposed district's location, type of work, and infrastructure.²⁵ Among these special economic districts, Kim's pet project seems to be Wonsan—a city near to the island where his luxurious villa is located—which will be focused primarily on tourism, international financial activities, and sports and recreation.

Near Wonsan is Misikryung, a comprehensive sports and leisure center where a luxury ski course has already been built.²⁶ Pyongyang plans to develop Kaesong into a special economic district for high tech industries, with the expectation that Singapore and Hong Kong firms will invest.²⁷ On the other hand, North Korea postponed a conference it had jointly planned with South Korea on foreign investments in the Kaesong Industrial Park. As part of its efforts to develop special economic zones, North Korea has initiated the huge project of remodeling Pyongyang and Wonsan Airports, and has chosen Hong Kong companies for the job.²⁸

Although Kim Jong Un was preoccupied with international relations throughout 2013, he did not neglect to consolidate power domestically. North Korea amended the “Ten Principles of the Establishment of the Party's One-Party Ideology System”—a document that was originally prepared as a way of consolidating Kim Jong Il's rise to power. This time, the document is being revised to support Kim Jong Un's legitimacy. The revised version emphasizes a “unitary” ideology that requires the North Korean people to obey only Kim Jong Un, while at the same time specifically mentioning Kim Jong Il's name and glorifying the “Baekdu Mountain bloodline” of Kim's family—all justifications for Kim Jong Un's succession.²⁹

25. *Donga Ilbo*, October 28, 2013.

26. *Joongang Ilbo*, June 26, 2013.

27. *Donga Ilbo*, October 19, 2013; *Joongang Ilbo*, June 7, 2013.

28. *Joongang Ilbo*, July 30, 2013.

29. *Ibid.*, August 12, 2013.

At the same time, Kim Jong Un has been reshuffling North Korea's top leaders in order to place people loyal to him in key positions. Since his rise to power, he has, according to a South Korean source, replaced 44% of North Korea's top 218 military, party, and government officials with his own choices. He has retired or sidelined the generals who had served his father, while promoting to key positions a younger generation of generals. He has replaced General Chief of Staff Kim Kyok-sik, known as a hardliner, with Ri Yong Gil, a former field commander who advised Kim during North Korea's period of heightened nuclear rhetoric.³⁰

Kim Jong Un has shifted the locus of power from the military, anchored by the National Defense Commission, to the party, now represented by the Politburo. About 26 of the 30 most influential leaders now sit in the Politburo. The new leaders in the Party organs tend to be much younger than the leaders from Kim Jong Il's time. There are no vacancies in key party positions, and the decision-making process has been diversified, with committees and the coordination of various branches of power organs being used more frequently.³¹

Paralleling the rising influence of the party, a group of technocrats and economic experts known as the "Hamkyungdo Brigade" (after a province in the Northeast) is extending their influence within the government. The leader of this group, Park Bong-ju, was reappointed as premier in 2013. Many other people with real decision-making powers have likewise been promoted to the Politburo, including newly appointed Chief of Staff Ri Yong Gil and Minister of Public Security Kim Won Hong.³² It seems that Kim is "tailoring" the power structures inherited from his father to fit his own needs.

Meanwhile, foreign reporters with access to North Korea describe great changes in urban life there. Given that Kim Jong Un studied abroad, it is no surprise that his leadership style has diverged from the austere one practiced by his father. Kim Jong Un's style is more relaxed and casual, and he frequently appears in public with his fashionably dressed wife, Ri Sol-ju, who has, intentionally or not, set the fashion standards for Pyongyang women. North Korea has also relaxed its controls over mobile phones for visiting foreigners, including foreign journalists. Whereas previously, correspondents

30. *Ibid.*, October 2, 2013.

31. *Ibid.*

32. *Ibid.*, April 2, 2013.

were not allowed to use their mobile phones once they entered North Korea, they are now permitted to do so. Moreover, they are allowed to send in their stories, including pictures, directly to their head offices.³³ The portion of the North Korean population with access to mobile phones has also multiplied recently. And all kinds of imported luxury goods are now available in department stores, not only in Pyongyang but also in the provinces. According to reports, consumer culture is spreading swiftly. Not surprisingly, inflation is rising, and there's been a marked depreciation of North Korea's currency, the won, particularly vis-à-vis the Chinese yuan.³⁴

