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Historical Blocs, Organic Crises, and Inter-Korean Relations

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ABBREVIATIONS AND ACRONYMS

AD	Administration Department
ANSP	Agency for National Security Planning
APPC	Asia-Pacific Peace Committee
BOK	Bank of Korea
CIA	Central Intelligence Agency
CPC	Central People's Committee
DLF	Development Loan Fund
DP	Democratic Party
EPB	Economic Planning Board
FKI	Federation of Korean Industries
FKTU	Federation of Korean Trade Unions
FSC	Financial Supervisory Commission
GNP	Grand National Party
GNP	Gross National Product
GDP	Growth Domestic Production
ISI	Import Substitution Industrialization
IAEA	International Atomic Energy Agency
IR	International Relations
KCIA	Korean Central Intelligence Agency
KDP	Korea Democratic Party
KBA	Korean Businessmen's Association
KCTU	Korean Confederation of Trade Unions

KEPCO	Korean Electric Power Corporation
KWP	Korean Workers' Party
MDP	Millennium Democratic Party
MOFE	Ministry of Finance and Economy
NCNP	National Congress for New Politics
NDC	National Defense Commission
NDP	New Democratic Party
NIS	National Intelligence Service
NIF	National Investment Fund
NL	National Liberation
NDC	National Defense Commission
NDP	New Democratic Party
NPT	Nuclear Non-Proliferation Treaty
NSL	National Security Law
OECD	Organization for Economic Cooperation and Development
ODA	Overseas Development Assistant
OGD	Organization and Guidance Department
PD	People's Democracy
SAC	State Administrative Council
SMEs	small and medium-sized enterprises
UDP	United Democratic Party
ULD	United Liberal Democrats
USAMGIK	United States Army Military Government in Korea

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DECLARATION

I hereby declare that this thesis is my own work of research. In preparing this thesis, I followed the guidelines established in the Guide to Examinations for Higher Degrees by Research of the University of Warwick. This thesis has not been submitted for a degree at any other university.

Choi, Yong Sub

NOTES

In romanising Korean terms, this thesis follows the Revised Romanisation of Korean system. In the case of the names of Korean individuals, this thesis writes the surname first in line with Korean common usage.

ABSTRACT

Applying a Gramscian approach, this thesis explores the relationship between hegemonic struggles in South and North Korea and the inter-Korean reconciliation from 1998 to 2002 and it argues that the reconciliation was pursued as hegemonic projects by the ruling political groups of the two Koreas.

In South Korea, the 1997 economic crisis was an organic crisis that Chaebol-friendly exportist Fordism in the early stages of neoliberalisation yielded. The crisis caused counter-hegemonic liberal nationalists to attain political power. The new North Korean policy was a 'national-popular' programme that pursued nationalism, a counterforce to anti-Communism with which the hegemonic group exercised ideological leadership. Seoul's rhetoric was to enhance peace on the peninsula but, in reality, the reconciliation process was undertaken at the price of tolerating the North's armed provocations and nuclear and missile development. The ruling political group clung to repairing inter-Korean relations because it was a project to obtain hegemony from the hands of the hegemonic group.

In the case of North Korea, the new South Korean policy had a 'national-popular' outlook of nationalism but, in practice, it aimed to obtain economic benefits to preserve hegemony. The economic crisis in the 1990s was an organic crisis resulted from Pyongyang's autarkist Soviet Fordism that excessively subordinated the economy to politics and thus worsened the shortcomings of the socialist system. The crisis brought about unparalleled damage to the existing system and, most of all, severely debilitated the state's tight grip on society. In particular, it undermined the Party's activities that indoctrinated North Koreans with the Juche Ideology that legitimized the dictatorship and made hegemonic rule possible. Weathering the crisis without a full-scale reform of the system was vital to maintaining hegemony, and thus Pyongyang urgently needed economic help from Seoul.

Chapter I Introduction

1.1. Introduction

On 13 June 2000, Kim Dae-jung, President of the Republic of Korea (hereafter referred to as 'South Korea'), was greeted by Kim Jong-il, the leader of the Democratic People's Republic of Korea (hereafter referred to as 'North Korea'), at Sunan Airport outside Pyongyang. This was broadcasted worldwide, and people around the world expected that the meeting could eventually bring peace to the Korean peninsula that had officially been in a state of war since 1950 (New York Times 13 June 2000). The next day the two presidents signed a joint declaration in which they agreed to work together for unification, resolve humanitarian issues, and promote economic cooperation (Hankook Ilbo, 15 June 2000). The historic agreement was one of the indicators that exhibited the inter-Korean reconciliation for the first time after the division of the peninsula in 1945.

However, the reconciliation of the two Koreas during the presidency of Kim Dae-jung, from 1998 to 2002, was paradoxical because there were unrelenting military concerns between the two Koreas at the same time. Pyongyang test-fired a ballistic missile over northern Japan in August 1998 and defied the Nuclear Non-Proliferation Treaty (NPT) by developing nuclear weapons during that period. There were even direct armed engagements between the two Koreas. The two bloody naval battles in 1999 and 2002 resulted in the greatest number of casualties killed during engagement between the armed forces of the two Koreas since the end of the Korean War (CNN, 8 July 2002). How can we explain the inter-Korean reconciliation between 1998 and 2002 despite worsening security problems in this period?

This thesis aims to solve the puzzle by providing political, economic, and ideological explanations. It argues that understanding the change in inter-Korean relations requires a comprehensive and historical analysis on the spheres of politics, economy, and ideology. This is discrete from the conventional interpretation that the inter-Korean reconciliation was the result of the South Korean government's Sunshine Policy of engagement and positive responses of the North Korean counterpart, or the recent constructivists' explanation that the shift in the identities of the public mattered most. For that purpose, this thesis employs a Gramscian approach that presents the analytical framework through which we can explicate various factors at different levels interconnected in the process.

The major contribution of this thesis is, first, to present comprehensive explanations about reasons of the change in inter-Korean relations at the levels of politics, economy, and ideology. Gramsci's concept of the historical bloc helps us to look beyond one level and to explain the three levels in an integrative manner. The historical bloc can be referred to as the totality of all levels of society in a particular historical period, and the concept can allow us to understand the historical developments of the economic structure and the superstructures, and their interactions with one another. Second, it adds to International Relations (IR) theory in general by applying Gramsci's conception of international relations to foreign policy analysis. Successfully undertaken, this approach will exhibit its usefulness as an analytical tool particularly in understanding and explaining the relations between structural changes on a national level and changes at an inter-national level. Third, Gramsci's theory has been rarely used in explaining inter-Korean relations. A number of scholars applied a Gramscian approach to the analysis of the relationship between inter-Korean relations and South Korea's political economy;

however, no Gramscian researches have been conducted into the relationship between inter-Korean relations and North Korea's political economy. Moreover, their interest was to explain the role of inter-Korean relations in the context of South Korea's political economy development, and in so doing they did not delve into explaining the role of the political economy in the change of inter-Korean relations. Claiming that the relationship in both directions is of critical importance, this thesis will demonstrate that Gramsci can be a good guide in expounding inter-Korean relations and understanding their relevance to the political economy of North Korea as well as to that of the South. Fourth, few scholars have utilised Gramsci's theory as the main framework in explaining North Korean political economy. There have been a number of researches that have used Gramsci's concepts in analysing socialist countries such as the Soviet Union and China, and they have contributed to a better understanding of, especially, hegemonic rule in those countries. By the same token, this thesis attempts to show the process of hegemonic rule in the socialist North Korea, with an emphasis on the role of the ruling Juche Ideology and the communist party in winning the active consent from the people.

In accordance with the Gramscian theoretical framework, the thesis hypothesizes that the inter-Korean reconciliation between 1998 and 2002 was implemented as hegemonic projects by the ruling political groups of the two Koreas. The economic crises of South and North Korea in the mid 1990s were so devastating that the existing hegemonic groups found it difficult to maintain their hegemony. In the case of South Korea, the economic crisis allowed longtime dissident Kim Dae-jung and his party to gain political power, and the new ruling political group carried out the new North Korean policy to attain hegemony. In the case of North Korea, the existing hegemonic group sought to reconcile with Seoul, mostly for material gains, which could help it to maintain

hegemony by stopping the economic crisis from developing into regime change and the collapse of the whole system.

In this introduction, Section II reviews the existing literature on inter-Korean relations in which security, unification, and political economy perspectives on the relations will be presented and reviewed. Section III presents the theoretical framework of this thesis. This framework is formulated from Gramsci and other social scientists' concepts and thoughts on the political economy and the relationship between the national and the international. Section IV briefly introduces the structure of the thesis.

1.2. Literature Review on Theories of Inter-Korean Relations

To the study of inter-Korean relations, the fact that the two Koreas, divided by foreign forces and remaining in a state of stalemate since 1953, has profound ramifications. On the one hand, it has urged academia to face up to the grim reality of hostilities between South and North Korea but, on the other hand, invoked academia to devise methods for the unification of the two countries of one people. In this context, most existing literature can be broken down into the following two categories: that which has tried to explain inter-Korean relations from a security perspective, stressing the antagonistic relations of the two countries which have been technically at war for decades; the other category comprises a unification perspective that has emphasised the necessity of cooperation between the two Koreas in order to realise unification. And yet, though much smaller in number, there are also notable researches which have sought to specifically explicate influences of the division upon the political economy of each Korea. While the two main perspectives concentrate on South Korea's North Korean policy and North Korea's South

Korean policy (and their consequences for inter-Korean relations, particularly whether they contribute to security or unification), a political economy perspective is more interested in the impacts of inter-Korean relations on each Korea's domestic politics and economy, and vice versa. This thesis seeks to develop the political economy perspective by analysing the relationship between inter-Korean relations and the political economy of South and North Korea.

To put it in concrete terms, the main goal of the security perspective is to relieve security concerns and to perpetuate peace on the Korean Peninsula. This perspective generally encompasses writings which paint North Korea as a menace to the national security of South Korea, and that any attempt to cooperate with the North for peace a futile one. Nonetheless more recently prevailing ideas have embraced almost all available measures, including negotiations with North Korea, in order to solve security issues such as the North's nuclear and missile threats (Lee Gi-taek, 1988; Kim Jae-han, 1995; Kim Yeong-hun, 1997; Hong Soon-young, 1999; Cha, 2000; Jeong Bong-hwa, 2000; Kang, 2003; Lee Chung Min, 2004; Suh Dong-gu, 2014; Park Chang-gwon, 2014). For example, David Kang (2003) was interested in the causes of 'not another war' on the Korean Peninsula. He argued that scholars who employed theories on preventive war, pre-emptive war, the madman hypothesis, and the desperation hypothesis, all incidentally made mistakes, particularly in applying assumptions and causal logic, and thus failing to predict the current state of peace on the Korean Peninsula. Kang maintained that, deterrence worked most of all, as North Korea 'knew' that it did not have sufficient capability to wage another war on the peninsula and, in that sense, dismissing the North's security fears by negotiations will be a solution to North Korean nuclear and missile problems. This article was a development of his earlier article in which he argued that

because the U.S. deterrent was clear and credible, there would be no war on the Korean Peninsula notwithstanding the nuclear threats from the North at that time (Kang, 1994). In response to North Korea-related security concerns, Kang concentrated his arguments on the military capability factor of North Korea, even though there was another important factor to wage war, namely one's intentions which was much easier to change and more difficult to uncover and examine. Suh Dong-gu (2014) paid attention to the military strategy of North Korea, which has concentrated on asymmetric military capabilities such as nuclear weapons and long-range missiles to build up deterrence and bargaining power. He then advanced South Korea's 'nuclear' dilemma and 'alliance' dilemma: South Korea cannot have nuclear weapons even in the face of a nuclear North Korea, and the United States can act against the national interest of South Korea. Suh, in accordance with his examinations, argued that South Korea's North Korean policy should be elaborated closely within the context of interconnected East Asian policies of Japan, China, and Russia, as well as the United States, to better escape such dilemmas. His study, instead of providing a substantial North Korean policy, highlighted a necessity for a creative policy in the face of the slow process of the Six-Party Talks. His clarifications of various dilemmas confronted by Seoul and the new international environment will be an important basis for such policy formulation.

Theoretically speaking, most realists view inter-Korean relations from a security perspective. They taught South Korean policy makers to seek stability through military strength and to rely on an alliance with the United States. Even though other theories, such as liberalism and constructivism, were also utilised to explain security-related issues in inter-Korean relations,¹ realism became a dominant theory in those issues because it

¹ Liberalism has the democratic peace theory which posits that democratic countries are hesitant

is believed to offer a “manual for maximizing security in a hostile environment” (Keohane, 1989: 36). Realist understanding of inter-Korean relations is particularly focused on power of ‘uncertain’ circumstances on the Korean peninsula.² Hamm Taik-Young (1998), for example, took note of the security dilemma—a self-help attempt in the instance that a country does not know its opponent’s intentions—in analysing the defence expenditure of the two Koreas. In particular, while explaining the armament process of the two Koreas, he laid emphasis on the relationship between armaments and state power in both domestic and inter-Korean contexts. His analysis sought to evaluate the two Koreas by the same standard of military power, putting aside the differences of their systems in politics and the economy. His findings demonstrated that North Korea's security increase meant South Korea's security decrease, and thus there was little room for lasting peace if the two Koreas pursue a path of self-help within their respective security spheres, without attempts at reconciliation and cooperation between the two sides. Kim Taehyun (2000) explained the division of the Korean Peninsula as the result of power politics between the United States and the Soviet Union because they were uncertain about each other’s intentions. By the same token, Kim considered inter-Korean relations to be subject to

to engage in warfare with other democratic countries. This theory, however, postulates that South Korea and its allies diminish the possibility of armed conflicts through democratising the current North Korean government. Therefore, it is not a frequently used theory amongst liberals, particularly amongst South Korean liberals who support reconciliation and cooperation with the current North Korean government.

² How realists construe ‘uncertainty’ is of great significance because it is closely related to their assumption about the fundamental nature of international relations. Classical realists such as Hans Morgenthau (1955: 4) argues that certainty in international politics should be extracted from human nature which can be characterized as the endless drive for power. The power-seeking behavior of states is, therefore, a logical consequence which has its roots in the power-oriented nature of human beings. In contrast, neo-realists regard uncertainty as anarchy which defines the international structure. For example, Kenneth Waltz (1979: 111) maintains that the anarchical system leads states to have greater power because “self-help is necessarily the principle of action in an anarchic order”, while Joseph Grieco (1988: 487) argues that states, in a world of uncertainty, are more concerned with relative gains than absolute gains in cooperation with other states.

power politics between the two Koreas as well as amongst the four strong powers of the United States, Russia, China, and Japan. His analysis indicated that changed realities on the Korean Peninsula were not possible unless North Korea jettisoned its adherence to power politics. However, as Pyongyang would not give up this approach, any change of inter-Korean relations, or the reconciliation between the two Koreas, would be a temporary phenomenon, meaning inversely that inter-Korean relations can deteriorate into hostile ones at any time.

If we extend the argument into newspaper and magazine articles, the security perspective was a major tone of South Korean conservative media outlets, such as Chosun Ilbo, JoongAng Ilbo, and Dong-A Ilbo, the three biggest newspapers in South Korea. They were proficient in drawing most inter-Korean issues as security issues and claimed that negotiations with the North Korean government were not just useless, but actually dangerous to the security of South Korea. According to such accounts, as North Korea is the main enemy of South Korea, domestic social forces that collaborate with the North Korean government are also threats to national security either directly or indirectly. Their logic is correlated with internal hegemonic struggles, which will be discussed in detail later.

The unification perspective deems the divided Korea a state to be overcome, whereby North Korea is a partner for cooperation to realise this. How can we accomplish national cooperation and, eventually, unification is the main question of this perspective. Peace is the ultimate goal of writings from a security perspective, but peace from a unification perspective is not just a goal but also an essential step toward unification. This perspective includes research which seeks to develop unification methods (Paik Nak-chung, 2006; Im Hyug Baeg, 2010; Park Myeong-gyu, 2012; Lee Jong-seok, 2012).

Moreover, studies on unification cases such as the unifications of Germany and Yemen are utilised for comparative analyses (Kim Hak-seong, 2002; Yu Ji-ho, 2002; Jonsson, 2006). This perspective largely deals with South Korea's North Korean policy in relation to the reconciliation and unification of the two Koreas (Ahn Jeong-sik, 2007; Ju Bong-ho, 2009; Jeon Il-wuk, 2010; Jang Yeong-gwon, 2011; Kim Keun-sik, 2011; Jo Seong-ryeol, 2012; Kim Tae-wu, 2012; Byeon Jong-hyeon, 2014; Jo Han-beom, 2014). Many writings of this perspective consider those who support cooperation with Pyongyang as progressives and those who do not as conservatives, if not national traitors. Thus, a dominant view of this perspective sees strife over North Korean policy as a conflict between different political stances (Kang, Man-gil et al., 2001; Kang Jeong-gu, 2001b; Gwon Hyeok-beom et al., 2002; Yim Su-hwan, 2007; Han Gwan-su and Jang Yun-su, 2012; Ju Bong-ho, 2012; Kim Haknoh and Kim Doohyun, 2013), even though some scholars such as Son Ho-cheol (2003) and Koo Kab-Woo (2010) have raised questions about the equation of progressiveness with being pro-North Korea and conservatism with being anti-North Korea. For example, Koo (2010: 76-77) argued that not a few progressives considered North Korea a non-socialist country and opposed reconciliation and cooperation with the North Korean government, so they were essentially anti-North Korea. Contrariwise, there were many conservatives who supported the inter-Korean reconciliation. This thesis also disagrees with the dichotomy considering the complexity of the issue. Amongst progressives, for instance, one of the main groups was the so-called PD group who led the labour movement and prioritised class issues over everything else. They were hostile to the North Korean government because it systematically and severely exploited labourers in the North. We therefore cannot regard the group as pro-North Korea. The case of the so-called NL group, another main progressive group in the South, was

rather extraordinary in the conventional sense because they advocated democracy in South Korea and sympathised with the non-democratic government in North Korea. The division amongst progressives over North Korean issues will be further explored in Chapter VI.

Theoretically, liberals and constructivists display greater interest in this perspective than do realists and other theorists in general. Liberals have been particularly interested in inter-Korean exchanges, reconciliation, and peaceful coexistence as steps toward the integration of the two different political systems, or the unification of South and North Korea.³ For example, Koo Kab-Woo and Park Kun Young (2001) interpreted the Sunshine Policy of engagement as flexible reciprocity, a functionalist approach for unification, as the Kim Dae-jung administration understood special interests and policy priorities of the North Korean regime in severe hardship. In this respect, the June 15 Joint Declaration was the result of the South Korean government's efforts to facilitate humanitarian assistance and economic cooperation at the non-state level and to pursue peaceful coexistence at the state level. Their arguments postulated that North Korea would provide proportional responses to South Korea's favours, but the reality turned out to be quite different. Most of all, they presumed that the Sunshine Policy will achieve peace in the short-term and realise unification in the long-term. However, they witnessed

³ Liberals in the post-war period emphasize international institutions as concrete agents in promoting peace and cooperation in the international sphere. They have provided alternative ways of thinking about international relations by emphasizing new patterns of interaction, such as interdependence and integration, and focusing on new actors of interest groups, transnational corporations, and international non-governmental organizations. Neo-liberals, agreeing to the core assumptions of neo-realism such as anarchic international structure and the centrality of states, argue that international regimes and institutions can still facilitate cooperation amongst states by minimizing uncertainties and offering absolute gains (Lamy, 2005: 212-214). To neo-liberals, in this sense, the greatest obstacle to cooperation is 'cheating' or non-compliance by other states. However, neo-realists such as Mearsheimer emphasize relative gains (Mearsheimer, 2001: 21).

another bloody naval skirmish in 2002 that entailed the greatest number of military casualties after the Korean War. Liberals found it difficult to avoid the criticism that they had turned a blind eye to escalating military hostilities on the Korean Peninsula. Gabriel Jonsson (2006), after reviewing the unification process in Yemen and Germany in the 1990s and inter-Korean relations since the Korean War, assessed the characteristics of inter-Korean socio-cultural exchanges and cooperation by employing the functionalist perspective. He argued that growing levels of exchanges and cooperation contributed to the unifications of Yemen and Germany and thus the reconciliation of the two Koreas would be a critical step toward unification. He, however, did not go into depth on the dissimilarity between the two cases of Yemen and Germany. The differences during the process of unification became the seeds of future conflict and, as a result, the unified Yemen suffered much higher political instability and a much worse off economic situation from what it had before unification. This indicates that unification resulting from high levels of exchanges and cooperation between two countries does not guarantee a successful unification. Unification is not a cure-all, and hasty unification can be a disaster.

In contrast, constructivists were concerned with changes in interests and, especially, the identity of the Korean people who suffered the division in 1945 but were induced by their political leaders to cooperate for unification in the reconciliation process from 1998.⁴ For example, Chun Chaesung (2002) categorized the identities of the two Koreas as that of one nation identity, Cold War identity, and post-Cold War identity. He

⁴ Unlike realism and liberalism which provide substantive theories of international politics, constructivism is a social theory which depicts the world as collectively and intersubjectively meaningful structures and processes (Adler, 2003: 100-104). In order to make those substantive claims, realists and liberals have to delineate principal actors, particular interests and capacities, and contents of the normative structures. On the contrary, constructivists present how the underlying normative structures shape identities and interests and how shared ideas shape the organization of world politics (Barnett, 2005: 258-63). To constructivists, what are regarded as certain—such as identities and interests—are socially constructed.

argued that changes to the norms and identity of each Korea were subject to the identity politics of the following four levels: the world, Northeast Asian, inter-Korean, and domestic levels. Chun maintained that it would be premature for the South Korean government to prescribe the national interest based upon its own definition of identity and norms without incorporating the various identities at the national level and considering any identity changes in North Korea. His research, however, did not consider regionalism in South Korean politics, which was significantly related to peoples' attitudes on North Korea and inter-Korean relations. Using his terms, most people in the Jeolla Province have one nation identity and those in the Gyeongsang Province have Cold War identity. This situation indicates that identity change can be easier than expected if their political parties change the existing North Korean policy. Inter-Korean relations and North Korea issues are now over-politicised and they are one of the most controversial issues in South Korean politics. Owing to their distinctiveness, relevant identities are also too politicised in the present circumstances. Son Key-young (2006) focused on the identity shift in explaining the Sunshine Policy of engagement and its consequences at the state, inter-state, and global levels. To this end, he analysed three major issues: Hyundai's business projects, the inter-Korean summit, and North Korea's nuclear ambitions. He argued that the Sunshine Policy contributed to South Koreans' shift in identities vis-a-vis North Koreans, which brought about changes both within South Korea and between the South and the North. His arguments suggest that identity change can be possible in the short period of time and that it can be induced by the state. Identity, particularly identity related to North Korea and inter-Korean relations, is not free from politics. The shift of identities on the issues shall not be the basis of hasty change in North Korean policy because policy makers need to calculate various considerations, such as political, economic, and

diplomatic factors. That is, identity change in itself is not the sole basis of policy change.

This unification perspective was often to be found in newspapers and magazines, particularly in progressive media outlets such as Hankyoreh and Kyunghyang Shinmun. To them, the North Korean government was a partner to collaborate with in order to realise unification and, therefore, compared with conservative media outlets, they were less vocal in their criticism of human rights issues of North Korea as well as nuclear and other military issues. In the same vein, they were in general supportive of the engagement policy of the South Korean government during the presidency of Kim Dae-jung.

The political economy perspective on inter-Korean relations is not a new perspective. For example, in analysing the causes of the Korean War, Cumings in 1981 utilised this perspective by taking the war as a product of disputes between the ruling elites and rebellious farmers throughout the Peninsula (Cumings, 1981). However, active research into inter-Korean relations which have sought to take this perspective began in the 1990s, mostly by South Korean scholars in the post-Cold War circumstances, after the military dictatorship in the South was ended. Their scholarly interest extended from security and unification-related issues, into the sphere of the political economy. Specifically, they delved into understanding and explaining the correlation between the division of the two Koreas and each Korea's social structures, which included the economic structures as well as the political structures. By contrast, the security perspective concentrated on the political arena through the lens of power, which leaves room for comprehensive explanations that extend to the level of the economy. The unification perspective did not explain the relations between inter-Korean relations and society or the social structure in an integrated manner, because in the case of liberals, they paid little attention to the relationship between inter-Korean relations and domestic

politics and, in the case of constructivists, they did not pay due recognition to the economy which is essential for analysing the social structure.

Writings from the political economy perspective attributed the development of South and North Korea's distinctive social structures to the partition in 1945 and inter-Korean tension thereafter. The uniqueness yielded both Korea's rapid industrialisation, dictatorships by Park Chung-hee in the South and Kim Il-sung in the North, and so on. Advocates of this perspective have argued that the division reinforced antagonism between South and North Korea, and that this antagonism strengthened the domestic stability of each Korea by reproducing the system of division (Paik Nak-chung, 1994 and 1998; Choi Jang-Jip, 1996 and 2005; Park Myeong-lim, 1996; Kim Dong-chun, 1997; Cho Hee-yeon, 2007 and 2010).⁵

Amongst the advocates of the political economy perspective, Paik Nak-chung has been the most important figure in developing and disseminating the perspective with his concept of 'division system'. Paik (1994 and 1998) assumed the divided Korea as a sub-system of the Cold War system until 1990 and argued that this division system (or the Cold War system on the Korean Peninsula) continued even after the Cold War ended at the global level. He insisted that the division system was not only sustained by external conditions but also reproduced by division forces in each Korea with the help of anti-communism in the South and Kim Il-sungism in the North. As the division system formed distinctive societies and regulated the everyday life of ordinary people in both South and

⁵ The political economy perspective is critical of the North Korean government, which is regarded as a partner to cooperate with for unification from the unification perspective. Progressive media outlets in the South, I argue, as a constituent of counter-hegemonic social forces, are more interested in the unification perspective that can damage the hegemonic group more effectively. Also, many journalists working for them were members of the NL group, the largest group in the student movement in the 1980s and 1990s in South Korea.

North Korea, the system itself was the key for analysing the two Koreas. Paik, however, was not a social scientist but a literary critic. In his works, Paik did not closely examine South and North Korea's social systems or structures in accordance with social science methodology. Frequently, in his writings, Paik openly left the work of scientific analysis on the division system to social scientists.

There had been a number of attempts to explain the distinctive structure due to the division, or the division system, in a scientific manner. Amongst them, one of the most notable researches was conducted by Cho Hee-yeon who used a Gramscian approach in examining South Korean society, particularly during the presidency of Park Chung-hee, whereby he argued that inter-Korean relations played a significant role in materialising Park's 'developmental dictatorship' (Cho Hee-yeon, 2010). To him, the questions of 'who,' 'when,' and 'how' were significant in discerning influences of inter-Korean relations upon South Korean society. He argued that the ruling elites in the South, ever since independence, had used inter-Korean relations to integrate the ruling bloc and win support from other groups. Cho, in the same vein, presented anti-communism and developmentalism as the ruling ideology. Park Chung-hee reconstructed the ruling ideology by adding developmentalism to anti-communism so as to mobilise people for his developmentalist economic policy, making South Korean society 'the system of developmental mobilisation'. However, anti-communism, Cho argued, was the most efficient tool as it was always anti-communism that justified the physical suppression of his opponents. With regard to the inter-Korean reconciliation during the Kim Dae-jung era, Cho deemed Kim Dae-jung and his group as a constituent of the ruling bloc and considered the June 15 Declaration in 2000 a product of the bloc's accommodation of the peoples' nationalist demands. His argument, however, was incongruent because Kim Dae-

jung had been one of the most seriously hurt victims of anti-communism in South Korea and, thus, cannot be a member of the ruling bloc that used anti-communism, the ruling ideology, to suppress its opponents.

Why was Cho's research led to classify Kim Dae-jung as a member of the ruling group? It was, I argue, because he considered that counter-hegemonic social forces should be the forces that prioritised the interests of labour over those of capital and, in that sense, as Kim Dae-jung and his group represented the interests of the bourgeoisie, they were categorized as a constituent of the ruling bloc. The argument that counter-hegemonic social forces should be those who prioritised the interests of workers to those of capitalists is not improper. Such actors would be adequate counter-hegemonic social forces in the capitalist society of South Korea. Nonetheless, when we designate anti-communism as the ruling ideology, it would still be consistent in thinking that we should embrace those who try to overcome or get rid of anti-communism in South Korea, whether they are pro-labour forces or not, as counter-hegemonic social forces.

Cho's argument was not unique. Choi Jang-Jip (2005), arguing that the Cold War wreaked havoc on the development of democracy in South Korea, maintained that the democratisation after the June 29 Declaration in 1987 was an instance of passive revolution, so that it was ultimately conservative democratisation that entailed a transfer of power within the existing ruling bloc. According to Choi, not just Kim Young-sam but also Kim Dae-jung was one of the ruling bloc members; yet, anti-communism was the ruling ideology in his Gramscian approach towards explaining South Korean society. Their logic was drawn from the fact that their analyses concentrated on rule by capital in general, instead of by a fraction of capital, in South Korea.

This thesis argues that, in the case of South Korea, rule by large industrial capital,

or the Chaebol, rather than by capital in general, is critical in analysing South Korea's economic structure. The historical task of counter-hegemonic social forces of South Korea, in that context, was to change the rule by the Chaebol, or the Chaebol-centered economic structure. A thorough reform of the Chaebol can be a measure for the purpose, and the Kim Dae-jung administration's initial attempts to reform the Chaebol was in line with it, even though they went awry in the end. It is also not contradictory when we understand that the South Korean economy has been ruled by the Chaebol, rather than by capital in general, particularly in terms of the relevance the economic structure has to the ruling ideology. Thus, identifying Kim Dae-jung and his group as a counter-hegemonic social force requires a more specific analysis of the economic structure of South Korea.

Scholars who examined South Korean society using a Gramscian approach invariably took the political economy perspective on inter-Korean relations. This was logically congruent considering Gramsci's argument (1971a: 176) that international relations follow fundamental social relations, such as production relations. Their interest, however, was mainly to explain the role of inter-Korean relations in the South Korean political economy, not the role of South Korean political economy in inter-Korean relations — relationships in both directions matter greatly, as shall be explained in the next section. Moreover, their researches into the South Korean economy were not specific enough to elucidate the Chaebol-centered economic structure, which also resulted in the assertion that Kim Dae-jung was a member of the existing ruling bloc.

Nevertheless, Gramscian writings by scholars such as Cho and Choi were pioneering works given their context, in that a theory by Gramsci (a Marxist) had not been actively explored in South Korea. In fact, not just Gramsci's theory but also historical materialism itself, being criticized as economism, utilitarianism and

reductionism, has rarely been employed to explain inter-Korean relations. Political and ideological concerns clearly also did matter. The Cold War atmosphere had hindered capitalist countries' academia from utilizing the Marxist tradition vigorously or advantageously. This tendency has been severe in the case of South Korean academia because those who applied Marxist theories to their research were easily branded as reds, subject to criminal prosecution in some cases, even after the Cold War had ended on the global stage. Anti-communism, in that sense, has remained a very strong element in the academic world of South Korea.

Whereas, let alone the relationship between the political economy of the North and inter-Korean relations, few scholars have applied Gramsci's theory as the main theoretical framework by which to explain North Korean political economy. There have been many researches which have applied Gramsci's theory to analyse socialist countries but, if we confine literature to pre-reform socialist countries as in the case of North Korea, the number is reduced considerably. Such writings which have examined pre-reform socialist countries have mainly focused on the concepts of hegemony and explained the socialist countries with the coercion-consent analysis (Harrison, 1979; Hoffman, 1984). This attempt is attributable, among others, to the fact that Gramsci understood the state as "the entire complex of practical and theoretical activities with which the ruling class not only justifies and maintains its dominance, but manages to win the active consent of those over whom it rules" (Gramsci, 1971: 170) and the fact that he deemed this concept of the state as relevant to both the bourgeois state and the socialist state (Hoffman, 1984; 130). It was also a response of Western academia's interpretation of the popularity of Stalin in the Soviet Union, where people treated him as the symbol of the party. They tried to apply a new approach in understanding Stalinism through the concept of

hegemony. In particular, they paid attention to the mechanism of consent of the socialist state by attaching importance to the role of Stalin and the cadre in realising the dictatorship of the bureaucrats, rather than that of the proletariat (Harrison, 1979; 24-25) and the role of the party leadership in mobilising participation from below for political purposes (Hoffman, 1984; 142-143). The concept of hegemony allowed them to give prominence to the mechanism of consent in the socialist system, and this was meaningful in getting over the conventional Cold War preconception that people in socialist countries were all forced to follow their leaders without any agreement.

This research also emphasizes the concept of hegemony in understanding North Korean political economy and contends that the mechanism of consent as well as that of coercion effectively worked. The concept of a historical bloc is, unlike the above-mentioned researches into the Soviet Union, another key concept in this study, which assumes that the concept is of great help in revealing not only who the hegemonic group is, but also how hegemony is formulated and reinforced in a particular historical period. There have been many prejudgments against North Korea. One of them was that the North Korean regime ruled its people merely by force and that they lived like slaves, a view similar to the stereotyped perception of the Soviet Union during the Stalin era. There were a variety of coercive apparatuses in North Korea, such as the military, the Ministry of People's Security, the State Security Department, and so on that enabled and facilitated the mechanism of coercion. Nevertheless, the mechanism of consent was significantly effective in the North, and Gramsci's theory on the historical bloc will help us understand the process. Hegemonic rule, this thesis argues, was one of the main reasons why North Korea could survive in the midst of the collapse of other socialist countries in the early 1990s.

This study, as stated above, seeks to develop the political economy perspective on inter-Korean relations with the help of Gramsci's theory. Gramsci did not produce a systematic work on international relations. Therefore, in order to analyse inter-Korean relations through a Gramscian approach, we need to formulate a theoretical framework. This thesis argues that the ideas and concepts of other scholars, particularly other Marxists such as Nicos Poulantzas, are of great help to render the framework more consistent and more solid. The following section will demonstrate the process in which I infer a methodological framework to explain inter-Korean relations from Gramsci and other scholars' concepts and thoughts on the political economy and the relationship between the national and the international.

1.3. Theoretical Framework

The debate over 'internationalising Gramsci' has centred on the issue of whether or not neo-Gramscian perspectives have interpreted Gramsci's ideas properly (Burnham, 1991 and 2006; German and Kenny, 1998; Budd, 2007; Glasius, 2012; Ives and Short, 2013). This debate, however, has contributed little to analysing empirical cases in international relations in accordance with Gramsci's thoughts. This is because most critics concentrated on playing down neo-Gramscian empirical studies with rigid theoretical standards—although this was necessary and justifiable—rather than going so far as to make up for the weakness and extend the applicability of the perspectives. This has had an unintended consequence. The debate questioned the very utility of Gramsci's concepts in explaining international affairs (Femia, 2005; Cutler, 2006; Saurin, 2008; Worth, 2009). Given that the most trenchant criticism came from Marxists, it was ironic because they kicked away

the ladder that could potentially lead a Marxist theory into becoming one of the mainstream theories of IR.⁶

Neo-Gramscian perspectives, first of all, show that Gramsci's ideas can contribute to the development of IR through Robert Cox's seminal papers in 1981 and 1983 and other scholars' ensuing studies⁷—particularly in terms of their emphasis on politics and ideology such as neoliberalism, which are major focuses of the current IR theories.⁸ This was a novelty for most non-Marxists who had criticised economism or economic reductionism of Marxism (Van Apeldoorn, Overbeek, and Ryner, 2003: 32). To some Marxists, their researches provide concrete evidence that demonstrated the excellence of Marxism itself as well as the Gramscian conception. To other Marxists, however, they were objects of criticism in that, for example, they placed little stress on the accumulation of capital and neglected an analysis of the state which is itself a form of the class relation and a 'moment of the process of reproduction' (Burnham, 2006: 189-191).

The centerpiece of neo-Gramscians' contributions has been their ingenious interpretations and applications of Gramscian concepts for the analysis of international relations. They have widely employed the terms *social forces*, *form of state*, *historic structure*, *hegemony*, and so on. For instance, they have added to IR by specifying and emphasizing the role of social forces who share the same ideas or ideology, a distinct

⁶ Marx wrote much less about international relations issues than about domestic issues. However, he provided a lot of insights in his voluminous writings, including *The German Ideology*, *Capital* and the 'Preface' to *A Contribution to the Critique of Political Economy*, where his understanding of historical materialism can be drawn to explain international relations in general and also inter-Korean relations in particular (Smith, 1996: 203).

⁷ Notable works include Van Der Pijl (1984), Gill (1990), Bieler (2000), Cafruny and Ryner (2003), and Morton (2007).

⁸ Ideology can be defined as "any more or less coherent system of beliefs or views on politics and society" (Leach, 1996: 16).

actor from individuals or states as billiard balls. Neo-Gramscian perspectives turned out to be particularly useful in explaining major structural changes in the international arena, such as globalization and European integration (Gill, 1992; Bieler and Morton, 2001; Bieler, 2002). Their usage of the terms, however, has become subject to criticism by many scholars for their unclear specifications and explanations. For example, the above-mentioned concept of social forces can be interpreted in various ways, which is helpful in the flexible application of Cox's ideas but also became a source of criticism because of its ambiguity (Burnham, 1991: 78-79).

In this respect, I argue that we need to clarify Gramscian concepts for theoretical precision in the first place, and that the reinvestigation of the concepts shall be in accordance with key premises of historical materialism which have the following four themes. The first is material determination, or determination by socio-economic factors. Here, I argue that we need to think of materialism in terms of determination by the economic 'in the first instance', rather than 'in the last instance'.⁹ The second is historical determination or the emphasis on historical contexts. To understand contemporary society, one needs to see how it has originated and what the problems and tendencies conditioned by the past were. The third is the centrality of classes as actors in economic, political, and ideological struggles. In this regard, the state is not an independent entity, but is positioned in a particular socio-economic and class context. The fourth is the emphasis on conflict and, if needed, its culmination, crisis or revolution. Conflict is seen in a historical context and taken to be a major dynamic factor in history; or, in Marxist terms, the 'locomotive

⁹ Hall (1986: 43) argues, "The paradigm of perfectly closed, perfectly predictable, systems of thought is religion or astrology, not science. In this sense, it would be preferable to think of the materialism of Marxist theory in terms of 'determination by the economic in the first instance,' rather than 'in the last instance.'"

of history' (Halliday, 1994: 59-68).¹⁰

The clarified concepts will allow us a better understanding of Gramsci's thoughts on international relations, particularly his ideas on the relationship between the national and the international. Here, I give added attention to his notion of inter-connectivity between production relations, political relations, and international relations, and his remarks on structural changes at a national level and its consequences for international relations. These will be detailed later in this chapter.

