

Korea COUNTDOWN...



A monthly newsletter preparing business for developments on the Korean peninsula

August 1994 No: 12

KOREA COUNTDOWN: NOW YOU KNOW WHY

You'll perhaps forgive us a little crowing. Not for glee at the death of Kim Il-sung as such; you'll find our own evaluation of the late not-so Great Leader on page 2. And needless to add, in one form or another this whole issue is devoted to the obvious question: what now?

But first, excuse us while we pat ourselves on the back (a neat trick if you can do it). For one thing it's our birthday - almost.

With this issue, Korea Countdown completes its first year. Naturally, this is a time for looking back as well as forward.

Convinced of our agenda, now?

It's interesting now to recall the initial response in mid-1993 when we tested and launched this newsletter and associated consultancy services. Hardly anybody had paid much thought to our agenda previously, but almost everybody, once it was explained to them, found it convincing.

That agenda - as we hardly need remind regular readers - was and is essentially simple:

- * The status quo on the Korean peninsula, despite being frozen for some 40 years, is no longer stable.
- * In particular, North Korea can't go on in the old way for very much longer.
- * As in Germany, so in Korea the issue of reunification is no longer a dream, but a serious possibility.
- * Hence we are entering a period of risk, but also of opportunity, which is bound to affect everyone doing business in Korea.

Kim's big sleep: the world wakes up

Despite our efforts such concerns had still not become the focus of universal attention. They are now. In that sense, the passing of Kim Il-sung changes everything - or at least, it has woken everyone up.

So it was gratifying to see (amongst others) The Economist and Business Week, in the wake of Kim's death, turning their minds to exactly the kinds of medium and long-term scenarios from which Korea

Countdown readers have been benefiting for the past year.

Better late than never - and the more the merrier. For we at Merit, over and above our business goals, firmly believe that an alert and informed public opinion and debate on these issues, both in Korea and beyond the peninsula, can only be a plus factor: in preparing for what could be rapid changes, a bumpy ride, and hard choices ahead.

Even before the passing of the Great Leader, we were already pondering how we could respond better to these challenges and further improve our service. So watch out in future issues or mailings for details of new initiatives and products from us.

We're also, as ever, keen to hear from readers. What are your own priorities and concerns at this time? - for they should also be ours. Please let us know.

Finally: since mission statements are all the rage, this may be a good moment to state that we believe in Korea; we are committed to Korea; and we are staying in Korea.

Nor is this blind faith. Just confidence, born of watching the miracles already accomplished here in the past 30 years, that if anyone can tackle a challenge then it's the Koreans.

We see on the horizon, and coming closer, a Korea even bigger and better for business than the one we already know. Ready for the off? We are. We wouldn't miss this for anything.

Korea COUNTDOWN...

Well, the GL is no more and the analysts are having a field day telling us what's going to happen. Here we throw our own ideas into the pot. Also, on page one, you'll see our own birthday editorial - just to remind you how we're always right.

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THE KIM IS DEAD: LONG LIVE THE KIM?

Face it: do you really need this article? After all, you've probably spent the past month, ever since noon on July 9th (where were you when you heard: will it be like the Kennedy assassination, and everyone remembers?) reading and thinking about little else.

But of course, we owe it to you. And depending what you've read up to now and where you've read it, you may have been in the hands of people who had never thought about all this before July 9. If so, beware.

Anyhow, here's our version. Some general propositions to start with:

- * This changes everything. North Korea without Kim Il-sung can never be the same. Perhaps it cannot be at all.
- * This changes nothing, however, as regards the policy dilemmas - stay hardline, or reform? - which the GL has dumped unresolved onto his son's unwilling and unsteady back.
- * There is no way that Kim Jong-il's position can ever be 100% secure - although we do have some advice for him.
- * Though it's too early for many firm answers, half the battle as regards North Korea is to specify two things: the key questions, and the known parameters. That is what this article will try to do.

Will the DL take the plum positions?

First things first. Will Kim Jong-il inherit all of daddy's jobs? There are three that matter. In descending order of importance:

1. General secretary of the Korean Workers' Party (KWP).
2. Chairman of the KWP military commission.
3. President of the republic.

He's already got No. 2. If he gets the other two, then we'll know that at least for now all the elites that count are backing him overtly - whatever the machinations behind the scenes (which from now on will be unceasing). It may take a few weeks, possibly months, for the necessary legal steps (yes, we're serious). We shouldn't be too impatient, then, but if Kim Jong-il has not at least been made KWP general secretary by the end of the year, it may mean he's in trouble.

If, as has been widely canvassed, the state presidency goes to his more experienced uncle Kim Yong-ju - then it will be clear in public what will in any case be true in private: that power is being contested, hence having to be shared.