UPDATE

The series of events that took place in Pyongyang in the last days of 2013 rendered even the preceding cautious view about North Korea's future much gloomier. On December 12, Kim Jong Un summarily executed his 67-year-old uncle, Jang Sung-taek (in Korean) or Zhang Chengze (in Chinese), only four days after Jang was filmed being dragged out of an extended Politburo meeting; immediately after, he was convicted of treason at a Special Military Tribunal of the National Safety and Security Ministry.³⁵ Jang, born in 1947 in Chungjin, was given the name Sung or Song in honor of Kim Il Sung; the third word commemorates Mao Zedong. The names revere the two rising revolutionary leaders and symbolize close ties between North Korea and China. During his schooling at Kim Il Song University, Jang met and married Kim Il Sung's only daughter. He rapidly rose to powerful positions as Kim Jong Il's brother-in-law. Jang played a central role in helping Kim Jong Un consolidate his power by, for instance, helping him to purge the entrenched old military generals, and acting almost like a regent for young Kim. As a vice chairman of the Defense Commission, holding a seat in the party's Politburo with the rank of a five star general and heading the Administrative Bureau of the Party, Jang had long been seen as the de facto number two man in the North Korean political hierarchy.

The regime published an unusually long and detailed indictment, accusing Jang of more than a dozen alleged crimes: forming factions, actively recruiting followers, engaged in anti-Party activities, and plotting to seize power from

33. *Donga Ilbo*, October 31, 2013.

34. *Joongang Ilbo*, October 15, 2013.

35. *Huanqiu Ribao*, December 13, 2013; *New York Times*, December 13, 2013.

Kim Jong Un. Ironically, some of the charges are more revealing about North Korean reality than crime.³⁶ He is accused of plotting to agitate “discontent of the people and the military for failure of the current regime to do anything about the collapsing economy.” Jang is accused of “dreaming first to become premier, when the economy goes totally bankrupt,” and then to solve “the problem of people’s living” by spending the fortune Kim Jong Un had presumably stashed away. Jang reportedly believed that “the people and the military would support his coup attempt when their living conditions further deteriorate.”

Indeed, the charges indicate the existence of factionalism (despite the official emphasis on the unitary authority of Kim Jong Un), institutional rivalry for power (for instance, between the cabinet and the military), and competition by agencies for privilege. The immediate reason for Jang’s purge seems to center on the issuance of secret funds various agencies competed to control. Jang and his associates reportedly had provoked the enmity of rivals within the North’s elite by dominating lucrative business deals such as the sale of North Korean coal to China.³⁷

In fact, differences in policy preference also aggravated elite cleavages. Jang was known to be very close to Beijing, frequently visiting China, and was seen as “the North’s leading supporter of Chinese-style economic reforms.”³⁸ He played a pivotal role in developing North Korean economic ties with Beijing. Accusations that he sold North Korean natural resources such as iron ore and coal to China cheaply must have embarrassed Beijing. Although the Chinese official response to Jang’s execution was that it was a “domestic matter for North Korea” and economic relations would continue to advance, Beijing’s leaders must have felt uneasy about his demise.³⁹ The Chinese public perception of North Korea has drastically deteriorated, with the Chinese state finding it difficult to control public resentment.⁴⁰

There are multiple unconfirmed reports that many of Jang’s followers who had worked in China had disappeared, as the purge continues.⁴¹ All these factors indicate that Kim Jong Un may have temporarily strengthened

36. *Rodong Shinmoon*, December 13, 2013.

37. *New York Times*, December 23, 2013.

38. *Asahi Shimbun*, December 10, 2013.

39. *New York Times*, December 10, 2013.

40. *Huanqiu Ribao*, December 14, 2013.

41. *Chosun Ilbo*, December 11, 2013; *JoongAng Ilbo*, December 15, 2013.

his power by purging potential adversaries. But the urgency and brutality with which he struck testify to how fragile is the unity of the North Korean elite, and how precarious the regime remains in the face of manifold external and internal challenges for the inexperienced young supreme leader. The brutal purge and execution of Jang, North Korea's second most powerful man, inevitably raise anxieties for the regime's future.

This uncertainty may explain why Kim Jong Un initiated a peace offensive to the South Korean government in his New Year's address even though the Six-Party formula has failed to bolster North Korean ties with the U.S.⁴² Despite the regime's effort to cover up the structural weaknesses of its political systems, the Jang case will hobble Kim's goal of simultaneously pursuing nuclear capability and economic development.

42. *Pressian*, January 4, 2014.