What's more, within the broad field of IR, neo-Gramscian perspectives have so far mostly concentrated on the global and transnational scales, and yet I argue that it is of great significance to recast the validity of Gramsci's analysis for studying the foreign policy of specific countries. In particular, Gramsci's ideas are instrumental in understanding major foreign policy changes of a country.

A major change in foreign policy is directly related to domestic hegemonic struggles over capital accumulation, ideology, and so on. Foreign policy is launched by the government, or the ruling political group to put it concretely. According to Gramsci, for example, an organic crisis can lead a group of counter-hegemonic social forces to take political power.¹¹ When the group no longer represents the existing hegemonic group's interests, foreign policy will undergo a drastic change. Or, in a pre-emptive manner, the hegemonic group can change its foreign policy radically before the transfer of power as a measure to prevent the crisis of capital accumulation from developing into a political crisis.

¹⁰ In the same vein, War is 'a great locomotive of history' (Trotsky, 1922).

¹¹ An organic crisis can be referred to as the crisis that seriously disrupts the economic structure and the superstructures of the historical bloc. It 'can'—not 'will'—entail structural changes of the historical bloc.

Based upon the above-mentioned observation, we can infer from Gramsci's ideas a theoretical framework for empirical research on major foreign policy changes. The first phase will be an analysis of the historical bloc in the domestic sphere. In the second phase, we need to investigate the organic crisis of the bloc and its implications for hegemonic struggles. The third phase will be an analysis of the relations between domestic hegemonic struggles and certain foreign policies. By doing so, this research is expected to add to existing studies the followings: to bring back the state and capital accumulation into the international, to show how organic crisis and hegemonic struggles form the basis of a source of foreign policy, and to provide, through foreign policy analyses, a fresh way into applying Gramsci to the wider confines of IR.

To substantiate my arguments, this section is structured as follows. It begins with the re-investigation on key Gramscian concepts which contribute to an understanding of international relations. Next, it describes Gramsci's thoughts on the relationship between the domestic and the international with special emphasis on the inter-connectivity. Then, I will corroborate the usefulness of Gramsci's old but novel conception by elucidating his comments on the relationship between organic innovation and international relations with empirical examples. This will provide an explanation on the origins of world orders, different from Cox's 1981 argument. It is followed by the analysis of an organic crisis, another case of structural change of the historical bloc, and its ramifications on hegemonic struggles. This is particularly crucial to understanding the relationship between a domestic structural change and a major foreign policy change, which will be argued thereafter. Afterwards, I will propose a Gramscian method for empirical research on a major foreign policy change which is directly connected to the structure of this thesis.

1.3.1. Key concepts for Gramscian understanding of international relations

Social Classes and Social Forces

Social classes are groups of social agents in which individuals are defined principally, but not exclusively, by their place in the production process (Poulantzas, 1973: 27). The distinction between relative levels of income—e.g. the division between the rich, the poor and the so-called middle class—is a consequence of production relations. Production relations refer to definite relations that people enter into in the production of goods and services, corresponding to a definite stage of development in the forces of production (Marx, 1971: 20). According to Poulantzas (1973: 28-29), the production relations involve two aspects: (1) possession or juridical ownership of the means of production, which is sanctioned by the law; (2) economic ownership, the real economic control of the means of production. In capitalist societies, it is capitalists who have juridical possession of the means of production and also have real economic control over it. However, in the ‘real existing’ socialist countries, juridical ownership of the means of production belongs to the people’s state or direct workers, whereas economic ownership does not belong to workers but to state bureaucrats.

The economic sphere plays a principal role in determining social classes but it is not sufficient. The political and ideological spheres also have important roles. This becomes clearer when we investigate the question of the reproduction of social classes (Poulantzas, 1978: 28; Marx and Engels, 2010: 44-45).¹² A concrete society at any given

¹² However, emphasising the importance of political and ideological relations in the determination of classes should not be led into the error of disregarding the principal role of the economic place of the social agents. The determination of classes fundamentally depends on the

moment in time consists of several modes of production. The dominant mode of production of any concrete society generates two fundamental classes (Marx, 1957: 348; Poulantzas, 1973: 33). In the capitalist mode of production, the fundamental class struggle occurs between the working class and the bourgeoisie. In the 'real existing' socialist countries, the struggle takes place between direct workers and state bureaucrats that have economic ownership.

With regard to social grouping, historical materialism introduces the terms *fractions*, *strata*, and *categories* to designate particular social groups 'within' class divisions. They are not outside or alongside social classes. They are determined by the production relations and form part of the classes (Poulantzas, 1973: 38).¹³

Fractions of the bourgeoisie class are located at the economic level—for example, landed, industrial, commercial, and financial capital. However, here as well, reference to political and ideological criteria is critical in defining fractions of any classes (Clarke, 1978: 34-36; Poulantzas, 1973: 38).¹⁴ Whereas, class strata are classified by particular criteria in the production process.¹⁵ For example, with the criterion of skill, workers can

production relations which are directly linked to the social division of labour and political and ideological relations (Poulantzas, 1975: 21).

¹³ Unionized workers (including labour bureaucrats) in advanced capitalist society are often classified as middle class. The Weberian approach differentiates the middle class from the broader working class by categorizing people into the upper class, the middle class, and the lower class. However, as I apply the Marxist approach here, I do not put much weight on the division and 'the middle class'. In Marxist conception, the central class division is between those who 'own and control' the means of production and those employed to 'use' those means of production—e.g., capitalists and workers in capitalist society. "Other positions within the class structure draw their specific character from their relationship to this basic division" (Wright, 2009: 108).

¹⁴ For instance, at a certain conjuncture, a distinction is needed between the transnational bourgeoisie and the national bourgeoisie (Poulantzas, 1973: 39). This distinction can be critical as it is possible to form an alliance between the working class and the national bourgeoisie against the neoliberal globalization.

¹⁵ There is a need for making a distinction between 'class strata' and just 'strata'. The latter involves "a criterion or set of criteria in terms of which individuals may be ranked descriptively along a scale", such as income strata (Giddens, 1973: 106).

be categorized as skilled, semi-skilled, and unskilled labourers.¹⁶ In the determination of social categories, political and ideological criteria play a dominant role. According to Poulantzas (1973: 40-41), one's social category indicates an "ensemble of agents whose principal role is its functioning in the state apparatuses and in ideology". Social categories, as mentioned above, belong to classes but do not constitute classes because they have no specific role of their own in production. For example, as science is not a direct productive force, bearers of science—intellectuals—cannot constitute a distinct class. Social categories generally belong to various social classes and can be relatively autonomous. Most bureaucrats in capitalist societies—who do not have economic ownership, unlike those in socialist societies—may belong either to the bourgeoisie or to the petty bourgeoisie, but the ensemble of the bureaucracy would serve the interests of the bourgeoisie.

Social classes, fractions, strata, and categories are 'placed' in relation to the social division of labour as a whole that includes political and ideological relations (Poulantzas, 1975: 14). In a 'conjuncture', such as a major crisis, they become active and can position themselves as social forces (Connell, 1982: 131-132; Poulantzas, 1975: 14-15). That is, classes, fractions, strata, and categories can function as effective social forces in accordance with their own roles and interests at a given conjuncture. Despite their internal unity, breaks and contradictions within themselves would be manifested in the case of an organic crisis. In order to unveil those breaks and contradictions, the particular behavior of each social group at any given moment must be specified. For instance, the breaks are

¹⁶ Or, we can depend rather on political and ideological criteria beyond the simple technico-economic approach. The labour aristocracy is a case in point. According to the simple criteria, this stratum consists of the most skilled and best paid workers, but it can be a stratum of the working class which is the basis of social democracy (Poulantzas, 1973: 35-36).

often a result of the different ideologies (Connell, 1982: 134-135).

Social forces are not considered to be rational and unitary actors. Rather they are considered to be institutional configurations within and through which different social groups attempt to realize their particular interests. The individuals in a given class 'may or may not be wholly or partly conscious of their own identity and common interests as a class, and they may or may not feel antagonism towards members of other classes as such'. It is in this respect that it is possible to argue that social classes, fractions, strata, and categories form social forces without necessarily having developed class consciousness (De Ste Croix, 1981: 44; Bieler, 2000: 10-13).

State and Form of State

There have been copious theoretical debates on the question of the state, but the debates have largely been unproductive. Since they deployed "different concepts and conceptual systems and ask different questions and select different facts", their arguments have not corresponded to one another (Halliday, 1994: 75). Hence, the question is how we understand the state and how we conceptualise it.

Many scholars, especially realists, of IR give one specific definition which can be termed 'the national-territorial totality'. According to this, the state is a conceptual form which can be marked on a political map—that is to say, "the country as a whole and all that is within it: territory, government, people, and society" (Halliday, 1994: 78). From the late 1970s, one alternative concept of the state in a sociological writing has been employed vigorously. Here, the state can be identified as "a set of administrative, publicizing and military organizations headed, and more or less well coordinated, by an

executive authority” (Skocpol, 1979: 29). For those proponents of this concept, the state has the longer-term strategic interests of society and has sufficient autonomy and power to pursue policies against the explicit wishes of much of society (Halliday, 1994: 79).

While these concepts posit that the state exists irrespective of or ‘side by side’ with classes and the class struggle, Marxist theories consider the state as, to a greater or lesser degree, an expression of class interests. Production not only generates material capabilities but also creates social relations. The way in which the state is bound up with the production relations constitute its principal relations with social classes and the class struggles (Poulantzas, 1978: 13). The state functions to uphold the cohesion of a social formation that forms and reproduces the conditions of production by maintaining class domination (Poulantzas, 1969: 77).

This notion raises questions about where to locate institutions which are formally independent but influenced significantly by the state and perform regulatory and reproductive functions under given social relations (Althusser, 2001: 96-123). Going beyond the initial Marxist view of the state as a mere instrument of the bourgeoisie and inspired by our reading of Gramsci’s works, we can generate an alternative concept of the state, in which the function of the state is to maintain class hegemony through administrative, coercive, ideological, and regulative apparatuses. This understanding does correspond to the Gramsci’s concept of the ‘integral state’ (Gramsci, 1971b: 267), in which the state is the “entire complex of practical and theoretical activities with which the ruling class not only justifies and maintains its dominance, but manages to win the active consent of those over whom it rules” (Gramsci, 1971b: 244).

The system of the state consists of several apparatuses which have various roles. Administrative apparatuses, such as the civil service bureaucracy, central banks, and

public corporations, are responsible for carrying out public policy (Barrow, 1993: 24). They directly influence the daily lives and activities of the people and are subject to organizational procedures guided ‘by Weberian-style bureaucratic rationality’ (Sater, 2007: 12). Coercive or repressive apparatuses, such as the military, the police, and the court, “legally enforce discipline on those groups who do not consent either actively or passively. These apparatuses are, however, constituted for the whole of society in anticipation of moments of crisis of command and direction when spontaneous consent has failed” (Gramsci, 1971b, 12). Ideological apparatuses such as schools and mass media have the principal functions of ideological inculcation and transmission with greater autonomy from other state apparatuses (Althusser, 2001, 96-123; Poulantzas, 1969: 77-78). These establishments belong to the realm of civil society where ideological struggles take place. However, when the hegemonic group takes the helm of the state—which is generally the case—its ideology is vigorously dictated by the state as most ideological apparatuses are under the heavy influence of the state. Regulative apparatuses such as the committee on labour-management relations and the Federal Reserve Board of the United States constrain or persuade private agents to improve the economic performance, for example, by shaping the labour process and intervening in the financial and foreign exchange markets (Lipietz, 1987: 32-33). In the current stage of historic development, regulative apparatuses of the state have been developed and expanded significantly, which is more directly linked to the production process, although all the activities of the state concern (the social relations of) production.

Each particular form of the state is to be determined by the “modification of the whole system of the state apparatus and of its form of internal unity as such: a modification which is itself due to changes in the relations of production and to

developments in the class struggle” (Poulantzas, 1969: 75). In this regard, the change in the form of the state can be analysed by investigating modifications to the state’s administrative, coercive, ideological, and regulative apparatuses and, more importantly, by discerning the internal unity generated by economic, political, and ideological struggles. Historically, I argue, the first stage to change the form of the state was to replace the heads of the apparatuses with (new) faces who have the same ideology as the new leadership.

Historical Bloc, Hegemony, and Hegemonic Project

Cox used the concept of the historical structure as a framework for action in which three categories of forces interact with each other: material capabilities, ideas, and institutions (Cox, 1981: 136). This is one of the key concepts of neo-Gramscian perspectives and has been useful in analysing international relations. However, it is neither a reinterpretation nor a (minor) modification of Gramsci’s concept of the historical bloc, even though the wording is similar. For example, it does not accommodate the primary premise of material determination in the concept of the historical bloc (Budd, 2013: 24-26).

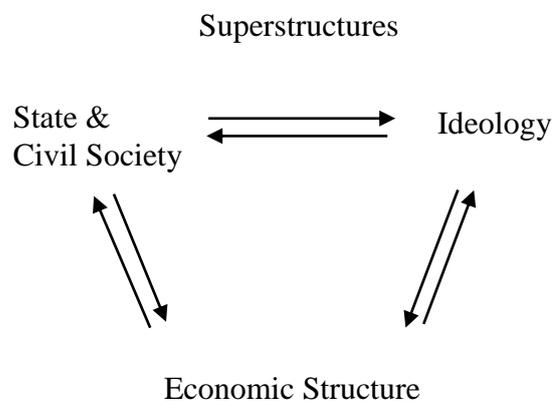


Figure 1: Constituents of a historical bloc

Gramsci's historical bloc is, as in Figure 1, composed of the economic structure and the superstructures, in which "the complex, contradictory and discordant ensemble of the superstructures is the reflection of the ensemble of the social relations of production" (Gramsci, 1988: 192). The economic structure is determined by the production process, which is composed of the unity between the labour process and the production relations. Within this unity, it is the production relations which have primacy over the labour process (Poulantzas, 1975: 20-21). Capitalism has undergone different stages of development throughout history, and so have its production relations and the ensemble of the production relations. For example, imperialism was a stage of capitalism at which the production relations created monopolies and their totality extended beyond territorial barriers (Lenin, 1916).

In a capitalist society, direct producers are completely dispossessed of the object and means of their labour. That is, workers are separated from them in economic ownership as well as in juridical ownership. It is this very structure of production relations that makes a commodity of labour power itself. With regard to the relationship between the state and economy, this structure engenders the relative separation of the state and the economic sphere. The capitalist state's relative separation from the production relations is the "basis of its organizational framework and already maps out the mode of its relation to social classes and the class struggle". It must not be understood as a particular case but is rather a peculiar feature of the capitalist society. The distinctive autonomy of political space under capitalism is the result of separation from the relations of production which is specific to capitalism itself (Poulantzas, 1975: 18-26). On the contrary, in the 'real-existing' socialist countries there has been little autonomy of economic space under the

socialist party-state system because economic ownership belongs, not to any entity in ‘society’, but to bureaucrats of the ‘state’. This resulted in more cohesion between the economic structure and the superstructures in the socialist countries.

As for the superstructures, Marx considered civil society as part of the realm of the economic structure (Carnoy, 1984: 67). However, civil society in Gramsci belongs to the superstructure which is critical in perpetuating class and class consciousness (Gramsci, 1971b: 12). At a certain stage of development, the ensemble of production relations generates a civil society, which is the critical site for struggle over hegemony. Gramsci took Marx’s concept of bourgeois hegemony, as expressed in *The German Ideology*, which represents the ideological predominance of the dominant classes over the subordinate classes (Carnoy, 1984: 66).

Gramsci’s originality lies in his argument that the system’s real strength is not based on coercion of the state apparatus or the violence of the dominant class. Rather it depends on active consent of the subordinate to a conception of the world that belongs to the rulers—a conception that is considered as common sense (Fiori, 1970: 238).¹⁷ Hegemony can mean economic, political, moral, cultural, and ideological leadership over subordinate groups.¹⁸ Amongst them, ‘ideological’ leadership is of primary importance because it is ideology that brings us to take something, such as a rule by the bourgeoisie, as common sense (Streeter, 2012). This is in accord with Marx’s account of ideological predominance to explain bourgeois hegemony.

Construction and preservation of the historical bloc is only possible through the

¹⁷ Gramsci’s rule by coercion and rule by consent are not mutually exclusive. See Sim (2006: 148-149).

¹⁸ Gramsci distinguished different forms of hegemony in accordance with “the different historical situations and the class actors involved” (Gramsci, 1988: 424).

exercise of hegemony. This involves the successful efforts of the dominant group to use its ideological leadership to shape the interests of the subordinate and to establish its view of the world as universal (Carnoy, 1984: 70). Consent by the subordinate is not spontaneous; it is a result of continuous deliberate efforts by the hegemonic group. Schools, churches, civic organisations, and mass media are major fields for that particular purpose. When they are successful, the hegemonic group's ideology displaces rival views and becomes the common sense of the age.¹⁹ Consequently, the subordinate will interpret and define the interests of the hegemonic group as their own interests and consider them 'national interests'. As a result, the accumulation strategy in the interest of the hegemonic group is legitimated and even actively advocated by the subordinate.²⁰ We can argue that the inequalities in power and wealth were closely connected to the historical bloc which was implemented and sustained by the exercise of hegemony.

The reciprocity between the economic structure and the superstructures is the dialectical process and, hence, a change in the superstructures is not an immediate expression of the structure (Jessop, 1990: 190-193). When we explicate the superstructures as mechanical reflections of the economic structure, the autonomy of the superstructures only serves to legitimize the independent, self-sufficient and self-reproductive economy. In this case, the state and ideology are in a relation of 'exteriority' which cannot provide a proper "representation of the articulation of social reality, nor therefore of that determining role itself" (Poulantzas, 1978: 16). In this regard, Gramsci refused the crude analysis of economism and attempted to reformulate principles of

¹⁹ The relation between common sense and ideology is assured by 'politics' (Gramsci, 1971b: 331).

²⁰ An accumulation strategy "defines a specific economic 'growth model' complete with its various extra-economic preconditions and also outlines a general strategy for its realisation" (Jessop, 1990: 198-201).

historical materialism in such a way as to allow space for the influence of the state and ideology on history (Joll, 1978: 16). Gramsci, however, does not deny that the superstructures are intrinsically tied to production relations: “for though hegemony is ethical-political, it must also be economic, must necessarily be based on the decisive function exercised by the leading group in the decisive nucleus of economic activity” (Gramsci, 1971b: 161).²¹

Ideology, Gramsci emphasised, is critical in cementing the dialectical relations between the economic structure and the superstructures where “precisely material forces are the content and ideologies are the form” (Gramsci, 1971b: 377). Ideology functions to reproduce production relations, and also particular forms of state and other components of the superstructures, such as culture, arts, religion, are determined and maintained by the ideological unity. For instance, “the Army and the Police also function by ideology both to ensure their own cohesion and reproduction, and in the values they propound externally” (Althusser, 2001: 97-98).

Not all ideas are ideology. Ideology has three elements: an interpretation of the existing world, a vision of the future, and a strategy—including an accumulation strategy—to realize the future (Leach, 1986: 23-24). Permeated at all levels of consciousness, like Christianity in the medieval West, ideology in the modern age structures what we think and how we act (Heywood, 1992: 16). Social relations have to be represented in language to obtain any meaning. Meaning is produced through the work of ideology; ideology gives one object in the real world many different meanings (Hall, 1985: 98).

²¹ The importance of economic leadership has often been overlooked in many writings on hegemony. Hegemony is not only formulated but also produced. See Mark Rupert, *Producing Hegemony* (Cambridge: Cambridge University Press, 1994).

In forming a historical bloc, intellectuals—a social category that inculcates ideology—play an important role by giving it homogeneity and its members awareness on the ‘function of the particular structure’ (McLellan, 1995: 5). In a stable state of a historical bloc, the world view of the hegemonic group is so thoroughly spread by intellectuals as to become common sense of the whole of society.

The historical bloc cannot exist without a hegemonic group. Where the hegemonic class, fraction, strata, or category predominates, it can preserve social order and maintain cohesion (Cox, 1983: 168). And yet, the failure to distinguish between the hegemonic group and the ruling political group makes it impossible to disclose the real hegemony lying underneath the appearance of the political sphere.²² The correspondence between the interests of the hegemonic group and state policy is not based upon any personal ties (Poulantzas, 1969: 74-75). For instance, the political sphere is not occupied by the hegemonic class or fraction of class but by an ‘ensemble of dominant classes or fractions’ which yields the contradictory relations between them in the form of power relations within the state apparatuses. It is in this sense that we can speak of relative autonomy (a) of the various apparatuses (and branches) vis-à-vis each other within the state system and (b) of the ensemble of the state vis-à-vis the hegemonic class or fraction of the class (Poulantzas, 1973: 47).

The key to the exercise of hegemony is the development of a specific ‘hegemonic project’. The hegemonic project can be devised and implemented either by the existing ruling political group or the new ruling political group which originates from one or more groups of counter-hegemonic social forces. The former utilises the hegemonic project to

²² If a counter-hegemonic force or a group of counter-hegemonic forces gains political power but not hegemony, it can only constitute the ruling political group which will strive to attain hegemony from the hands of the hegemonic group.

maintain hegemony, and the latter will use it to attain hegemony.

The hegemonic project is concerned principally with a ‘national-popular’ goal (Gramsci, 1988: 364-370, 426-427). The project is not identical to an accumulation strategy although “they may overlap partially and/or mutually condition each other” (Jessop, 1990: 208). While Lenin conceived hegemony mainly in terms of class relations, Gramsci emphasized an important dimension of non-class forces in securing hegemony with his concept of national-popular. National-popular objectives do not arise directly out of production relations and, therefore, do not have a class character per se—they “have their own specific qualities and cannot be reduced to class struggles even though they are related to them” (Simon, 1991: 24-25). People admire powerful ideas such as freedom, liberty, equality, democracy, independence, modernization, and nationalism which can, as Gramsci argues, have the force of ‘popular religions’. The hegemonic group is one which successfully combines these ideas with its own economic interests for national leadership. For example, the Chinese Communist Party gained hegemony by combining class revolution with the national struggle against Japanese invaders (Simon, 1991: 44). Nonetheless, a hegemonic project will prove most successful when it is “closely linked with an appropriate accumulation strategy” (Jessop, 1990: 211).

1.3.2. Gramscian notion of international relations

Although Gramsci understood local problems from a global standpoint (Ives and Short, 2013: 621-642), he explicitly maintained that international relations follow domestic social relations. He stated:

Do international relations precede or follow (logically) fundamental social relations? There can be no doubt that they follow. Any organic innovation in the social structure modifies organically absolute and relative relations in the international field too. Even the geographical position of a nation state does not precede but follows (logically) structural changes, although it also reacts back upon them to a certain extent (to the extent precisely to which superstructures react upon the social structure, politics on economics, etc.) However, international relations react both passively and actively on political relations (of hegemony among the parties) (Gramsci, 1971a: 176).

This describes that three relations—namely, production relations (fundamental social relations), political relations, and international relations—are closely interrelated. Hence, the study on international relations of a particular country requires us to grasp its production relations and political relations. This indicates that in order to explain the social origins of changes in international relations, we need to explicate changes in the economic structure (the ensemble of production relations) and the superstructures. The same applies also in the opposite direction as domestic hegemonic struggles are not isolated from international constraints. Therefore, we also need to be aware that changes in international relations will bring about changes in political relations and production relations to a greater or lesser extent.

The above-mentioned notion is particularly relevant to the analysis of major changes in international relations. As Gramsci indicated, a fundamental social change that entails a change in the ensemble of production relations alters relations in the international sphere. More specifically, structural changes signifies changes of the economic structure, entails new struggles over hegemony in the superstructures, causes radical changes in foreign policy, and thus brings about major changes in international relations. Therefore, structural changes can be a good starting point to understanding major changes in

international relations; however, not every major change in international relations was the result of domestic structural changes. In a broad sense, structural changes, or organic changes, can be classified into two types: organic innovation and organic crisis.

The relationship between an organic innovation and international relations detailed below is significant as it will disclose the origins of the world orders—the capitalist world order led by the United States and the socialist world order led by the Soviet Union—that conditioned the formation of the historical blocs in South and North Korea. The relationship between an organic crisis and hegemonic struggles explained afterwards is theoretically important for this thesis because from that relationship we can infer a methodological framework of the research.

Organic Innovation, Forms of State, and World Orders

An organic innovation in the historical bloc is provoked by an innovation in the production process that determines the economic structure (Poulantzas, 1975: 20-21). It can start with an innovation in the production process itself or a change in the superstructures which modifies the production process in an innovative way. In either case, it must include an innovation in the production process that will transform the economy into a better stage of development which forms the foundation for, or corresponds to, new superstructures.

Concretely, in the capitalist society the Fordist production process in the early twentieth century was an organic innovation that allows us to grasp structural attributes of the capitalist development with regard to the relations between the structure and the

superstructures and between a particular historical bloc and its global repercussions.²³ Recognized by Gramsci as ‘an ultra-modern form of production and of working methods’ (Gramsci, 1988: 277), Fordism eventually modified the economic structure, ushered in the era of a welfare and interventionist state, and elevated the United States to a global hegemon.

Fordism rests on the Taylorist reorganization of the labour process. Taylorism, based upon the separation of conception and execution in the labour process, resulted in a momentous intensification of exploitation, extensive deskilling processes, the destruction of traditional skilled workers’ power and the introduction of efficient managerial control and supervision (Braverman, 1974: 86-95). The Taylorist organisation of production enhanced productivity and made possible the mass production of standard and cheap consumption goods. Also, with high wages to workers offered by Henry Ford, workers became the mass consumers of industrial commodities. This Fordist model of production made possible a far-reaching increase and stabilisation of the profit margin and thus created the basis for prosperity for decades (Esser and Hirsh, 1994: 74-75). The new production process of Fordism was even hailed by many Marxists around the world, including Gramsci who interpreted the social change as ‘Americanism’ (Gramsci, 1988: 275-299).

The state during the F. D. Roosevelt administration played a critical role in the process. The U.S. state corporately integrated trade unions, which officially institutionalized new production relations that could facilitate the process of capital accumulation and enhance the welfare of labourers (Acemoglu and Robinson, 2012: 325-

²³ Cox also took note of Fordism but it was not the major sphere for his analysis on the social relations of production, forms of states and world orders (Cox, 1996: 276-296).

326). Economic, political, and ideological struggles were integral to this process, but Fordist production relations could gain momentum by the productivity-oriented social consensus (Rupert, 1994: 2).²⁴ And a particular form of state was established through the adjustment in the state apparatus and internal unity of the whole system. Thus, the establishment of the Fordist model at the state level with collective bargaining and trade-unionism had essential consequences for the state form in which there developed a welfare and interventionist state (Hirsh, 1991: 19).²⁵

Institutionalized Fordism exerted much influence on international relations in these two aspects. Firstly, the production of an unprecedented volume of goods boosted the United States to the summit of the global division of labour, ensured victory in the Second World War, and reconstructed world order under American leadership (Rupert, 1994: 59-103). Secondly, the Fordist production relations and the ensuing social, economic and political transformations were emulated in many developed and developing countries. In Western Europe, the generalization of the American-style production relations was spearheaded by its organized labour in the overall scheme of the Marshall Plan (Rupert, 1994: 167-207). Especially in West Germany and Japan where the US army was stationed, American military governments advised or more directly administered those countries to copy the US production relations. As they deemed US-style capitalism to guarantee high productivity, many capitalist countries in other parts of the world also tried to accept the Fordist model, even though the majority only imitated the Fordist labour process for mass production purposes. The two aspects were reciprocal since the

²⁴ Later, in the early 1940s, the Second World War was also very helpful in consolidating the new production relations because the state and capital needed to seek cooperation from labour groups to win the war and meet the skyrocketing demand for war supplies.

²⁵ More frequently used term is a Keynesian welfare state (Jessop, 2003: 55-94).

world order was reinforced by the expansion of the US production relations at the global level, and the latter was supported by the former under the Cold War circumstances.

As Harry Braverman pointed, the real-existing socialism changed the structure of ownership but the labour process was essentially the same as that of capitalism (Braverman, 1974: 10-14). Along with the unique attributes of socialism such as state ownership and central planning, one of the critical causes for dictatorships in socialist countries lay in the non-socialist aspects of the relations of production and social division of labour (Poulantzas, 1978: 24).²⁶ Indeed, the examination of the production process in real-existing socialism is key to understanding the relationship between production relations and the socialist state. The socialist equivalent of Fordism, Soviet Fordism, was set up by Lenin when he enforced the scientific management over the movement of workers' control of production in the early 1920s (Lenin, 1965b: 259). The Soviet Union came into existence in a hostile world and had to defend itself from the very beginning. To survive, it had to modernize its economy in a manner rapid enough to match its enemies. Integral to this course was the subordination of workers to new production, in which managers who were appointed by and answerable to the state bureaucrats controlled the production process (Cliff, 1974: 11-93). On the one hand, bureaucracy, the virtual agency of the new social forces' collective self, transformed the nature of the state and led Stalin to come to power. On the other hand, over-bureaucratization, bred by Soviet Fordism, resulted in national crises of effectiveness and caused political leaders to rely on administrative strategies in the production process such as the Stakhanovite movement (Beissinger, 1988).²⁷

²⁶ Other causes for dictatorships in socialist countries include an aversion to markets, a preference for central planning, the concept of the dictatorship of the proletariat, and so on.

²⁷ The Stakhanovite movement was the mass movement to enhance labour productivity began in

Compared with plentiful studies on the capitalist world order, there are far fewer studies dealing with the socialist world order. Critical to the analysis is the role of the Soviet Union in determining the production process and state formation in the course of constructing the socialist system. Right after the end of World War II, there were large-scale movements for workers' control of production in most of the newly-born socialist countries in Eastern Europe and Asia. However, they were curtailed as the Soviet influence expanded with its economic, military and ideological dominance (Kollo, 1995: 282-318; Scalapino and Lee, 1972: 1195-1295). Consequently, the production process of the Soviet Union was internalized in those countries, and bureaucrats occupied leading roles within the socialist economies. Eventually, in the socialist world order, socialist countries accepted the Soviet-type social relations of production, oppressed the movement for workers' control of production, witnessed how power was being concentrated in the hands of the communist bureaucracy at all levels, and adopted the state form similar to that of the Soviet Union.

Organic Crisis and Hegemonic Struggles

An organic crisis of a historical bloc is a crisis of hegemony in which the superstructures that have represented the general interests of the hegemonic class or fraction of a class are no longer recognized as its expression (Gramsci, 1988: 218). In Marx's logic, the organic crisis occurs when the superstructures, such as the form of state and ideology, become fetters to the economic development. The crisis can function to reconstruct the historical bloc in such a way that the process of capital accumulation can advance again

1935.

on a new social basis (Hirsch, 1991: 12-13).

An organic crisis manifests itself in an economic crisis in the first instance. An economic crisis is, according to conventional Marxist explanations, ascribable to the law of the tendency of the profit rate to fall. That is, in the accumulation process the organic composition of capital rises and it leads to a fall in profit rate, overproduction of capital, stagnation, and crisis unless a number of countertendencies—such as “a rise in relative surplus value and a change in the composition of capital through technological development, and real falls in wages and intensification of labour exploitation”—remain ineffectual (Hirsch, 1991: 12).²⁸

Gramsci, however, did not believe the crisis of hegemony to be the direct result of economic crisis.²⁹ The existing hegemonic group’s failure in dealing with the economic crisis and mass consciousness for change are critical. For example, the hegemonic class or fraction of class can find a solution, say, by sacrificing inefficient elements in the historical bloc or the state can suspend its escalation into the crisis of the whole bloc by manoeuvres of various kinds, including violent repression. Nevertheless, the economic crisis generates the conditions for a crisis of hegemony by putting the hegemonic group in the position of committing mistakes in handling the economic crisis (Carnoy, 1984: 78).³⁰ Most of all, for Gramsci, the economic crisis could trigger the

²⁸ A variety of external conditions, such as legal and monetary systems, are also in need of investigation to understand the nature and dynamic of a particular economic crisis (Jessop, 1990: 198).

²⁹ Gramsci argued that consequences will vary according to how the ruler copes with the economic crisis: “A company [of military officers] would be capable of going for days without food because it could see that it was physically impossible for supplies to get through; but it would mutiny if a single meal was missed as a result of neglect of bureaucratism” (Gramsci, 1971b: 145).

³⁰ Interests and ideology limit its flexibility. The vested interests of the hegemonic group will prevent them from taking appropriate countermeasures, or the group could not elicit necessary countermeasures confined in the existing ideology.

reconstruction of the bloc only if mass consciousness is ready to go into action. It is the development of this consciousness that would produce structural changes, not just the declining profitability of the capital (Carnoy, 1984: 79). He believed that through ideological struggles, rather than just economic and political struggles, structural changes take place and, in this respect, he emphasized the role of intellectuals who can facilitate or impede social changes through inculcating ideology (Gramsci, 1988: 302).

There are various indicators which can be employed to understand the nature of structural changes. One of them includes identification of the membership of the hegemonic group. In the case of a ‘social’ revolution in the modern period, the change can lead to altering the system of class rule by the bourgeoisie.³¹ In other cases, the capitalist class will maintain its power. Only a particular fraction of class will transfer its power to another fraction, say, from industrial capital to financial capital. Or, the fraction of class can maintain its hegemony by sacrificing its inefficient members. For example, in 2007-2008 the United States witnessed the worst financial crisis since the Great Depression. While and after overcoming the crisis, American society still relied heavily upon financial capital which had been the major agent for capital accumulation since the 1980s Reagan years, even though it sacrificed a number of incompetent financial capitals. This was possible because the United States' accumulation strategy of neoliberalism had not changed. Indeed, the strategy was regarded as common sense in society, so it could not be changed. Therefore, the new ruling political group led by President Obama could not jettison the accumulation strategy and had to keep relying on financial capital to overcome the crisis.

³¹ Marx made a distinction between ‘political’ revolutions and ‘social’ revolutions. The first only changes the form of government, and the second alters the system of class rule (Halliday, 1994: 65).

Despite its earlier internal unity, during the crisis, breaks and contradictions within social groups become explicit, and with different ideologies some social classes, fractions, strata, and categories position themselves as counter-hegemonic social forces in the conjuncture. If an ideology is considered to be a good replacement for the existing ruling ideology by the public, a group of counter-hegemonic social forces with that ideology can generate a ruling political group. However, if the new ruling political group is to attain and maintain hegemony, it is essential to decisively damage the ideological base of the existing hegemonic group. Or, in certain circumstances, a group from either counter-hegemonic forces or the hegemonic group can choose a violent option for political power such as a coup d'état. Nonetheless, it is essential to have their ideology achieve social consensus by the masses to legitimize and preserve political power and attain or maintain hegemony. As Gramsci argued, it is in the end through ideological struggles that structural changes occur.

The most high-profile Gramsci-related work in IR by Cox in 1981 can be understood as connecting organic innovations with world orders—his method and emphasis were different from mine—which later became one of the main themes of the neo-Gramscian perspectives. In contrast, not many Gramscians took notice of the significance of organic crisis in respect of its implications for international relations. I contend that organic crisis should receive more attention as a crucial factor in international relations. It can be a subject from which we can infer a Gramscian method for empirical research for foreign policy analysis. This approach is particularly useful when we analyse the causes of major changes in international relations. This will be specified in the following section.

1.3.3. A Gramscian method for foreign policy analysis

Changes in state policy results from the interplay of interests and ideology. The repeal of the Corn Laws in 1846—which ushered in the United Kingdom's embrace of free trade—was a case in point. Bhagwati says:

This historic transition was neither exclusively the result of interests nor entirely the product of a powerful ideology. Although Richard Cobden's rhetoric and his vision were inspired by faith in the economic and political merits of free trade for Britain, and indeed for the trading world at large, his Anti-Corn Law League drew much of its support from the fact that cheap corn imports were seen as profitable for consumers and for industry (Bhagwati, 1989: 18).

Interests and ideology are not separate, but closely interlinked. Historically, in the United Kingdom, conservatism has been related to the landed interests, liberalism to industrial and financial capital, and socialism to the industrial working class (Leach, 1986: 17). This reveals that, in analysing a state policy, identifying whose interests it serves and what ideology they pursue is critical. This will answer the question of 'who' and 'why' in policymaking.

As for the question of 'who', all state policies, including foreign policy, are means for the ruling political group to gratify its interests. Numerous existing studies, such as *The Power Elite*, *The State in Capitalist Society*, and *Who Rules America?*, argued that the process of foreign policy making is under the tight control of "an inner circle of political, business, and intellectual elites," or the hegemonic group (Robinson, 1996: 26). However, from a Gramscian perspective, foreign policy does not always represent the interests of the hegemonic group. Usually the foreign policy making process is controlled

by the hegemonic group who holds political power. However, in the case of an organic crisis of the historical bloc and the ensuing transfer of political power, foreign policy can be used by the new ruling political group to attain hegemony.

More critically, for the question of ‘why’, in other words, ‘why states act as they do’, this thesis assumes that the association of hegemony with the concept of national interest provides a useful explanation, and ideology is critical in understanding the linkages between them. Policy makers perceive, discuss, and claim their goals in terms of the national interest (Rosenau, 1968: 34), and it thus forms an important basis for foreign policy.³² The formulation of national interests by the ruling political group and, more importantly, the subordinate's acceptance of them as their own interests are closely related to hegemony in society. As realists interpret behaviours of politicians in terms of power, Gramscians construe them in terms of hegemony. That is, the national interests the ruling political group claims signify the interests that contribute to its obtaining or maintaining hegemony. Hegemony is a matter of consent, rather than direct force or coercion, and it thus requires a successful ideological leadership which can form the interests of the subordinate and establish the interests of the ruling political group as the national interests.