Who loves ya, baby (not)?

Next question. Who exactly might have the knives out for Kim Jong-il, and why? It's a long list:

- * Family values leave a lot to be desired. Stepmother Kim Song-ae and smarter half-brother Kim Pyong-il were seen by the bier on those first TV mourning shots - only to be edited out of subsequent transmissions. There is no love lost. Brace yourself for the Borgias.
- * There'll be no pleasing the all-powerful military. If the DL plumps for reform, he antagonizes the hardliners -

and vice versa, for the top and middle brass contain both tendencies.

* Ideology apart, just about anyone in the Pyongyang elite might conclude - after a decent interval, or maybe even before - that Kim Jong-il is simply too weak a reed on which to stake their whole future.

* And don't forget the masses. They may have wept buckets for papa, but the young master will face demands for life to get better, and fast. Eating more would be nice, for starters. (An occasional main course wouldn't come amiss either...)

The policy dilemma

It's an unenviable situation. For the dear leader to survive, these are his best bets:

- * The hope that his enemies in the elite won't dare mount a frontal assault, for fear that this could bring the whole house of cards tumbling down - eg by unleashing a coup, civil war, or popular unrest.
- * To cash in the bomb, and go for economic reform.

This leads us into the next big set of issues. Ultimately even more important than who gets power is the question of how they use it.

Whether it's Kim Jong-il or some general we've never heard of (think of Chun Doo-hwan before 1979: nobody did), the new North Korean leadership confronts a policy dilemma as clear-cut as it is awesome: stay hardline, or dare to reform?

The hope has to be that, with Kim Il-sung gone, there'll be fewer inhibitions preventing straight talk around the Politburo table - or the party military commission, which is probably the one that counts.

In that case, threats such as those we've just outlined can be openly warned against by would-be reformists, cutting through the usual bombastic boasts of invincibility - the worrying thing is that you never know how much of it they actually believe themselves - and without risking dismissal (or worse) as unpatriotic.

The voices for change can also preach the gains to be had. No doubt they'll drive a hard bargain, but on the table should be recognition and aid from both the USA and Japan - plus an end to Seoul's ban on southern investment in the north.

This may not be enough to meet Pyongyang's security concerns, however. In that case, the Russian 8-party conference would be no bad idea - as a prelude to creating the kind of multilateral security structures that are long overdue for the northeast Asian region, and which may ultimately be the best way to keep the peace around these parts. (Korea isn't the only issue, either.)

If ASEAN, then why not ANEAN? Or better, as Seoul's foreign minister Han Sung-joo has been mooting, an East Asian equivalent of the Conference on Security and Cooperation in Europe (CSCE)?

The economy: a disaster area

But foreign policy is only one side of the North Korean coin. The other side is domestic, and here too - as with the nuclear issue - the situation could get dangerous if nothing is done.

It's not clear that Kim Il-sung ever grasped, or admitted, that there are laws of economics just as there are laws of physics. Otherwise North Korea surely wouldn't have gone on breaking so many of them for so long.

As we know from eastern Europe, and as analyzed by economists like the Hungarian Janos Kornai, in the end unreconstructed centrally planned Stalinist economies foul up. It's as certain as the law of gravity. They do well at the outset, on extensive growth: but they can't make the transition to intensive growth without market reforms.

North Korea is the last of the species. Even Castro's Cuba has given in: letting the US dollar circulate, and allowing Mexicans to buy up their telephone company. (Any takers for Pyongyang? Do we hear Samsung?)

The result is predictable. An economy shrinking at 5% per year with an aggregate value - let's be generous and say \$20 billion - that is now worth less than a single year's growth in the south.

This can't go on indefinitely. At some point - and it will come sooner under Kim Jong-il than under Kim Il-sung - people's hunger will turn to anger, and their anger will find expression in unrest. The lid may be held down for a long time, but the pressure must eventually cause an explosion.

Happily, there are some signs that on economic matters the dear leader is on the side of the angels:

- * Former great white hope Kim Dal-hyon, Pyongyang's Mr. Business till moved sideways and down in the last two years, is a DL protege. Lo and behold, Dal-hyon just got his first mention in ages as a member of the GL's funeral committee - albeit a very long way down the list.

- * The so far one and only confirmed special economic zone, our old friend Najin-Sonbong, is said by its denizens to be a Kim Jong-il project. Let's hope so.

- We'll soon see. Here's what we need to see:

- * Lots more SEZs, preferably a lot nearer Seoul.

- Nampo, Wonsan, Haeju, Kaesong, even the DMZ (it's been mooted before).

