

## **An East Asian Development Fund for North Korea?**

Written by Geoffrey K. See

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GEOFFREY K. SEE, JUL 8 2011

During my last visit to Kim Il Sung University in Pyongyang, a student told me that she wanted to be a business leader. I asked her why. She said that she wants to show that 'women can be good business leaders'. I later quizzed her on politics and she responded by asking me if I was interested in such issues. When I said 'Yes', she said 'Politics are for men only.'

Maybe she has a point. Not so much that 'politics are for men only', but rather that in bringing North Korea back into the international system, we should separate politics from business. Encouraging trade and investments in North Korea can only make the country more cooperative on other issues. And the interaction and incentives that trade brings look a lot better when compared against alternative non-solutions.

The United States is short of good ideas on dealing with Pyongyang. One policy that is sometimes advocated is a 'wait and see' approach. But those holding their breath waiting for North Korea's government to collapse should try not to suffocate. Even the 1994 famine that killed an estimated 500,000 to 3 million people did not trigger regime collapse. Perhaps a succession struggle could destabilise the system, but this scenario will not occur soon, and, in any case, it is far from certain that such a struggle would cause the collapse of the North Korean government.

The idea of isolating North Korea through sanctions is another idea that is popular in certain corridors of Washington. But this notion also appears misguided. The North Korean government has shown that a severe famine cannot dislodge it from power. And without China's support, a full blockade is simply impractical.

Even if China supported debilitating sanctions, a policy of starving a nation into submission is ethically unjustifiable. While international sanctions against trading arms and luxury goods with North Korea are justifiable, they do not amount to a long-term solution. No one knows how effective these sanctions are anyway.

If North Korea's government will not fall on its own, why not send in the troops? America can scarcely afford another military adventure abroad. Seoul and China are unlikely to join in the action. And Iraq and Afghanistan have shown that conflict, even for a purportedly good cause, is nasty and brutish for both sides.

What, then, is the solution? Some policymakers have an almost allergic reaction to dealing with North Korea. They forget the Cold War is over.

There is no need to be inherently hostile to a communist system. Rather, trust- and incentive-building is needed to coax North Korea out of its shell.

A North Korea development fund (NKDF) should be created to invest in infrastructure and technical training in North Korea, as long as these projects facilitate regional trade. Such a fund can exist alongside current measures to contain North Korea's nuclear proliferation, but should remain free of political entanglement. The idea is that a North Korea that trades with its neighbours is a country that can be re-integrated into the regional and international system. The fund's architecture should involve South Korea, China and Japan.

The question may be asked—why these three countries? The answer is because such a fund would bring profound

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benefits to each of them.

The benefits to South Korea of a cooperative and secure North Korea are so obvious as to need little further explanation. But South Korea cannot carry the full costs of this project on its own. As for Japan, as obnoxious as it might find development aid to North Korea, it is within Japan's long-term economic and security interests to have a prosperous and internationally integrated neighbour. And as for China, its long-term goals are also best served by a prosperous and stable North Korea. This is the common vision which can serve as the foundation for cooperation in the region.

China should be the key player in the NKDF architecture. It can channel aid through the NKDF and so encourage North Korea to tap this mechanism. While China will trade away direct leverage over North Korea by moving itself into a regional structure, it will be able to apply greater pressure on Pyongyang by tying its aid to conditions imposed by the NKDF. China does not want to keep writing blank checks.

But it cannot stop doing so without coordinating with its Asian neighbours to ensure that North Korea's economic situation does not further deteriorate under changing political winds. And China's participation in a regional financial body can only make the NKDF a more attractive option to the US, which is looking for China to become a responsible stakeholder in the international order.

When visiting North Korea, I find that government officials are not inherently hostile towards trading with capitalist 'heretics'. The Korea Taepung Investment Group, established this year to attract international investments, is an example of North Korean openness to trade. And through trade, North Korea is likely to become more open in other areas. The question is how other countries in the region can encourage and nurture such pragmatism. It helps to have good incentives waiting for North Koreans at the other end.

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