In most cases, each political group, representing the particular interests of certain social groups, has its own ideology distinct from rival political groups. In case of a change of government, foreign policy direction is also changed to represent better the ideology of the new ruling political group. When a country witnesses the transfer of political power,

³² Many political scientists, particularly realists, put stress on the national interest. For example, Morgenthau believes that “the association of power with the concept of national interest can provide a universal explanation of why states act as they do” (Smith, 1986: 15). However, most of them, except for constructivists, ignore the process of how the national interest is formulated. Amongst constructivist explanations of ‘how the national interest is constructed’, the works of Finnemore (1996) and Weldes (1996) are particularly noteworthy.

national interests will be re-defined by the ideology of the new political group, and the state's foreign policy goals will be changed accordingly. As a result, the new ruling political group can designate a former enemy as an ally, or a former ally as an enemy according to its own interests and the national interests it claims.

Foreign policy is an extension of domestic policy and it is not separate from domestic hegemonic struggles. For instance, during the crisis of the historical bloc, certain policies can be formulated and executed against all odds to attain or maintain hegemony. In that case, the particular policies can be considered hegemonic projects which are directly associated with competition for hegemony. Mikhail Gorbachev's Glasnost and Perestroika and Deng Xiaoping's *Gaige Kaifang* [Reforms and Openness] are examples undertaken by the new ruling political groups to overcome the organic crisis of society and also to obtain hegemony. Likewise, the existing ruling group can use it to surmount the crisis and maintain hegemony. It is from that perspective that we need to understand a major foreign policy shift of a particular country. That is, it must be understood as a hegemonic project; however, not every hegemonic project is related to foreign policy. The success or failure of the project will determine who takes hegemony.

A major change in foreign policy is thus closely related to domestic struggles over hegemony, though not always vice versa. If the ruling political group represents the hegemonic group's interests, its foreign policy will be used to maintain hegemony. If the group originates from counter-hegemonic social forces, its foreign policy can be utilised to attain hegemony from the hands of the existing hegemonic group. Then, who are the hegemonic group and counter-hegemonic forces, and what are their respective interests? To identify them and their interests in relation to domestic hegemonic struggles, we need to examine the historical bloc and its crack or break that generates the hegemonic group

and counter-hegemonic social forces.³³

From these findings, we can infer a methodological framework for an empirical analysis of major foreign policy changes as follows. The first phase shall be to scrutinize the historical bloc on a national level. It will not only provide a comprehensive understanding of a particular society—both political society and civil society—but also, as indicated above, identify the hegemonic group. The second phase is to demonstrate domestic struggles over hegemony. One method is to examine the origin and development of organic crisis and its consequences. An organic crisis takes place when the superstructures become fetters to the economic development and, therefore, it often reveals itself as an economic crisis. The crisis of the historical bloc can be caused by several reasons. War can be one of them. War could have a devastating impact on the bloc but, if it does not entail major changes in the economic structure, its effects would be limited and temporary. Meanwhile, an economic crisis that brought about major repercussions in the superstructures, such as political upheavals, is an organic crisis which reveals contradictions of the historical bloc and thus discloses and intensifies hegemonic struggles in society; however, not every economic crisis accompanies a major foreign policy change as not every organic crisis entails the transfer of political power. The third phase is to investigate the relations between hegemonic struggles and a particular foreign policy. Why the ruling political group conducts the policy and what implications the policy has to the hegemonic struggles shall be analysed here.

³³ It does not mean that every major foreign policy change can be explained from this Gramscian approach. Nonetheless, this thesis argues that the approach is especially relevant to the case that a country witnesses a major foreign policy change as (or after) it undergoes an organic crisis.

1.4. The Structure of the Thesis

Arguing that the inter-Korean reconciliation from 1998 to 2002 was hegemonic projects of the ruling groups of the two Koreas, this thesis is structured as follows in accordance with the above-mentioned theoretical framework. Firstly, it begins with the investigation of the respective historical blocs of the two Koreas in Part I. Although the modes of production of South and North Korea were different as capitalism and socialism, respectively, their production processes were all modifications of Fordism—South Korea adopted exportist Fordism and North Korea took autarkist Soviet Fordism—which played critical roles in the formation of the capitalist and the socialist economic structures.³⁴ As for the superstructures, the thesis first analyses the ideology that, according to Gramsci, belongs to the superstructure and also connects it with the economic structure. In the case of South Korea, the ideology that built and strengthened the historical bloc was anti-Communism and, in the case of North Korea, it was the Juche Ideology. Then, the state and civil society shall be analysed. South and North Korea's forms of state in the historical blocs are suggested as the developmental state and the Stalinist state, respectively, in this thesis. The two Koreas' civil societies were not vibrant because both were extensively oppressed and controlled by the states. Afterwards, the thesis identifies the hegemonic groups in the South and the North in the conclusions of Chapter II and Chapter III, respectively. The historical blocs of South and North Korea were the results of the successful hegemonic projects by each hegemonic group in the realms of economy,

³⁴ The concepts of exportist Fordism and autarkist Soviet Fordism are used here to explain the uniqueness of the South Korean capitalist economy and the North Korean socialist economy, different from other capitalist and socialist economy, respectively. For example, autarkist Soviet Fordism alone cannot explain the North Korean socialist system. This is a complement to the existing explanations of the socialist system, which was superbly explained by Kornai (1992).

ideology, and politics. The thesis is to explain the relationship between domestic hegemonic struggles and inter-Korean relations and, thus, it is important to grasp that who were the hegemonic groups and how they attained hegemony in the two Koreas.

Part II analyses the economic crises of the two Koreas in the 1990s and their consequences for domestic hegemonic struggles. These crises were organic crises which demanded a new ensemble of production relations, a different form of state, and an alternative ideology. Both Koreas failed to meet the demands of the age, but the crises did change political relations. In South Korea, the economic crisis provoked a political crisis and allowed a counter-hegemonic force led by liberal nationalist Kim Dae-jung to take power. In North Korea, the economic crisis did not evolve into a political crisis but brought about noticeable changes in the power structure, in which the hegemonic group brought the Cabinet and the military to the forefront, instead of the Party. In the conclusions in Chapter IV and Chapter V, I will summarize changes to the economic structures and superstructures in the historic blocs of the two Koreas.

In Part III, the thesis demonstrates how the organic crises of the two Koreas led to changes in inter-Korean relations and what implications the new relations had to the hegemonic struggles. In South Korea for Chapter VI, the economic crisis brought about the first peaceful transfer of political power, and the new ruling political group, led by liberal nationalists, pursued reconciliation with North Korea as a hegemonic project. Identifying who they were and what their interests were in relation to the inter-Korean reconciliation are critical to understanding the new North Korean policy as a hegemonic project. This chapter first briefly explains Seoul's North Korean policy before 1998 which was closely connected to the hegemonic group's strengthening and maintaining hegemony. In North Korea for Chapter VII, the existing hegemonic group preserved its

political power but the backbone of the system, or the indoctrination through the Party to legitimate the dictatorship of the Kim family, was severely damaged because of the economic crisis. Reconciliation with South Korea was an inevitable choice for the hegemonic group to weather the economic crisis without a thorough reform. This chapter begins with the brief explanation of Pyongyang's policy toward South Korea in the Kim Il-sung era because it is critical to point out that Kim Jong-il's view on inter-Korean relations was not particularly different from his father's. In Section 3 of Chapter VI and VII, I will investigate the implications of the inter-Korean reconciliation for hegemonic struggles in Seoul and Pyongyang, respectively.

The conclusion of the thesis will summarize the main arguments and the empirical findings and discuss both the empirical and theoretical implications of the research.

PART I. Historical Blocs of the Two Koreas

Chapter II. Historical Bloc and the Hegemonic Group of the South

This chapter proposes that the pre-crisis South Korea developed a particular historical bloc during 1961-1979 under the Park Chung-hee regime. Its base, or the economic structure, was determined by the production process of exportist Fordism. The superstructures include its education, culture, rituals, state, and ideologies. Amongst them, ideology and form of state are critical as the earlier chapter explains. This thesis contends that anti-Communism was the ruling ideology that upheld the bloc and form of state was the developmental state which buttressed Park's dictatorship.

The following section of this chapter will explain the economic structure of the historical bloc by presenting the historical development of exportist Fordism. The next section accounts for the superstructures of the bloc such as the ruling ideology and form of state. This chapter concludes with the identification of the hegemonic group that brought about rapid economic growth and supported dictatorship in the 1960s and the 1970s. The hegemonic group's posture toward the communist North Korea was pivotal in its attaining hegemony as well as its maintaining and strengthening it, which will be detailed in Chapter VI.

2.1. Economic Structure: Exportist Fordism as Determinant

The incorporation of South Korea into the American hegemonic order in East Asia required the establishment of capitalist production relations. However, the production

relations in South Korea were not the American-style production relations because the balance in the relationship between capital and labour in the United States was not achieved in South Korea: the United States Army Military Government in Korea (USAMGIK) and the new South Korean state severely suppressed labour and socialist movements in workplaces through repressive labour laws and brutal force against labour activists, socialists, and communists (Gray, 2011: 309).

Independence in August 1945 did not bring about noticeable progress in the production process. Rather, production itself stagnated or even halted as the newly-independent Korea had few entrepreneurs with a sustainable level of managerial skills and few managers to undertake work-planning in the labour process. After skilled and semi-skilled Japanese workers had fled to their home country, Korean unskilled workers were neither efficiently controlled nor guided at their workplaces (Im Jong-chul, 1999: 127-35). Whereas, the capitalists who had collaborated with Japanese before remained rich and powerful by colluding with the new South Korean government. They continued thriving as long as they offered sufficient amounts of bribes to the president and ruling party politicians. In addition, new capitalists were created among those who had connections with the politicians by taking state properties once owned by the Japanese for almost nothing (Lee Han-gu, 1999: 54-57). They were rich enough to give bribes to the politicians, which indicated that they had been pro-Japanese collaborators in the colonial period. Some of them grew to be a Chaebol, a South Korean form of business conglomerate owned by a single family.

What President Rhee wanted was rich capitalists who could offer ample political funds to support the police and the military, the two main coercive means that could maintain political stability and bring electoral victories for him. The government

transferred government property and gave import licences to selected rich entrepreneurs, which became a proper means to become richer. To this end, Rhee preferred to have control over finance and refused to accept Washington's advice on the liberalisation of finance (Woo Jung-en, 1991: 61; Kim Yun Tae, 2000: 110-112). Thus, a selective loan policy became a key vehicle to winning businessmen over to his side. By this time, the corruption link was set up between the state and the Chaebol, where the ruler secured material support to preserve his power and the Chaebol earned preferential treatment for business activities. Dictatorship became established and so did the Chaebol.

The production relations were basically similar to those in the colonial period except that runaway workers were not arrested any more on charges of violating the law. The power of labour vis-à-vis capital was extremely weak for a number of reasons. First, South Korean workers had little power owing to low levels of skill. The colonial period and the Korean War provided ordinary citizens with limited education and job training opportunities to be skilled workers. Also, entrepreneurs had few motives and little necessity to train workers as politics and connections were the main factors in earning them lucrative profits. Second, the ideological confrontation between capitalism and socialism in the Cold War and the authorized anti-Communism gave legitimacy to the suppression of labour unions. Consequently, labour activists were branded as reds and labour movements were considered anti-capitalistic and rebellious. Moreover, most labour leaders were arrested or escaped to the North before and during the war. The result was low incomes and poor working conditions as were during the colonial days.

The Rhee administration relied on American aid and had no concrete plans for self-sufficient economic development. With low levels of native technology and a handful of native technocrats, it appeared impossible for South Korea to become an industrial

country on its own. Besides, Seoul then received enough dollars from the United States. Seoul was one of the top recipients of U.S. foreign aid after the Second World War, and it was even scaled up during and after the Korean War (Im Jong-chul, 1999: 135-146). Instead of an independent development plan, President Rhee tried to extract as much money as possible from Washington. Accordingly, the currency was overvalued to maximize the volume of aid imports received (Ahn Cheol-hyeon, 2009b: 107-108).

The system began to break down in 1957 when the United States decided to shift its aid policy from grants-in-aid to aid through the Development Loan Fund (DLF). The late 1950s saw a sagging U.S. economy and a dollar crisis because of the expansionist policy on a global scale to contain the Soviet influence and the rising competitiveness of Western Europe and Japan. Instead of the economy operated by the inexhaustible U.S. aid, Washington goaded Seoul to begin a stabilization programme. Consequently, a ceiling on the government deficit was set, an expansionary monetary policy was not allowed, most banks were privatized, and commercial banks were ordered to gain approval for loans more than 10 million won (Park Dong-cheol, 1994: 78-79). With dwindling U.S. aid, low investment and low growth were inevitable, and the South Korean economy was soon dragged into a deep recession. The South Korean government was incapable of accommodating itself to the new surroundings enforced by Washington. Thus, the system fell into a crisis and it was aggravated by a deepening discontent with the dictatorial governance. The April 19 Revolution following the fraudulent presidential election of 1960 was a fatal blow to the administration. Rhee Syngman went into exile in Hawaii, and the First Republic of South Korea collapsed.

The Second Republic of South Korea was set up in July 1960 after an interim administration under acting president Heo Jeong. For fear of another dictatorship by a

president, this republic adopted a parliamentary cabinet system in which Yun Bo-seon was elected president and Chang Myon became prime minister and head of the government. However, the new system lasted only for eight months until it was overthrown by the military coup d'état headed by Park Chung-hee. During the Second Republic, people began to state their views much more freely, and the society appeared to be unstable. Park's pretext for the coup on 16 May in 1961 was to restore social stability in the dire situation where the belligerent North Korean regime was on the alert for a chance to attack. The coup halted the economic ambition of the republic as well as the chance for democracy. The Second Republic formulated a five-year economic plan which was later adopted after a few changes by the following government (Nahm, 1996: 412).

Park Chung-hee, from the outset, as an ex post facto legitimization for the coup, gave much weight to economic development (Woo Jung-en, 1991: 79). First of all, as a measure for greater control of the economy than his predecessors, Park set up the Economic Planning Board (EPB) in July 1961 in order to centralize economic decision-making and manage the whole economy to his advantage. Then, he nationalized all commercial banks and lined up all financial institutions under the direction of the Ministry of Finance. Now, the purpose of banks and other financial institutions was to second and execute national macroeconomic goals (Park Dong-cheol, 1994: 82-83).

Then, to boost Gross National Product (GNP) per capita—which became a political agenda—Park launched the first Five-Year Economic Development Plan in January 1962. However, the government had no money to spare for investment. In order to fund the plan, in June 1962, Park carried out the currency reform which made ten old hwan into one new won. This was followed by a freeze on all bank deposits, and the conversion was limited to 500 won, equivalent to less than four U.S. dollars. However,

the currency reform was abortive as idle money, instead of being absorbed into investment funds, provoked inflation as people hoarded goods with the cash which had been used in the underground economy (Im Jong-chul, 1999: 279). What is worse, the early 1960s pressured Park with a deterioration of the balance of payments (Kim In-yeong, 1998: 103).

Amid the predicaments, businessmen first suggested an export-oriented policy to Park. On 8 January 1963, the Korean Businessmen's Association (KBA) invited Park and persuaded him to support export, arguing that they could increase export by more than ten times in a few years. Park was inspired by fine prospects and before long promised full-scale support (Suh Jae-jin, 1991: 81-84). The year 1963 was designated as 'the year of export', and all mass media publicized the export-oriented strategy. A lot of privileges in loan, tax, interest rate, and so on were bestowed. For instance, in August 1964, 17.7 billion Korean Won was loaned to nine Chaebols for the promotion of export and it accounted for about 43 per cent of the total amount of money in circulation (Im Yeong-tae, 1998: 392). Seoul's export-oriented growth strategy was supported and also guided by the Kennedy administration that made policy changes in favour of export-oriented industrialisation (EOI) by adopting Rostow's ideas on economic growth (Woo Jung-en, 1991: 73-78; Gray, 2011: 310).

After his inauguration in 1963, Park became more aggressive in his economic ambition and sought all possible means to realize it. He did not even mind diplomatic normalization with Japan despite a mountain of protests.³⁵ For immediate economic gain, the Park administration made excessive concessions to reach an agreement with its

³⁵ Aside from the people's emotional antipathy for the harsh colonial rule in the past, some practical issues, such as reparations for colonial rule and setting a fishery zone, were very controversial for fourteen years since the first contact in 1951 (Ahn Cheol-hyeon, 2009a: 141-145).

Japanese counterpart. Politically, it was to conciliate the United States—Washington was still skeptical about Park's political line because of Park's participation in a communist cell within the army in the past—which planned to place Japan as a regional core in its postwar reconstruction policy in East Asia (Woo Jung-en, 1991: 52). Also, Park personally had little animosity against the Japanese and many Japanese friends in political circles because he had been an officer in the Imperial Japanese Army (Clifford, 1998: 35).

The normalization process concluded in June 1965, and South Korea received war reparations from Japan mostly in the form of Overseas Development Assistant (ODA). The Japanese ODA loans opened up Japan's exports of capital goods to South Korea (Lee Jae-Oh, 2011a: 179). It also indicated Japan's ever-increasing clout in South Korean society. Already in 1966, Japanese capital accounted for more than half of the total foreign loans to South Korea (Woo Jung-en, 1991: 88). After the normalization, South Korea was re-integrated into a Japanese-dominated regional economy by importing Japan's capital and intermediary goods and exporting complete products to other countries. The economic cooperation with Japan helped South Korea improve its position within the global division of labour. In the past South Korea had only produced labour-intensive goods, but now it began to take note of high-value, capital-intensive goods. However, this locked South Korean companies into relations of technological dependence with Japanese partners (Pirie, 2007: 68).

The 1964 decision of President Park to send troops to Vietnam was ascribable to reaping economic benefits as well as to strengthening the Seoul-Washington alliance and thus the legitimacy of Park Chung-hee. South Korea dispatched more than 300,000 soldiers from 1965 to 1973, which was more men per capita than any country in the world, including the United States of America (Yoon Hye-dong, 2006: 435). Compensation from

Washington took the following four forms: first, Seoul received more than 1 billion USD from Washington (Pirie, 2007: 66); second, it boosted the United States' military support that permitted the South Korea government to divert scarce resources to economic projects; third, Washington granted preferential access to its domestic market and, as a result, between 1964-1968 South Korea's exports to the United States grew by 232 per cent (Pirie, 2007: 66); and fourth, the United States helped South Korea to export to South Vietnam, which opened up the possibility of overseas expansion for South Korean companies. This was the first opportunity for them to make inroads into foreign markets other than America. Hyundai, Hanjin and other South Korean Chaebols were bestowed with windfall payments while South Korean soldiers fought in the jungle of Vietnam (Lee Han-gu, 1999: 135-138; Woo Jung-en, 1991: 95-97).

Back in the early 1960s, when the United States reduced economic aid sharply and the domestic savings amount was meagre, the South Korean government had no money to realize its economic strategy. The normalization with Japan and the dispatch of soldiers to Vietnam were of great help in facing a big funding shortage. The inequity of the accord and the sacrifice of lives were bearable to the regime as economic growth via export would provide enough legitimacy and political stability. As a result, they led South Korea to become integrated into regional and global economic systems. In the mid- to late-1960s, South Korea became a "serious producer of industrial goods, a major exporter of low-value-added goods to the US, and an integral part of the Japanese-dominated regional division of labour" (Pirie, 2007: 66). Likewise, export-oriented growth took root in the mid-1960s. This was consolidated in the 1970s when the established dictatorship of Park Chung-hee demanded more vigorous exports.

In November 1972, the Fourth Republic was launched with the adoption of the

Yushin constitution which granted Park enormous power and lifelong dictatorship. In order to justify his rule by economic success, President Park soon intensified the exportist accumulation strategy, initiating the heavy chemical industry drive, and instituting the general trading company. The heavy chemical industry was considered important before and was included in the Second Five Year Economic Development Plan (1967-71). However, in the early 1970s, it was deemed urgent in the midst of the following four circumstances. First, the global recession and the shrinking U.S. market at that time. Second, security concerns after the withdrawal of 20,000 U.S. troops and calls for the development of the self-reliant defense industry. Third, slipping comparative advantages in light industry owing to intense competition with newly-rising developing countries in Asia. Fourth, the declining average annual growth rates of GNP from 15 per cent in 1969 to 7.9 per cent in 1970 and 7.0 per cent in 1972 (Im Jong-chul, 1999: 288-309).

The Blue House, or the South Korean presidential residence, summoned Chaebol owners and persuaded them to invest in the six fields of steel, petrochemicals, nonferrous metals, machinery, shipbuilding, and electronics. At first they were halfhearted, but after a series of carrots such as financial incentives, investment licences, a funding guarantee, and tax cuts, they accepted the offer. After a while Chaebols took active steps to seek profits (Kim In-yeong, 1998: 106-107). In 1978, about 79 per cent of the total investment was allocated for the heavy chemical industry sector (Lee Won Jong, 2004: 70).

Also, the Park administration, encouraged by the success of Japan's general trading companies, schemed out a new organization of the same function in 1975. It was to increase the amount of exports through selected entities to concentrate its capacities on exports. A number of preferences were guaranteed so almost all the trading companies yearned to be selected. For example, they could obtain a loan with an interest rate of 8

per cent, whereas the general interest rate was 20 per cent. In addition, National Investment Fund (NIF), tax reductions and exemptions, and import licences for raw materials were offered, to name a few. Large Chaebols' trading subsidiaries were designated as the general trading companies from the outset because the government's standard was the size and the past achievements of exports.³⁶ It turned out to be increasingly lucrative. The top nine general trading companies accounted for 33.9 per cent of total exports in 1979 and 51 per cent in 1984 (Lee Han-gu, 1999: 317).

The heavy chemical industry drive and institution of the general trading company in the 1970s contributed to their successful entry into the lucrative, heavy chemical industry sector and multiplication of their subsidiaries. Before, Chaebols' main business area was the labor-intensive, light industry but through the 1970s it changed into the capital-intensive, heavy chemical industry. Meanwhile, a lot of money was needed to pursue the heavy chemical industry drive. Domestic saving rates increased but this was insufficient. A massive infusion of foreign capital was crucial. Fortunately, in the 1970s, Western industrial countries' domestic depression led investors to find alternative places in which to invest, and also the world was floating in petrodollars. Backed by the United States, South Korea was considered relatively safe from foreign investors' perspectives. Consequently, the foreign investment made up about 70 per cent of the total (Lee Han-gu, 1999: 316). However, large amounts of investment capital provoked inflation, along with the wage increases owing to labour shortages as a large number of South Korean workers participated in foreign projects such as the Middle East construction projects.

The inflation led the government to adopt a tight-money policy as a

³⁶ By the time of 1984, the amount of exports by nine general trading companies—all are Chaebols' subsidiaries—accounted for 51 per cent of the total exports (Kim In-yeong, 1998: 110).

countermeasure but the policy deteriorated the financial conditions of small and medium-sized enterprises [SMEs]. As Chaebols amassed capital in this period from preferential treatment by the state, they vigorously bought financially crunched smaller companies. Also, many SMEs chose to become Chaebols' subcontractors as Chaebols had a considerable advantage in overseas sales over them: the size of foreign markets was much bigger than that of domestic markets in the 1970s. Between 1974 and 1978, the number of Hyundai's subsidiaries increased from 9 to 31, Samsung's from 24 to 33, Daewoo's from 10 to 35, LG's from 17 to 43, Hyosung's from 8 to 24 (Kim In-yeong, 1998: 111). On average, in 1972, the top ten Chaebols had 7.5 subsidiaries and 7.7 business areas but, in 1979, they had 25.4 subsidiaries and 17.6 business areas (Lee Han-gu, 1999: 315). Chaebols held a superior position as there was little legal support for a fair deal in favour of SMEs (Jang Ji-sang, 1994: 144-147).

Amid the economic downturn and ensuing social unrest, President Park was assassinated by his security chief Kim Jae-kyu on 26 October 1979 over the use of force against demonstrators in Busan and Masan. His lengthy dictatorship of 1961-1979, however, witnessed dramatic economic growth. This was possible because the state and the Chaebol joined hands to realize export-oriented growth in a rapid manner. The production process was modified in the process.

The modified production process can be termed as 'exportist Fordism'. It was 'Fordism' in that the labour process was Fordist: the labour process reduced complex tasks to repetitive actions by situating semi-skilled workers' production on an assembly-line, introduced efficient managerial control and supervision, and intensified labour exploitation. It was 'exportist' because the production relations were different from U.S. Fordism. The driving force behind the difference was its exportist accumulation strategy,

as shown in Table 1 which indicates South Korea's increasing dependence upon export. The strategy modified the production relations between persons and other persons, particularly between labour and capital. As Table 2 shows, to promote exports through price competitiveness, capitalists under the aegis of the state maintained labour costs at a much lower level than productivity. There was little improvement in labour welfare through wage hikes as the power of labour vis-à-vis capital was very weak.

Table 1. Change in the commodity export ratio in South Korea (%)

Year	1960	1965	1970	1975	1977	1978	1979
Ratio	16.8	25.5	41.4	69.7	75.0	75.7	70.9

Source: Kang Shin-jun (1985: 77).

Table 2. Change in nominal and real wages and labour productivity in South Korea (%)

Year	Nominal Wages	Real Wages	Labour Productivity
1962-1966	15.7	0.1	7.9
1967-1971	21.3	9.7	16.2
1972-1976	26.0	7.8	9.4
1977-1981	27.9	8.4	13.5

Source: Jeong Il-young (1994: 274).

The new production process was an innovation for the following reasons. First, efficiency in the labour process was enhanced as the mass production system was established, which was shored up by mass consumption abroad. Second, productivity improved as the number of semi-skilled and skilled workers increased. It was possible after the Industrial Education Promotion Act in 1962 and other state measures to strengthen its industrial education programmes (Hangukminjokdaebaekgwa [Korean National Encyclopedia],

n.d.). Third, managerial abilities were enhanced. Businessmen in the Rhee Syngman era amassed wealth basically through rent-seeking but, in the Park Chung-hee era, they earned money through profit-seeking by selling goods on the market even though collusive links with politicians continued (Jones and SaKong Il, 1980: 304). Fourth, the weakness of the management, particularly in investment and planning, was made up for by state bureaucrats—this will be detailed when I explain the developmental state below in this chapter. However, the relations between labour and capital did not undergo major changes. Reinforced anti-Communism played a great role here, which will be demonstrated in the next section.

The production process of exportist Fordism characterized the economic structure of South Korea as follows. First, social resources were excessively concentrated on large industrial capital, the Chaebol. Considered as the only economic player to develop competitive power for exports, the Chaebol became the key beneficiary of the state's aggressive export-oriented strategy. As long as they follow the directions of the state, a variety of preferences were offered to them such as financial incentives, tax reductions and exemptions, import licences for raw materials, discounts on electricity, gas and water costs, and so on.³⁷ Consequently, Chaebols rapidly grew bigger and wealthier.

Second, only 'large' industrial capital prospered. The more power Chaebols had, the less power small- and medium-sized companies had. As a result, they were soon forced to choose either to discontinue their businesses or to become subcontractors of Chaebols (or subcontractors of the subcontractors of Chaebols). Fair deals between Chaebols and their subcontractors were uncommon. The rights of Chaebols were overly protected, and the status of their subcontractors dropped (Kim In-yeong, 1998: 111-112).

³⁷ For general understanding of Chaebols, See Haggard et al. (2010) and Chang Sea-Jin (2006).

As a result, the workers of subcontractors were doubly exploited: they were exploited by their employers who were exploited by their contractors (although the wage disparities between two sectors took off substantially from the late 1980s).

Third, South Koreans not directly related to exports suffered. For example, a dual money market was established for export promotion. The official interest rate was very low but only a selected few—mostly, Chaebols—could borrow money with the low interest rate. As the market interest rate was high, the real interest rate was negative so those who could borrow money from banks earned money. With the money, Chaebols could invest in real estate which was later used as security for a loan, whilst ordinary people relied upon the private money market which had much higher interest rates. In the 1970s, about 70 per cent of general households relied upon the private money market (Bae Yeong-mok, 1994: 222-227).

Fourth, agriculture was sacrificed to maintain price competitiveness for exports in the manufacturing industry. To maintain low wages, the state had to reduce the cost of labour reproduction and hence it carried out low grain price policies. Besides, the state imported grain and wheat flour from abroad—mostly, they were agricultural surpluses of the United States. Farmers, particularly young people, left their lands for subsistence wages in the city. Subsequently, the agricultural population dropped from 72 per cent in 1960 to 28 per cent in 1980 (Pirie, 2007: 74).

Last but not least, the virtuous circle of production and consumption at the national level was not attained. The South Korean industries' production was export-oriented, not mainly targeted for the domestic market, so production was not organically linked to domestic consumption. For example, consumption reduction was manipulated by the state with its policy of real wage decreases. Between 1962-1966, the average real

wage was 2,127 won which was 7.8 per cent below the 1961 level. During the same period, wholesale prices were up 16.7 per cent on average which was higher than 15.7 per cent of the nominal wage-increase rate (Im Jong-chul, 1999: 53-54).

2.2. Ideology: Anti-Communism

Ideology, though a component of the superstructures, plays a critical role in cementing the dialectical relations between the economic structure and the superstructure. Ideology derives its power from information—unlike religion which derives its power from ignorance—and can bind people who may have little in common by replacing religion in providing interpretations of everyday life (Gouldner, 1976: 30). The sheer increase in information in the modern world raises the question of the processing and the interpretation of information. Therefore, the kind of information that will be provided to the mass and the kind of interpretation that will be given have become increasingly critical. The hegemonic group, which is in command of various vehicles such as schools, churches, and mass media, has the upper hand in processing information and giving interpretations of information; hence, its ideology can be easily considered objective and factual (Gouldner, 1976: 33). Thus, the ideology, to justify the exercise of power for its own interests, is diffused into the common sense of the age (Patnaik, 1988: 8).

In South Korea, particularly since the Korean War, anti-Communism has been the ruling ideology, or the ideology of the hegemonic group. The origins of anti-Communism date back to the colonial days. In 1925, *Joseon Gongsan-dang* [Communist Party of Korea] was established and, before long, Korean communists grew as one of the major groups in the anti-Japanese independence movement, which caused the Japanese

Government General of Korea to wage an exhaustive crackdown on them. Meanwhile, after the March 1st Movement in 1919—the biggest nation-wide Korean independence movement against Japanese colonial rule—Japan began to take appeasement measures under what was termed the ‘cultural policy’. The new move allowed selected Koreans to gain economic and political power. It was by this time that pro-Japanese collaborators were called into existence: they conceded and actively collaborated with the colonial rule of Japan on the condition that they were guaranteed economic and political gains (Institute of Historical Studies, 2004: 145-146). The collaborators also hated communists because, they considered communism to be a major threat to their interests and even their lives (Yoshinobu, 1989: 171-179).

As the 24th Corps of the U.S. army which landed on 8 September 1945 was not prepared to manage South Korean society, the American army began to rely upon the Japanese to understand the circumstances of the peninsula. The Japanese colonial government reported that communists were culpable for the social disorder after independence. To deal with instability, the USAMGIK appointed Japanese officials as advisors who introduced pro-Japanese collaborators to the Americans. The USAMGIK had a liking for the collaborators as they had refined manners and a good command of English and, most of all, were anti-communist (Institute of Historical Studies, 2004: 262-263; Yoshinobu, 1989: 182).

In September 1945, the Korea Democratic Party (KDP) was formed by the collaborators—the majority were big landowners who had collaborated with the Japanese colonial government (Ahn Cheol-hyeon, 2009a: 85). The USAMGIK selected Korean advisors mostly from the KDP (Kim Yun Tae, 2000: 59-60). Also, when it reported the South Korean situation to Washington, it said the KDP was a major political party and

represented the majority of the South Korean people. The KDP supported Rhee Syngman to cope with Kim Gu, the most famous independence activist who had led military fights against Japanese imperialism, to secure their life and interests because Kim Gu had a great animosity against pro-Japanese collaborators. After his return to Korea on 16 October 1945, Rhee showed interest in the Communist Party of Korea first but soon clearly displayed strong antipathy against communists (Yoshinobu, 1989: 184-187).

In December 1945, the South Korean people were informed that, in the Moscow Conference of Foreign Ministers, the United States disagreed but the Soviet Union agreed to the trusteeship of South Korea of up to five years—in fact, they did not decide trusteeship, but just agreed to discuss matters of trusteeship later in the Soviet-American Joint Commission scheduled for the following year. It was this rumour that first provoked large-scale hostilities against the Soviet Union and communists in South Korea (Kim Jingu, 2000: 25-26). In March 1946, the Soviet-American Joint Commission was held in Seoul. Moscow in 1945 had little intention to put Korea under trusteeship but in 1946 it changed its position. Now Moscow insisted upon trusteeship in the commission and also began to demand that Korean communists should support the position. Accordingly, Park Hun-Young, the head of the Communist Party of Korea, and other communists publicly supported trusteeship (Han Bae-ho, 2000: 105-108). The KDP denounced them saying that the Soviet Union intended to annex Korea and mobilized people to demonstrate against Moscow and communists (Yoshinobu, 1989: 189).

In the spring of 1946, as Truman went into a full-out confrontation with Stalin, the USAMGIK no longer adhered to the negotiation with its Soviet counterpart and, soon, the police force under its direction began to launch an exhaustive crackdown on South Korean communists. On 14 May 1946, Rhee Syngman initiated his anti-communist

campaign nationwide. Rhee, in the speech on 3 June in Jeong-eup of North Jeolla Province, said that South Korea needed to establish an independent government on its own. It was an unexpected comment because this was the first time any renowned political figure had publically mentioned a ‘separate’, independent government excluding North Korea. This received favourable responses particularly from the USAMGIK (Jeon Jin-ho, 1990: 149-151). Thus, he successfully connected anti-Communism to nation-building.

Unlike Kim Gu who did not want anti-Communism at the expense of a separate government, Rhee Syngman hurried to set up a new, independent government even though it would be a separate one. Washington chose Rhee, and he became the first president of the Republic of Korea. Kim did not run in a presidential election as he was opposing the establishment of a separate government in South Korea and was soon assassinated by Ahn Doo-hee on 26 June 1949.³⁸ Rhee eventually placed and maintained anti-Communism as a source of legitimacy, and the Korean War facilitated the process.

The Korean War had South Koreans internalize anti-Communism through experiences of cruelty and terror. Nearly one million South Koreans were killed in a population of around 20 million, and 25 per cent of the population became refugees. The warfare swept up and down almost the entire peninsula except the Pusan perimeter in the southeast. Seoul was one of the worst hit places as it changed hands four times during the war. The war eradicated the left in South Korea by killing even those suspected of collaboration with North Korea—one report suggests that 29,000 were killed in Seoul alone—and forcing leftists to flee to the north (Choi Jang-Jip and Lee Seong-hyeong,

³⁸ Ahn insisted that he acted alone, but it is generally regarded that he did it incited by the KDP or Rhee himself. Ahn was sentenced to a term of life in prison first, but soon it was commuted to a term of 15 years by President Rhee. During the Korean War, he was released and re-instated as a military officer. He was a colonel when discharged in 1953. See more about Ahn in Kwon Jung-hi (1987).

1991: 214-215).

The war against communists destroyed the foundations of a progressive or even a moderate course in political thoughts. The war also allowed the South Korean government to suppress freedom of speech, democracy, and human rights under the pretext of security (Heo Jae-yeong, 1987: 22). As a result, anti-Communism was deeply rooted in South Korean society, and the division system on the Korean peninsula has been fixed. Anti-Communism became the ideological base of the divided nation, and the National Security Law (NSL) which institutionalized anti-Communism became the most important law—even more important than the constitution (Choi Jang-Jip, 2005: 78). During the process, the state, if needed, wielded a coercive force without reserve to prevent other ideologies such as Marxism from spreading throughout the nation.³⁹

Especially during the 1961-1979 period of military rule, the state effectively maximized its interests through anti-Communism. The ruling ideology, on the one hand, contributed to rapid capital accumulation by lowering labour costs as the state punished labour activists by branding them as communists and menaces to national security. On the other hand, the ideology alienated most of the South Korean people from the fruits of economic growth by smothering up calls for the equitable distribution of wealth and promotion of the people's welfare.

Until the 1960s, as major organizations and activists were eradicated before and during the war, the labour movement did not noticeably develop. However, it was reignited in 1970 when a 22-year-old male worker, Jeon Tae-il burned himself to death in protest. During the 1970s, the labour movement became noteworthy in intensity and frequency, and the state did not hesitate to use force, condemning protestors as

³⁹ For example, possessing a Marxist book was illegal.

communists (Lee Jae-Oh, 2011b: 306-308). One well-known example was the YH Incident in 1979. Two hundred women employees of the YH Trading Company, a needlework business specializing in wig-making, demonstrated against the company's closure of business and in favour of a settlement of back-pay. As the owner brought the police into the company, they moved their protest to the headquarters of the opposition New Democratic Party (NDP) on 9 August. Two days later, as the NDP refused to cooperate with the government, about 1,000 policemen raided the building. One of the workers died, numerous people were injured, and 172 workers and 26 NDP members were arrested (Han Sang-cheol, 2011: 190-191). The state later argued that communists had controlled the women employees as their puppets (Cho Hee-Yeon, 2007: 208).

Anti-Communism stemmed from 'fear' which is one of the most powerful emotions of human beings.⁴⁰ North Korea strengthened the fear of communism and communists amongst South Koreans by, e.g., sending armed guerrillas several times, provoking the 1976 Axe Murder incident and, above all, waging the Korean War. Nonetheless, it is also noteworthy that anti-Communism was reinforced and from time to time manipulated through the media, education, and so forth by the hegemonic group for its own interests. Consequently, more and more people thought that the dictatorship of Park Chung-hee was better than another war on the Korean peninsula and the communisation by the North. From a Hobbesian logic, for fear of war and communisation, individuals alienated their rights to the dictator to protect themselves.

Anti-Communism in South Korea was different from that of Western Europe in that the ideology forbade all forms of leftist, rebellious, and disobedient thoughts: it

⁴⁰ Fear "needs no definition. It is a primal, and so to speak, subpolitical emotion" (Aron, 1968: 20-21).

compelled ideological uniformity in society. In particular, leftist views were interpreted as the extension of communism, and leftists were considered as subversives or even spies. Furthermore, it was often the case that any criticisms against the established order were deemed pro-communist. Communists, socialists, and leftists were easily branded as reds in South Korea. This strain reinforced the internalisation of anti-Communism within individual minds so that people were reluctant to raise ideas which could be regarded as leftist and thus pro-communist. It coerced individuals into adopting conformist attitudes and thus constrained them from criticizing inequalities and contradictions of the existing system. Hence, anti-Communism imposed invisible restrictions on the liberties and rights of the citizens even though it was originally designed to protect them from communists (Kwon Hyeok-beom, 1998: 20-38).