- * Market reforms. Opening is only half the story.

- Marketizing the domestic economy bit by bit is what really counts - and what North Korea has thus far totally avoided.

- * Various other measures for good name and credibility.

- Like talking seriously to the banks about debts - and a definitive end to demeaning scandals, such as diplomats who smuggle and counterfeit.

So what would stop a sensible Kim Jong-il (but that begs the question) just doing it, following the trail back to capitalism already blazed in Asia by China and Vietnam? Several things might, unfortunately:

- * He'd have to contradict himself. The dear leader is on record as sternly resisting any watering down or diminution of socialism. That includes loosening the state's grip on the economy.

- * Still, anyone can change their mind. In this instance, however, he may really mean it. For rather than rising like China and Vietnam, Kim fears to fall with the USSR and East Germany.

As the last decade has shown, reforming communism can give it a whole new lease on life - or it can be the kiss of death. There doesn't seem to be a middle way. That's a horrendous gamble for any leader, let alone one as insecure as Kim Jong-il.

He may take some comfort in geography, and hope it signals culture. It's the Asian communists who've managed the leap, and the Europeans that have collapsed.

But opening a system that's been so closed for so long as North Korea is bound to be risky. We still think he'll try it, and we certainly think he should - not least, for his own sake.

For this is where the power struggle and the policy dilemmas interact. If Kim Jong-il is to build support in his own right, his only chance must be as a harbinger of the new. Reform could bring him popularity and a constituency in his own right - whereas as a hardliner, he could never be more than his father's shadow (and who'd thank him for it?)

Is the kid up to it?

Last, but not least: you'll notice how, up to now, we've eschewed the lurid speculation on the dear leader's private life and character which has been the stuff of many an article of late.

That's because, in the end, what counts are the situational pressures and options. And because these can be delineated - as we hope to have done - with more confidence than a load of gossip.

But that isn't to say that personality is irrelevant - or that the gossip is untrue. On the contrary, Lord Action's point is well taken. Power corrupts, and absolute power corrupts absolutely. For sure, Kim Jong-il will have had maximum opportunity and minimum restraint to indulge whatever appetites he pleases.

People who know him admit that he's a heavy drinker and that he has a quick temper - okay, that's hardly an indictment. Then there's his love life (not that it's our business). He's estranged from his wife, Kim Yong-suk, and lives with a mistress, Song Hae-rim. He has at least one child from each woman. There may be another mistress and another and another....

But we'd rather stick to what we know and can see. Two things worry us: for a man who'd been groomed over half his life for the top, and publicly so during more than a decade, isn't it bizarre how little he either appears in public or ever meets foreigners? (even in Pyongyang, let alone on their own turf).

The North Koreans say that for the past several years he has appeared a lot in public, especially giving on-the-spot guidance, dad-style, to workers and farmers groups. OK, but surely he could have done a few TV spots?

As far as foreigners go, the loyalist explanation is that he didn't want to draw attention to himself and risk upstaging his father. Also, they note, he didn't have the appropriate position. We're told Kim Jong-il did in fact meet foreign visitors when he was the deputy culture minister 20 years ago and still does. Yeah, Russian actresses.

We wonder whether it is that he hates the formalities, or perhaps foreigners, or simply can't cope with these situations. Whatever the truth, we have to admit he's as different from dad as could be imagined. .

But he has to bite the bullet, for even if uncle gets the presidency - which would get the DL off the hook of having to meet Kim Young-sam at the eventual summit - he can't avoid all contact with outsiders.

Still less, if North Korea is to go on running in the old style, can he avoid the set-piece public occasions. Who'll give the new year speech, for a start?

All in all, in Pyongyang now an arguably weak successor faces an unarguably gargantuan task. But at all events, Kim Il-sung's attempt in a sense to stop history is over. From now on, North Korea will be on the move.

THE IMPORTANCE OF HAVING BEEN KIM IL-SUNG

"De mortuis nil nisi bonum" (say only good about the dead) was not a principle much in evidence in the obituaries of Kim Il-sung. The most extreme was surely the London Sunday Telegraph, in a short editorial headed "Gone to Hell."

Affirming that "it would take a heart of stone not to laugh with joy at the news" of Kim's death, the writer regretted only that the GL - like Stalin and Hoxha and Mao before him - had died unpunished. But there is always the hereafter. The piece ended: "Thank God for the existence of Hell."

Obviously, Kim Il-sung was evil. Equally obviously, his values were antithetical to those of Western liberal democracy. And history's verdict on him, we believe, will not ultimately confirm him as the Great Leader - as witness the mess in which he has finally left his country.