According to Choi and Lee, developmentalism was vigorously accommodated by the third republic and concretized through the government's economic development plans. Developmentalism had functional complementarity with military authoritarianism which took discipline and obedience as core values and, therefore, the state's goal of economic development and military dictatorship were linked together smoothly (Choi Jang-Jip and Lee Seong-hyeong, 1991: 218-219). In the 1960s and 1970s, anti-Communism and developmentalism were closely integrated. However, between the two, anti-Communism was the primary ideology by providing the *raison d'etre* for the hegemonic rule by the ruling group, while developmentalism justified the economic policies of the group. When we center on the state's accumulation strategy, developmentalism for the developmental state shall be the ruling ideology. However, when we put hegemony at the center of our discussion, developmentalism was of secondary importance as the hegemonic group did replace developmentalism with

neoliberalism when the group deemed it necessary. As explained later in Chapter VI, developmentalism was supplanted by neoliberalism after the death of Park Chung-hee, but anti-Communism was sustained or even reinforced by the hegemonic group thereafter. Furthermore, anti-Communism was a source not only of consent, but also of coercion through the NSL which institutionalized it legally. In that regard, this thesis argues that anti-Communism, bolstered by developmentalism, was the ideology of the historical bloc.

2.3. The State and Civil Society

2.3.1. Form of state: the developmental state

The concept of the developmental state originated with the economist Friedrich List, but its current dominant usage is attributable to Chalmers Johnson who offered an account of Japan's rise to economic power and the state's role in the process. (Sinha, 2003: 459). This concept in general encompasses the view that the state leads the industrialization drive itself by taking on developmental functions.⁴¹ With sufficient autonomy and capability, this particular form of state intervenes directly in the economy to achieve its development goals (Sinha, 2003: 459). Private sectors are guided and even dictated by state elites such as politicians and bureaucrats. The state decides which industries should be developed and who should go into the industries, and policy instruments of various kinds are used to promote and protect the industries (Wu Yongping, 2004: 92).

The South Korean state, from the beginning, had a high degree of autonomy.

⁴¹ For general understanding of the concept of the developmental state, see Johnson (1982) and Woo-Cumings (1999).

Before independence, Japanese colonial rule established the bourgeois state for capitalist development which was ‘over-developed’ in relation to the economic structure. The colonial state was “equipped with a powerful bureaucratic military apparatus and mechanisms of government which enable it through its routine operations to subordinate the native social classes” (Alavi, 1972: 61). The Japanese colonial state wielded an exceptionally extensive and inordinately intensive form of control against Koreans. While it took highly interventionist financial and industrial policies, the state built pervasive security networks to facilitate the state-led accumulation (Pirie, 2007: 60-61). For instance, in 1937, to rule 21 million Koreans, 246,000 Japanese and 63,000 Koreans were employed in the civil service including more than 60,000 policemen. In the same year, 13,696 Frenchmen and Vietnamese were employed to rule 17 million Vietnamese (Cumings, 1981: 34-36).

The South Korean state, after independence, continued the colonial legacy by absorbing the overdeveloped apparatuses of the state such as the bureaucracy, the judiciary, the police, and the military. The new state inherited members of the apparatuses from the colonial government because they were well trained and thus efficient in their jobs and, above all, they were pro-Japanese collaborators like those in command of state power. Consequently, high-ranking officials and judges, instruments of colonial power, could maintain their power. Policemen and soldiers, who had arrested and killed fighters for national independence in the colonial period, now arrested and killed communists or those people who were branded as communists by the state.⁴² For example, more than 80 per cent of senior police officers in the Rhee administration were ex-officers in the

⁴² From August 1948 to October 1962, there were 26 Home Ministers who commanded the police force. Out of them, 15 ministers had collaborated with the Japanese colonial government (Suh Jung-seok, 1999: 37).

Japanese police or Japanese army.⁴³ Also, the commanders of all nine regiments under the USAMGIK were ex-officers in the Japanese army (Kang Jeong-gu, 2001a: 107). Later, those who had served in the Japanese army as officers became the dominant faction in the military (Alagappa, 2001: 123). Of the state apparatuses, the military was the most efficient and well organized at that time. Trained by the Japanese government to fight against the Chinese and the Koreans in Manchuria, the military was the best organized force in the colonial period. After independence, the United States shaped the military's institutional structure and systematically trained South Korean soldiers. The Korean War expanded and reinforced their power even more. Before the war, the number of South Korean military forces was 105,000. It skyrocketed to 700,000 during the war and remained 600,000 after the war (Suh Jung-seok, 2007: 42). Sharing the ideology of anti-Communism, they enjoyed full support from Washington and ruling politicians in Seoul.

The South Korean state had no rival social classes, particularly after the Korean War. In the colonial period, the Japanese government removed the status of *Yangban*, the traditional ruling class since the Joseon dynasty. After independence, the economic base of the class was eliminated by a series of land reforms which culminated in the land reform in 1950 where a three-jungbo limit (about 7.35 acres) of farmland was decreed to each farming household.⁴⁴ The 1950 land reform was politically devised by President Rhee to weaken the KDP whose majority was made up of big land owners, after he parted company with the KDP. From that moment, the KDP became a vociferous opponent of the regime (Choi Jang-Jip, 2005: 130-131). During the Korean War, even cultural clout

⁴³ Even as of 1960, 15 years after the independence, policemen in the Japanese colonial period accounted for about 70 per cent of all chief superintendents and about 40 per cent of all superintendents in South Korea (Im Dae-shik, 1995: 36).

⁴⁴ The land reform divested large landowners of their land with compensation, and some of them went to cities and turned into industrial capitalists. The remaining small farmers could not raise opposing voices under the authoritarian rule (Choi Jang-Jip, 2005: 130).

of the landed class disappeared in South Korean society.

All notable industrial capitalists in the colonial period were collaborators to the colonial state as they knew it was very profitable to collude with politicians and bureaucrats. Rich businessmen, after independence, remained as collaborators with the state. They offered funds to support the police and the military which contributed to the dictatorship and, in return, they were given preferential treatment. The pattern continued in the Park administration. Immediately after the coup, Park Chung-hee waged an anti-corruption campaign which arrested those people who illegally accumulated wealth. It was applicable to almost all Chaebols who obtained wealth in the Rhee Syngman era. However, the richest of them were ruled out because Park needed people of wealth to financially support his ambition. He called ten major Chaebol owners and made a deal with them. In exchange for exempting them from criminal prosecution and preserving their properties, whether well- or ill-gotten, they had to fund industrial projects and donate shares to the government (Woo Jung-en, 1991: 83-84).⁴⁵

The working class was powerless, posing little threat to the state. The South Korean state appeased or threatened capitalists according to the circumstances, but persistently used force towards labourers. Right after independence, the *Jeonpyeong* [National Council of Labour Unions], built in close association with the Communist Party of Korea, claimed 574,475 members. In autumn 1946, a large-scale peasant riot and a general strike were held in which more than a million peasants and workers were involved. The USAMGIK and the South Korean police put them down with brutal force. More than 1,000 people were killed and as many as 30,000 people were arrested. The leadership fled

⁴⁵ Cozy relations between politics and business were also overt until the early 1990s. Chaebols participated in the financial committee of the ruling party and donated a great deal of political funds openly to the ruling politicians (Kim Yun-tae, 2000: 212).

to the north and all radical peasant organizations and labour unions were dissolved (Minns, 2001: 1029). During the Korean War, the remaining radicals or leftists were killed or escaped to North Korea. After the war, the South Korean state showed no mercy in suppressing labour movements, which was possible by denouncing labour movements as pro-communist activists masterminded by Pyongyang.

The bureaucracy was developed and reinforced by ruling politicians, particularly in the Park Chung-hee era. One of the main differences between the Japanese developmental state and the South Korean developmental state in the Park era was that in the South Korean case decisions made by the president were conclusive, and the bureaucracy was a means to implement the decisions. In other words, the political logic gained ascendancy over the expertise of economic bureaucrats. President Park set ambitious goals and mobilized all social resources to achieve them. The South Korean bureaucracy was expanded to realize his goals (Choi Jang-Jip, 2005: 94-98). Before long, South Korea had a remarkable administrative capability, as Pirie noted: “In terms of levels of education, admission standards and general all-round competence, the South Korean bureaucracy compares favourably to the majority of its counterparts not only in the underdeveloped world but also in the core capitalist world” (Pirie, 2007: 64). In addition, the state bureaucrats were imbued with the idea of modernizing their fatherland, considering themselves to have a ‘historic mission’ to transform South Korea into an advanced country (Pirie, 2007: 65, emphasis in the original). Through the presidency of Park, the state bureaucrats built their strength and, by the late 1970s, they became a powerful force in society.

The developmental state in South Korea, most of all, fostered the growth of the Chaebol. After the state decided to assume an exportist accumulation strategy, it appeared

to be necessary for South Korea to concentrate its limited resources on a few designated entities for exports. Chaebols were chosen and acted as proxy for the state. Even the roles of Chaebols were specified in the five-year plans for economic growth. In the process, the Chaebol became the ruling class of South Korea where the landed class—the ruling class in pre-modern times—had disintegrated. The bourgeoisie in South Korea was not a pro-democracy force. It was created and nurtured by the authoritarian state and functioned as a partner of the state (Choi Jang-Jip, 2005: 101-102).

The developmental state, with a high degree of autonomy and capability, intervened in the production process directly and indirectly as follows. First, the export-oriented strategy and a series of agreements with Japan and the United States enabled Chaebols to make money through the mass production system for exports. Second, strengthening the industrial education programmes helped to enhance productivity in the labour process by increasing the number of skilled and semi-skilled workers. Third, the state bureaucrats made up for weak managerial skills of the private sector by taking over some tasks of the management such as investment and planning. Fourth, the state suppressed labour movements harshly and cracked down on labour activists. This strengthened the power of capital. Although the primary relations in production are the relations between labour and capital, the developmental state was thus another important actor by getting involved in the production relations. The success of the developmental state was brought about by changes in the production relations.

The South Korean developmental state had anti-Communism bolstered by developmentalism as the ruling ideology. The state's administrative, coercive, ideological, and regulative apparatuses were determined and maintained by the ideological unity. Indeed, anti-Communism, along with developmentalism, was a key factor in the South

Korean developmental trajectory. For example, another main difference between the Japanese developmental state and the South Korean developmental state was that workers' rights in South Korea had been much less protected than those in Japan, and anti-Communism played a significant role in the process. One result was an economic miracle with few middle-class people in South Korea while Japan was referred to as 'a middle-class society'.

2.3.2. Civil society

The moment of hegemony is only made possible by the intentional efforts of the hegemonic group. The main spheres where hegemonic struggles take place include churches, schools, civic organizations, and the media.⁴⁶ These are the spheres that Gramsci's concept of civil society signifies. Through civil society, the ideology of the hegemonic group becomes the common sense of the age and the interests of the group become the national interests (Gramsci, 1971b: 331).

Specifically speaking, to begin with, South Korean churches were a great help in consolidating hegemony, but not always. The Protestant Church in general was an active supporter in favour of the hegemonic rule.⁴⁷ During the colonial period, Pyongyang was the center of the Protestant Church in Korea. As the communist regime persecuted

⁴⁶ According to Althusser (2001: 142-146), schools, churches, mass media are ideological state apparatuses while the police and the military are repressive state apparatuses. This thesis argue that these are the main constituents of civil society. That is, they can be ideological state apparatuses but not always. When the power of the hegemonic group is absolute, all the relevant institutions in civil society will act as ideological state apparatuses. Otherwise, hegemonic struggles will take place in civil society, and some of the institutions will stand against the hegemonic group.

⁴⁷ There were also progressive Protestant churches which opposed the dictatorships, but they were small in number (Gray, 2013: 95-96).

religion after 1945, many Protestants came to the South seeking freedom of religion, and they became staunch proponents of anti-Communism.⁴⁸ They were also strong supporters of the dictatorships by President Rhee and President Park who officially advocated anti-Communism (Yu Yong-Ik, 2002: 239-252).⁴⁹ Under the auspices of the state, the Protestant Church expanded its congregation drastically, accounting for about 20 per cent of the population in 1980 from about 3 per cent directly after independence.⁵⁰ On the contrary, the Catholic Church was not that cooperative to those dictators, often providing shelters to dissidents against their rules. Furthermore, the Catholic Priests Association for Justice, established in 1974, publicly reproached and condemned the suppression of human rights by the Park regime, which resulted in the imprisonment of a number of priests (Suh Jung-seok, 2007: 136-137).

The autonomy of civic organizations was severely constrained under dictatorship and strong anti-Communism, and none of them could exist if they voiced opposition to the dictators. Meanwhile, pro-government business organizations and interest groups expanded rapidly under the tutelage of the developmental state. The Federation of the Korean Industries, the Korea Employers Federation, the Federation of Korean Trade Unions, the National Agricultural Cooperative Federation, and the Korean Federation of Teachers' Associations were notable examples. They were utilized to achieve goals set by the state. Moreover, they could maximize the members' private interests in return for accepting the state's control (Choi Jang-Jip, 2005: 226-227).

⁴⁸ As for the relations between the Protestant Church and anti-communism, see Kang In-cheol (2007).

⁴⁹ Conservative pastors even expressed their concern over civilian governments from the 1990s onward by saying that it indicated South Korea had moved sharply to the left and emphasizing the necessity of strengthening anti-Communism (IGOOD News, 3 September 2010).

⁵⁰ As of 1980, Catholics and Buddhists accounted for about 8 per cent and 22 per cent, respectively (*Dong-A Ilbo*, 15 June 2006).

Schools were the places where the state could inculcate people with the ruling ideology directly and effectively. President Park reinforced anti-communist education and hence even elementary school students had to learn about anti-Communism. For example, the textbook titled *Seunggong* [Defeating Communism] for second-year elementary school students in 1965 described North Korean people as barbarians. In particular, the tale of Lee Soong-bok who was killed by North Korean guerillas in 1968 was included in the textbook of morals in the 1970s and the 1980s. He was allegedly murdered for crying “I don't like the Communist Party!” in front of the guerillas, and the title of the chapter was also ‘I don't like the Communist Party!’ With fear and hostility, elementary school students learnt the cruel and tragic story with anti-Communism internalized in their minds (Kang Jin Woong, 2012: 692-693).

Mass media played an important role in strengthening and reproducing the ruling ideology in South Korea. The state's control of the media has a long history. In post-liberation Korea, the leftist media were dominant (Jeong Jin-seok, 2001). However, the situation was reversed by the USAMGIK and the Rhee administration and, from then on, the rightist media prevailed. Directly after taking power, Rhee in 1948 gagged the media by forbidding the publication of supportive writings for communism, North Korea's policies, anti-government protests, and so on (Jo Maeng-gi, 1997: 216-220). The tendency became even more explicit after the Korean War. The state included phrases of the press control in the NSL and ceased publication of *Kyunghyang Shinmun* for its frequent anti-government articles (Jo Maeng-gi, 1997: 226-229). However, compared with those in Park Chung-hee era, journalists in the Rhee Syngman era enjoyed considerable autonomy from the state, loudly speaking of people's desire for democracy. The April Revolution succeeded as student movements came under the spotlight of the

media (Choi Jang-Jip, 2005: 115).

Park Chung-hee and his colleagues were aggressive in media control at the outset. The military group's first decree was pre-censorship of the press and it reduced 912 media to only 82. Then, in 1962, after Park was elected president, the government took a carrot and stick approach. President Park offered media owners tax reductions and cheap loans, while arresting critical journalists who were against his dictatorship. The approach was successful as journalists who were against the government were discharged by the owners. As a result, all mass media condoned a constitutional amendment allowing his third presidential term in 1969 (Lee Hyo-sung, 1996: 86-90). In the 1970s, the media in general had a close cooperation with the state and played a crucial role in inculcating the people with the ruling ideology.

Of particular importance amongst the media companies of South Korea were Chosun Ilbo, Joongang Ilbo, and Dong-A Ilbo which altogether accounted for more than 50 per cent of the market share since the 1960s (Lee Hyo-sung, 1996: 56-66). Their owners had been all famous pro-Japanese collaborators in the colonial period (Kim Yeong-myeong, 2008: 58). In the 1960s and 1970s, on the one hand, they were cooperating with the regime by indoctrinating the people with anti-Communism and, on the other hand, they considered themselves advocates of the ruling ideology because it was conducive to their own personal interests.

2.4. Conclusion: Who was the Hegemonic Group?

The historical bloc, constructed in the 1960s and 1970s, produced an economic miracle in which GNP per capita skyrocketed from 60 USD in 1960 to 1,533 USD in 1980 (Kim

Byoung-Lo, 1992: 67). The economic structure that brought about the astonishing achievement was determined by the production process of exportist Fordism, which was induced and forced by the developmental state with the help of the ruling ideology of anti-Communism. We can understand that the long-lasting historical bloc in the Park Chung-hee era was the successful outcome of a hegemonic project by the hegemonic group. In this process, the dictatorship under the mask of ‘freedom and democracy’, or anti-Communism, was closely linked with exportist accumulation strategy.

Then, who was the hegemonic group that built and maintained the bloc in that period? To summarise what I described above, it was composed of four social forces in the main. First of all, ruling party politicians, particularly ex-military politicians such as Park Chung-hee and his henchmen, played a leading role by changing the existing economic structure and form of state. Second, large industrial capital, the Chaebol, became the ruling class in society. They were created by Rhee Syngman but rapidly grew in the Park era as a partner for the export oriented economic policy. Third, the conservative media were a key member of the group by disseminating anti-Communism and justifying dictatorship. Fourth, state bureaucrats were one of the main constituents. The South Korean developmental state nurtured and reinforced state bureaucrats who eventually became the bulwark for the bloc. From a Marxist perspective, we can say that the hegemonic group was made up of several social categories and one fraction of the capitalist class—large industrial capital.

It is noteworthy that most of the members shared a common background as pro-Japanese collaborators during the colonial period. They were protected by the USAMGIK directly after independence, favoured by Rhee Syngman in the power struggle with communists and nationalists, and consolidated by Park Chung-hee as a hegemonic group.

However, being an anti-communist was more important. Not every one of them had been pro-Japanese collaborators, but all of them were anti-communists. Anti-Communism thus was grounds for justifying their *raison d'etre* and a tool to realize their interests.

With anti-Communism as the link that connected domestic and foreign policy, the South Korean state exhibited great hostility toward North Korea. The anti-Communist group at the helm of the state should not have a close tie with communists in the North while it framed opposition forces and labour activists in the South as reds and oppressed them. However, in reality, whenever necessary for its hegemonic rule, the group tried to reconcile with communists in North Korea. The detailed explanations about the relationship between domestic hegemonic struggles and the group's North Korean policy will be given in the first section of Chapter VI.

Chapter III. Historical Bloc and the Hegemonic Group of the North

This chapter will analyse the northern part of the Korean peninsula using the same Gramscian concepts that were applied to the southern counterpart. In contrast to the case of South Korea, North Korea has not undergone a regime change since 1945 and thus has generated strong unity in the leadership. In late 1950s, a unique historical bloc was formed by the existing leadership to confront dissidents who were heavily affected by Khrushchev's attack of the late Stalin. The bloc's economic structure was determined by the production process of autarkist Soviet Fordism, and the superstructures were mainly constructed by the ideology of *Juche* [independent stand or spirit of self-reliance] and the Stalinist state.

The following sections will explain how the economic structure and the superstructures were formed, elucidate how they interacted with each other, and show who constituted the hegemonic group. The historical bloc, on the one hand, achieved great economic success until the 1960s and paved the way for the maintenance of the regime in the midst of the collapse of the Western communist states. However, on the other hand, it led millions of North Koreans to starve to death in the mid-1990s during the economic crisis, which will be demonstrated in Chapter V.

3.1. Economic Structure: Autarkist Soviet Fordism as Determinant

Newly born socialist countries in Europe and Asia witnessed Soviet Fordism being established as the new production process. There were other types of production processes under experiment, such as workers' control of production, right after the end of the Second

World War. They were all dismissed by the Soviet Union and crushed by the police and other repressive forces. As a result, all socialist countries that should have acted on behalf of the proletariat adopted Soviet Fordism which required managers and state bureaucrats to control the production process and suppressed even basic labour rights such as forming labour unions (Kollo, 1995: 282-318). This also applied to the case of North Korea.

The Soviet troops in North Korea in 1945 first regarded factory equipment, power generators, and raw materials as war booty and took them to their home country without any compensation. This made the already impoverished North Korea in a worse economic situation. As the ill feeling of North Koreans was reported to Moscow, the Soviet government halted it and, from August of 1946, transferred ownership of properties to the North Korean Provisional People's Committee, the provisional government ruling the northern part of the Korean Peninsula from February 1946 (Jeon Hyeon-su, 1999: 89-95). The committee had successfully undertaken a land reform in March 1946 by distributing about three acres of land to each peasant on average and writing off all debts with no compensation paid for the land confiscated (Scalapino and Lee, 1972: 1018). From August of the same year, with the first stage of industrial nationalization, agricultural productivity enhanced rapidly as farmers were supported with modern agricultural production facilities such as irrigation facilities, electricity, farming equipment, chemical fertilizers, and so on (Jeong Eun-mi, 2007: 48-49). As more than 70 per cent of the population was primarily engaged in farming, the reform, though planned by and conducted under the tutelage of Moscow, brought Kim Il-sung, the head of the committee, a solid reputation as a capable leader (Suh Dong-man, 2005: 327-371).

In December 1945, Kim Il-sung gained a practical victory over indigenous communists in the North after a series of public disputes with them. Amongst them, Kim's

successful debate with Oh Ki-seop was critical over the issue of the party's relationship with labour unions. Oh argued that labour unions and the party should be equal with each other, but Kim claimed that the party must direct the labour unions. Oh was a well-known labour movement activist who had led Wonsan Strike of 1929, the biggest strike in the colonial period (Lee Ju-cheol, 2009: 231-236).

North Korea officially confirmed the party's control of labour unions at the inaugural conference of the Workers' Party of North Korea in June 1946. The party was formed through a merger of the Communist Party of North Korea and the New Democratic Party. Kim Du-bong, former head of the New Democratic Party, became a chairperson but Kim Il-sung was the de facto leader of the new party. The party claimed that as most factories and enterprises had been nationalized, workers should not fight against national institutions. In 1947, ahead of the implementation of the first national economic plan whose outcomes could affect the very existence of the regime, North Korea had very little room for controversy over this issue which could lead to disastrous results if labour unions refused the party's guidance (Kim Chang-soon, 1961: 108-109). The party's role in industrial production, however, was relatively limited in this period as it followed the then model of the Soviet Union. The department of industry in the provisional committee controlled a related provincial bureau which appointed a factory manager who was solely responsible for the operations of the factory. The party's task was to draft macroscopic economic policies and give political guidance, not managerial and technical guidance, in production (Cha Mun-seok, 2001: 195-196).

The industrial sector showed marked progress in nationalization, unlike the agricultural sector whose nationalization was delayed until the mid-1950s. Approximately 72 per cent of industrial assets were under state control in 1946 and this

reached about 90 per cent in 1949. For central economic planning, the provisional committee in December 1946 re-organized planning entities systematically from the planning department in the committee to the planning section in the company (Jeon Hyeon-su, 1999: 97). During this period, though planning levels were crude, North Korea's planned socialist economy grew rapidly, recording an average annual growth rate of about 52 per cent, owing to the successful restoration of the production facilities which had been worn away or destroyed under Japanese control (Jeon Hyeon-su, 1999: 105).

North Korea launched an invasion of South Korea on 25 June 1950. The Korean War which lasted until 27 July 1953 wreaked havoc on the North Korean economy. In particular, the three-year war destroyed most heavy industries in the North. By the time the war ended, there were no chemical fertilizers produced and no iron mined. Also, electrical power, cement, and coal were in awfully low supply (Scalapino and Lee, 1972: 1211). During the war years, however, the North Korean government constructed a wartime mobilisation system to effectively mobilise human and material resources for the conduct of the war, and transformed society into a central command system. In the process, the state banned the freedom of movement and residence of factory workers and made the labour mobilisation of farmers mandatory. The consolidated command system was helpful in rehabilitating the economy after the war (Kim Yeon-chul, 2001: 80-82).

The postwar restoration was carried out in the direction of reconstructing society into a full-scale socialist system and rapid industrialization. As of 1953, the portion of the gross value of socialist industrial production was 96.1 per cent, and that of socialist agricultural production was a mere 8.0 per cent. While it accelerated industrial nationalization, the state launched a country-wide agrarian collectivization campaign

from April 1954, after a brief preliminary stage from late 1953.⁵¹ As North Korean farmers lacked animals, seeds, and fertilizers after the war, it was opportune for the state to promote all-out collectivization in this particular period. Consequently, North Korea could claim that 98 per cent of the total economy was socialist in 1956.⁵²

In this period, the typical socialist production process was established. Koreans who had come from the Soviet Union as well as Soviet bureaucrats and engineers played a pivotal role in designing the North Korea economy anew. Naturally, the production process of North Korea emulated that of the Soviet Union. The socialist economy's innate obsession over quantitative expansion expedited the establishment of the mass production system in North Korea (Kornai, 1992: 280-282). Also, emphasis on industrial education was helpful. Concretely, the North Korean leadership sought to enhance the skill level of workers by setting up higher education institutions such as Kim Il-sung University and Pyongyang Technical College, 55 professional schools, and technical schools within each factory and company. In addition, it sent thousands of students to the Soviet Union, China, and other socialist countries to acquire advanced technologies (Jo Jeong-A, 2005: 26-29). In the production process, the manager with a high level of expertise was responsible for all operations in a factory or company and party bureaucrats played a supportive role.

The 1953 August Plenum of the Central Committee was an important meeting in North Korean politics and economy. In the meeting, the party decided upon a Three-Year Plan with heavy industry taking priority over light industry and agriculture to regain pre-war production levels at a rapid pace. It was pushed ahead by Kim Il-sung and his so-

⁵¹ In 1949, the proportion of socialist agricultural production was 3.2 per cent (Scalapino and Lee, 1972: 1057).

⁵² North Korea claimed that complete socialization of the economy was established in 1958 (Soh Chi-hyeong et al., 1999: 54).

called Partisan Faction amid considerable controversy with groups of opposing views that emphasized balance between heavy industry, light industry, and agriculture.⁵³ The balance was critical to the welfare of the people, as the propensity for heavy industry meant very rapid industrialization in exchange for the sacrifice of ordinary citizens as well as squeezing the surplus from the farming sector. The Three-Year Plan appeared to be performed smoothly largely owing to ample foreign assistance from the Soviet Union, China, and other socialist countries but, over the years, it revealed serious problems such as widespread starvation in rural areas as the assistance was mainly allocated to heavy industry, and investment on agriculture was greatly reduced (Han Yong-won, 1998: 191).

Voices that opposed the ‘heavy industry first’ policy at the August Plenum in 1953 mostly came from Soviet-Koreans and returnees from China who were later referred to as the Soviet Faction and the Yen-an Faction, respectively. They generally received better education than those in the Partisan Faction and were trained for years as party members or officials in the Soviet Union and China and, thus, had close connections with communists in those countries. At that time, they were inspired by Malenkov's campaign for expanding consumer goods production in the Soviet Union. They were also concerned about Kim Il-sung's rising cult of personality after Kim purged all rival figures, such as Park Hon-yong and Huh Ga-i, during the Korean War (Suh Dong-man, 2005: 379-397). The Third Party Congress in April 1956 resulted in reinforcing Kim's dictatorship. However, it was during this time that detailed accounts were delivered to North Korea by foreign guests such as Brezhnev, the future general secretary, that Khrushchev denounced the ‘crimes’ of Stalin at the Twentieth Party Congress of the Communist Party of the

⁵³ The Partisan Faction was made up of those people who fought the Japanese army with Kim Il-sung in northeastern China (Han Yong-won, 1998: 54).

Soviet Union in February 1956. Encouraged by the news, Choi Chang-ik (Deputy Prime Minister), Yoon Gong-heum (Minister of Commerce), Suh Hwi (Chairman of the General Federation of Korean Trade Unions) of the Yen-an Faction, Park Chang-ok (Deputy Prime Minister) and Rhee Sang-jo (North Korean Ambassador to the Soviet Union) of the Soviet Faction, and other key figures of the two factions plotted together to publicly attack Kim's policies and the growing personality cult (Suh Dong-man, 2005: 553-566).

In June 1956, Kim Il-sung left North Korea for about a month to secure aid from the Soviet Union and Eastern Europe. During the period, the dissidents in Pyongyang and Moscow drew up more meticulous plans to attack him. On 30 August 1956 at the Plenum, Choi made a speech criticizing the Party's economic policy that ignored prevalent starvation among the people and condemning Kim Il-sung for concentrating all power in his hands. Also, Yoon Gong-heum criticized Kim for attempting to make a police state out of North Korea. Kim's supporters rebuked and heckled the speakers, making them almost inaudible, and accused them of dividing the Party with sectarianism. Kim allegedly obtained intelligence of the plot a few days before and successfully neutralized the attacks in the so-called August Faction Incident (Lee Jong-seok, 1995a: 277-278).

Directly after the Plenum, Kim Il-sung and the KWP expelled Choi Chang-ik and Park Chang-ok from the Central Committee. Feeling threats to their own safety, others such as Yoon Gong-heum and Suh Hwi crossed the Yalu River to seek refuge in China. At the urgent requests of Rhee Sang-jo, the Soviet Union and China intervened and sent a joint Soviet-Chinese delegation including Mikoyan, First Deputy Premier of the Soviet Union and the second most powerful figure next to Khrushchev at that time, and Peng Dehuai, former commander of the Chinese troops during the Korean War, to stop any purge and reinstate the opposition forces. The high-profile figures from Moscow and

Beijing attended the next plenum, held at the request of the delegation on 23 September 1956, which pardoned and rehabilitated the dissidents (Goh Tae-wu, 2000: 37-38).

The purge, however, resumed in 1957 as Mao Zedong, amid conflict with Khrushchev, tried to win over Kim Il-sung to his side and thus sought the restoration of amicable relations with Kim. Within a year those party members who had opposed Kim's policies were all purged (Lee Jong-seok, 1995a: 280-284). By the time all purges were finished, Kim Il-sung had become an unquestionable dictator.

The cost of Kim Il-sung's dictatorship was grave to the North Korean economy. For fear of another foreign interference against Kim's leadership, the regime took a self-supporting path for economic development in order to be less vulnerable to outside pressure. Then, impressive economic performances were needed to legitimize his rule. However, with insufficient natural resources and shrinking foreign aid, Kim Il-sung had to rely on labour mobilisation. The Chollima Movement was thus initiated as Kim Il-sung's dictatorship was consolidated in the North in late 1956.

Kim Il-sung suggested the slogan 'Let us run as if we ride on Chollima—the horse that can run one-thousand-li (about 244 miles) a day', in the 1956 December Plenum which resolved to launch a production competition movement. Subsequently, Pyongnam coalmine youth storm troopers, Ganggye power plant youth storm troopers, and railroad construction youth storm troopers were designated as exemplary production innovators. The National Production Innovator Congress, held in September 1958, provided momentum for a nation-wide labour mobilisation movement after the model of the above-mentioned storm troopers. In March 1959, a person named Jin Ung-won in the Gangseon Steelmaking Plant initiated the Chollima Work Team Movement which spread into other factories, farms, schools, and so on (Kim Yeon-chul, 2001: 222-226).

The Chollima Movement, which formalized the Chollima Work Team Movement on a national level, was different from earlier labour mobilisation movements. It was a campaign not merely for economic development but also for indoctrinating people in communism. The underlying principle of the Chollima Movement was the mass line of Mao Zedong in which party bureaucrats joined the masses, closely cooperated with them, united them through ideological indoctrination, and finally improved their productivity. For the success of the mass line, the Party's role was crucial as 'the right advice of the Party preceded the correct voice of the masses' (Scalapino and Lee, 1972: 1100). Hence, the Party inculcated the masses with its ideology on the pretext of properly developing workers' political consciousness.

The Chollima Movement was successful as the first Five Year Plan, launched in 1956, finished in 1959—one year earlier than originally scheduled. Inspired by the success, North Korea decided to establish the movement as a permanent method for productivity enhancement. Setting 1960 as a buffer period for economic restructuring, Pyongyang overhauled the state of the economy (Park Sun-seong, 2004: 122). Kim Il-sung's decision was to internalize the movement into the general production process, first in agriculture and later in industry. Furthermore, Kim took this as an opportunity to strengthen his dictatorship. It seemed a magical solution to him.

The agricultural production process was called the Cheongsanri Method. This method was developed by Kim Il-sung during his on-the-spot guidance of fifteen days in a collective farm named Cheongsanri in February 1960. It was designed to improve agricultural productivity through the mass line: party bureaucrats join the masses, cooperate with them, learn from them and also educate them, and finally enhance agricultural productivity. The new process was formalized by the Cabinet in December

1961 (Scalapino and Lee, 1972: 1103). According to the resolution of the Cabinet, the party secretary of the *Kun* (County) Agricultural Cooperatives Management Committees was responsible for both managerial and political guidance. The committee organized and managed entire businesses in rural society such as agricultural production, the welfare of farmers, and political indoctrination (Bu Gyeong-sang, 2001: 38-39).

Kim Il-sung applied the method to factory management and called it the Dae-an Management System. In December 1961, he visited the Dae-an Electric Factory, located in the Dae-an area of Nampo city, where he proposed a new management system for industrial production. In the new system, the management of a factory was decided by the Factory Management Committee which was presided over by the party secretary.⁵⁴ Before the new system was implemented, factories were operated by the Sole Manager Management System which followed the Soviet model in which the manager was responsible for all the daily management activities (Cha Mun-seok, 2001: 195-198). Now in North Korea, major decisions were decided through collective discussions in the factory committee, and the secretary was responsible for satisfying production targets as well as carrying out all political and ideological activities.

The management committees in the agricultural and industrial sectors concretized the mass line in production and effectively helped mobilize local human and material resources for production. As a result, North Korea could continue rapid economic growth even though it was afflicted with a deficiency of capital and technology owing to the self-supporting policy. Furthermore, by emphasizing politics and ideology

⁵⁴ The committee was composed of about twenty-five to thirty-five people elected from the ranks of workers, engineers, managers, and leaders of the labour union. An executive committee, responsible for daily operations of the factory, was made up of the committee secretary, the factory manager, and the chief engineer (Suh Dong-man, 2005: 868-874).

to enhance productivity, the new production process served as great momentum for Kim Il-sung to extend his clout to the daily lives of ordinary North Koreans (Kim Il-sung, 1983: 485-486). This was helped by reducing the role of the manager who was under the significant influence by Soviet Koreans who had introduced managerial expertise to North Korea. Instead, he increased the role of the party secretary who was loyal to Kim Il-sung. This was possible because of the nationwide purge in the 1950s in which Kim Il-sung deposed all possible dissidents from the state bureaucracy and filled up the vacancies with young people who explicitly showed great respect to him (Choi Jinwook, 2005: 22).

In 1961, North Korea launched the first Seven Year Plan which included large amounts of new investments in light industry in compensation for people's hard work and devotion to socialism (Park Sun-seong, 2004: 124). Society, immediately after completion of the large-scale purge, seemed to presage a bright future for ordinary people as the regime promised to implement economic policies to satisfy their consumption demands. However, it lasted only for a brief time.

The December Plenum in 1962 decided to take the parallel policy for defence and the economy, considering tense international circumstances. However, the policy was actually a defence-oriented policy attaching greater importance to heavy industry in order to strengthen the national defence, despite the possible negative effects on the lives of the people. Kim Il-sung proclaimed the 'Four Great Military Lines' which included fortifying the entire land, arming the whole population, making every soldier into a cadre, and modernizing the military amid growing threats from outside (Jeon Yeong-ho, 2006: 22). The Kennedy administration of the United States frustrated the Soviet Union's plan of installing nuclear weapons in Cuba a few months previously and also increased its military assistance to South Vietnam. The Sino-Soviet split since 1956 had deepened—

the Communist Party of China denounced the leadership of the Communist Party of the Soviet Union as a 'revisionist traitor' in 1961 (Jeon Yeong-jin, 1994: 307). In South Korea, Park Chung-hee toppled the civilian government through a coup in 1961 and publicly declared to build up its military power.

The defence-oriented policy imposed a heavy burden on North Korea's economic development, and ordinary people had to make sacrifices again. In October 1966, Kim Il-sung admitted the Seven Year Plan could not be executed as it was originally devised. He said, "Over the last five to six years, we had to adjust our Seven Year Plan to the new need of strengthening our national defence to guard ourselves against possible enemy attack" (Kim Il-sung, 1982: 418). Kim Il-sung, however, did not give up the policy but rather reinforced its military build-up all the more on the pretext of unfavorable circumstances abroad: the United States entered the Vietnam War, and South Korea normalised diplomatic relations with Japan and participated in the US-led war. The defence budget on average increased from 19.8 per cent of the total budget in 1961-1966 to 30.9 per cent in 1967-1971 (Hamm Taik-Young, 2004: 214). Accordingly, as Table 3 shows, the ratio of light industry was reduced sharply from the mid-1960s.

Table 3. The ratio of investment between heavy and light industries in North Korea, 1954-1976 (%)

Year	1954-1956	1957-1961	1961-1964	1965-1969	1971-1976
Heavy Industry	82.0	76.0	59.9	84.1	83.0
Light Industry	18.0	24.0	40.1	15.9	17.0

Source: Korea Institute for National Unification (1991: 194).

The rapid build-up of its military strength was not unanimously supported by all party bureaucrats. A group of high-ranking officials opposed it such as Park Geum-cheol (Vice Chairman of the Party Central Committee), Lee Hyo-sun (Director of the Party's Division for Southern Intelligence), and Kim Do-man (Director of the Party's Division for Propaganda). The group was later called the Kapsan Faction as it was made up of those people who had helped Kim Il-sung as guerillas in the peninsula's northeast area of Kapsan during the colonial period. They insisted that the Party had to halt excessive investment in the military and to prioritize light industry to enhance the living standards of the people. Furthermore, they claimed to minimize the Party's interference in economic decisions by reducing the roles of party bureaucrats and by empowering managers in the production process (Kim Se-keun, 2006: 95-96). This signified that the inner circle in Pyongyang recognized the limits of the new production process even as early as in the late 1960s. They had no intention of challenging the leadership of Kim Il-sung, but by this time opposing Kim Il-sung's policies was a grave crime. In the May Plenum of the Central Committee in 1967, they were chided and soon purged for having 'revisionist' views and, most of all, having formed a faction (Kang Tae-wuk, 2009: 151). Kim Il-sung's rule was entering another phase of dictatorship in the late 1960s, and this was overlapped in time with the rise of Kim Jong-il on the center stage of North Korean politics as he played a leading part in purging the Kapsan Faction (Choi Jinwook, 2005: 30).

In attacking the Kapsan Faction for its insistence on reducing military spending, a number of hardliners in the military helped Kim Il-sung, including Kim Chang-bong (Minister of National Security), Huh Bong-hak (Chief of the Division for Southern Intelligence) and Lee Yeong-ho (Commander-in-chief of the DPRK Navy). They

increased their voices in politics and soon urged greater expansion of armaments and more hostile measures against the United States and South Korea (Shin Il-cheol, 2004: 147). Encouraged by North Vietnam's successful guerilla fights against South Vietnam and the United States, Kim Il-sung and the hawks took a number of provocative actions such as infiltrating 31 guerillas to raid the South Korean presidential residence in January 1968, sending 120 guerillas to the Kangwon Province of the South in October 1968, and seizing the U.S. intelligence gathering ship Pueblo in January 1968. However, they ended in failure with the growth of negative perceptions overseas of North Korea. Kim Il-sung, blaming them as leftist adventurers, purged them (Lee Jong-seok, 1995a: 317-318).

The early 1970s saw the East-West détente and commencement of the inter-Korean dialogue. During the Fifth Party Congress in November 1970, Kim Il-sung stated that North Korea's strong national defence had been achieved at the cost of its economy and that spending on armaments was a great burden to the people (Kim Yeon-chul, 2001: 76). He asserted that economic development in the North had been hampered in order to fulfill military ambitions of the hawkish soldiers, and soon his regime, as Table 4 shows, curtailed the defence budget to around 17 per cent of the total budget.

Table 4. The ratio of defence spending to gross national product, 1955-1973 (%)

Year	Ratio	Year	Ratio
1955	6.2	1967	30.4
1956	5.9	1968	32.4
1958	5.3	1969	31.0
1959	4.8	1970	31.0
1960	3.7	1971	31.1
1961	3.1	1972	17.1
1962	2.5	1973	15.0

Source: Lee Sang-man (2005: 58).

The Seven Year Plan ended in 1970, three years later than originally planned, mainly because of the defence-oriented policy. In 1971, North Korea launched the Six Year Plan whose growth targets were scaled down considerably as some of the targets in the previous economic plan had not been achieved even by 1970. The new plan aimed at solidifying the material and technical foundations of the economy, modernizing industrial facilities, and promoting a technological revolution (Lee Sang-man, 2005: 59). To achieve these, North Korea relied upon another labour mobilisation movement. Kim Il-sung, at the Fifth Party Congress in November 1970, advanced the necessity of pushing ahead more vigorously with the three revolutions—ideological, technical, and cultural—for the complete victory of socialism. Soon Kim Jong-il published the slogan 'Let us meet the requirements of Juche in ideology, technology and culture' and transformed his father's ideas into a concrete labour mobilisation movement to enhance productivity by infusing the Juche Ideology with every worker in North Korea (Choi Jinwook, 2005: 37).

Kim Il-sung officially initiated the Three Revolutions Movement in February 1973, but a few months later Kim Jong-il took charge of it. For an ideological revolution, workers had to memorize all writings of Kim Il-sung and Kim Jong-il; for a technical revolution, they had to make one or more inventions in a year; for a cultural revolution, they had to play at least one musical instrument. Under the scheme, the Three Revolutions teams, composed of 20-30 university students and young people of technical expertise, were sent by Kim Jong-il to factories, enterprises, and farms. Their missions were to provide technical aid and on-the-spot guidance to break from the convention in close consultation with local personnel (Lee Jong-seok, 1995a: 328). Moreover, Kim Jong-il in December 1975 launched the Three Revolutions Red Flag Movement, adding a

production competition attribute to the Three Revolutions Movement. The new movement in particular required the participation of every institution of the Party, the state, and the military as well as every factory, enterprise, and farm. Through these movements, Kim Jong-il's influence spread throughout the country rapidly (Choi Jinwook, 2005: 45-46).

In 1972, North Korea promulgated a new constitution which stipulated the monolithic leadership by Kim Il-sung who became the *Suryeong* [Great Leader] (Kim Se-keun, 2006: 14). It was particularly a result of the intense efforts of Kim Jong-il who had strengthened his father's personality cult since the late 1960s. Now, the authority of Kim Il-sung became absolute, and anything related to Kim Il-sung was valued above everything else. Before long, the so-called Number One Plan or Plan for *Suryeong* Economy appeared in the North. It was a separate economic plan to empower Kim Il-sung's monolithic control. The plan was originally devised not to impede the smooth implementation of the general state plan. For example, on a construction site, when Kim Il-sung spontaneously asked for more bulldozers, this would upset the annual balance of production and supply of bulldozers. To prevent such cases, North Korea let every factory and enterprise have separate resources for the Number One Plan. The problem was the Number One Plan took precedence over other plans by far. Eventually, there were two (later multiple) economic plans in one country which wreaked havoc on the entire socialist system of North Korea. Additionally, in the late 1970s, the Party Economy that demanded the allocation of resources for activities of the Party came into existence, followed by the Second Economy which meant the economy for the military. They were all prioritized over the general national economy (Jeong Gwang-min, 2005: 17-19).

It is noteworthy that in the early 1970s, North Korea turned its eyes to

international trade in order to overcome its lack of raw materials, technology, and capital. The impressive attainments of South Korea and Eastern Europe emboldened the North Korean leadership: the former made rapid economic growth in the 1960s by taking advantage of foreign loans and trade and, in the case of the latter, even though eastern European countries made economic gains through foreign trade with capitalist countries after the *détente*, the leaders could maintain their power. That is, Kim Il-sung and Kim Jong-il did not want to see the North Korean economy lag behind its southern counterpart in economic growth and also they recognized a socialist country could benefit from international trade while keeping its leadership intact. From 1972, North Korea carried forward a policy of acquiring large loans from abroad, manufacturing light industry products, and exporting those products to developing countries. However, North Korea had difficulty in finding a place to sell its low-quality products and, most of all, the global recession from the mid-1970s thwarted the ambitious scheme. North Korea could not repay its foreign debts and had to return to its self-sufficiency in the economy (Yang Moon-Soo, 1999: 246-247).⁵⁵

The scheme, though it was frustrated, indicated North Korea's self-supporting economic policies could be waived at any time when the leadership considered an open-door policy to be advantageous to its rule. In the same vein, North Korea could return to its self-sufficient mode whenever the regime deemed it necessary. Pyongyang claimed that the Six Year Plan was successfully fulfilled by the end of August 1975, one-and-a-half years earlier than originally scheduled. Large loans from abroad must have been very helpful. However, the success was exaggerated. The next economic plan started in 1978, two-and-a-half years later, which indicated that the Six Year Plan in reality was not

⁵⁵ North Korea officially defaulted on its loans in 1984 (Han Yong-won, 1998: 198).

accomplished as claimed (Lee Sang-man, 2005: 60-61). The Six Year Plan had to be hailed as a great success because it was the first economic plan after Kim Il-sung became the ‘Great Leader’ and Kim Jong-il became the successor to his father.

After an ‘official’ buffer period of one year in 1977, from 1978 North Korea launched the Second Seven Year Plan which emphasized self-sufficiency, modernization, and science.⁵⁶ To fulfill the plan, North Korea stressed Kim Jong-il’s slogan of ‘Speed Battle’ which was devised to guarantee the highest quality at the fastest speed utilizing all available resources. Kim Jong-il played a leading role in the plan, and large-scale labour mobilisations were performed with his Three Revolution teams at the forefront. However, the Second Seven Year Plan was a fiasco. North Korea insisted that during the plan the economy had grown at an annual rate of 8.8 per cent, but many foreign experts pointed out that it had grown only at an annual rate of 2 to 3 per cent (Park Sun-seong, 2004: 125-126). In September 1983, North Korea ‘for the first time’ admitted the failure of the economic plan and, as a scapegoat, removed Lee Jong-ok from the post of prime minister (Lee Wu-tae, 2000: 52). There was no new economic plan until 1987, which indicated the severity of the economic conditions. However, amid the poor economic situation, North Korea constructed various unproductive, grand-scale architecture such as the 270-metre-high Juche Tower and the 60-metre-high Arch of Triumph in commemoration of Kim Il-sung’s 70th birthday in 1982.

Table 5. Economic Growth Rates of North Korea, 1953-1990 (%)

Year	Economic Growth Rates
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⁵⁶ The de facto default made Pyongyang to re-emphasize self-sufficiency (Lee Sang-man, 2005: 61).

1953-1956	30
1957-1960	20.9
1961-1965	9.8
1966-1970	5.5
1971-1975	10.4
1976-1980	4.1
1981-1985	3.7
1986-1990	1.4

Source) Kim Young Jin (1998: 223).

*Economic growth rates from 1953 to 1980 are estimated from North Korea's official figures (NMP), and those from 1981 to 1990 are estimated from South Korean ministry of unification's figures (GNP).

Table 5 shows changes in the annual economic growth rates of North Korea from 1953 to 1990. The upsurge of economic growth between 1971 and 1975 was just a one-time prosperity, ascribable to large foreign loans, which signified that the downward tendency of the economy was only reversible by large-scale foreign borrowing. All socialist countries suffered an economic depression because of the socialist system's innate defects (Kornai, 1992: 33-379; Chavance, 1994: 9-34). However, in the case of North Korea, the word 'depression' was not an appropriate word to express the severity of the economic downturn as the country could not sustain its economy without foreign help. This thesis argues that the main reason of the rapid economic downturn was the excessive subordination of the economy to politics. The subordination was enforced through its unique production process more than anything else.

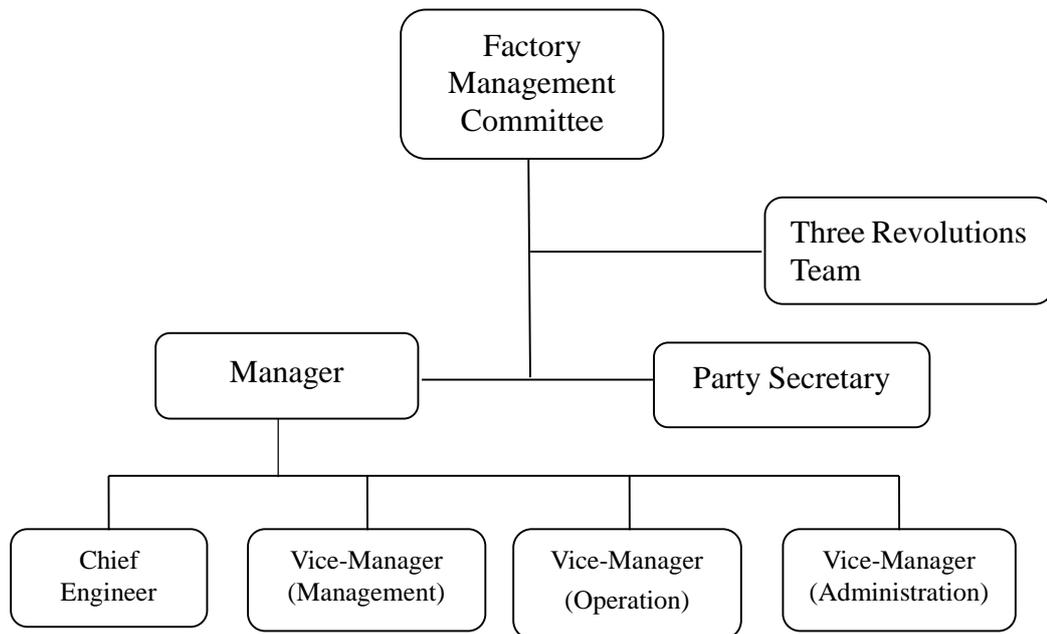
The modified production process from the late 1950s onwards can be referred to as 'autarkist Soviet Fordism'. We can add 'autarkist' to Soviet Fordism because the production relations were different and the driving force of the difference was its autarkist

accumulation strategy.⁵⁷ It followed the production process of Soviet Fordism in most parts, but the party management committee replaced the role of the manager to facilitate labour mobilisation more effectively. North Korea took an autarkist path in capital accumulation to maintain and strengthen the dictatorship of Kim Il-sung. To compensate for shrinking foreign aid North Korea, at low levels of technology and capital, had to rely more on labour mobilisation. This made the party committee take the role of the manager, a move intended to help workers to make collective decisions to meet industrial and agricultural production targets (Kim Yeon-chul, 2001: 272-275).

Productivity enhancement through labour mobilisation was, however, myopic. The intensive uses of limited human and material resources in a short period of time led to chronic disruptions to work in normal times. North Korea's new production process which perpetuated the socialist labour mobilisation eventually diminished productivity to a significant extent. Furthermore, the production process raised the role of the party secretary in production and reduced that of the manager. As all power in the workplace was concentrated into the hands of the party secretary rather than the manager who had expertise in production, productivity suffered. In addition, after the Three Revolutions team intervened in the production process, the manager virtually had two superiors in the party secretary and the Three Revolutions team, as shown in Figure 2. This worsened productivity even more.

Figure 2. Production organization of North Korean factories

⁵⁷ Socialist countries in general took autarkist accumulation strategy compared with capitalist countries. Nonetheless, North Korea's emphasis on economic self-sufficiency led to a relatively more autarkist path compared with other socialist countries. For example, despite the Soviet Union's continual pressure, North Korea did not join the Council for Mutual Economic Assistance (COMECON) for political independence (Jeon Yeong-ho, 2006: 56).



Source: Korea Institute for National Unification (1992: 140).

The production process of autarkist Soviet Fordism characterized the economic structure of North Korea as follows. First, the North Korean economy was subordinated to politics. Key decisions in production were made by the party secretary who chaired the management committee in accordance with political necessities, not economic efficiency and rationality. Thus, the economy was systematically subordinated to politics. In that context, the economic structure was more directly connected to the superstructures in North Korea, compared with other socialist countries' cases.

Second, the production process increased the role of party bureaucrats in the economy. According to Tony Cliff (1974), state bureaucrats in socialist countries fall into the category of the ruling class because they control the process of accumulation. North Korean state bureaucrats also functioned as the ruling class. One thing that set North Korea apart from other socialist countries was that the party bureaucrats controlled production directly and thus they played a central role in realm of economic management

as well as in the realm of politics. As large industrial capital was the most crucial fraction in the South Korean capitalist class, the party bureaucracy was the most important fraction in the North Korean state bureaucracy.

Third, the production process worked as a vehicle to strengthen the dictatorship of Kim Il-sung. As the Party was masterminded by Kim Il-sung, production in the North was above everything exploited to realize his will and reinforce his absolute rule. If needed, Kim Il-sung did not hesitate to distort the existing production process, such as adding the Three Revolutions team to the decision-making process in the workplace. However, attachment to short-term outcomes to display the 'greatness' of Kim Il-sung hampered sophisticated efforts to control the production process in an efficient and systematic way.

Fourth, the production process conflicted with the norms of scientific management gravely, and the resulting deterioration of productivity led to the economic downturn in the long run. All socialist economies without drastic economic reforms sank into recession after a short period of rapid growth. For example, state-owned enterprises in the socialist country had soft budget constraints.⁵⁸ That is, as they were not allowed to go bankrupt, they were always bailed out with subsidies or other instruments and, thus, there was little incentive for managers to be innovative. The deficiency of the innovation mechanism in the production process of Soviet Fordism was a key cause of the widening gap in productivity between the Soviet Union and the United States. In the case of North Korea, the excessive subordination of the economy to politics made the degree of productivity decline so severe that it eventually could not stand alone without outside

⁵⁸ As for more detailed explanation of the concept of soft budget constraint, see Kornai (1992: 140-144).

help.

Fifth, the autarkist policy for political purposes deepened the North's propensity for heavy industry over light industry. Emphasis on heavy industry was common to all the socialist countries particularly at their early stages of economic development, but North Korea heightened the propensity to have a self-supporting economic structure for the political purpose of avoiding pressure from the socialist giants. Subsequently, North Korean people suffered a serious shortage in light industry goods, which later led Kim Jong-il to order each factory to set up a special unit to produce consumer goods with extra and unused resources on 3 August 1984.⁵⁹

Autarkist Soviet Fordism had double-edged consequences. The new production process was at first hailed by the North Korean leadership as a great innovation but, in fact, it significantly debilitated the economic structure in the long run. Also, it rather reinforced the superstructures of ideology and the state, which made the North Korean system weaken but in the end survive when the Soviet Union and eastern European socialist countries collapsed. After the Cold War, the weakened historical bloc had to find another external helping hand to persist. Apart from its reliance on China, Pyongyang also looked southwards for help. This will be detailed in Part III.

3.2. Ideology: Juche Ideology

The term 'Juche' was not used by Kim Il-sung until the 1952 December Plenum of the Central Committee because it had been monopolized by the Domestic Faction in order to

⁵⁹ The light-industry goods produced by the direction of Kim Jong-il are called '8.3 goods' (Oh Il-hwan, 2000: 289).

criticize the Soviet Faction, the Yanan Faction, and the Partisan Faction that had the backing of foreign forces such as the Soviet Union and China. After the plenum where all key Domestic Faction members such as Park Hun-young were ousted, Kim Il-sung began to use the term to hold his rivals, such as the members of the Soviet Faction and the Yanan Faction, in check (Yang Jae-in et al., 1990: 130).

It was from 1955 that Kim Il-sung actively used Juche to legitimize his absolute rule and secure his dictatorship from internal and external pressure. In December 1955 Kim Il-sung said, “Once I visited a recreation center for the army in which there was a painting of the Siberian steppe. Russians might like the landscape, but Korean people like the mountains and water of our own country ... In a primary school, all the portraits on the walls were foreigners like Mayakovski and Pushkin. There was no Korean ... When Pravda gave the title of ‘A Day in Our Homeland’ to an article, several days later in Rodong Shinmun we could see the same title translated in Korean” (Kim Il-sung, 1960: 318-319). Kim Il-sung deplored the toadyish trend which was prevalent at that time and criticized it as dogmatism. He added, “Some support the Soviet way and others the Chinese, but it is high time to work out our own ... We are not engaged in any other country’s revolution, but in the Korean revolution” (Kim Il-sung, 1960: 315-316). To heighten the nationalist sentiment, Kim Il-sung stressed North Korean people’s Juche. This was owing to the fact that (possible) dissenters were closely connected to the Soviet Union and China. He utilized the concept of Juche to criticize them.

After the August Faction Incident in 1956, emphasis on Juche was intensified. The direct interference of Moscow and Beijing in domestic affairs of Pyongyang led Kim Il-sung to consider the establishment of Juche as a matter of life and death. From the late 1956, education on Juche was extended across the nation to strengthen his position and

concentrate power in his hands (Lee Jong-seok, 1995a: 72-73). The education particularly highlighted his anti-Japanese guerrilla fights which were referred to as ‘anti-Japanese revolutionary tradition’.⁶⁰ The North Korean leadership tried to justify the rule of the Partisan Faction by convincing the people that Kim Il-sung and his partisan comrades, not the Soviet Union or China, had been the most active and important entities in the history of independence movements during the colonial period. Many writings that emphasized the anti-Japanese revolutionary tradition were published, and all the education began to underline it (Kim Yeong-su, 2001: 97-98).

In the early 1960s, Juche was expanded to the dimension of foreign policy amid the fiercely unfolding Sino-Soviet disputes. Under the circumstances, Kim Il-sung took advantage of Juche in order to attain independence and make some practical gains between the socialist great powers. After Kim Il-sung obtained ‘official’ apologies from the two countries for their intervention in the domestic affairs of North Korea in 1956, Pyongyang received a lot of economic and military aid from those countries, which was accompanied by the Soviet-North Korean Mutual Aid and Cooperation Friendship Treaty and the Sino-North Korean Treaty of Friendship, Cooperation and Mutual Assistance, both in July 1961 (Yoon Gi-gwan, 2004: 101). Moreover, the split between the two socialist giants reassured Pyongyang that the application of Marxism-Leninism could differ in concrete cases. This stimulated him to develop the idea of Juche into a systematic ideology. The term ‘Juche Ideology’ first appeared in an editorial in Rodong Shinmun in December 1962 and, approximately from that time on, the concept was systematically developed as an ideology (Kim Keun-sik, 2004a: 196).

⁶⁰ For example, North Korea re-wrote its past with Kim Il-sung as the most important historical figure in the modern Korean history (Jeong Du-hui, 2002: 226-244).

In April 1965 Kim Il-sung made a speech at the Ali Archam Social Science Academy in Indonesia. Kim explained North Korea's efforts to establish Juche and, as key lines to realize Juche concretely, he promulgated Juche in ideology, autonomy in politics, self-sufficiency in the economy, and self-defence in national defence (Kim Se-keun, 2006: 50). Kim Il-sung, on 12 August 1966, claimed the ideology of Juche as a guiding principle of the Party in an editorial in *Rodong Shinmun* (Lee Jong-seok, 1995a: 83). In December 1967 at the Supreme People's Assembly, Kim declared that North Korea would implement the lines of autonomy, self-sufficiency, and self-defence to strengthen the political independence of the country, to build up an independent national economy strong enough to unify the Korean Peninsula, and to increase its defence capabilities to safeguard the North by its own force through embodying the Party's Juche Ideology in all fields of state activities (Soh Chi-hyeong et al., 1999: 89).

In the early 1970s, Juche Ideology was elevated to the status of a universal ideology to uphold Kim Il-sung's autocracy and his personality cult. In 1970, during the Fifth Congress of the Party, the ideology was officially confirmed as one of the core tenets of the Party together with the existing ideology of Marxism-Leninism (Oh Il-hwan, 2000: 46). On 17 September 1972, during an interview with journalists from the Japanese newspaper *Mainichi Shimbun*, Kim Il-sung said, "Establishing Juche means, in brief, being the master of revolution and construction. The people's masses are the masters of revolution and construction and they have enough power to implement those." He added, "The essence of the Juche Ideology is that a man is the master of everything and he decides everything" (Kim Keun-sik, 2004a: 198). In December of the same year the Juche Ideology which 'creatively applies Marxism-Leninism' replaced Marxism-Leninism itself to be the official state ideology in the revised Constitution under which Kim Il-sung

became President of North Korea, the practical dictator of the newly-established political system (Kim Keun-sik, 2004a: 199).

The originality of the Juche Ideology was emphasized more vigorously in 1974 when, on Kim Jong-il's initiative, North Korea promulgated 'Kim Il-sungism', the ideological and theoretical system of Kim Il-sung. The Juche Ideology was the essence of Kim Il-sungism. Kim Jong-il claimed that in the past Kim Il-sung's ideas were referred to as 'Marxism-Leninism in our time' but now they could be called Kim Il-sungism because his ideas had enough originality that was distinctive and different from Marxism-Leninism (Choi Jinwook, 2005: 44-45). In February 1974, insisting 'the entire society should be Kim Il-sungist', Kim Jong-il declared that Kim Il-sungism was 'the sole scientific Marxism-Leninism that represents the present age and the future of Communism' (Kim Jong-il, 1994: 8-9). In April 1974, in his article 'Concerning A Number of Questions in Understanding Juche Philosophy', Kim Jong-il aggressively emphasized the originality of the Juche Ideology by contending that his father's ideology suggested fundamental questions of philosophy and explicated new problems that Marxism-Leninism could not solve (Kim Jong-il, 1991: 62). This period was when it was decided that Kim Jong-il would be the official successor to his father, and North Korea's presidential system was in a consolidative stage. It signified that the developing process of Juche as an original ideology to replace Marxism-Leninism was accompanied by the process of Kim Il-sung's absolute dictatorship and Kim Jong-il's succession to his father's position.

In the Sixth Congress of the Party in 1980, the revised Party charter stipulated that the Juche Ideology of the Great Leader comrade Kim Il-sung was the only ideological

tenet of the Party (Kim Keun-sik, 2004a: 199).⁶¹ The Juche Ideology became the official ruling ideology of North Korea. All books, textbooks, newspapers, and other mass media removed traces of Marxism-Leninism as the ruling ideology and were aggressively mobilized to disseminate the Juche Ideology throughout the whole society.

The Juche Ideology was now a universal ideology that had philosophical, socio-historical, and guiding principles. This was detailed in the article ‘Concerning the Juche Ideology’ written by Kim Jong-il in 1982. According to the article, the philosophical principle is itself made up of the following two: first, man is the master of everything and decides everything such as his own destiny; second, man is a social being with independence, creativity, and consciousness. The socio-historical principle explains that the masses are the subject of social history, the masters of revolution and construction, and the decisive factor in developing society. For that goal, the masses and guidance by Kim Il-sung need to be combined because the masses can take an independent stand and play due roles in developing social history only when they are correctly guided by the ‘Great Leader’. The guiding principle consists of three parts. First, in order to remain independent, Juche in ideology, autonomy in politics, self-sufficiency in economy, and self-defence in national defence must be realized. Second, to embody creativity, everything must be reliant on the masses and needs to be implemented in accordance with concrete circumstances. Third, in revolution and construction, consciousness plays a decisive role in the revolutionary struggle and, for that reason, ideological reform and political activities must come first (Kim Jong-il, 1991: 71-119).

Kim Il-sung, during the interview with Mainichi Shimbun journalists in 1972,

⁶¹ In the congress, Kim Jong-il was declared as an official successor of Kim Il-sung. Also he became a member of the Politburo Standing Committee and the Central Committee and a vice chairman of the Central Military Commission (Choi Jinwook, 2005: 29).

said that the “human being has a physical life and also social and political integrity. The physical life is what keeps him alive as a biological organism; social and political integrity is what keeps him alive as a social being” (Kim Il-sung, 1960: 318-319). Kim Jong-il developed the ideas as the Theory of Socialist Life in his 1986 article. In a nutshell, the theory claimed that man has a physical life and also a political life. When men are actively involved in the activities of the Party and other Party-related political organizations, they enter into blood relations with the Great Leader and thus receive a political life. The Great Leader, the Party, and the masses are closely connected to one another as blood relations (Kim Jong-il, 1991: 321-322), which was analogous to the concept of organicism in fascism (Gasman, 2006: 487-488).

In 1985, as the ten-volume collective works of the Great Juche Ideology were published, the Juche Ideology was firmly established as a unique ideological system superior to Marxism-Leninism. From that time on, all areas of North Korea were incorporated into the system of the Juche Ideology. When a North Korean mentioned any theory, line, principle, or method, a modifier of Juche always needed to accompany it, such as ‘socialist political economy of Juche,’ ‘economic management of Juche,’ ‘Juche art,’ and ‘Juche culture’. Thus, the Juche Ideology's place in North Korean society became fixed in the mid-1980s (Kim Keun-sik 2004a: 201).

In a comparative context, the Juche Ideology of North Korea, since its initial stages of development, has been closely connected to nationalism as were the cases in other socialist countries such as Poland's 'nationalistic patriotism' and Rumania's 'communist nationalism'. In that sense, the most influential concept was 'socialist patriotism'. Lenin and Stalin officially opposed nationalism as a bourgeois ideology which would set workers against each other and thus be contrary to the interests of the

proletariat class who should unite for communist revolution (White, 2011: 220). However, Lenin differentiated socialist patriotism from nationalism and argued that the right of all nations to self-determination should be promoted (Read, 2006: 115). Stalin developed Lenin's ideas on socialist patriotism. Stalin's policies of Socialism in One Country, despite a multitude of justifications, conflicted with proletarian internationalism and his emphasis on Soviet patriotism to effectively mobilise Russian people and resources during the Second World War had Russian nationalist overtones (Motyl, 2001: 501). At the Twentieth Party Congress of the Communist Party in 1956, Khrushchev acknowledged, though limited, the autonomy of other socialist countries by saying that the combination of socialist patriotism and proletarian internationalism was the ideological base to strengthen a brotherly alliance 'between nations' (Read, 2006: 115). His speech, along with a series of the relaxation of iron-fisted interferences in the domestic affairs of other socialist countries, led individual communist parties to advocate their autonomy. Kim Il-sung, particularly after the August Faction Incident, also used the term of socialist patriotism widely and developed the idea of Juche based on the internationally accepted concept. By the time of the mid-1960s, North Korea argued that the Juche Ideology was the most perfect example of socialist patriotism (Choi Sung-wuk, 1966: 36-41).

The Juche Ideology shared its essence with socialist patriotism and it was none other than nationalism. In lieu of nationalism which could not be advocated publicly at that time, the two ideas were actively utilised as the instruments for autonomy against foreign influence, legitimacy of the ruling political groups, and effective mobilisation of people and resources to build up national defense and promote the development of self-supporting economy.⁶² From the 1970s, the Juche Ideology's nationalistic character

⁶² From the mid-1960s, socialist patriotism was less frequently used and subordinated to the

became more and more accentuated while its status was raised to a universal ideology. In the mid-1980s, the concept of nation was reestablished in accordance with the Juche Ideology. In 1985, North Korea argued, “There is no class without nation” and even prioritised the liberation of nation to that of class (Kim Chang-ha, 1985: 48-49). Kim Jong-il later contended that the Juche Ideology was the ideology not only for people in general but also for the Korean nation and, through the Juche Ideology, socialism and nation were combined into one destiny (Kim Jong-il, 2000: 306-333).

Juche was closely associated with nationalism from its inception and vigorously employed by Kim Il-sung to attack dissidents and seek political independence from foreign pressure, particularly from the Soviet Union and China. As time went on, Juche took on an ideological character and the Juche Ideology ultimately replaced Marxism-Leninism in 1980. Meanwhile, the Juche Ideology’s nationalist characteristics was so distorted that the ideology claimed that the Korean nation was ‘the Kim Il-sung nation’ (Hwang Jang-yop, 2006: 48). Along with the developments, the North Korea's system was transformed into a unique case distinct and different from other socialist countries. The ideology of Juche was an effective tool for the absolute rule and the personality cult of Kim Il-sung and later for justification of the hereditary succession. In this process, the construction of the so-called Monolithic Ideological System played a crucial role, which will be detailed in the next section.

3.3. The State and Civil Society

Juche Ideology as the status of the latter was elevated as the ruling ideology of the Party (Song Gi-ho, 2003: 50).

3.3.1. Form of state: the Stalinist state

'Real-existing' socialist countries generally took the party-state system in which the single communist party with legislative, judiciary, and executive functions commanded and controlled all organizations and institutions including labour unions, the military, and even the government. It was in the Stalinist state that one ruler destroyed the independence of the communist party and used the party to rule society (Rogovin, 2009: 182). This thesis hypothesizes the North Korean state before the economic crisis in the 1990s was a Stalinist state and, to support this hypothesis, I will demonstrate that Kim Il-sung also ruled North Korean society through the communist party after making the party a rubber-stamping institution.

The North Korean Provisional People's Committee, established in February 1946, was the predecessor of the government of the Democratic People's Republic of Korea which was set up in September 1948. Both emulated the Soviet party-state system with the communist party taking charge of state affairs (Gi Gwang-seo, 2004: 73-77). At that time, Kim Il-sung's hold on the Party was limited because he was a former military man, not proficient in party affairs, and also the Soviet Faction members who worked as party officials in the Soviet Union occupied high positions in the Party (Lee Jong-seok, 1995a: 163-165).

The Korean War was Kim Il-sung's first opportunity to strengthen his power in the Party by imputing the failure of the war to his major political rivals: Park Hon-young and Huh Ga-i. Park was the most famous communist on the Korean Peninsula from the colonial period and Huh, the de facto leader of the Soviet Faction, often showed deference to Park for his theoretical richness on communism. Kim Il-sung, in March 1953, arrested

Park and other key communist leaders from South Korea under suspicion of espionage. He claimed that they were American spies trying to overthrow North Korea (Suh Dongman, 2005: 497-528). Huh was first criticized in the November Plenum of the Central Committee in 1951 for the arbitrary management of the Party. This blame was possible owing to the intervention of Chinese People's Volunteers in the war which reduced the clout of Moscow. In March 1953, as he was about to be purged on a charge of fomenting factionalism with Park, Huh shot himself dead (Lee Jong-seok, 1995a: 245-247).

Kim Il-sung successfully turned the August Faction Incident in 1956 into a great chance to reinforce his control of the Party. After the incident, Kim Il-sung finally eradicated the Soviet Faction and the Yen-an Faction. They were major obstacles that kept Kim Il-sung and his Partisan Faction from wielding absolute power over the Party, as the two faction members under the aegis of Moscow and Beijing were generally more educated and experienced in party affairs. In addition, it resulted in the discontinuation of influence of the Soviet Union and China over the internal affairs of North Korea. After 1956, there was no challenger capable of threatening his leadership in the Party. Furthermore, after the incident and ensuing round-up of those who were against him, Kim Il-sung launched a nationwide purge against possible dissidents, starting with re-issuing the certificates of party membership of all KWP members in late 1956. From December 1958 to the end of 1960 the Party expelled 4,000 party members, and across the country more than 30,000 people were arrested and punished for fostering factionalism (Baek Jungi, 1999: 10). Consequently, not only most returnees from the Soviet Union and China but also those party members who did not show ardent loyalty to Kim Il-sung were expelled from the Party. In September 1961, the Fourth Party Congress claimed that all factions were removed (Choi Jinwook, 2005: 22). This meant that Kim Il-sung

successfully eradicated all possible dissident groups against his dictatorship, paving the way for the future monolithic rule.

Kim Il-sung's control of society through the medium of the Party was accelerated with the classification process from December 1958. The process, called the Central Party Intensive Guidance, was to identify those who were presumed to be loyal or disloyal to him. It classified all citizens into three groups: the loyal 'core', the ordinary 'basic', and the politically unreliable 'complex' groups. The core group, accounted for about 30 per cent, consisted of those families whose members were killed during the Korean War or were perceived as particularly faithful to Kim Il-sung; the basic group, about 50 per cent, was composed of those families whose members were soldiers or wounded during the war; the complex group, about 20 per cent, was made up of those families whose members fled to South Korea. That is, they were by and large classified by the extent of the damage during the Korea War. From their personal experiences during the war, core and basic groups were hostile to Americans and those South Koreans that had collaborated with the United States (Kim Byoung-Lo, 2004: 148-149). This grouping determines every facet of a person's life in North Korea such as their place of residence, education, job, and so on. The classification process lasted until the late 1960s at which time people were further classified into 51 subgroups. The screening process provoked insecurity and fear amongst the North Korean people (Park Wan-sin, 2001: 110).

The Cultural Revolution of China and other unfavourable international conditions in the late 1960s served as a momentum for Kim Il-sung to control the Party more directly. After the Red Guards in China in 1966 publicly branded Kim Il-sung as a revisionist, Kim Il-sung, while criticizing both the Soviet Union for rightist revisionism and China for leftist adventurism, accentuated the necessity of maintaining and

strengthening Juche (Goh Tae-wu, 2000: 49). The then unfavourable international circumstances as well, including South Korea's diplomatic normalization with Japan and participation in the Vietnam War, were instrumental in bringing about the reorganization of the Party set-ups in the October Plenum of the Central Committee in 1966. The head of the Central Committee was now titled General Secretary, not Chairman, and a permanent Secretary Bureau was newly established with multiple departments under it (Oh Il-hwan, 2000: 70). This change allowed Kim Il-sung to have substantial power to administer the Party more directly as he could make important decisions on his own without holding formal party meetings.

In 1967, Kim Il-sung purged the so-called Kapsan Faction in the May Plenum of the Central Committee. The apparent reason was that the faction members opposed his economic policy. This meant that, by this time, a different opinion in the Party was not tolerated. This intolerance was extended to society with Kim's '5.25 Instructions'.⁶³ The instructions provoked a nationwide purge against the intelligentsia and the destructions of their works. Moreover, under the name of the Book Clean-up Work, all North Koreans were forced to burn their books written by foreigners. For example, literary works by Shakespeare, Tolstoy, Dostoevsky, and Gorky as well as books of Greek Philosophy, Classical Chinese Philosophy, and Classical German Philosophy were all burned to ashes. Some books were donated to libraries, but it became very difficult for ordinary people to read them. Eventually, even books written by Marx or Lenin were accessible with great

⁶³ In 1966, Hwang Jang-yop emphasized the special and significant role of the intelligentsia in North Korean society. Kim Young-ju and his supporters criticized his ideas and stood opposed to Kim Jong-il who sided with Hwang Jang-yop and some Kim Il-sung University philosophy professors (Hwang Jang-yop, 2006: 145-146). On 5 May 1967, Kim Il-sung ostensibly criticized both and advanced Juche but actually asserted revolutionizing the intelligentsia (Hwang Jang-yop, 2010: 187).

difficulty: North Koreans could read their books only in the library by permission. It was from this time that Marx's materialistic dialectic disappeared in North Korean society. The only ideas left were Kim Il-sung's. Ordinary North Korean people had to read only works written by the 'Great Leader' and his legitimate successor Kim Jong-il. In that sense, it was natural that before long the Juche Ideology replaced Marxism-Leninism as the official state ideology from 1972 (Hwang Jang-yop, 2010: 174-186).

The new constitution in 1972 expressly stipulated the status of Kim Il-sung who stood at the head of the new system of North Korea—the party-state system under the command of Suryeong, or the Suryeong System (Oh Il-hwan, 2000: 69). Before long, Kim Il-sung's absolute control of the Party expanded to the everyday lives of the North Korean people. In this regard, the following 'Ten Principles for the Establishment of the Party's Monolithic Ideological System' played a critical role. It was generated in the course of the competition between Kim Jong-il and his uncle: Kim Young-ju made a draft for it in 1967, but Kim Jong-il developed and officially announced it on the eve of Kim Il-sung's birthday in 1974 (Kim Se-keun, 2006: 57).

Article 1. We must persist in our struggles to unify the entire society with the revolutionary ideology of the Great Leader comrade Kim Il-sung.