So we too come to bury Caesar, not to praise him. But what is crucial, in his death as in his life, is not to hurl easy insults but to comprehend the person and the phenomenon that was Kim Il-sung.

Why some might mourn

A good way in is to ask why some radical South Korean students have been mourning him - apart, of course, from having something else to fight the government about.

Conversely, why was the government so touchy about this? The answers take us back to a period which many would rather forget: the five years between Korea's liberation in 1945, and the outbreak of war in 1950.

This of course was when Korea was divided by the superpowers. It was meant to be temporary, but by 1948 separate regimes were declared: the Republic of Korea first in the south, followed by the Democratic People's Republic of Korea in the north.

Everything was more fluid in those days, and evaluations are still contentious. But the fact is that if you were a patriotic Korean in the late 1940s, North Korea had a lot going for it:

They made a clean break with the hated Japanese colonial regime and started rapidly (1946, already) on some popular changes, especially land reform - only later imitated in the south.

And when we say "they", we mean Kim Il-sung's Koreans. For all that he came in on Soviet coat-tails, it seems that the Russians took more of a back seat north of the DMZ than the Americans did south of it.

The bad times

By contrast, the earliest years of our Korea were often grim for the new republic kept on Koreans who'd worked for the Japanese - the bureaucrats, which was sensible (they'd been well trained), but also the police, which was provocative to say the least.

At first, just about all popular aspirations in the south were suppressed in the name of anti-communism. That was a trait which would disfigure South Korea until 1987, and in the early days the blood flowed freely.

Even after the Korean War, the comparisons could still be unsettling between Syngman Rhee, who had opposed

the Japanese from America, and Kim Il-sung, who had really fought them. As for the young Park Chung-hee, he'd been an officer in the Imperial Japanese Army.

Furthermore, the nationalists note, North Korea has had no foreign troops on its soil since the last Chinese left in 1959. Let's not forget, too, that, weird as it seems now, in the early years Pyongyang was even ahead economically until around 1970.

Lest any of our readers are starting to get hot under the collar, let's hasten to add that the above is merely to supplement, and in no sense to deny, all the rest: the tyranny, the gulag, the deceit, the belligerence, the cult of personality. That's all true too.

Shilla wins again

Nor does this gainsay history's verdict, which (as we've said before) is that Shilla wins again. If it was a competition - and it sure as hell was - then of course Seoul is the definitive winner, and Pyongyang the comprehensive loser.

To that extent the radical students' obsession with the respective circumstances of each regime's birth is ultimately irrelevant. What counts is that both Korean states went on to transform themselves, and to transcend their origins: North Korea blew it and South Korea made it.

So where does that leave the late, not-so-great leader? Ultimately as a very Korean figure, a latter-day Taewongun, the 19th century regent most associated with old Korea's "hermit kingdom" stance: Kim Il-sung went to great lengths to keep the foreigners at bay - and that included the comrades in Moscow and Beijing, as well as such obvious dog-people as Americans and Japanese.

But closed doors and high walls didn't save Korea a century ago - and nor will they save North Korea now. Being in the world, but not of it, just isn't an option in the era of globalization.

What was once a widespread Third World dream of self-reliance, of which Kim Il-sung's *juche* was a classic example, has just one problem: it doesn't work. This isn't the place to say why, but the record speaks for itself. And nowhere more so than on this peninsula, where a single year's growth in the south now exceeds the entire shrinking northern economy.

Historical failure

So Kim Il-sung's ultimate historical failure is not in question. But that is not to demean his aspirations as such. The quest for freedom is a noble one. South Koreans too have been anxious to avoid dependence on others, and to put Korea first. They've just gone about it more subtly - and with infinitely more success.

By contrast, any freedom that Kim Il-sung won was largely illusory.

As for the afterlife, we've a subtler idea than the Sunday Telegraph. We picture Kim Il-sung, as he may have expected - for he did have a partly Christian background - being called to account at the last judgment, and asked to justify all that he inflicted on his people over the years.

Given due time to prepare his case, he's ushered into a shared room - where he finds Park Chung-hee, who's been given the same task. Sounds of raised voices through the wall from next door - that's Chairman Mao, still fighting it out with room-mate Chiang Kai-shek.

Come to think of it, that really would be hell...

READY FOR THE OFF

Now that Kim Il-sung is gone, will serious economic cooperation between north and south at last get under way?

Both Seoul and Pyongyang contain many who are raring to go - as well as others who are more cautious. In Pyongyang at least, the go-aheads may be winning the battle.

Within days of the GL's demise, a source in Hong Kong told Yonhap that North Korea is about to make a big pitch to attract specifically South Korean investment to the Najin-Sonbong FETZ.

They're thinking big: **200 or more companies**, who between them will **hopefully bring in a cool \$2 billion**. Inducements will include **visa-free entry into the zone** (if entering from Russia or China), and various preferential tariffs and other concessions - **although it isn't clear** whether these are extra privileges **over and above** the zone's existing provisions.

South Koreans can live there, **too - up to 1,000 of them**, be they businessmen, technicians, or even laborers. This last is a surprise. Why would **southern firms** want to bring their own expensive workers, when the whole point is to tap into the north's cheap ones? Perhaps just for temporary transfer of skills.

Wasting no time, North Korea plans to invite 30 southern businessmen and bankers up to Najin-Sonbong in August to take a look for themselves. Hitherto this treat has been mainly reserved for foreigners - who've looked, but failed to see anything much to attract them.

Southerners not so keen

So perhaps the penny has finally dropped in Pyongyang that, at least in the first instance, the only people likely to be actively keen to invest there are southern companies.

But do they want to trek all the way up to Najin-Sonbong? Samsung doesn't, for one. On July 4, Samsung Co. president Shin Se-kil revealed that his company had already done a feasibility study of the zone - and found it unattractive, whether for infrastructure or manufacturing. Two main problems: It's just too far from South Korea; and doubts about labor availability - even within North Korea, Najin-Sonbong is remote.

Shin was bullish about North Korea generally. He called it "the best place to transfer factories that are losing competitiveness in South Korea." But the question is what, and where. Rather than rebuilding the port of Chongjin (as has been speculated), Samsung would prefer to be near at hand in Nampo, making electronic parts.

Interestingly, Shin described Nampo as an "existing special economic zone." It's never been officially designated as such, despite Daewoo's long-standing interest and the joint southern government and business pilot visit in autumn 1992. Is there perhaps some unpublished understanding between Seoul and Pyongyang on this, we wonder?

And Samsung carries some clout. Not only as the world's 14th largest company in the new Fortune 500, but more particularly because last year it alone did almost \$63 million of trade with Pyongyang. And since nearly all of that (\$60m) was imports, North Korea has good reason to be grateful for this lifeline at a difficult

time. Besides trading, Samsung has been actively sounding out North Korea about possible ventures right across the range of its activities - including the heavy and chemical industries, as well as electrical and electronics.

But Samsung aren't the only ones. Data released by Seoul's National Unification Board on July 6 show that applications to make business contacts with North Korea are on a rising curve - the nuclear problem notwithstanding.

The first half of this year saw 144 such applications. That compares with 263 for the whole of 1993. Interestingly, and encouragingly in our view, the NUB rarely nixes an application.

Talking over taking over

What they talk about at these contacts, of course, goes way beyond permitted trade and into investment - which the South Korean government won't yet allow, on account of the nuclear issue.

And they talk big. The most staggering suggestion so far was once which apparently came from Pyongyang late last year. Lucky-Goldstar were approached, and have seemingly agreed if permitted, to take over nothing less than Kim Chaek - North Korea's premier steelworks, on the east coast between Hamheung and Chongjin.

Pyongyang's answer to POSCO is in bad shape. North Korea is out of cash to import coking coal. (Lest you wonder, the north's abundant coal, mined in Anju and elsewhere, is mostly low-grade brown stuff. They don't have the coke needed for steel.)

So earlier this year found Lucky-Goldstar talking to an (unnamed) North Korean vice-minister in Beijing. Note in passing: many who wish - as of course do we - that Seoul and Pyongyang would talk more, meaning the governments, tend to overlook the fact that actually they already talk a lot - meaning the businesses.

Or, as in this case: the north's ministers may not yet be available to their southern counterparts, but their doors are open to the chaebol. It's a start.

Hungry beasts

So what's in it for the nation's third largest company? Simple. Whatever Kim Young-sam may want - or western management theory prescribe - as regards the need for the chaebol to slim down and concentrate each on their core areas, the beasts themselves remain as hungry as they've always been to have fingers in every pie going.

Up to now Lucky-Goldstar has had almost no presence at the heavy end, in steel or its derivatives (such as automobiles and shipbuilding). So Kim Chaek offers the chance to get in by the back door. That's why Lucky also has its eye on Sungri Machinery, still making 1950s vehicles in 1990s North Korea.

Pyongyang too has its own motives - besides being desperate and broke. Just as the north endeavors to play off Seoul against Washington, so it's not above playing off the chaebol against one another. First Hyundai had its day; then Daewoo was wooed; and now it's Samsung's and Lucky's turn to be flavor of the month.

Fact is, there'll be room for them all - and more besides, including foreign firms - once the serious business of modernizing North Korea gets under way. We've said it before, and we'll say it again. Especially now that Kim Il-sung is dead, Seoul should unleash the chaebol and let them get to work north of the DMZ. Now.