Article 2. We must pay great deference and loyalty to the Great Leader comrade Kim Il-sung.

Article 3. We must make absolute the authority of the Great Leader comrade Kim Il-sung.

Article 4. We must take in the revolutionary ideology of the Great Leader comrade Kim Il-sung as our faith and his instructions as our creed.

Article 5. We must adhere strictly to the principle of unconditional obedience in conducting the Great Leader comrade Kim Il-sung's instructions.

Article 6. We must strengthen ideological unification and unity, centering on the Great Leader comrade Kim Il-sung.

Article 7. We must learn from the Great Leader comrade Kim Il-sung to follow his communist look, revolutionary work methods, and people-oriented work style.

Article 8. We must value the political life given by the Great Leader comrade Kim Il-sung and repay his great political trust and thoughtfulness with heightened political awareness and loyalty.

Article 9. We must establish rigid organizational disciplines so that the entire party, military, and nation move as one under the monolithic leadership of the Great Leader comrade Kim Il-sung.

Article 10. We must pass down the great achievement of the revolution by the Great Leader comrade Kim Il-sung for generations to inherit and complete it to the end (Hong Jin-pyo, 2004: 14).

The Three Revolutions Red Flag Movement from 1975 was instrumental in disseminating the principles throughout society. In every factory, company, and farm, people had to study the writings of Kim Il-sung and Kim Jong-il and had to attend self-criticism and mutual criticism sessions to evaluate if they had been living up to the ten principles. Soon, those sessions became permanent by the title of *Saenghwal Chonghwa* [Review Meeting on Everyday Life] and all institutions in North Korea had the Review Meeting at least once a week.⁶⁴ The Ten Principles in practice took precedence over the Party charter and even the Constitution, and thus governed every institution's decision-making and the individual's public and private activities (Lee Jong-seok, 1995a: 135).

In most socialist countries, the party congress was the most important policy-making entity, but in North Korea the Party congress has not been held since 1980. This indicated that Kim Il-sung from the 1980s literally disregarded the communist party in North Korea. Furthermore, in those countries, their leaders' ideologies were treated as

⁶⁴ Mostly the review meeting is held once a week, usually every Saturday morning, but there are many exceptions. For example, in the case of the institutions whose members meet foreigners often hold the review meeting every other day (Kim Byoung-Lo, 2004: 155-156).

subordinate to Marxism-Leninism, and privatization of the communist party was a deviation from the proper course (Ryoo Kihl-Jae, 2004: 175-181). However, they were legal and legitimate in North Korea according to the Constitution. There were no institutional impediments to the ‘Great Leader’ in North Korea.⁶⁵

The North Korean Stalinist state had a number of unique features, different from the Stalinist state in the Soviet Union. Amongst them, this thesis re-emphasizes the significance of the following two characteristics: the important role of the ruling Juche Ideology and the over-development of the Party. First, as North Korea calls its system the ‘Party's Monolithic Ideological System’, it made the biggest use of ideology to control society. All the state’s apparatuses were determined and maintained by the ideological unity, and the ideology was not Marxism-Leninism but the Juche Ideology whose sole purpose was to consolidate the dictatorship of Kim Il-sung. Second, the communist party in North Korea was over-developed and it interfered excessively in the economy and in people's everyday lives. In the Soviet Union, Gosplan, the central committee responsible for economic planning, was the most important organization to run the planned economy (Kornai, 1992: 110-130). Only when Moscow launched a mass labour movement, such as the Stakhanovite movement, did the Party play a decisive role in the economy. In North Korea, the production process internalised the mass labour movement and the Party played a conclusive role perpetually. The Party's control of North Koreans' everyday lives is explained above and will be reaffirmed in the next section. These two characteristics worked in an inter-connected manner as the key ‘consent’ mechanism—albeit the

⁶⁵ For example, in deciding on a foreign policy, Kim Il-sung (and later Kim Jong-il) made direct phone calls or visits to relevant officials often with no prior notice. His destination did not have to be the head of the Ministry of Foreign Affairs or the Department on Foreign Affairs under the Secretary Bureau. Anyone he thought was appropriate would be called upon. Also, it was not unusual that the head of the institution did not know Kim Il-sung's communication with a lower ranking official (Kim Sung-chul, 2001: 6-7).

mechanism was established by the state and protected and supported by the armour of coercion—to realize and reinforce dictatorship in North Korea.

3.3.2. Civil society?

In the post-independence period, North Korea had a variety of social forces. However, they were all brutally cracked down on as Kim Il-sung strengthened his dictatorship. Particularly, after the Juche Ideology replaced Marxism-Leninism and the Stalinist state took firm root in the 1970s, there was little room for society to express different voices. It is controversial whether these could be regarded as constituents of civil society or not as they were strictly controlled by the state. Nevertheless, by examining the following areas, we can demonstrate how the state controlled each key sphere of society in the North.

To begin with, as for churches, suppressing religion was relatively easy because Korea, as of 1945, was not a religious country. The pre-modern Joseon Dynasty embraced Confucianism which was rather an ideology than a religion. Buddhism was suppressed from the day the dynasty was established in 1392 so that, by the time Kim Il-sung became the leader of North Korea, its power was very weak. On the contrary, Christianity was disseminated widely in the colonial period but Christians were still small in number. Moreover, the communisation process after independence scared most faithful Christians away to South Korea. By the time the Korean War ended, there was officially no church or temple in North Korea. Until 1991, the Constitution stipulated that North Korea did not allow freedom of religion.⁶⁶

⁶⁶ In 1991 North Korea changed relevant clauses in the Constitution to soften hardline policies against Pyongyang. However, it did not mean North Korea permitted freedom of religion (Uh Jung, 1996: 168-170).

In the party-state system, the Party commands and controls all governmental and non-governmental organizations. Therefore, non-governmental organizations in North Korea are not private or civic organizations: they are the Party's quasi-governmental organizations. Typical socialist countries emphasize the role of such organizations as a 'transmission belt' between the Party and the masses. In the case of North Korea, one key entity is added. That is, they functioned as a transmission belt between the Great Leader, the Party, and the masses and, amongst them, the Great Leader is of first and foremost importance. Concretely, North Korea made it a duty for every North Korean above 14 years old to join more than one of the following four major organizations: the Kim Il-sung Socialist Youth League, the General Federation of Trade Unions of Korea, the Union of Agricultural Workers of Korea, and the Democratic Women's Union of Korea (Park Wan-sin, 2001: 117). As members of the organizations had to participate in the Review Meeting, they played an important role in reinforcing the dictatorship of Kim Il-sung.

Schools played a pivotal role in the dictatorship of Kim Il-sung. Basically, North Korean textbooks were written to make North Korean people more loyal to Kim Il-sung, just as textbooks in the Stalin era were made to reinforce Stalin's dictatorship. Particularly after the August Faction Incident, North Korea used education in order to create more actively the cult of personality of Kim Il-sung, and started to distort the whole Korean history in favour of the Kim family. For example, according to the new textbooks, Kim Il-sung's grandfather Kim Ung-woo attacked and burned the United States' merchant ship General Sherman in 1866, and Kim Il-sung's father Kim Hyung-jik played a leading role in the March 1st Movement in 1919. They were all groundless (Kang Jun-man, 2007: 104). After Kim Jong-il became the successor, he took the cult of personality to a new level and, in the process, distortions of history were intensified to legitimise the hereditary

succession. The glorification of the Partisan Faction followed the personality cult of Kim Il-sung because those who were loyal to Kim Il-sung should be heroes as well (Hwang Jang-yop, 2006: 37-39).

Regarding the media, Kim Jong-il's role was critical. Kim Jong-il made the utmost effort to idolize Kim Il-sung, which was closely connected with strengthening his position as the next leader. In the process, he took advantage of the media aggressively. For example, on 7 May 1974, Kim Jong-il proclaimed three duties of the media as follows: to make the entire society Kim Il-sungist, to remodel society to achieve material affluence as demanded by Kim Il-sung, and to contribute actively to revolution in South Korea, the unification of the two Koreas, and the revolution of the world. The so-called '5.7 Documents' have been rigidly obeyed by the media since 1974 (Kim Yeong-ju and Lee Beomsu, 1994: 393-396).

Last but not least, the North Korean state's control of society culminated in the notorious 'five-household guidance system'. In July 1958, Kim Il-sung ordered that one paid party official should guide a group of five households for the successful achievement of educational and economic tasks. From 1974, the system was modified and reinforced to cover 15 to 20 households with more than four party officials involved in each group titled 'People's Unit'. Twice a month, the unit members should participate in the Review Meeting on Everyday Life which included a mutual criticism session between neighbours (Hamm In-hee, 2004: 284). Consequently, an ordinary North Korean's life was controlled and watched over by the state and fellow citizens in the workplace, the quasi-governmental organizations, and the neighbourhood.

3.4. Conclusion: Who was the Hegemonic Group?

The historical bloc took shape from the mid-1950s when Kim Il-sung actively sought independence from the pressures of the Soviet Union and China. The economic structure of the bloc was determined by autarkist Soviet Fordism which was consolidated by its unique superstructures such as the Juche Ideology and the Stalinist state. During that time, the Party Management Committee replaced the role of the manager in production, Marxism-Leninism was erased in North Korea, and Kim Il-sung made the Party as a rubber-stamping institution. We can also understand the enduring historical bloc as the successful result of a hegemonic project by the hegemonic group. In this process, the dictatorship under the mask of independence stand, or *Juche*, was closely linked with autarkist accumulation strategy.

Then who were the members of the hegemonic group? As afore-mentioned, in the state bureaucracy, the party bureaucracy was the most powerful fraction. Individually speaking, high-ranking party officials, military generals, high-ranking government officials, and (bereaved) families of the so-called ‘revolutionary fighters’ can be regarded as the constituents of the group.⁶⁷ Amongst those people, the core member was the Partisan Faction who had been loyal to Kim Il-sung and Kim Jong-il. By the Soviets and Kim Il-sung, Korean indigenous communists were expelled from major posts at the initial stages of establishing a new government in North Korea. Almost all members of the Soviet Faction, the Yen-an Faction, and the Kapsan Faction were removed one-by-one as Kim Il-sung stepped up his autocratic rule. Even within the Partisan Faction, those who

⁶⁷ Revolutionary fighters included those who fought with Kim Il-sung against the Japanese colonial army (the Partisan Faction) and those who had distinguished military achievements during the Korean War (Jeong Gwang-min, 2005: 78).

showed tepid loyalty to Kim Il-sung were purged without reserve. In that sense, the faction can also be referred to as the Kim Il-sung Faction.

The Partisan Faction was not only a key collaborator of Kim Il-sung but also a strong supporter of the cult of personality because its members were also depicted as heroes in the process of distorting history. Kim Jong-il became the successor to his father by active support of the faction as well. Thus, as the faction had been closely connected to the fate of the Kim family and one of the greatest beneficiaries of the North Korean system, it remained a faithful defender of the dictatorship in the North.

Inter-Korean relations worked as a key instrument for the hegemonic group to strengthen and maintain its rule from the outset. By setting unification, or revolution on a national scale, as the ultimate goal of the Party, the group could successfully get rid of its rivals and establish the Juche Ideology and dictatorship. Inter-Koreans were the crucial link that connected the ideology and the hegemonic Partisan Faction's interests and, thus, aggressively led by the North. North Korea, on the one hand, actively proposed unification formulae and, on the other hand, conducted a number of provocations to place the whole Korean Peninsula under communism—and under the Juche Ideology later. This will be detailed in the first section of Chapter VII.

PART II. Organic Crises of South and North Korea

Chapter IV. Organic Crisis of South Korea

The historical bloc in the Park era faced a crisis in the economic and political spheres, as manifested by the economic stagnation in the late 1970s and a series of large-scale demonstrations in 1979 followed by the assassination of Park Chung-hee. The end of the Park era slowly led to a change in the existing historical bloc where the neoliberal state began to replace the developmental state but exportist Fordism remained. In the process, the Chaebol gained autonomy from the state and, eventually, the state could not control large industrial capital's excessive foreign borrowing. The result of Chaebol-friendly exportist Fordism in the early stages of neoliberalisation was the economic crisis in 1997.

It was not the democratisation but the economic crisis that brought about the transfer of political power. In the middle of the organic crisis, people chose an alternative social force led by Kim Dae-jung who had been the most noted opponent of authoritarian rules and collusion between government and businesses. The new ruling political group implemented a series of drastic neoliberal reform measures particularly in the financial, corporate, labour, and public sectors to complete neoliberalisation in South Korea. However, as the United States' dot-com bubble burst in the spring of 2000 dampened South Korea's economic growth, the ruling political group gave up the reform of the corporate sectors. For the victory of the presidential election in December 2002, the group needed help from the Chaebol to achieve a high-degree of economic growth through exports. The export-oriented accumulation strategy was regarded as common sense even to the counter-hegemonic group. The economic achievements through decades of the

export-oriented accumulation strategy were so magnificent that most people, including members of the opposition parties, believed that the strategy was the only viable method for rapid economic growth to South Korea which is poor in natural resources. Thus, exportist Fordism as the production process continued and a number of amicable measures were taken toward Chaebols that had competitiveness in exports. The consequences of the Chaebol-friendly neoliberalisation included the increasing power of the Chaebol and the widening income gap between the rich and the poor. The negative ramifications were one of the reasons why the ruling liberal nationalists hastened to reconcile with North Korea in hopes of political gain.⁶⁸

The neoliberalisation by the new ruling political group strengthened the Chaebol-centered economic structure. Kim Dae-jung was an opponent of developmentalist policies by Park Chung-hee but a proponent of neoliberalism which had begun in the 1980s. Hence, the hegemonic struggles in the late 1990s between the existing hegemonic group and the new ruling political group were 'not' fought over the accumulation strategy and the economic policy. They were fought over the approach toward Pyongyang and North Korean policy, which will be detailed later in Chapter VI.

The following section will give an account of liberalisation policies in the 1980s and 1990s and then show how the economic crisis was developing. Neoliberal reforms by the new ruling political group will be explained below with reasons why the reform of the Chaebol was halted. Then, it will demonstrate post-crisis changes that strengthened the Chaebol's power and widened income inequality. This chapter ends with an investigation of changes in the historical bloc.

⁶⁸ However, it is noteworthy that the new North Korean policy was 'not' initiated to make up for the negative consequences of neoliberalisation. The new policy toward North Korea began with the inauguration of the new government.

4.1. Liberalisation in the 1980s

The introduction of neoliberal policies in South Korea dates back to the early 1980s. In the late 1970s, as the heavy chemical industry drive caused large-scale overlapping investments and ensuing inflation, the government abruptly adopted a retrenchment policy without policy coordination for a soft landing. This brought on a recession that recorded negative economic growth for the first time in 1980. On the one hand, as a countermeasure to the economic downturn, and on the other hand, under mounting pressure from abroad—particularly from the United States—for opening the market, the state implemented a series of neoliberal policies in the early 1980s. It was the first attempt to rectify developmentalist policies in South Korea.

The first departure from developmentalism was driven by young bureaucrats who had studied monetarism at US universities in the 1970s (Kim Yun Tae, 1999: 445). Amongst them, Kim Jae-ik played a key role: he was a personal economics tutor of Chun Doo-hwan who had seized power in a coup on 12 December 1979. Chun Doo-hwan appointed Kim presidential secretary for the economy and left everything related to the economy to him by saying: “You are the President on economy” (Nam Deok-wu, 2009: 254).

Kim Jae-ik took the initiative in setting up and implementing policies that gave the private sector greater freedom by reducing the state's direct intervention in the economy. The bureaucratic group led by Kim emphasized ‘stabilization, opening, and self-regulation’ as the core principles in economic management in order to subdue the side effects of developmentalist policies in the Park era. Kim asserted that those excessive

export-oriented economic policies in the previous administration had obstructed the efficient distribution of resources and weakened national competitiveness (Kang In-su et al., 2005: 117). By the same token, Kim was critical of Chaebol-friendly policies and thus reduced policy loans, tax privileges, and discriminating duties which had benefited Chaebols before (Nam Deok-wu, 2003: 110). It was noteworthy that the EPB which had been the key institution for developmental policies in the Park era played a central role in the neoliberal policies of the Chun era (Kim Yun Tae, 1999: 445).

Concretely, the state bureaucrats carried out a policy of austerity for price stabilization, opened the market through the liberalisation of imports, and introduced a managed floating exchange rate regime of the multiple currency basket peg system. In particular, the group pushed forward with financial liberalisation such as the privatization of state-owned banks and the relaxation of entry restrictions to the banking sector. In 1981 all five commercial banks were privatized even though they remained subject to tight regulation. In 1982 two new commercial banks—Shinhan Bank and KorAm Bank—were set up along with one investment and trust company, 12 short-term finance companies, and 58 mutual savings and finance companies (Nam Deok-wu, 2003: 110).

The new economic policies to liberalise the economy, break political-business collusion, and reform the Chaebol-centered economy not only helped South Korea to get over the economic slump, but also contributed a lot to economic growth and the distribution of wealth. Table 6 shows that the Growth Domestic Production (GDP) growth rate between 1981 and 1985 recorded 7.84 per cent on average from minus 1.5 per cent in 1980. In 1980, the poorest 40 per cent owned 16.1 per cent of national wealth but, in 1984, the number increased to 18.9 per cent, while the richest 20 per cent owned 45.4 per cent in 1980 but the number decreased to 42.3 per cent in 1984 (Ji Joo-hyung, 2011: 113-

114).

Table 6. GDP growth rates of South Korea in the 1980s (%)

1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
-1.5	6.2	7.3	10.8	8.1	6.8	10.6	11.1	10.6	6.7

Source: Bank of Korea Economic Statistics Bureau (2005: 66).

Between 1986-1988 the South Korean economy registered unprecedented rates of economic growth of about 12 per cent each year, owing to the favourable international environment of the so-called ‘Three Lows’: low world interest rates, low oil prices, and the low value of the South Korean currency, the won. In particular, the sharp appreciation of the Japanese yen after the Plaza agreement in 1985 was decisive in enhancing the price competitiveness of South Korean products in overseas markets (Hong Soon-young et al., 2006: 74). During the period, trade surpluses amounted to 4 to 8 per cent of GDP, and this was the first time in history that South Korea enjoyed a current account surplus. The unemployment rate also dropped from about 4 per cent in 1985 to about 2 per cent in 1988 (You Jong-II and Lee Ju-Ho, 2000: 10).

In the past, Chaebols' fortunes depended upon the state's will so they tried to maintain cozy relationships with the President and his political circle. The ‘Three Lows Prosperity’ had Chaebols accumulate enough riches to enable them to seek independence from the state. Liberalisation policies in the 1980s became channels to strengthen their power vis-à-vis the state. Soon, they made inroads into the financial sector to free themselves from the state's control through financial institutions. At that time, as the law forbade Chaebols from owning banks, they raced to purchase or establish non-bank financial institutions such as security companies, insurance companies, and investment

and trust companies. With money earned largely from export success, they also bought large amounts of real estate all over the country for speculative purposes and also as collaterals for future loans (Kim Hyeong-gi and Suh Ik-jin, 2006: 156).

In this situation, the 1987 June Democracy Movement, which erupted when Chun Doo-hwan announced that his close confidant, Roh Tae-woo, would succeed him as president, became a watershed in the contemporary history of South Korea by mobilising millions of protestors made up of university students, religious leaders, blue-collar and white-collar workers, and so on. The majority of people and opposition parties had demanded a democratic political system including direct presidential elections, but the Chun Doo-hwan regime oppressed them forcefully. As Yonsei University student Lee Han-yeol was fatally injured by a tear gas grenade during a street demonstration on 9 June 1987 which was staged to call for a probe into the exact cause of death of Seoul National University student Park Jong-chul who had died during a police investigation, sporadic demonstrations developed into nationwide protests against the dictatorship. While the regime hesitated in using violent force just one year before the 1988 Olympic Games and the United States had reluctance to support its bloody suppression of demonstrators in the midst of the relaxation of the Cold War, the protests rapidly expanded on a massive scale. On 26 June, the Great National March of Peace was held where more than one million people participated in 33 cities and 4 districts. At last, particularly under pressure from Washington, Roh Tae Woo issued the June 29 Declaration which promised to amend the Constitution to provide for direct presidential elections (Suh Jung-seok, 2007: 193-205; Gray, 2013: 88-89). According to Choi Jang-Jip, the democratisation after the June 29 Declaration was an instance of passive revolution in which a new political formation came to power but for a fundamental change of social relations because the democratisation

was performed by political elites in the ruling party and the opposition parties to the exclusion of the masses (Choi Jang-Jip, 2005: 112).

South Korea, immediately after the June Democracy Movement until the end of 1987, witnessed the Great Workers' Struggle which increased the number of trade unions from 2,742 to 4,103 (Chang Dae-oup, 2001: 200). Soon the Korean Confederation of Trade Unions (KCTU), the more radical of South Korea's two major umbrella trade organizations, emerged as a powerful force in society, and workers collectively raised their voices to increase wages and improve working conditions protests.⁶⁹ Under these circumstances where the authoritarian regime gave in to the demands of the people, Chaebols sought to accumulate capital through concessions on wages and working conditions. In this process, the state refrained from violence and supported a voluntary compromise between capital and labour (Kim Hyeong-gi and Suh Ik-jin, 2000: 155-156).

Now, the rising purchasing power of workers became another source of economic growth. From 1982 to 1987, real-wage growth rates were recorded at about 5 per cent, but from 1988 to 1990 they exceeded more than 15 per cent: 16.4 per cent in 1988, 20.0 per cent in 1989, and 16.8 per cent in 1990 (Ji Joo-hyung, 2011: 131). Enhanced wages expanded domestic consumption drastically and this lowered the contribution of exports to economic growth (Kim Hyeong-gi and Suh Ik-jin, 2000: 149). The percentage of exports to GDP decreased sharply from 38 per cent in 1987 to 26 per cent in 1991 (World Bank). It was the first time that the balance of exports and domestic consumption was achieved—albeit in a limited sense—in South Korea. It seemed that export-oriented and labour-intensive economic policies from the Park Chung-hee era had finally come to an

⁶⁹ The other umbrella trade organization is the Federation of Korean Trade Unions (FKTU) which has been considered more conservative than the KCTU. The FKTU publicly supported ruling parties until the year of 1997 (Ahn Cheol-hyeon, 2009a: 381).

end. However, it was a temporary phenomenon. The Chaebol who had been the main beneficiary of the old policies struck back before long.

4.2. The Development of the Economic Crisis

From the late 1980s, the Chaebol publicly complained that the South Korean economy was in crisis due to high wages and high interest rates (Pirie, 2006: 52).⁷⁰ To maintain international competitiveness, they argued, the liberalisation of labour and capital markets was critical. In fact, by the beginning of the 1990s, South Korea's products were not as competitive as before because of the rise of China and Southeast Asian countries as global exporters of labour-intensive manufactured goods. As a response, the Chaebol on the one hand attempted to lower production costs, and on the other hand advanced into capital-intensive industries such as the semi-conductor business, and thus needed huge amounts of money to invest in R&D and fixed capital (Pirie, 2006: 50-53).

To cut down production costs, while calling for more flexible labour laws, Chaebols relied upon subcontracting to SMEs more and more. Most SMEs did not have trade unions, so the workers did not enjoy wages hikes. Chaebols exploited low-waged workers in union-free SMEs to evade active unionism in their own companies. The ratio of subcontracting firms within SMEs jumped from 36.5 per cent in 1988 to 63.2 per cent in 1992 (You Jong-II and Lee Ju-Ho, 2000: 16-18). In addition, the ratio of subcontracted production for domestic contractors by SMEs sharply increased from 24.8 per cent in 1986 to 66.8 per cent in 1991 (Hong Jang-pyo, 2010: 190).

⁷⁰ Unlike the claims by Chaebols, real wages increased four times from 1970 to 1990 while labour productivity increased seven times over the same period (Jang Sang-whan, 1998: 177).

This subcontracting strategy of Chaebols made most SMEs vulnerable to unfair practices.⁷¹ Under soft law and sanctions in favour of big businesses, the Chaebol could cut down subcontractors' profit margins easily, as the latter's survival depended upon the former's orders. The ordinary margin percentage of SMEs was 3.05 per cent in 1985, higher than the 2.32 per cent of Chaebols, but the percentage decreased to 1.49 per cent in 1995, much lower than the 4.40 per cent of Chaebols (Jang Sang-whan, 1998: 174). With enhanced profits Chaebols concentrated their resources on core fields and R&D activities, while subcontracting companies with small margins had little room for business rationalization and technological innovation (Kim Sang-jo, 2011: 168; Hong Jang-pyo, 2010: 207). Before long the productivity gap in manufacturing industries between Chaebols and SMEs widened drastically. The average productivity of SMEs was 53.9 per cent of that of the Chaebol in 1988, but 49.3 per cent in 1990 and 45.7 per cent in 1993 (Jang Sang-whan, 1998: 174).

Meanwhile, the Chaebols' financial domination began during this period. The Chaebol used the slow economy right after the Three Lows Prosperity years as a pretext for attacking the state's (still) tight control over the financial sector. To avoid recession, the state adopted much more comprehensive and substantial financial liberalisation measures than in the 1980s, and Chaebols were the main beneficiaries of these (You Jong-Il and Lee Ju-Ho, 2000: 4). As of 1990, the top-five Chaebols had 12.8 per cent of the shares of merchant banking companies, 26.3 per cent of the shares of security companies,

⁷¹ For example, Chaebols usually required subcontractors to buy their products in cash but purchased parts and components on credit from them. Typically, they wrote promissory notes cashable far later than the statutory maximum period of 60 days. Or, they paid subcontractors not in cash but in kind, such as gift certificates or their own products. The augmented SME Business Coordination Act of 1982 prohibited the Chaebol from entering into the business set aside for SMEs. However, Chaebols breached the law whenever they found it to be lucrative as the penalties were very soft—the maximum penalty was a mere 30 million won as of 1995 (Park Hun Joo, 2007: 200-201).

and 36.5 per cent of the shares of life insurance companies (You Jong-II and Lee Ju-Ho, 2000: 8). The state could no longer easily control Chaebols through financial institutions due to the financial liberalisation from the early 1980s.

The early 1990s witnessed the growing power of the Chaebol at a rapid pace, and this was facilitated by a big change in politics. In January 1990, South Korea witnessed a merger among the ruling Democratic Justice Party, Kim Young-sam's Unification Democratic Party, and Kim Jong-pil's New Democratic Republican Party (Lee Dong-hyeong, 2011: 451). It was a decisive measure of the hegemonic group to resolve political difficulties that the ruling party was a minority. As a result, through political ascendancy, the hegemonic group took a firm stand against, rather than making concessions to, counter-hegemonic social forces such as nationalists and labour activists. Subsequently, a number of critical political decisions in favour of the hegemonic group were made and, in the process, the Chaebol-centered economic structure was reinforced.

The Chaebols' control of the national economy was even enhanced by a series of liberalisation policies by President Kim Young-sam who considered liberalisation as a panacea.⁷² For high national economic growth during his presidency, he opened capital markets and joined the Organization for Economic Cooperation and Development (OECD) in haste. He also accepted a proposal by the Chaebols' lobby group, the Federation of Korean Industries (FKI), to allow raising money in global markets at real interest rates of almost half of domestic levels for international competitiveness and followed global neoliberalism under the Washington Consensus that led Western banks to enter the South Korean market (Pirie, 2006: 52; Jessop and Sum, 2006: 173).

⁷² For detailed explanations of South Korea's liberalisation coupled with the globalisation in the Kim Young-sam era, see Barry Gills (1996: 667-688).

In the early 1990s, cheap credit was easily available to South Korean companies because of the then global excess liquidity and the bursting Japan's property bubble and its resultant low interest rates of about 0.5 per cent (Jessop and Sum, 2006: 167). South Korea's OECD membership facilitated the influx of foreign capital from North America, Europe and Japan that sought a profitable and safe place for investment. With the money, Chaebols competitively went on a borrowing binge to invest more and grow bigger. And it was not just new factories and production facilities that Chaebols scrambled to have. Hotels, hospitals, and other service businesses affiliated with Chaebols took the lead in importing costly, high-tech equipment (Kim Hyeong-gi and Suh Ik-jin, 2000: 162). Between 1994-1996 the rate of facility investment increase and that of capital goods imports increase were 17.1 per cent and 24.1 per cent respectively, while between 1991-1993 the former and the latter were 5.2 per cent and 6.4 per cent respectively (Hong Soon-young et al., 2006: 141).

The state was not just a bystander but an important collaborator. The Kim Young-sam administration was a strong supporter of Chaebol-friendly exportist accumulation strategy and thus even helped Chaebols' overinvestment by reversing the earlier decisions in the past administrations: it allowed Samsung to enter the automobile industry and Hanbo to enter the iron industry, to name a few (Son Ho-cheol, 1999: 199). In fact, liberalisation under the previous administrations went hand-in-hand with measures to keep the Chaebol in check. For example, the Chun Doo-whan administration took a series of measures to reduce economic concentration such as the compulsory liquidation of insolvent subsidiary companies of Chaebols and the rationalization of the industrial structures of Chaebols. The Roh Tae-woo administration also proposed the reform of the Chaebol as one of its policy goals and implemented relevant measures such as the

regulation of Chaebols' non-business purpose real estate (Kim Yun Tae, 1999: 446).

By the 1990s, most state bureaucrats were proponents of neoliberalism. However, looking inside the bureaucracy, there were two groups: pro-Chaebol bureaucrats who supported the interests of the Chaebol and anti-Chaebol bureaucrats who advocated the high-intensity reform, if not the disintegration, of the Chaebol. At the initial stages of neoliberal reforms, anti-Chaebol bureaucrats led by Kim Jae-ik were the mainstream group and the liberalisation in the early 1980s was undertaken with the reform of the Chaebol. After his death in 1983,⁷³ however, they slowly lost power inside the bureaucracy. During the Kim Young-sam administration, pro-Chaebol bureaucrats gained much strength as the president prioritised 'national competence' over 'balance' under the banner of *Segyehwa* [Globalisation] and appointed them to important positions in the newly established Ministry of Finance and Economy (MOFE). They maintained more drastic neoliberal reforms in collaboration with the Chaebol and successfully called for the dissolution of the EPB (Gills and Gills, 2004: 173; Choi Jong-chan, 2008: 118). Moreover, the government discarded the Five-Year Economic Plans, one of the symbols of the developmental policies, and announced that no more macroeconomic Keynesian policies would be implemented (Kim Yun Tae, 1999: 451).

The Kim Young-sam administration not only relaxed regulations on Chaebols but also gave them various preferential treatments, for example, in privatising public enterprises, constructing social overhead capital facilities, and undertaking large-scale national projects such as mobile communication businesses (Choi Jang-Jip, 2005: 201). Furthermore, the introductions of the outside director system, the obligatory audit system,

⁷³ Kim Jae-ik was killed by North Korean terrorists in the 1983 Rangoon Bombing in Myanmar. See "New team in Seoul seeks to keep growth and prices steady" (The Christian Science Monitor, 1 November 1983).

and the protection of minority shareholders' rights were under consideration in the previous administrations but they were all deferred in the Kim Young-sam administration (Ji Joo-hyung, 2011: 150). In the same vein, the administration passed the new labour law in December 1996 with no opposition lawmakers present or even notified. The law gave employers much more freedom to dismiss employees, hire replacement workers for strikers, adjust working hours, etc. Considering this as a licence for capitalists to cut wages and worsen working conditions, the KCTU went on strike. More than 1.2 million workers participated in the strike until President Kim Young-sam in late January 1997 promised to revise the law (Gills and Gills, 2004: 174).⁷⁴

Right before the economic crisis, domestic investment increased from 37.1 per cent of GDP in 1995 to 38.1 per cent in 1996. However, the private savings rate decreased from 27.3 per cent to 25.3 per cent, during the same period, considerably because of the low wages of workers in SMEs which accounted for around 80 per cent of total employees at that time (Bank of Korea). Meanwhile, South Korea's competitiveness in exports declined, squeezed especially by high-tech Japan and low-cost China by the mid-1990s. What's more, the Japanese yen depreciated after 1995. The American Treasury and the Japanese Ministry of Finance agreed to devalue the yen against the dollar by 60 per cent between April 1995 and April 1997 to espouse the 'strong-dollar' policy (Jessop and Sum, 2006: 167). It was a crushing blow to the South Korean economy.

Excessive investment and declining profits triggered a chain of bankruptcies in 1997. Starting with the bankruptcy of the country's fourteenth largest Chaebol, Hanbo, in January, the twenty-sixth largest, Sammi, in March, the nineteenth largest, Jinro, in April,

⁷⁴ The revised law in March 1997 delayed the implementation of the controversial provisions until at least two years later (Chicago Tribune News, 22 January 1997).

and the eighth largest, Kia Motors, went bankrupt in August. As those Chaebols went insolvent, tens of thousands of subcontractors went bankrupt or were on the verge of going bankrupt—for example, Kia Motors alone had about 5,000 subcontractors (Kang Man-su, 2005: 446-448). In the aftermath of the large-scale bankruptcies, non-performing loans of local banks jumped to more than \$33 billion. Soon, banks stopped giving fresh loans to companies and extensively collected existing loans. As a result, companies suffered harshly from financial strains and numerous bankruptcies ensued. In 1997, 40 companies went bankrupt on average every day, including many stable enterprises. Those bankruptcies provoked investors to withdraw from the South Korean stock market, which led to a crash in stock prices and an exodus of foreign currencies (Samsung Economic Research Institute, 2000: 55-56).

Massive overinvestment and falling profits caused foreign debt to rise rapidly. As the Table 7 shows, South Korea's total foreign debt increased from \$31.8 billion in 1990 to \$177.4 billion in September 1997. Especially alarming was the rapid build-up of the short-term debt. During the period between 1994 and September 1997, short-term debt increased from \$38.4 billion to \$80.4 billion. The share of short-term debt in total external debt increased to more than 45 per cent as of September 1997.

Table 7. Changes in foreign debt from 1994 to September 1997 (1 billion won, %)

Classification	1994	1995	1996	1997.9
Total foreign debt	89.8	119.8	157.3	177.4
Long-term debt	51.8	64.9	81.5	96.9
Short-term debt	38.4	54.9	75.8	80.5
Total foreign debt/GDP	21.2	23.2	28.2	33.7

Source: Hong Soon-young et al. (2006: 141).

Eventually, South Korea could not pay its debt with its own means. On 2 July 1997, Thailand switched to a flexible exchange rate system, which quickly devalued the Thai baht by more than 50 per cent. The currency crisis spread like wildfire to most East Asian countries including South Korea. After the central bank's abortive efforts to defend the value of the won, the exchange rate increased drastically from 860 won to the dollar in early 1997 to 1,139 won on November 20 and South Korea's usable foreign exchange reserves dropped sharply to \$7.3 billion. To avoid defaulting on foreign loans, Seoul, on 21 November, formally asked the International Monetary Fund (IMF) for a \$58.35 billion bailout package (Park Hun Joo, 2002: 65). South Korea witnessed the worst economic disaster in history and admitted that it was unable to manage the economy on its own.

4.3. The New Ruling Political Group and Neoliberal Reforms

The 1997 economic crisis was an organic crisis which was caused by exportist Fordism where Chaebol-friendly economic growth was aggressively pursued. The main difference of exportist Fordism in the Kim Young-sam administration from that in the Park Chung-hee administration was that, first, Chaebols exploited their subcontractors, instead of their own employees protected by the enhanced labour power, and second, the state's series of Chaebol-friendly liberalisation policies unleashed their expansionist zeal. In retrospect, the historical bloc managed to barely escape the crisis of the bloc in the early 1980s through liberalisation policies that were designed to break the chain of collusive ties between the state and Chaebols and diminish the power of Chaebols in the South Korean economy. This was undertaken by anti-Chaebol bureaucrats such as Kim Jae-ik, while the

Chaebol-friendly liberalisation policies in the 1990s were performed by the pro-Chaebol bureaucrats in the MOFE.

The organic crisis drove the South Koreans to elect liberal nationalist Kim Dae-jung as the fifteenth president of South Korea. At the presidential election, Kim obtained about 10.3 million votes while his opponent Lee Hoi-chang received 9.9 million votes. It was a narrow victory by only around 0.4 million votes (Yonhap News, 19 December 1997). The unprecedented economic disaster led the public to have strong antipathy towards the old ruling politicians and their policies. In addition, the hegemonic group split over the crisis, and conservative Kim Jong-pil and members of his faction from the Chungcheong Province seceded from the ruling party to join hands with Kim Dae-jung.⁷⁵ The crisis of hegemony no longer held together a cohesive bloc of political alliances.

Kim's presidential inauguration marked the first peaceful transfer of power to an opposition leader: the change of the ruling political group for the first time in history.⁷⁶ In his inaugural speech on 25 February 1998, Kim Dae-jung said, "Democracy and the market economy are two sides of a coin, or two wheels of a cart" (The Guardian, 18 August 2009). This signified that, in managing the economy, the new South Korean state would improve transparency and accountability and break away from the political-business collusion, or the so-called 'crony capitalism'. Specifically, in the speech, Kim

⁷⁵ Kim Jong-pil participated in the May 16 coup in 1961 and later founded the Korean Central Intelligence Agency (KCIA)—now the National Intelligence Service (NIS) (Suh Jung-seok, 2007: 92).

⁷⁶ To the Chaebol, the results of the presidential election in December 1997 seemed to be a nightmare because Kim Dae-jung had been not just a pro-democracy leader but also a staunch opponent of any collusion between politics and business. The Chaebol and Kim had been at odds with each other for several decades. For example, when he ran for president in 1987, Koo Ja Gyong, the President of the FKI, said in a press interview that the FKI would not donate any funds to the party which had twelve national assembly members who did 'not support the free market system'. The party was none other than Kim Dae-jung's Party for Peace and Democracy (Kim Yun Tae, 1999: 448).

set the reforms of the four sectors—financial, corporate, labour, and public—as the core of neoliberal restructuring.

To begin with, for financial reform, President Kim emphasized the independence of the Bank of Korea (BOK) and, more importantly, established the Financial Supervisory Commission (FSC). He deemed that bureaucrats in the MOFE had been responsible for the crisis and would be incapable of undertaking comprehensive reforms. The FSC could issue and revoke licences to financial institutions, which gave it an unrestricted jurisdiction to perform its duties efficiently and effectively. Most of all, finance-related legislation was drafted and submitted by the MOFE but it had to be done in consultation with the FSC (Financial Services Commission, 2000: 25). He appointed Lee Hun-jai as chairman of the FSC. Lee had been a high-profile maverick in the MOFE for his anti-Chaebol stance and had been out of public office for years until his comeback as head of the powerful FSC (Kim In-su, 2003: 264).