Good mourning

Those crying scenes were quite something, were they not? They made great TV - but were they for real? Yes and no:

No reason to doubt that quite a few North Koreans felt a genuine loyalty to the late great leader. Three overlapping categories above all - older people, high-ups, and Pyongyang residents - may feel they owed him a lot.

The same people again have much to fear now that the GL is gone. Will their relatively privileged lifestyle be safe? They could be crying for anxiety as much as grief - and for themselves as much as for Kim Il-sung.

Beyond these circles, every North Korean will have felt at least numb and shocked. Well, even we felt that. Just imagining North Korea minus Kim Il-sung is difficult - so how much more so for citizens who've had his indispensability dinned into them for decades?

Mass occasions generate their own emotions. In the west, think of a football match, a rock concert - or even an evangelical rally. (No coincidence that Rev Billy Graham was twice the guest of Kim Il-sung in Pyongyang.)

All the world's a stage

So much was real. From there on, the stage management took over:

As ever, Pyongyang controlled what TV pictures the rest of us saw - via satellite and a deal with a Japanese company. So what did we see? Only Pyongyang; nowhere else. And mainly the elite, circling the bier at Kumsusan (the presidential palace).

The elite were well organized. You could even see them being marshalled in neat rows outside the palace, before doing a quick twirl around the body. And knowing they were on camera, they put on a good show.

Same goes for the crowds lining the streets - of whom we didn't see much, oddly, and not at all until late on day one of the funeral.

North Korea has decades of experience in organizing this kind of thing. For instance, we know that the women who line the streets and wave for foreign dignitaries are actresses. How do we know? On the authority of the great leader himself.

In Kim Il-sung's multi-volume works, a recurring theme is to make sure the people of Pyongyang look smart enough to impress foreigners. At least twice, over the year, the GL complained that the "actresses" (his word) lining the streets weren't well enough turned out.

Among the thousands of gifts presented to the GL on display at Myohyangsan, north of Pyongyang, is one whose irony was probably lost on Kim Il-sung. It's a little bust of William Shakespeare, inscribed with some of his well-chosen lines:

"All the world's a stage,

And all the men and women merely players..."

You might recall the next bit. "They have their exits." Indeed they do. The question now is whether North Korea will still be able to mount this kind of show so readily in the future. Will they cry for Kim Jong-il? We wonder.

Religion gets a better book

The latest edition of North Korea's main dictionary has suddenly started being nice, and even fair, to religion. Last time, in 1981, the Hyundai Chosonmal Sajon (Modern Korean Dictionary) made free with phrases like "reactionary superstition" - and, of course, Karl Marx's famous "opium of the people."

Not any more. The new 1992 bigger and better Chosonmal Taesajon (Big Korean Dictionary) covers 200,000 words, as against its predecessor's 130,000.

And the entries on different religions are factual and informative, with no criticisms attached.

Thus Buddhism, Confucianism, Christianity and Islam are all described fully and fairly.

But that still doesn't mean they can be freely practised.

Seoul's North Korea-watchers who spotted the change reckon it's all part of preparing for opening up, with the regime deciding that its people need to be a bit more clued up about what they're liable to meet out there in the world. Anyhow, it's progress.

No more ration cuts, promise

News travels slow from Pyongyang sometimes. So we've only just heard about a decree allegedly issued as long ago as May 1992 by North Korea's social security ministry, promising good news: no more ration cuts.

But can you believe them? The announcement claimed that "the state has never reduced rations in an organized way," other than 2% for wastage between farm and consumer. If anything more had been deducted, "it was done by some cadre in order to look good to the state."

That's an interesting thought.

Not everything that goes on in North Korea necessarily emanates from Pyongyang.

Some of it may be lower-level local cadres acting on their own initiative and for their own purposes.

In this instance, however, the ministry is being disingenuous:

Four days' ration per month has been held back ever since 1973, to build up war reserves - of which there are now three years' supply, surgical strikers please note.

Since 1987, a further 10 percent cut has been added in the name of "economy rice."

In 1990 "patriotic rice" was added (or further subtracted). By this point, North Koreans were losing one third of their entitlement - which wasn't over-generous in the first place.

As if that wasn't enough - and it certainly wasn't - since late 1992 the government played off its joker. Urging local self-sufficiency, it cut off supplies completely to some areas for up to three months. Others were urged to subsist on just one meal a day.

That was the last straw. Particularly in the mountainous north, where according to reports from travellers, the backlash came in the form of raids on granaries - the kind of implicitly anti-government behavior we don't associate with North Koreans.