On 31 December 1997, the new BOK Act was passed where the BOK was allowed to have more independence and less regulatory power (Mo Jongryn, 1999: 481). Also, the Governor of the BOK replaced the Minister of the MOFE as head of the Monetary Policy Committee whose function was to formulate national monetary and credit policies. As a result, compared with the pre-crisis years, the more independent BOK had greater authority to pursue price stability and took greater care not to distort the flow of credit for political purposes (Iain Pirie, 2005a: 31).⁷⁷

The South Korean banks had acted as conduits for the policy loans of the government and, therefore, always suffered from hefty non-performing loans and, under

⁷⁷ One hundred per cent independent central bank is a myth. No nation has that kind of central bank (Pirie, 2012: 374).

the circumstances, Chaebols had easy access to loans.⁷⁸ The FSC and the BOK Act strengthened the financial sector's soundness mainly through closing down banks and other financial institutions, arranging for banks to merge, or selling them abroad (Ji Joo-hyung, 2011: 310; Lee Chang-yong and Lee Jong-hwa, 2007: 45; Pirie, 2005b: 365). There were 2,072 financial institutions at the end of 1997 but, out of them, only 1,522 remained by the end of 2001 (Bank of Korea, 2002: 50).

Corporate restructuring in fact was about how to reform Chaebols. Even before his inauguration, President-elect Kim Dae-jung and five major Chaebol leaders (Hyundai, Daewoo, Samsung, LG, and SK) agreed upon the following five principles of corporate restructuring: first, enhancing the transparency of corporate management; second, dismantling cross-debt guarantee; third, significantly improving financial structures; fourth, strengthening core business areas; fifth, enhancing the accountability of controlling stockholders and management protests (Ahn Cheol-hyeon, 2009a: 358). Additionally, to help realize these, three practical principles were presented: first, corporations reform themselves; second, the government provides only guidelines; and third, the means of corporate restructuring shall be banks (Ji Joo-hyung, 2011: 263).

The Chaebol, however, did not reform themselves. They just simulated the reform, for example, by reducing debt-equity ratios through the re-evaluation of assets or even dubious accounting tricks. Consequently, the total debts of the five biggest Chaebols even increased from 221.4 trillion won in 1997 to 234.5 trillion won at the close of 1998 (Park Hun Joo, 2002: 76). The state resorted to forceful measures in response to the lukewarm attitudes. It threatened to divest Chaebol owners of managerial rights over

⁷⁸ As a result, as of the end of March 1998, non-performing loans stood at \$63 billion, which accounted for 16.89 per cent of total bank loans, or 20.72 per cent of South Korea's GDP in 1997 (Ahn Choong Yong, 2006: 165).

affiliated companies and to discontinue providing bank loans. President Kim in early 1999 even warned that those who refused full-fledged reform would go under court receivership.⁷⁹ Consequently, Chaebols gave in to the state. They took the relevant measures to report consolidated financial statements and stop cross-payment guarantees (Mo Jongryn, 1999: 471). Also, to dispose of non-core business areas, they agreed to the so-called 'big deal,' or business swap dealings, to reduce overcapacity problems and to create internationally competitive companies (Pirie, 2005b: 366). For instance, the LG group sold its semiconductor unit to Hyundai Electronics in April 1999 (Kim Jin-guk, 2000: 314). Additionally, the state pushed ahead with the sales of subsidiary companies of Chaebols or the shares of the companies to foreigners. For example, Daewoo Motors was sold to General Motors and, by the end of 2003, overseas investors held 60.1 per cent of the shares of Samsung Electronics (Jang Dong-hak, 2007: 125; Kang In-su et al., 2005: 221).

Labour reform was carried out through the Korea Tripartite Commission and the revision of the labour law. The commission was launched in January 1998 as a presidential advisory body to encourage cooperation between labour, management, and government. It aimed to make new labour-management relations that would be more efficient, more productive, and more neoliberal to ease corporate restructuring and overcome the economic crisis (Jegal Hyunsook, 2010: 102-103). The first and most important output of the commission was the amendment of the labour law in February 1998. The law, in particular, permitted management to lay off workers in the case of urgent managerial necessity, in exchange for allowing the political activities of labour

⁷⁹ The President's warning was not a bluff. Daewoo, the second biggest but the most reluctant Chaebol to reform itself, went bankrupt with debts of about 80 trillion won and into receivership in August 1999. The myth of 'too big to fail' went into history (Jeong Gu-hyeon, 2008: 63).

unions. This was much more disadvantageous to workers than the 1997 labour law, but labour had to accept it in the midst of the economic crisis. The phrase ‘to lay off workers in the case of urgent managerial necessity’ was so broadly interpreted to include situations where, for example, the company could undergo a ‘potentially anticipated business crisis’ (Korealaw.com). In reality the new labour law was utilized as an effective means to institutionalizing neoliberal labour-management relations.⁸⁰

Regarding public sector reform, the state concentrated on relaxing and lifting regulations and restructuring and privatising publicly owned companies in accordance with neoliberal norms. Particularly for deregulation, the state set up the Regulatory Reform Committee on 18 April 1998 to examine and trim down redundancies and inefficiency in the public sector. The final report with recommendations was submitted by the committee in February 1999 and, based upon the report, the state implemented sweeping reforms (Kim Pan Suk, 2000: 84). To restructure public enterprises, the state sought to enhance autonomy in management. Earlier, public enterprises were under the tight control of the state and therefore, for example, they could not decide where to invest on their own (Jeong Jun-gil, 2007: 134-135). By embracing market principles, those public enterprises were expected to become more efficient and more productive.⁸¹

Overall, the reforms during the Kim Dae-jung administration seemed to be successful. The commercial banks of South Korea, collectively, recorded their highest

⁸⁰ During the presidency of Kim Dae-jung, the labour movement was divided into two: one group took the labour reform as an opportunity for political inclusion, and the other resisted the neoliberal restructuring and returned to militant tactics, such as strikes and other protest actions (Gills and Gills, 2004: 170-171).

⁸¹ The Planning and Budget Committee, established in February 1998, took full charge of the privatisation of public enterprises. Eleven public enterprises, such as Pohang Iron and Steel Company, Korea Integrated Chemical Inc. had found private owners by February 2003. See Kim Dae-jung, *Kim Dae-jung Jaseojeon* [The Memoirs of Kim Dae-jung] (Seoul: Sunin, 2011), 67.

rates of profitability in both 2001 and 2002 (Pirie, 2005b: 362). Also, the average level of the manufacturing sector's ordinary profits increased to 4.7 per cent in 2002, which was the highest level since 1974. The manufacturers reduced their levels of collective indebtedness successfully: the average interest coverage ratio of the manufacturing sector rose to 260.3 per cent in 2002, which was the highest level since 1965. The number was slightly lower than the American case of 278.8 per cent in 2002 (Pirie, 2005b: 368). In addition, the unemployment rate dropped from 6.8 per cent in 1998 to 3.3 per cent in 2002 (Jeong Jae-hak, 2008: 115). The South Korea government repaid all IMF loans on 23 August 2001 and made a public statement that the economic crisis was over (Kim Dae-wu, 2009: 94).

Celebrating success, however, was too early. Actually, the economic conditions at that time were not that good. In March 2000, the dot-com bubble burst in the United States. This directly damaged South Korea's IT industry, particularly IT venture companies. In fact, the government had made great efforts to activate those venture companies, expecting them to serve as important momentum for bringing about a quick recovery of the whole economy. Kim Dae-jung even considered them as, at least, a good supplement to the Chaebol in economic development and thus encouraged banks to provide more loans to some promising venture companies, as well as providing funds to venture capital companies which would lend money to them with low interest rates (Shim Jae-Seung and Lee Moosung, 2008: 88; Chamberlin, 2001: 81). This was in line with Kim Dae-jung's long-held ideas to break the chain of collusive ties between politicians and businessmen and go beyond the Chaebol-centered economy. From the late-1960s, he emphasized the role of SMEs by saying that SMEs "tend to use more labour-intensive technology and thus create more jobs than the Chaebol. Therefore, the growth of SMEs

will improve the distribution of income significantly. Also, SMEs are more dynamic and innovative than the Chaebol that are often stuck in a rut” (Ohmynews, 19 February 2010). In the early stages of his presidency, Kim took note of infinite potentials of IT venture companies, illustrated by the cases of Yahoo, Amazon, and so on. Kim was determined to press ahead with a comprehensive reform of Chaebols, if not break up them, and expected IT venture companies to be an important supplement to, though not a replacement for, Chaebols for rapid economic recovery. This strategy invited the hegemonic group's intense resistance. In particular, conservative media outlets that had close relationships with Chaebols were vehemently attacking the government's relevant policies by highlighting cases of failure, but the state managed to continue the strategy. At this juncture, what happened in America in the spring of 2000 was a disaster to the ruling political group.

It was around this time that the South Korean state began to closely collaborate with the Chaebol again. Why? The government attempted to get out of the economic crisis and restore the economy as early as possible for political gain. Specifically speaking, the government needed high economic growth for victory in the presidential election scheduled for December 2002. Thus, it asked for more investments and more exports from Chaebols in return for the discontinuance of compulsory corporate reform (Yu Jong-il, 2011: 70). Regarding this, the most important occurrence was the so-called ‘August 7 cabinet reshuffle’ in 2000. Through this reshuffle, all reformist figures in the economic sector were replaced by those pro-Chaebol economic bureaucrats who had taken high-ranking positions in the Kim Young-sam administration. Lee Hun-jai, the anti-Chaebol reformist, also stepped down. Instead, Jin Nium, who had served as Minister of Labour and Minister of Energy and Resources in the earlier administration, became the Minister

of the MOFE and assumed full charge of government's economic policies (Hankook Kyeongje, 7 August 2000; Yonhap News, 7 August 2000). From January 2001, he concurrently held the post of the newly-created Deputy Prime Minister for Economy (Dong-A Ilbo, 28 January 2001).

The suspension of corporate reform was a blessing to the Chaebol. As neoliberal reforms in the financial, labour, and public sectors made far more progress than the reform of the corporate sector, Chaebols' business environment became much more favourable than before. The Chaebol, one of the main culprits of the economic crisis, benefited most from the neoliberal reforms. The post-crisis social changes were consequences not only of the state's neoliberal policies, but also of the concentration of economic power in the hands of a few Chaebols who became stronger than before the crisis.

4.4. The Consequences of Chaebol-friendly Neoliberal Reforms

In order to surmount the economic crisis in a short period of time, the new ruling political group aggressively sought to promote economic growth by expanding investments and exports, especially by relying on the Chaebol from 2000. The Chaebol could maximize corporate profit owing to neoliberal restructuring, and also they became more competitive with sound financial structures than they were before the crisis. Chaebols' enhanced profitability, however, was possible at the sacrifice of most South Koreans including consumers, labourers, and other capital fraction such as small industrial capital.

First of all, Chaebols became globally competitive at the expense of competition in domestic markets. In the late 1990s, due to the 'big deal', most major South Korean markets became oligopolistic and some markets became nearly monopolistic. For

example, Samsung Electronics and LG Electronics together controlled the appliances market in post-crisis South Korea. Hyundai Motor Company took over Kia Motors in 1998 and Hyundai-Kia Motor Company has enjoyed almost a monopoly in the domestic car market ever since.⁸² Chaebols gained huge profits in oligopolistic markets at home, and with the profits they established solid footholds in the world market.

Second, corporations reduced wage costs through flexible labour and increased labour intensity in the workplace. According to the new labour law in 1998, they could lay off permanent employees easily and, instead, hired temporary employees and contract workers. The percentage of non-permanent employees increased from 43.2 per cent in 1996 to 49.5 per cent in 2003 (Jegal Hyunsook, 2010: 109). The wage differential between permanent workers and non-permanent workers was substantial: the average wage of non-permanent workers was 54.9 per cent of that of permanent workers in 2002 (Goo In-hoe, 2007: 228). In addition, South Korean workers were required to work longer than before the crisis. They worked 199.2 hours a month in 1998 on average, but worked 208.1 hours in 1999, and 204.8 hours in 2000.⁸³ Consequently, the proportion of labour costs to sales dropped to 11.4 per cent in 1997 and to 9.8 per cent in 1998-1999 and to around 10.0 per cent in 2000-2003 from around 12 per cent to 14 per cent between 1988 and 1996 (Gray, 2011, 318; Kim You-sun, 2005).

Third, Chaebols' pursuit of short-term profits in accordance with the state's neoliberal guidelines reduced subcontractors' profit margins even more. Subcontractors had to find cost-cutting measures such as outsourcing and replacing permanent workers

⁸² Hyundai-KIA Motor Company had a 68.5 per cent share of the domestic car market in 2004 and an 80.5 per cent share in 2009 (Hideo, 2011: 105).

⁸³ South Korea has had longest working hours amongst the OECD members: in 2005, they worked 2354 hours in 2005, 629 hours more than the OECD average of 1725 hours (Seoul Daily, 22 February 2007).

with non-permanent workers (Hong Jang-pyo, 2010: 208). Those who failed to adapt to the new circumstances went insolvent or were taken over by Chaebols. Those who survived, though, witnessed their profit rates shrink significantly (Kim Sang-jo, 2010: 165). Eventually, the state's neoliberal reform measures did not contribute to the increase in profitability of all corporations: they increased the profit rates of Chaebols to a large extent but decreased the profit rates of most SMEs.

While Chaebols grew rapidly, most South Koreans suffered. Chaebols' high profitability was attained mainly through easing domestic competition, reducing wage costs, and squeezing their subcontractors' profit margins. Hence, most South Koreans underwent a decline in real income. As Table 8 shows, South Korea achieved impressive economic growth from 1999 to 2002 but the rate of real wages increased only a little over the same period. Likewise, the percentage share of compensation of employees to national income (NI) fell from 62.3 per cent in 1997 to 58.2 per cent in 2002 (Jegal Hyunsook, 2010: 102).

Table 8. Changes in GDP and real wage increase rate from 1997 to 2002 (%)

Classification	1997	1998	1999	2000	2001	2002
Economic growth rate	4.7	-6.9	9.5	8.5	3.8	7.0
Real wage increase rate	2.5	-9.3	7.3	5.6	1.0	3.9

Source: National Statistical Office (2005: 70).

To mitigate the side effects of neoliberal reforms, the Kim Dae-jung administration increased welfare spending to more than double that of the previous administration. However, it was far from sufficient. As of 2002, welfare spending accounted for only 8.7

per cent of GDP, the lowest amongst the OECD countries (Hong Soon-young, 2006: 290). Furthermore, the government's welfare programme claimed 'productive welfare' linking social spending to productivity enhancement (Oh Gi-pyeong, 2000: 517). It was devised to help laid-off workers during the restructuring process and to provide permanent employees with the so-called 'Four Major Insurances'—national pension, health insurance, unemployment insurance, and occupational health and safety insurance. Accordingly, if jobless people became permanent employees, they could receive welfare benefits. But if they remained unemployed or became non-permanent workers or self-employed, they could not receive subsidies from the government except for health insurance subsidies (Jegal Hyunsook, 2010: 93, 115). There were so many people who were excluded from the new welfare system.

The South Korean state nominally overcame the economic crisis through neoliberal restructuring, but it was accompanied by worsening income inequality. President Kim was aware that neoliberal reform measures would deepen social disparity, as was the case in other countries. He strengthened the social safety net instead but it was not effective. As the following Table 9 shows, the polarization of society was intensified and entrenched in his presidency.

Table 9. Gini coefficient of income and deciles distribution ratio between 1997 and 2002

Classification	1997	1998	1999	2000	2001	2002
Gini coefficient of income	0.283	0.316	0.320	0.317	0.319	0.312
Deciles distribution ratio	0.587	0.507	0.496	0.504	0.497	0.514

Source: Kang In-su et al. (2005: 310).

South Korea's Gini coefficient (0=most equal, 1=most unequal), a key index on income inequality between the rich and the poor, rose from 0.283 in 1997 to its highest level of 0.316 in 1998. The figure did not undergo drastic changes after 1998, indicating that the inequality was fixed after that. The deciles distribution ratio was 0.587 in 1997 meaning that the poorest 40 per cent of households earned 58.7 per cent of the income of the top 20 per cent. The number decreased to 0.507 in 1998 and continued at around the same level, representing a higher concentration of wealth in the upper income groups since 1998.⁸⁴ These show that, despite the state's efforts to alleviate the adverse effects of neoliberal reforms, it failed to solve the problem of the polarization of wealth.

4.5. Conclusion: Changes in the Historical Bloc

The historical bloc formed in the Park era underwent many changes from 1980. In particular, the year 1997 was an important juncture as a group of counter-hegemonic forces led by Kim Dae-jung took political power because of the economic crisis. President Kim promised comprehensive and high-intensity reforms and made considerable progress in many fields. However, much had remained unchanged. So, what had changed or not changed with regard to the historical bloc? This is a meaningful question by itself and also in terms of inter-Korean relations, which will be discussed later in the thesis.

To begin with, with regard to the economic structure, we need to take note of the following two characteristics. First, the export-oriented strategy continued and thus

⁸⁴ Moreover, the number of credit delinquents increased rapidly from 1.60 million in 1998 to 2.64 million in 2002 and 3.72 million in 2003. This was largely due to the over-issue of credit cards by banks and Chaebol-affiliated credit card companies. They issued credit cards to people who were not qualified. The government was also responsible for the so-called 'credit card fiasco' because it tolerated or even aided the over-issue in expectation of consumption increase (Kim Gi-won, 2008: 144).

exportist Fordism maintained. There was an attempt to attain a balance between exports and domestic demand in the early 1980s. However, that period was exceptional. In particular, during the presidency of Kim Dae-jung, in order to overcome the economic crisis as early as possible, the strategy was reinforced and, in the process, the power of the Chaebol over society was even intensified. The Chaebol became an even more important actor in the economy than the state, and the latter had to rely on the former to resolve the crisis. Second, the influence of finance was deepened all the areas of economy. As neoliberalism posits that finance can contribute more to economic growth than production, a power shift was being undertaken from production to finance, particularly in accordance with the IMF's conditions (Harvey, 2005: 33). In the process, the beneficiaries were not the ordinary citizens but those people in the financial sector, as the neoliberal state favoured “the integrity of the financial system and the solvency of financial institutions over the well-being of the population” (Harvey, 2005: 70-71). For instance, banks expanded personal loans recklessly and, as a result, the number of credit delinquents increased rapidly from 1.60 million in 1998 to 2.64 million in 2002 and 3.72 million in 2003 (Kim Gi-won, 2008: 144). This was largely due to the over-issue of credit cards by banks and Chaebol-affiliated credit card companies. They issued credit cards to people who did not qualify, such as minors.⁸⁵

The developmental state turned itself into the neoliberal state.⁸⁶ The practice of the neoliberal state varies on a case-by-case basis and, in the case of South Korea, the state's attitude toward the Chaebol is critical to understand the uniqueness. The

⁸⁵ The government was also responsible for the so-called ‘credit card fiasco’ because it tolerated or even aided the over-issue in expectation of consumption increase (Kim Dong-ho, 2012: 366).

⁸⁶ Why do we call ‘developmental’ state or ‘neoliberal’ state, instead of ‘anti-Communist’ state or ‘nationalist’ state, with regard to forms of the state? It is because “each particular form of capitalist State must be referred back, in its unity, to important modifications of the relations of production and to important stages of class struggle” (Poulantzas, “1969: 75).

neoliberalisation of the state which started from the early 1980s was a choice to break the economic slump. In the Kim Young-sam era, pro-Chaebol bureaucrats became mainstream and the state actively pursued neoliberalisation in favour of the Chaebol. During the early stages of the Kim Dae-jung administrations, anti-Chaebol bureaucrats occupied important posts and they implemented the reform of the Chaebol intensively. However, as the United States' internet bubble bursting in the spring of 2000 cast dark shadows on the export front, the state strengthened its reliance on the Chaebol for high economic growth in a short period of time. Thus, the neoliberal state in South Korea returned to its previous trait that supported Chaebol-centered exportist accumulation strategy.

Civil society's influence on the changes in the historical bloc was limited. Churches and schools in general were still great supporters of the existing historical bloc. One notable case was the controversy about the Korean Teachers' and Education Workers' Union. The union emerged as a potential force to tackle the vested interests of the existing hegemonic group, particularly after January 1999 when it was legalized, but its clout turned out to be restrained after a series of attacks by the conservative press that called the union members reds or North Korean sympathizers (Park No-ja, 2008: 141-142). Many civic organisations, including trade unions, criticized neoliberal policies but failed to provide alternatives. On the other hand, the media's role was significant as proponents of Chaebol-friendly neoliberalisation. The conservative press which dominated the market condemned the reform of the Chaebol harshly and welcomed acts for greater labour flexibility and other neoliberal measures. Regarding the August 7 cabinet reshuffle, for example, Chosun Ilbo said that the new economic team would be communicable, unlike the previous one in the administration (Chosun Ilbo, 9 August 2000). Dong-A Ilbo

said that the government had finally learned a lesson from the past and the reshuffle was the outcome of years of trial and error (Dong-A Ilbo, 9 August 2000).

As argued in Chapter II, the ideology of the historical bloc in the Park Chung-hee era was anti-Communism ‘bolstered’ by developmentalism. The ideological base of the hegemonic group was anti-Communism and the group carried out developmental policies for capital accumulation. From the early 1980s, developmental policies were slowly replaced by neoliberal policies by young state bureaucrats. Eventually, by the 1990s, all constituents of the hegemonic group such as ruling-party politicians, Chaebols, state bureaucrats, and the conservative media supported neoliberalism for capital accumulation. We can say the ideology of the hegemonic group in the Kim Young-sam era was anti-Communism bolstered by neoliberalism.

The ruling political group led by Kim Dae-jung was a proponent of neoliberalism for capital accumulation. The difference with that in the Kim Young-sam era was that the new ruling political group attempted to undertake Chaebol reform in the process of neoliberalisation, even though the attempt was halted from the mid-2000. It was, in a sense, inevitable because the group did not have its own capital accumulation strategy that was different from its predecessors. By the same token, the suspension of Chaebol reform was unavoidable when the export-oriented accumulation—the Chaebol had superiority over SMEs in exports—was considered common sense even to the counter-hegemonic group. The Kim Dae-jung administration could not jettison the accumulation strategy for the victory of the next presidential election in which achieving high economic growth would be incomparably important and, thus, had to keep relying on Chaebols for export-oriented growth.

The new ruling political group was composed of liberal nationalists and its main

difference from its predecessor lay not in its liberal economic policies—particularly after the mid-2000—but in its North Korean policies. As a strong advocate of nationalism, instead of anti-Communism, it went to make great efforts to replace anti-Communism with nationalism, which was of great significance as the successful replacement would be key to attaining hegemony. Consequently, South Korea witnessed a clash between the two ideologies of anti-Communism and nationalism over hegemony during the presidency of Kim Dae-jung. This will be explained in detail in Chapter VI.

Chapter V. Organic Crisis of North Korea

North Korea's productivity had deteriorated over a long period of time due to its unique characteristics of autarkist Soviet Fordism as well as the socialist system's general features such as comprehensive central planning. Then, from the mid-1990s, a severe economic crisis occurred in the North and, at least, hundreds of thousands of people starved to death. The economic crisis impaired the state's control over society. That is, the paralysis of the central planning system and the breakdown of the public distribution system diminished the dependency of the people on the state and led them to depend on themselves for survival. In this process, spontaneous marketisation at a grassroots level expanded quickly throughout the country and, consequently, the Party's everyday control of the people was seriously loosened.

Not every crisis, however, leads to the transfer of political power. In particular, political stability depends upon the ruling group's manoeuvres (Carnoy, 1984: 78). In the case of North Korea, the hegemonic group managed to prevent the economic crisis from developing into a political crisis, which could have led to regime change, by relying on the Cabinet and the military. Instead of the Party, the hegemonic group brought the Cabinet and the military to the forefront and devised and implemented *Silli* [Practical] socialism and *Seongun* [Military-first] politics to manage the crisis. And yet, these were makeshift measures by patching up, not resolving, the problems that the North Korean system had. Consequently, the hegemonic group needed helping hands from abroad as it had no intention to implement a comprehensive reform of the system.

The following section will demonstrate how the economic crisis unfolded in the 1990s and will then move on to show North Korean society's responses to the crisis and

the consequent weakening of the Party. The hegemonic group's responses to the crisis—*Silli* socialism and *Seongun* politics with the Cabinet and the military as the two key institutions to overcome the crisis—will be explained thereafter. This chapter concludes with an investigation of changes in the historical bloc.

5.1. Development of the Economic Crisis

North Korea's economy fell into a crisis in the 1990s but it was not a sudden disaster. Typical faults of the socialist system which led to the fall of socialist regimes in Eastern Europe also emaciated the economy. In addition, idiosyncrasies, which originated from the excessive subordination of economic gain to political goals, served to worsen it. For example, unlike the Sole Manager Management System of the Soviet Union, the management of a North Korean enterprise was conducted according to collective decisions of the party committee which was presided over by the party secretary who was responsible for political and ideological guidance.⁸⁷ The unique management system was to concretize the mass line in production in order to help the Party effectively mobilize human and material resources by emphasizing politics and ideology.⁸⁸ Signs of economic depression were manifest in the late 1980s as the amount of the rice ration decreased from 1989 (Lee Mu-cheol, 2008: 102). The 1990s saw the culmination of economic hardship to the extent that it threatened the very existence of the socialist system of North Korea.

⁸⁷ The committee is composed of about twenty-five to thirty-five people elected from the ranks of workers, engineers, managers, and leaders of the labour union. An executive committee, responsible for daily operations of the factory, is made up of the committee secretary, the factory manager, and the chief engineer (Suh Dong-man, 2005: 868-874).

⁸⁸ The new management system was established in the late 1950s and early 1960s in which the North Korean regime was afflicted with deficiency of capital and technology due to diplomatic predicaments with the Soviet Union and China that had tried to intervene in domestic affairs of North Korea and depose Kim Il-sung (Lee Jong-seok, 1995a: 275-284).

A number of external factors aggravated North Korea's dire economic circumstances. The relaxation of Cold War tensions had a negative impact on the North Korean economy (Smith, 2005a: 172-173). Then, from 1989 the Eastern European communist regimes collapsed and in 1991 the Soviet Union broke up. The new regimes had little political motives to maintain their ties with North Korea. As they accounted for 70 to 80 per cent of its trade before, North Korea faced predicament in economic management (Kang Seong-gil, 2002: 9). Especially, trade with the Soviet Union fell drastically from a total of 2.46 billion USD in 1990 to 0.46 billion USD in 1991 (Gwon Young-kyung, 2005: 148-149). Trade reduction with Moscow was destructive to the economy as it had been the main source of energy and basic raw materials such as crude oil and coke (Cho Dong-ho, 2011: 70).

Natural disasters exacerbated the situation. Heavy downpours and severe droughts from 1995 to 1997 intensified economic difficulties of North Korea. Particularly, harsh torrential rains in July and August of 1995 caused devastating floods which washed away, for instance, about 30 per cent of the total rice field in the South Hwanghae Province which was North Korea's largest granary by producing a quarter of the national rice yield. The rains also submerged many coal mines, which dropped production of coal, the biggest single source of energy for electricity production in North Korea. As crude oil was no more supported by Moscow, underproduction of coal had a crippling impact on the North Korean economy. Power shortages paralyzed the railroad system, hampered food production, and led to intermittent production halts in factories (Gwak Dong-gi, 2006: 24-25). An energy crisis occurred.⁸⁹

⁸⁹ According to Bank of Korea's estimates, North Korea's coal production decreased from about 33 million ton in 1990 to about 20 million ton in 1998, crude oil imports decreased from about 2.5 million ton in 1990 to about 0.5 million ton in 1998. See Yang Moon-Soo (2004: 248-249).

Factory utilization rates dropped significantly from an average of 40 per cent in 1990 to an average of 25 per cent in 1996 (Jeong Wu-gon, 2004: 91). Significant setbacks in production in the mid 1990s led to a financial crisis in which the budget plunged from 19.19 billion USD in 1994 to 9.13 billion USD in 1997 (Yang Moon Soo, 2008: 124). A sharp drop in the budget was lethal to its economic management, as roles of national finance in the socialist country were much greater and broader than those in capitalist countries. The financial crisis resulted in the state being unable to provide enterprises with the necessary means to implement central and local plans and thus weakened the state's control over production. North Korea was caught in the vicious circle of state budget retrenchment and production disruption (Yang Moon Soo, 2010: 350-351).

As a result, the State Planning Committee became inactive. State and cooperative enterprises had to procure necessary materials for themselves. State-owned stores could not receive goods to sell. The breakdown of the national supply system made statutory prices meaningless. Inflation owing to lack of goods and soaring prices in markets made workers' wages worthless. North Korean people could not purchase food and other daily necessities with their wages (Jeong Wu-gon, 2004: 90-91).

Furthermore, basic social safety nets such as the public distribution system, the pension system, and the once-proud free medical care did not work.⁹⁰ Want of food was widespread even from around the year of 1990 as North Korea launched the 'eat two meals a day' campaign from 1992 (Yu Yeong-ok, 2002: 307). By the mid 1990s, most North Korean people, particularly those in local areas, could not survive with rations.⁹¹

⁹⁰ The social safety net of North Korea in the Kim Il-sung era was well developed compared with that of South Korea in the Park Chung-hee era. It was one of the key material bases that made possible rule by consent in the North. For North Korea's social safety net, see Smith (2005b: 52-53).

⁹¹ People in local areas had to look after themselves to survive. Agricultural capacity and market opportunities in their regions played a critical role in their nutrition and survival (Smith,

In the farmers' market, the price of rice soared 12 times in 1996 compared with that in 1992 (Jeong Gwang-min, 2005: 82). North Korea used to retire workers on pensions by giving pensions to men above 60 years old and to women above 55 years old. They could live on their pensions. In the mid 1990s, however, concurrently with the halt of the public distribution system, the pension system became inoperative as the state did not have enough money amid the financial crisis (Jeong Wu-gon, 2004: 93-94). North Korea's free health care system also ground to a halt. Lack of food led medical personnel to sell medicines in the black market, and lack of medicines caused patients to pay money for them dearly. Those who were not rich enough to go to hospital relied upon drugs circulating in the black market; however, a significant portion of the drugs was fake ones made by unqualified individuals (Jeong Wu-gon, 2004: 97).

North Korea experienced widespread starvation and social disorder above all because of the discontinuance of food rationing by the state and the soaring rice price in the markets. According to Hwang Jang-yop, the former International Secretary of the Korean Workers' Party, the Party estimated that up to 3.5 million people had died from starvation or hunger-related diseases (Hwang Jang-yop, 1999: 305).⁹² Hundreds of thousands of North Koreans who tried to avoid malnutrition and starvation defected from the country. This led many people to die or imprisonment. Most defectors chose to cross the Yalu or Tumen Rivers into Jilin and Liaoning provinces in Northeast China. China considered defectors from North Korea as illegal economic migrants and refused to grant them refugee status. Therefore, if they were caught, they were repatriated back to face

2009: 231-256).

⁹² Estimates on the number of deaths vary widely. Somewhere between 660,000 and 3.5 million people died from starvation or hunger-related causes, out of a total population of approximately 21.5 million. For more information about famine in North Korea, see Smith (2005b); Haggard and Noland (2007); Woo-Cumings (2002); Lee Suk (2003); Goodkind, West, and Johnson (2011).

imprisonment in North Korean prison camps or even execution (Jeong Ji-hwan, 2012: 139-142).

During his speech at Kim Il-sung University in December 1996, Kim Jong-il admitted social turmoil due to the famine followed by malfunction of the existing system by saying “The food problem is creating chaos in society” (Hamm In-hee, 2004: 276). It was around this time that North Korean society, facing mass starvation, began to actively find a way to survive by itself.

5.2. Marketisation and Weakening of the Party

For Gramsci, an economic crisis can trigger structural changes only if mass consciousness for change exists and, without that, no structural change is possible. Thus, he believed that through ideological struggles structural changes occur (Carnoy, 1984: 79). However, in North Korea, there was no soil for alternative ideas. According to Kim Il-sung's ‘May 25 Instructions’ in 1967, all North Koreans were forced to burn their books written by foreigners or donate them to libraries. After that, even books written by Marx or Lenin were hardly accessible to ordinary North Koreans and, before long, even Marx's materialistic dialectic disappeared from North Korean society (Hwang Jang-yop. 2010: 174-186). The only idea left was Kim Il-sung's. The North Korea system, which was based upon the Party's monolithic ideology, the Juche Ideology of Kim Il-sung. Additionally, there were no political rivals to Kim Jong-il to compete for the correct implementation of the Juche Ideology as he monopolised the right to interpret his father's ideas and eradicated even potential challengers. There was no room for ideological or political alternatives to emerge. There was only space for an economic alternative. It was

the farmers' markets.

At the farmers' markets, which existed from 1958, the state allowed farmers to sell surplus farm products as an incentive to work harder. North Korea considered the market to be a necessary evil for social stability and also as complementing the state distribution network. In the middle of acute food shortages and the consequent easing of restrictions on freedom of travel, they were substantially expanded in number and scale. Most towns in North Korea had a farmers' market which sold daily necessities and industrial products as well as farm products (Yang Moon Soo, 2011: 240). Besides, inside and outside the market, a black market was created where almost all goods in the farmers' market were traded (Lee Mu-cheol, 2008: 105).⁹³ Spontaneous marketisation from below spread far and wide.

Prices in private markets were not dictated by the state, but determined by the laws of supply and demand. People deliberately sold goods in markets as they could sell at a much higher price than they sold to the state. There was a wide gap between statutory prices and market prices. For example, in 1998, the state regulated price of rice was only 0.08 won per kilogram while the average price in the farmers' market was 77 won. Almost every item showed a big gap between them, as Table 10 shows.

Table 10. Difference between state-regulated prices and farmers' markets prices in 1998 (North Korean won)

Item	Unit	State-regulated Prices	Prices in Farmers' Mkt
Rice	1 kg	0.08	77

⁹³ There are four types of goods in supply in farmers' and black markets: 1. Private property such as clothing, tableware, and furniture. 2. Farm products and livestock farming products. 3. Industrial products produced or stolen. 4. Foreign products imported, smuggled, or donated by foreign countries or international organisations. See Yang Moon-Soo (2011: 240).

Flour	1 kg	0.06	61
Pork	1 kg	9	181
Egg	1 each	0.22	16
Apple	1 each	0.1	23
Salt	1 kg	0.13	36
Beer	1 bottle	0.5	78
TV	1 set	350	6,000~12,000

Source: Yang Moon Soo (2004: 251).

At the outset, North Koreans in their spare time sold their personal property or stolen goods from their workplaces to survive and support their families. As time went by, some who had retired or housewives fully engaged in peddling. Some workmen skipped work and conducted business in markets. In order to do that, they received fake medical documents from doctors in exchange for bribes or obtained permission from their bosses in return for money or contributions in kind (Jeong Wu-gon, 2004: 99, 104-105; Yang Moon Soo, 2004: 181). Soon, amongst those people, professional brokers appeared who purchased goods made in China in a border town or in a big city and sold them in a local market with large margins (Kim Chang-hui, 2004: 180-181).

Marketisation made significant progress in the late 1990s as markets spread to every corner of the country (Yang Moon Soo, 2011: 181). The number of young and middle-aged men who took part in trade activities increased rapidly; as a result, on the whole, about 70 to 80 per cent of women and about 40 per cent of men engaged in market-related activities (Chung Chung-gil and Jeon Chang-gon, 2000: 101). Not all of them worked as sellers. For example, some engaged in semi-legal or private farming, and some were employed in private businesses as hired workers (Lankov et al., 2013: 68). In everyday life, importance of the market was overwhelming as ordinary people obtained

about 60 per cent of their grain and about 70 per cent of daily necessities from markets (Jeong Gwang-min, 2005: 8).

Meanwhile, market-related activities contributed to the spread of information about the outside world to one of the most closed countries in the world (Lee Woo Young, 2004: 357-359). In the past, the regime's tight grip on the media did not permit ordinary people to receive any foreign news unfiltered. However, eased restrictions on freedom of travel and the vitalization of the market allowed North Korean merchants who traded with Chinese counterparts or Korean-Chinese who frequently crossed the border to introduce outside information (Hamm In-hee, 2004: 286-287). In particular, radios, mobile phones, CDs and DVDs of South Korean films and dramas smuggled from China had serious repercussions. Some North Koreans adjusted their radios to pick up foreign broadcasts (Gaouette, 10 May 2012). Many North Koreans contacted their Korean-Chinese relatives or defectors living in China with mobile phones (Kyunghyang Shinmun, 24 January 2005). South Korean films and dramas became so widespread across the country that the authorities launched frequent crackdowns on people to stop the inflow of information through these media because they were considered to be detrimental to regime security, given that they showed the South's prosperity and much higher quality of life (Daily NK, 2 November 2007).

As the number of North Koreans who engaged in trade increased, more and more people stayed away from work and home. This not only meant that the Party found it difficult to manage enterprises, but it also weakened the Party's everyday control over the people. All workers had to participate in *Saenghwal Chonghwa* regularly—at least once a week. In the meetings, people studied writings of Kim Il-sung and Kim Jong-il and took part in self-criticism and mutual criticism sessions to evaluate if they had been living up

to the Ten Principles for the Establishment of the Party's Monolithic Ideological System (Kim Byoung-Lo, 2004: 155-156). As the number of people who went to work dropped sharply, the attendance rate for the review meeting plunged. Besides, most North Korean men and women above 14 years old affiliated themselves with extra-governmental organisations which connected the people with the Party and served as primary institutions of social control and socialization. The number of individuals who participated in the activities of extra-governmental bodies also shrank from the mid 1990s.⁹⁴ People's poor participation in those Party activities severely debilitated the Party's power and authority in North Korea as those were the key vehicles of the Party to control society.

The weakening of the Party was detrimental to the dictatorship of the Kim family because it, most of all, signified the waning influence of the Juche Ideology in society. The consent mechanism of inculcating the Juche Ideology into people's minds through the Party activities no more worked as before. Consequently, the legitimacy of the North Korean system was seriously undermined. The economic crisis was about to develop into a political crisis via the marketisation of society.