DL okays southern brands

Good news, if only anecdotal, for those of us who hope Kim Jong-il will turn out to be a reformer. A Hong Kong source told Yonhap on July 13 that the dear leader has ordered economic officials to stop removing the labels from South Korean goods imported by the north.

Hitherto the practice has been to replace these with Japanese ones, or just leave them blank. The DL was quoted as saying that "the people well know that South Korean commodities are good". Sounds hopeful, if true.

Transports of delight

Probably you've seen the old railway engine marooned up near the DMZ with its poignant sign: "The train would like to go further, but it can't".

Maybe it soon will. In early July, Seoul's transportation ministry revealed plans to spend more than half a trillion won (\$712m, to be precise) reconnecting railroads across the DMZ - in the event that summits lead somewhere. Four lines are involved:

The Kyongui, north from Seoul to Kaesong, Pyongyang, and on up to Sinuiju and into China.

The Kyongwon, northeast from Seoul across the peninsula to Wonsan.

The Kumgangsans, branching off the Kyongwon at Chulwon and heading for Diamond mountain.

The Tongnae, up the east coast north from Kangnung.

The ministry also plans to spend even more - 775bn won - building three cross-border roads. One at Panmunjom, of course, while the other two would connect Shintanni-Woljongni and Myonghori-Songhyunjinni. Nor are sea and air neglected. Three sea routes are projected: Inchon-Nampo, Pusan-Wonsan, and Pohang-Chongjin. By air, the obvious thing is to connect Kimpo with Pyongyang's Sunan airport. Roll on the day.

Underpowered

When Nodong Sinmun calls on counties to build their own power plants, as it did on June 6, you know things must be bad. Just how bad was shown four days later, when Seoul's Bank of Korea released a report estimating that Pyongyang's power generation shrank by a further 10.4% in 1993.

Even before that, Russian sources suggested that 1992's 28bn kwh was barely half of the country's estimated demand of 50bn kwh. **The BOK are evidently working with an even lower figure, since they reckon 1993 output as low as 22.1bn kwh - compared with 144.4bn kwh for South Korea.**

For capacity, as opposed to power actually generated, the north-south gap is narrower: 7.14m kw and 27.65m kw respectively. But coal and water shortages are causing the north to underperform. While generation at hydroelectric plants fell 6.4%, coal-fired steam plants slumped by 15.9%.

Together with inadequate rail transport, it's the knock-on effect of this power crisis that is the main reason why most manufacturing industry in North Korea is only operating at 50% of capacity - or even less.

Trading mushrooms

Japan's trade with North Korea is minuscule to the former (a mere thousandth of Tokyo's total trade) but massive to the latter (around one fifth). It was worth 52.1bn yen in 1993, with the balance slightly in Pyongyang's favor.

Big items are men's clothing (9bn yen) and mushrooms (2.2bn yen). North Korea boasts some rare ones (mushrooms, that is), which tickle Japanese palates.

Seoul ups inter-Korean kitty

South Korea's modest fund for inter-Korean cooperation is to be increased. The current kitty of 115bn won will be topped up with a further 40bn later this year - and will reach W 300bn by 1997.

Since Seoul - with Pyongyang's agreement, if not the GATT's - regards inter-Korean trade as domestic rather than foreign, it can't be supported from normal aid and trade funds.

Border trade with China down

According to a Hong Kong paper, border trade between North Korea and Yanbian so far this year is below target - and lower than last year.

On the face of it, \$80.44m for January to May doesn't sound bad. If annualized, that would make nearly \$200m for the whole year - or around one-fifth of total Sino-North Korean trade.

But apparently this is a 46% fall from last year. In that case the 1993 figure must have been almost \$150m - just for five months, remember - which annualized means that Yanbian accounted for over one-third of China's trade with North Korea.

A disappointed Kim Chong-su, Yanbian's foreign trade boss, describes this year's performance as reaching only 15.5% of this year's goal. Again doing the calculation, this suggests that Yanbian alone had planned to do more than half a billion dollars' worth of trade with North Korea in 1994. Now we're talking half of all China's Pyongyang trade - and a quarter of North Korea's trade with the entire world.

Were these ambitions realistic? Or are the figures fishy? Kim's disappointment applied particularly to Yanbian's exports, which at \$22.6m were down 72.4% from the same months last year (almost \$82m, therefore) - and only 8.7% of the total planned for 1994 (almost \$245m).

Looking on the bright side, at least North Korea had managed \$57m of exports - a healthy surplus. It seems off, then, that Kim blamed the low trade volumes on Pyongyang's crop failures, energy and commodity shortages, and non-fulfilment of trade contracts.

Those all sound like reasons - and familiar reasons, at that - for a North Korean failure to deliver. Yet on the face of it, what we have here is something different: a Pyongyang shortfall on imports rather than exports.

Mind you, shortage of foreign exchange could explain that - except that this was supposed to be barter trade. It may be bad news for Yanbian, but perhaps North Korea is making some gains for a change?

Bomb bits from Japan?

After South Korea, Japan stands second in the firing line for Pyongyang bombs and missiles. This year's Japanese defense white paper voices serious concern over the North Korean threat.

Odd then that Japanese firms are apparently helping to increase that threat. According to the Seoul newspaper *Munhwa Ilbo*, nuclear-related machinery and parts - supposedly for power plants - are a major export item from Tokyo to Pyongyang. They've been so ever 1989, when such shipments were worth almost 7bn yen.

Figures for the next three years were around the 5-6bn yen mark, before dropping to 3bn yen in 1993. For the first 5 months of this year, it's just over 1bn - still sufficient to rank as the largest single category of North Korean imports from Japan, overtaking cars.

The items in question were described as "reactors, boilers, machines and parts", classified as "belonging to the HS goods class no 2." The data was obtained and released by the Korea Trade Association on July 14.

If true, there's a parallel in the German firms which sold plants to Libya for its chemical weapons program - until their government cracked down. Assuming Japan gets a government any time soon, no doubt they'll investigate. I mean, we've heard of kamikaze - but this beats all.

Making money

We last featured Chokwang Trading in our March issue. At that time, this North Korean company in Macao had been charged with procuring supplies to construct the eventual Kim Il-sung mausoleum.

Let's hope they got the stuff in time. Now, Chokwang has been charged with something more serious: making money. A good sign, surely? Alas no. We mean making money - as in making kimchi.

Five North Koreans were arrested at the end of June in the Portuguese colony on suspicion of trafficking in forged \$100 bills. Those detained include Chokwang's chief Park Ja-bong, who has a diplomat's passport and is said to hold vice-ministerial rank in Pyongyang.

In raids on 12 North Korean apartments, Macao police seized 2,500 of the notes. These were in addition to \$361,000 worth (or not worth) deposited in accounts at the Delta Bank in Macao during May and June. The total face value could exceed \$500,000.

While admiring the high quality of the counterfeit greenbacks, the Macao authorities have had enough. This is just the latest in a succession of Pyongyang peccadilloes they've put up with:

Back in 1983, several North Koreans were expelled for smuggling gold - which didn't stop three more being nabbed in 1992, carrying 73 kg of the stuff.

In 1991, police suspected North Koreans of laundering \$1.5m (real money, we presume) through Macao banks.

While Macao is a well-known site for all kinds of shadiness, there are limits. Chokwang is being closed down, and 30 of the 80 North Koreans in Macao are to be expelled. This could mess up a lot of things.

Apart from making money, Pyongyang has used Macao for many purposes - ranging from espionage to procuring luxuries for the Kims, and meat and fish as rare treats "given" by the leaders on their birthdays to their subjects.

The question now: Will Kim Jong-il clean up Pyongyang's act, and start making money the honest way?

Chongryun chief still a prisoner in Pyongyang

We've reported in previous issues how North Korea is milking the loyal capitalist communists of Chongryun as a cash cow.

In KC#10, we spoke of Chongryun's elderly chairman Han Dok-su and his fears in the face of urgent summons to Pyongyang: that he would be held hostage there and not allowed to return to Japan, unless his comrades coughed up yet more.

Well, Han went to North Korea in April - and three months later he's still there. Several years older than Kim Il-sung, his was one of the sorriest figures at the bierside. The poor old man must be wondering whether his return will now be more forthcoming - or whether he too is fated to die in the fatherland.

Infalli-bull

As the acerbic Dr. Samuel Johnson said: no man should be regarded as speaking under oath when giving a funeral oration. So for a time we should perhaps indulge the North Koreans their hyperbole: Mt. Paekdu writhing in grief, and all that.

But there are limits. KCBS on July 9 claimed, not for the first time, that Kim Il-sung never made even "the slightest degree of mistake, error, or deviation".

This was so, even though "we could witness in the past that politicians who took office made mistakes for months".

After the mourning (the mourning after, you might say), this kind of rubbish will have to stop. It's very instructive to contrast the North Korean media in this regard with those of other communist countries.

Neither China nor Vietnam, these days, has much hesitation in admitting to problems, errors, even crimes. Only in Pyongyang does the old instinct to play Dr. Pangloss persist.

High on Kim Jong-il's action list, if he wants to really impress, should be this simple injunction to the media: cut the crap.

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