In February 1999, North Korea attempted to close down all the farmers' markets in the country and ordered people to return to work (Lee Mu-cheol, 2008: 107). The economy showed a marked improvement in late 1998 (Chung Young Chul, 2004: 294).⁹⁵ The North Korean state made use of this opportunity in order to 'reabsorb the control that was slipping from its grasp' (Gramsci, 1988: 218). However, the attempt ended up in

⁹⁴ The numbers who participated in the Review Meeting and activities of extra-governmental bodies were nearly halved from the mid 1990s (Kim Keun-sik, 2004b: 178).

⁹⁵ Other than active trade in the market, a sharp increase of humanitarian aid from 1997 and large-scale inflow of capital for the Mt. Kumgang Project from 1998 contributed a lot to this economic recovery (Lee Young Hoon, 2005: 188-192).

failure, and the order soon became nominal. Marketisation turned out to be hard to control by the state.

The response of society to survive the economic crisis brought negative consequences to the state by spreading uncensored information about the outside world and, most of all, sapping the traditional system of its everyday control over the people. Prevalent private transactions—which were for many North Koreans to survive and for some to gain profits—eroded the dependency of society on the state and loosened the tight grip of the Party on people. Nevertheless, the socialist state which could not distribute food had to tolerate them.

Generally speaking, a dictatorship has an advantage over a democracy in coping with an economic crisis because it monopolises the definition of material reality. Material facts are not independent of the discursive frames that accord them meaning and significance (Sim Soek-Fang, 2006: 153-154). Any discussion about the cause of the economic crisis can only occur within the discursive limits set by the regime. The North Korean regime attempted to avoid responsibility by imputing the economic crisis to the fall of the Soviet Union, a series of natural disasters, the United States' threat to the North, to name a few. However, the disruption of information monopoly due to the influx of outside information and the weakening of social control by the state led Pyongyang to find practical measures—on top of the discursive remedies—such as *Silli* socialism and *Seongun* politics which will be detailed in the next section.

5.3. Pyongyang's Countermeasures

In October 1997, about three years after the death of Kim Il-sung, Kim Jong-il became

the General Secretary of the KWP and, from September 1998, Kim Jong-il's era officially began with the revision of the Constitution. The new Constitution brought the Cabinet and the military to the forefront, instead of the Party. The Party congress, the most important political event in the socialist country, existed formally in the Kim Il-sung era as a rubber-stamping entity but it was not held at all in his son's era. The Central Committee of the Party, the chief policy-making body of the Party, was not convened from December 1993 until September 2010.⁹⁶ The Party's Central People's Committee (CPC), as an institutional link between the government and the Party, had made all important decisions on the economy, national defense, justice and security, and foreign affairs, etc. However, the once top executive body of North Korea was abolished in the revised Constitution (Kim Kap-sik, 2007: 10-11).

The Cabinet became the head of the government and now had full responsibility and power to run the economy. It consisted of the Premier, Vice Premiers, and Ministers of the government and exercised control over all executive ministries. From the late 1980s, North Korea ascribed the economic depression to prioritizing politics over the economy and, thus, reduced direct intervention of the Party in the economy by degrees. From 1993, the state installed the State Administrative Council (SAC) under the supervision of the CPC and let it manage the economy in general with least intervention from the Party. Then, the Constitution of 1998 abolished the CPC and replaced the SAC with the re-created Cabinet (Kim Kap-sik, 2007: 12).⁹⁷ That is, from 1998, the Cabinet had the right

⁹⁶ The 2010 September Plenum of the Central Committee of the Party was held to appoint Kim Jong-un vice chairman of the Central Military Commission to begin the process of succession as the next supreme leader of North Korea, following his father Kim Jong-il (Jeon Hyeon-jun, 2010: 1-2).

⁹⁷ With the establishment of the Democratic People's Republic of Korea in 1948, the Cabinet was set up and was institutionally independent from the Party. The 1972 Constitution abolished the Cabinet and instead set up the SAC which was supervised by the Party (Yunhap News, 1999: 39).

to supervise and manage the national economy without direct intervention from the Party (Lee Yeong-hwa, 1999: 11). For instance, the Local People's Committee, responsible for local economies, was now controlled by the Cabinet and became independent of the local party.⁹⁸

The military grew into the main force in preserving the North Korean system. The 1992 Constitution made the National Defense Commission (NDC) an independent body and its chairman the supreme commander of the armed forces. In April 1993, Kim Il-sung transferred the chairmanship to his son. The new Constitution in 1998 stipulated the NDC as 'the highest guiding organ of the military and the managing organ of military matters,' which was followed by Kim Young Nam's endorsement of the post of the Chairman of the NDC as the highest position in North Korea in charge of all national policies of politics, economy, military, etc. (Ryoo Kihl-Jae, 2004: 185; Kim Chang-hui, 2004: 154-155).⁹⁹ These allowed Kim Jong-il to rule North Korea not as President but as Chairman of the NDC.¹⁰⁰

The Cabinet and the military became key institutions to implement *Silli* socialism and *Seongun* politics which were initiated to cope with nationwide social turmoil and international threats against the regime. Kim Jong-il considered the Party to be responsible for the economic crisis and inefficient to surmount the hardship. Instead, he empowered the Cabinet and the military to prevent the economic crisis from developing into a political crisis that could topple his regime. He strove to manage the crisis, on the

⁹⁸ In addition, the prime minister of the Cabinet now represented the government as head of the government. See Choi Jinwook (1999: 7).

⁹⁹ Kim Young Nam was Chairman of the Presidium of the Supreme People's Assembly and, according to the 1998 Constitution, he was the de facto head of state of North Korea (Choi Jinwook, 1999: 6).

¹⁰⁰ To commemorate his father, Kim Jong-il let the post of President remain vacant and proclaimed his father as Eternal President (Oh Il-hwan, 1999: 131).

one hand, by accommodating grassroots change through the Cabinet and, on the other hand, by strengthening the coercive measures of the military. *Silli* socialism and *Seongun* politics were embodied forms of these attempts.

5.3.1. *Silli* socialism

Gradually, in the midst of the economic crisis, North Korea began to emphasise productivity strongly in managing the economy. One of the explicit changes began in the agricultural sector with the reform of the sub-work team management system in 1996. Under the new system, the size of a work team unit was reduced from 10-25 to 7-8 members, and the system allowed the members of a team to keep or sell any surplus products over the production quotas at their discretion. This was designed to enhance agricultural productivity by providing stronger material incentives.¹⁰¹ However, these measures failed because, most of all, a substantial number of products and factors of production drifted away from the public sector to the private sector and, accordingly, the state could not manage the economy properly. North Korea was in need of a major shift in economic policy.

Silli, which means ‘utility’ or ‘practicality’, was first proclaimed in an editorial of Rodong Shinmun in September 1997 (Rodong Shunmun, 17 September 1997).¹⁰² The new idea was concretized the next year when the Cabinet was authorised to supervise and manage the economy independently from the Party. The Cabinet in 1998 initiated a

¹⁰¹ The sub-work team management system was established in 1965 by an instruction of Kim Il-sung while he visited Pochon Cooperative Farm (Yang Moon-Soo, 1999: 255).

¹⁰² Rodong Shunmun is the official newspaper of the Central Committee of the ruling Korean Workers' Party.

reform in which it reduced the power of the party secretary, the president of the Factory Management Committee, and gave more power to the manager in order to enhance economic effectiveness in operating a factory (Lee Mu-cheol, 2007: 327-328). The successful outcome of the measure on the basis of *Silli*, coupled with Kim Jong-il's astonishment at the prosperity of Shanghai when he visited in January 2001, led him to proclaim *Silli* as an official economic policy guideline.¹⁰³ In October 2001, he gave formal instructions to 'seek the maximum utility and innovate economic management methods while sticking to the socialist principles'. Afterwards, the North Korea authorities defined *Silli* socialism as 'seeking the maximum utility while sticking to the socialist principles' and insisted that the priority target in economic activities should be to follow *Silli* socialism (Education Center for Unification, 2004: 180). North Korea then materialised *Silli* socialism as it adopted the so-called July 1 Measures for economic management improvement and sought to take advantage of the market as an integral part of its new economic approach.

The July 1 Measures in 2002, first and foremost, were to normalise the economic system by returning food, daily necessities, currency and labour—which had illegally spilled over to the private sector—to the public sector. To this aim, North Korea adjusted the statutory prices of food and daily necessities to make them closer to the prices of the private markets. This increased all the prices drastically. For example, previously, 1 kg of rice was purchased by the government at 0.8 won and sold to the people at 0.08 won at the rationing centres. With the July 1 Measures, it was purchased at 40 won and sold at 44 won at the rationing centres and markets. Furthermore, the wages of an average

¹⁰³ Kim Jong-il described the change as 'cataclysmic' (Education Center for Unification, 2004: 179).

manufacturing worker increased 18 times to 2000 won from 110 won, which could enable workers to make a living on their wages alone (Kim Yong-jo, 2006: 388). In addition, the authorities applied differential rates according to occupation, to provide bigger incentives for those who engaged in more intensive labour.¹⁰⁴ The table below illustrates significant changes to commodity prices and wages in the wake of the July 1 Measures.

Table 11. Changes in commodity prices and wages after the July 1 Measures (North Korean won)

Classification	Item/Type	Unit	Before	After	Increase Rate(times)
Commodity Prices	Rice	1 kg	0.08	44	550
	Corn	1 kg	0.07	33	471
	Pork	1 kg	7	170	24
	Soap	1	2	20	10
	Bus and Subway Fare	1 time	0.1	2	20
	Electric Charges	1 kWh	0.035	2.1	60
Wage	Ordinary Worker	monthly	110	2,000	18
	Heavy Worker (miner, etc.)	monthly	240~300	6,000	20~25

Source: Yang Moon Soo (2004: 258).

In addition, the July 1 Measures aimed to expand the autonomy of an enterprise in order to enhance productivity. For this, North Korea granted the general right to operate an enterprise to the manager and strengthened the Independent Accounting System (IAS) in the direction of guaranteeing the autonomous disposal of surplus revenue. The latter was

¹⁰⁴ The July 1 Measures, however, fell short of expectations because the state could not pay wages regularly due to its budget deficit, and skyrocketed demands and lack of goods provoked serious inflation (Yang Moon-Soo, 2004: 264).

intended both to increase the material incentives of workers and to relieve the financial burden on the state, as profits could be distributed amongst workers and the enterprise should meet all the relevant expenses for itself (Im Hyun-jin and Chung Young Chul, 2004: 152-153). The IAS existed nominally in North Korea from the late 1940s as one of the fundamental management techniques of the socialist enterprise (Im Su-ho, 2008: 52-53). The July 1 Measures enforced it practically and fully, which also empowered the manager who was responsible for the implementation of the IAS.

North Korea insisted the July 1 Measures were intended to strengthen *Urisik-sahoejuui* [Socialism of Our Own Style], but it could be seen to have introduced market mechanisms into North Korea officially for the first time. Formerly, in deciding the price of goods, the North followed the demand-based pricing system but, with the policy, it followed the balance between supply and demand in the market. Raising wages and adjusting prices of rice and daily necessities to a realistic level can be interpreted as accepting the supply and demand system of the market (Im Hyun-jin and Chung Young Chul, 2004: 152-153). Furthermore, the new policy permitted an enterprise to manufacture, distribute, and sell goods if materials were self-procured without any support from the state (Yang Moon Soo, 1999: 259-261). To facilitate this, North Korea set up a market for the exchange of materials between enterprises and allowed a certain percentage of products to be traded freely amongst them (Im Hyun-jin and Chung Young Chul, 2004: 153).

These changes, however, were implemented for economic rehabilitation to maintain the regime, not to promote the welfare of the people. The hegemonic group strove to create a new system of control to reassert authority over the economy through giving greater weight to market rationality. The active utilization of material incentives

and the market was designed to normalise and protect the socialist economy which had been on the brink of destruction: it was a ‘reform within the socialist system’, not a ‘reform of the system’ (Chung Young Chul, 2004: 303, Emphasis in original). For example, North Korea did not change its unique production process, in which all major decisions were made through collective discussions within the party committee which was directly controlled by the Party, not the Cabinet. It gave more power to the manager, but not absolute power (Lee Mu-cheol, 2007: 327-328).

Nevertheless, *Silli* socialism was a major policy change in terms of managing the economy. In a broad sense, this policy can be interpreted as an extension of reform measures that had been conducted by Pyongyang before as it was to normalise the planned economic system by enhancing efficiency. And yet, it was noteworthy in that it was for the first time a change to acknowledge and utilize the market mechanism as aforementioned. The state’s approval for the market mechanism began with its new wording of *Silli* around 1997, and the July 1 Measures was a reform to make use of the mechanism. The crisis was so severe that Pyongyang made the unprecedented decision of taking advantage of market power.

Silli socialism turned out to be effective by sanctioning the change in which North Korea’s economics was increasingly ‘governed by the laws of supply and demand’ (Smith, 2009: 245). Table 12 indicates that the North Korean economy started to recover from 1998, although the recovery was not significant enough to bring most people back to their workplaces. The market mechanism, though in a limited sense, contributed to political stability by helping North Korean people to survive with reliance on the market in the situation that the state no longer provided the public distribution system properly. The economic rebound, however, was not solely due to active business activities of North

Koreans in the market but also to commercial and non-commercial transactions with foreign countries (Lee Young Hoon, 2005: 188-192). Nonetheless, the idea of *Silli* was critical here as well by allowing North Korea to take a positive and more open-minded stance toward the market and the outside world and, thus, enabling aid from and trade with foreign countries to play a more significant role in relieving people from starvation. For example, until the early 1990s, it was unimaginable to see products made in capitalist countries—most of them were smuggled or illegally appropriated from aid—displayed in the North Korean markets (Yang Moon Soo, 2011: 240).

Table 12. Changes in the economic growth rate in North Korea (%)

Year	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Rate	-3.5	-6.0	-4.2	-2.1	-4.1	-3.6	-6.3	-1.1	6.2	1.3	3.7	1.2	1.8

Source: Chung Young Chul (2004: 294).

5.3.2. *Seongun* politics

The term *Seongun* was first proposed by Kim Jong-il on 1 January 1995, but it was not an official policy of North Korea until 1998 in which Kim Jong-il was formally authorised to rule the country as Chairman of the NDC (Jeon Miyeong, 2009: 182-185). North Korea defines the military-first politics as the politics that ‘gives priority to the military affair and relies on the military as the pillar promoting revolution and socialist construction’ (Kim Jae-ho, 2000: 26). It was devised not only to defend the security of the regime from domestic and foreign threats by strengthening the coercive apparatus of the state, but also to conduct the restoration of the economy in a ‘revolutionary manner’ with the military

as a main agent.

The military emerged as the only viable option to bring about social order in the mid 1990s. As the Party lost control of the everyday activities of the public, Kim Jong-il criticised it for not playing a proper role and urged it to emulate the military in engaging itself in political activities (Kim Jong-il, 2000: 255). Instead of the Party, he sought to make use of the military's strong discipline and organizing ability in preventing any popular uprising and other forms of opposition from below. This led the new Constitution to emphasise the role of the military and Kim Jong-il to rule the country as Chairman of the NDC (Smith, 2005a: 177). Here, the official title of Kim Jong-il as Chairman of the NDC indicated that, between the Cabinet and the military, the latter had a more central role in overcoming the crisis.

In addition, the military-first politics was devised to protect the North Korean regime from possible threats by its own armed forces. Kim Jong-il perceived the collapse of the socialist regimes to have been attributable to the military's sympathy with regime change (Choi Sun-ok, 2001: 16). Kim Jong-il attempted to prevent it by locating the military at the forefront of his rule and offering preferential treatment to it. Instead of distributing resources—which included relief goods by foreign countries—impartially, he allowed the military to take the lion's share.¹⁰⁵ This did not mean that soldiers could receive enough food from the state. They also suffered harshly (Smith, 2005b: 154). However, compared with party officials, armed forces could get food more regularly (Jeong Wu-gon, 2004: 77-78).

The end of the Cold War prompted North Korea to deem it imperative to be

¹⁰⁵ Accordingly, foreign countries hesitated to provide aid for North Koreans as it could prop up the military which had posed serious security threats to themselves directly or indirectly. It was a dilemma that cannot be ignored. See Hwang Jang-yop (2001: 293).

militarily self-prepared to ward off threats, particularly, from the United States. The military-first politics was also an aggressive response to cope with threats from outside, and it was best embodied in Pyongyang's nuclear and missile development. Besides, the North knew from experience that the development of nuclear weapons and long-range missiles could be a lucrative business. As early as 1992 North Korea negotiated with Israel over receiving money as economic compensation in return for discontinuing to export missiles to Arab countries.¹⁰⁶ Amid the economic crisis, Pyongyang utilised nuclear and long-range missile technologies not only to maintain regime security but also to obtain economic benefits (Park John and Lee Dong Sun, 2008: 269-295). Concretely, at the end of 1997, the United States demanded a special inspection of Kumchangri, near North Korea's border with China, where the Defence Intelligence Agency indicated that there might be some facilities operating for nuclear purposes. In response, North Korea from the beginning demanded economic compensation from the United States and permitted the inspection in exchange for approximately 500,000 tons of food.¹⁰⁷ This displayed that one main, albeit not the primary, purpose of its nuclear development programme was to use it as a bargaining chip. The primary purpose of the North's nuclear and missile programmes may be the achievement of "a strategic breakout by altering the balance of power on the peninsula and in the region, enabling the Kim Jong Il regime to deal from a position of strategic deterrence" (Wright, 2001: 3-4 in Lee Chung Min, 2001:

¹⁰⁶ Israel was persuaded to stop the negotiation by the United States after North Korea withdrew from the NPT in March 1993 (Choi Yong-hwan, 2005: 103-104). North Korea allegedly sold missiles to Libya, Syria, etc. and cooperated with Pakistan and Iran on the development of missile technology from the early 1990s (Im Gang-taek, 2000: 109-111).

¹⁰⁷ The inspection was performed in May 1999 but failed to find any nuclear-related evidence (Choi Yong-hwan, 2005: 102-103). North Korea perceived the relations with the United States as the key to regime security and economic recovery. Therefore, it has called for two-party discussions with the United States, rather than the six-party talks with South Korea, China, Japan, Russia, and the United States. See Lee Jong-seok (2000: 358).

96).

The nuclear and missile programmes were also used as domestic propaganda tools. Kim Jong-il presented the concept of *Gangseongdaeguk* [Strong and Prosperous Country] as the national goal in his era, and put forward the military as a critical means to realizing the ambitious goal (Rodong Shinmun, 22 August 1998).¹⁰⁸ For instance, North Korea launched a long-range Daepodong missile on 4 September 1998, one day ahead of the 10th Supreme People's Assembly that officially launched the Kim Jong-il regime. The North insisted that the test was a military symbol of building a strong and prosperous nation, and recordings of the tests were broadcast nationwide with exaggerated commendation (Park Hyun-hee, 2005: 264-265). Thus, North Korea's nuclear and missile programmes served multiple purposes and, for that reason, it would not discard the programmes until the regime is relieved of security concerns at home and abroad, which is close to impossible.¹⁰⁹

Under the slogan of *Seongun*, Kim Jong-il expanded the role of the military to make soldiers actively participate in economic recovery as many civilians were absent from their workplaces to engage in trade. The military was regarded as the most workable option in the situation as Kim Jong-il referred to it as an 'all-purpose sword' (Choi Jinwook, 2005: 89). Soldiers took part in various economic activities: they were sent out as labourers to construction sites, state farms, etc. and as guards in major factories,

¹⁰⁸ The concept includes three elements of political and ideological power, military power, and economic power. According to Prime Minister Hong Songnam, North Korea's political, ideological, and military power have secured its status as a 'strong and prosperous nation', which will be contributive to building up an 'economically strong nation' (Chung Young Chul, 2004: 293).

¹⁰⁹ Lee argues that the assumption that North Korea will give up its nuclear weapons if the United States provides a security guarantee is a myth because Pyongyang's insecurity stems not only from external threats but also from the idiosyncrasies of its system (Lee Chung Min, 2007: 15-22).

collective farms, and so on (Kim Chang-hui, 2004: 166).¹¹⁰ Thus, during the economic crisis, the military was not a burden but a pivotal actor in rehabilitating the national economy (Vorontsov, 26 May 2006).

Furthermore, the military was at the front line when it came to earning foreign currency. In the mid 1990s, the budget crisis of the state led Kim Jong-il to allow the military to raise its own working funds. In response, the government soon transferred operating rights of a handful of collective farms, railways, factories, and enterprises to the military (Park Hyeong-jung, 2011: 224). However, the military was not satisfied with them so acted swiftly by setting up trading companies and opening branch offices throughout the country, as earning foreign currency was regarded as the most profitable business.¹¹¹ The military was abundant in youth labour forces and means of transport and it took full advantage of them to gain hard currency. Before long, this lucrative business was dominated by top-ranking generals and their families. The armed forces' active participation in commercial activities could be harmful in normalising and managing the economy in general. However, Pyongyang deemed it unavoidable as there was no alternative way to solve the financial problems of all the military units and organs (Park Hyeong-jung, 2010: 271-278).

Seongun politics brought about many changes in the power structure to the advantage of the military, and yet Kim Jong-il did not throw up the reins. He made it clear

¹¹⁰ For example, a lot of construction projects were completed by soldiers such as Anbyeon Youth Power Plant and many pharmacy and porcelain product lines. Also numerous chicken, ostrich, and catfish farms were made by soldiers (Jeon Miyeong, 2009: 196).

¹¹¹ For the same reason the State Security Department, above all other agencies, also engaged in trade and earned a lot of money. The State Security Department is the secret police of North Korea reporting directly to Kim Jong-il. It is an autonomous agency and responsible for enforcing the monolithic ideological system to strengthen dictatorship. It also has border-policing functions. For more information about the State Security Department, see North Korea Leadership Watch.

that the military was still subordinate to and under the control of the Party. North Korea made sure that the military was guided by the Party, and the military-first politics was implemented on the condition that the armed forces must be faithful to the guidelines of the Party in order not to preserve the authority of the Party per se within the military, but to make the military be controlled closely by Kim Jong-il through the Party (Goh Sang-jin, 1999: 18). The party organs operated regularly in the military, unlike in the civilian sector. In particular, the General Political Bureau of the Korean People's Army (KPA), the supreme organ of the Party within the military, controlled the Army with its countless political commissars which existed in every military unit down to the company level (Kim Kap-sik, 2007: 18-19). Furthermore, Kim Jong-il intensified control of the military during the period of the military-first politics. He personally checked the Army on a daily basis via three individual party organs: the Guidance Department of the Central Committee of the Party, the Military Committee of the Party, and the General Political Bureau of the KPA (Kim Yeong-su, 2004: 325). The military could not stage a coup, not only because of the preferential treatment it received, but also because of the highly-intensive control through the party organs. The military-first politics did not mean that the military replaced the Party. It was a provisional solution to prevent the collapse of North Korea's system amid the dwindling power of the Party.¹¹²

5.4. Conclusion: Changes in the Historical Bloc

¹¹² By the same token, North Korea did not replace the Juche ideology with the ideas of the military-first politics. The North emphasized that the military-first politics was deeply rooted in the Juche ideology and that it was a method to materialize demands of the ideology in new circumstances (Jeon Yeong-ho, 2006: 29-30).

The existing historical bloc of North Korea underwent many changes, as described above. In this conclusion, I will recapitulate the changes to each component of the historical bloc one by one, as I did in the previous chapter. To begin with, the economic structure had one major change: the introduction of the market mechanism. Pyongyang implemented a series of reform measures under the banner of *Silli* socialism, which included the introduction of the market mechanism. As the state no longer operated the public distribution system properly, it had to overlook the expansion of the market and eventually accepted the market mechanism, albeit in a limited sense. The reform, however, remained a reform within the existing system, which manifested itself in the continuation of autarkist Soviet Fordism; even though the reform gave more power to the manager, it was still the party secretary that made key decisions in production management.

The North Korean state was still the Stalinist state. Owing to the disastrous economic crisis and the ensuing weakening of the Party, the role of the supreme leader vis-à-vis the Party was strengthened. Then, were characteristics of the Stalinist state deepened? No, they were not. One of the central premises of the Stalinist state is the communist party's tight grip on society. In that context, as the degree of social control diminished, the North witnessed the weakening of the Stalinist state. As a countermeasure, instead of the Party, the hegemonic group strove to regain control over society mainly with the help of the military under the flag of *Seongun* politics. Civil society was still controlled by the state but the degree of control was also decreased because of the economic crisis. For example, the state's clout over society using extra-governmental organisations dwindled as less and less people participated in the political activities of the organizations.

The Juche Ideology remained the only ideology of North Korea. In the course of

overcoming the economic crisis, Pyongyang proposed *Urisik-sahoejuui*, *Silli*, *Seongun*, *Gangseongdaeguk*, and so on. These were all complements to, not replacements of, the Juche Ideology. However, the legitimacy of the Juche Ideology was severely undermined because the North Korean system failed to provide economic rewards for people's loyalty to the Kim family. Above all, the mechanism that injected the ideology into people's minds was significantly impaired as, above all, the number of people who participated in the Party activities such as the Review Meeting on Everyday Life and activities of extra-governmental organisations dropped significantly.

Even though the severity of the economic crisis of North Korea was much higher than that of South Korea, the existing hegemonic group maintained both hegemony and political power. With regard to the constituents of the hegemonic group, military generals and high-ranking government officials could wield more power than before vis-à-vis high-ranking party officials, even though the military and the Cabinet were still controlled by the Party. However, the weakened power of the Party was not tolerable on a long-term basis because the Party's everyday control over society was vital for the maintenance of hegemony.

The (once successfully established and maintained) consent mechanism in which North Korean people were deeply inculcated with the Juche Ideology into believing that only Kim Il-sung and his successor were legitimate leaders in the North was debilitated with the weakening of the Party. Even though Pyongyang relied mainly on the coercion of the military to prop up the existing system and succeeded in it in the short term, coercion alone cannot sustain the system. Only when North Korean people accept the legitimacy of the absolute rule of the Kim dynasty can the current hegemonic rule be preserved. For that reason, the normalisation of the economy was crucial because that

would enable ordinary people to actively participate in the Party activities and normalise the consent mechanism in the end.

North Korea had taken a series of noticeable reform measures to enhance economic efficiency on its own; nevertheless, they failed to produce satisfactory results sufficient to bring most people back to their workplaces, as the reforms were limited for fear of out-of-control capitalization and liberalisation. The hegemonic group, accordingly, required support from outside in forms of aid, trade or compensation which were considered to be more manageable. This was one of the central reasons why North Korea began to have a strong interest in the reconciliation with South Korea, which will be specified in Chapter VII.

Part III. Inter-Korean Reconciliation as Hegemonic Projects

Chapter VI. Reconciliation with North Korea

Inter-Korean relations have been closely related to hegemonic struggles in South Korea, and the policy toward North Korea before 1998 was the corollary of the interaction between anti-Communism and the hegemonic group's interests. Anti-Communism provided members of the hegemonic group with the ideological unity and it was their *raison d'etre* in a divided Korea. And yet, the group could not disregard nationalistic aspirations for unification of the Korean people. Therefore, it had to tread the tricky path between anti-Communism and nationalism all the time, and yet before 1998 it slanted severely in favour of anti-Communism which was correlated to the Chaebol-friendly exportist Fordism.

The economic crisis in 1997 was an organic crisis that exportist Fordism in the early stages of neoliberalisation yielded. The organic crisis led liberal nationalists led by Kim Dae-jung to be the ruling political group from 1998. However, the existing hegemonic group, though weakened, maintained its hegemony. Because the ruling political group accommodated neoliberalism and acknowledged the role of the Chaebol in economic development, its chief difference from the hegemonic group was its stance toward North Korea. As inter-Korean reconciliation can damage the hegemonic group's ideological leadership of anti-Communism and garner public support by realizing the people's long-held nationalistic aspirations, the counter-hegemonic group pursued it as a means to obtain hegemony.

The following section begins with the accounts of Seoul's North Korean policy before 1998, which demonstrates that the policy contributed to the hegemonic group's maintaining hegemony. Then, it identifies the ruling political group. This thesis argues that the group was made up of liberal nationalists. Explanations of why liberal nationalists became the most powerful counter-hegemonic force will be provided here. The next section will show the process of the inter-Korean reconciliation from 1998 to 2002 as a hegemonic project initiated by the new ruling political group. Then, consequences of the reconciliation on domestic hegemonic struggles will be presented. This chapter ends with a summary.

6.1. North Korean Policy before 1998

After independence, a number of social forces tried to achieve unification through inter-Korean talks but all their schemes went awry. For example, in 1946, center-right Kim Kyu-shik and center-left Yuh Woon-hyung pushed ahead with the nationwide collaboration between leftists and rightists. It was initiated by the USAMGIK who sought to rally a national support embracing all ideological forces, but it was also a result of efforts by leftist and rightist nationalists who strove to unite all social forces to establish a single government on the Korean peninsula. In April 1948, nationalist Kim Gu with his companion Kim Kyu-shik went to North Korea to have unification talks with Kim Il-sung to prevent the permanent division of the peninsula. Their efforts failed because, by the time of the talks, each Korea had almost finished all the preparations to establish separate governments (Jeong Hae-gu, 1995: 273-275).

Rhee Syngman and anti-communists, in contrast, claimed that the communist

government in North Korea was illegitimate because, say, the electoral process by communists in the North was not sanctioned by the United Nations. According to them, the government in the North was a mere anti-government organisation and, therefore, there should be no inter-governmental talks on the Korean peninsula and the unauthorised communist regime should collapse. It was against this backdrop of ideological tension that Rhee Syngman claimed for unification by force. His plan was, first, to establish a separate government in the South and, second, to strengthen the capabilities of military and police forces and, third, to retake the northern region of Korea by force if communists in the North resisted (Shim Ji-yeon, 2005: 35).

While the Rhee administration externally showed open hostilities towards communists, it internally made use of the hostile relationship with the North for its own benefit. For example, in May 1949, the state arrested thirteen members of the National Assembly, including Deputy Speaker Kim Yak-su. They had proposed the Seven Principles for Peaceful Unification, such as the withdrawal of foreign forces and inter-Korean talks for peaceful unification. They were subjected to trial and punishment on the charge of espionage because their proposals were similar to those of North Korea and they allegedly contacted communists (Choi Jang-jip, 2005: 68). However, in fact, they had to be jailed in a rush because they were core members of the Special Committee for Prosecution of Anti-National Offenders which had been organised to investigate behaviour by pro-Japanese collaborators during the colonial period (Kim Jin-guk, 2000: 66-70; Choi Yong-beom, 2008: 431-433). As vigorous activities of the committee would seriously undermine the political base of the ruling group, i.e., rightists, most of whom had been pro-Japanese collaborators before independence and were anti-communists after independence, the committee needed to be dissolved, and the arrest was carefully

designed for that purpose. The so-called *Gukhoe-ppeurakjji-sageon* [National Assembly Spy Incident] played a critical role in anti-Communists' attaining hegemony in the South as their unclean pasts during the colonial period were erased or ignored with the dissolution of the committee primarily due to the incident.

The Korean War jeopardized the safety of the regime but yet provided a great opportunity to Rhee Syngman and his Liberal Party. They forged a political system that guaranteed Rhee's long hold on power through constitutional amendments in 1952 and 1954 after the arrests of opposition politicians who were framed as communists. Those undemocratic behaviours were justified as measures to protect the South from the threat of communism (Suh Jung-seok, 2007: 60-61; Jeong Hae-gu, 1995: 278-279). The horrible experience of war against communist North Korea made anti-Communism spread widely and rapidly in society and, consequently, the ruling political group's ideologically driven leadership helped its establishing dictatorship in the South.

Rhee Syngman openly used anti-communism in the name of security and cracked down on any figures who claimed peaceful unification or even inter-Korean talks (Korea Human Rights Foundation, 2006: 59). One example was the execution of Cho Bong-am on the charges of high treason and conspiring with the North. He was the runner-up of the 1956 presidential election in which he won about 30 per cent of the total votes in the election even though it was severely rigged.¹¹³ Cho established the Progressive Party on a platform of peaceful unification but this became the ground upon which the ruling political group accused him of being a communist sympathizer as his plan was to achieve

¹¹³ Officially, the number of votes Rhee Syngman received in the Kangwon Province was more than 90 per cent of the total votes. However, according to the testimony of Choi In-kyu after the April 19 Revolution, Cho Bong-am actually received more than 70 per cent in the province (Suh Jung-seok, 1999: 147-148).

unification by peaceful means, different from the official unification method by Rhee. He was also accused of receiving funds and directed by North Korea when he founded the party and ran the election campaign in 1956. These accusations were proven fabricated by Rhee to eliminate his biggest political rival at that time (Hankyoreh, 21 January 2011; Andrei, 9 January 2011).

The collapse of the first republic by the April 19 Revolution gave rise to the explosion of unification movements in society. The mounting demand for unification led progressive parties, such as the Socialist Party and the Socialist Public Party, and progressive civic organizations, to form the Central Council for Autonomous National Unification for peaceful unification based upon the principles of autonomy, peace, and democracy (Son Ho-cheol, 1999: 356). Many student activist groups also conducted unification movements. They formed the Union of National Unification on 18 November 1960, suggested an inter-Korean student conference, and went ahead with the plan for South-North student exchanges (Yu Jae-il, 1995: 448-449).

The North Korean policy of the Rhee administration was welcomed and supported by the fledgling hegemonic group members. The ruling political group created and nurtured the Chaebol, say, by transferring state properties once owned by the Japanese for next to nothing, provided various preferences such as giving import licenses to selected people, and stifled voices for labour rights. In return, it received political funds and bribes which were used to reinforce the police and the military, key means to support the undemocratic regime. Ruling politicians and Chaebols attained and enlarged their profits by strongly advocating anti-Communism and severely suppressing socialists, nationalists, and labour activists, which were in line with hostile policy toward communist North Korea. Besides, hostile North Korean policy was also used to attract more

American aid, the sole reliance to materially sustain the anti-communist structure, by showing that the South Korean state was successfully performing its role as a bulwark against Communism in East Asia.

Unlike Park Chung-hee who utilized inter-Korean relations in a multidimensional way, Rhee Syngman exclusively suppressed nationalistic aspirations for peaceful unification. This caused the gushing of enthusiasm for unification in society after the collapse of his regime. The voices for peaceful unification demanded cooperation with communists in the North and consequently made the Second Republic unstable and even chaotic, which led people at home and abroad to be anxious for national security of the South. This gave a good excuse for the military coup d'état by Park in 1961. Also, the instant approval of the United States for Park's regime would not have been obtained without Washington's concern in 1960-1961 over the security of South Korea and over the possibility of its being communized by North Korea.

The rise of Park Chung-hee was a counteraction to the unification movements and the precarious position of anti-Communism in society by the hegemonic group. Park seized power under the pretext of protecting South Korea from the threat of communist North Korea and implemented a series of measures that strengthened the anti-communist structure in the South, such as the enactment of the NSL in June 1960 and the establishment of the KCIA in June 1961 (Suh Jung-seok, 2007: 91-97). These were soon utilised as main instruments to suppress voices calling for democracy as well as to crack down on unification movements from below.

At this juncture, armed provocations by the North were of great help to Park's establishing dictatorship. North Korea, for instance, sent 31 guerillas in January 1968 to assassinate Park and infiltrated 121 guerillas into Kangwon Province from October to

November in 1968 to gain a foothold upon which to carry out anti-government activities in the South. The North's provocative actions provided a good pretext for Park to raise the level of statist mobilisation. For example, the South Korean government established the Homeland Reserve Forces for regional defense in April 1968 and required male high school and university students to receive military training and female high school students to learn emergency nursing skills from March 1969. Escalating security threats from North Korea formed a social consensus that could accept the abuse of political power for the safety of the people, which eventually made possible the constitutional amendment that allowed the incumbent president to run for a third term in September 1969 (Lee Jong-Seok, 1995b: 149-159).¹¹⁴

It was the Nixon Doctrine of the United States in July 1969 that made President Park change his North Korean policy. The doctrine stated that a nation assumes 'the primary responsibility of providing the manpower for its defense'.¹¹⁵ Park Chung-hee deemed it critical to improve relations with North Korea because he interpreted the doctrine as a signal that Washington would reduce U.S. forces in South Korea in the near future—in fact, about 20,000 American troops were withdrawn in March 1971 (Kim Se-kyun, 2006: 127).

On 15 August 1970 Park Chung-hee announced the plan of peaceful unification that urged competition in good faith between South and North Korea. This was the first time that the South Korean government ever acknowledged the North Korean government.

¹¹⁴ Security issues were not necessarily related to a gesture for inter-Korean reconciliation. For example, South Korea detected a big underground tunnel excavated by North Korea in October 1978, but proposed unconditional inter-Korean talks in January 1979 (Koh Byung Chul, 2005: 49). It was the period when the Park Chung-hee administration suffered harshly due to the economic downturn.

¹¹⁵ About the contents of the Nixon Doctrine, see Nixon Doctrine available at http://www.princeton.edu/~achaney/tmve/wiki100k/docs/Nixon_Doctrine.html (accessed 3 March 2013).

About a year later, he made it clear that Seoul would engage itself in inter-Korean talks (Jeon Sang-bong, 2007: 81). Soon the two Koreas agreed to hold the South-North Red Cross conference, which was realised from September 1971. Furthermore, after a series of secret contacts between envoys from Seoul and Pyongyang, both Koreas in 1972 announced the July 4th Joint Communiqué in which they agreed to the three unification principles of ‘autonomy, peace, and great national solidarity’ (Research Association for Korean History, 1992: 392-393).¹¹⁶ Only during this period did the South Korean government permit unification movements in society, albeit in a limited manner.

The positive stance on unification, however, turned out to be a politically motivated action. The ruling political group used the issue of unification as a means to strengthen dictatorship. When Park Chung-hee announced the *Yusin* system to be a president-for-life in October 1972, he justified his iron rule with the pretext of building a solid foundation for peaceful unification (Kim Jae-hong, 2012: 17). In fact, connecting the July 4th Joint Communiqué with the reinforcement of Park's dictatorship had already been heralded by Director of the KCIA Lee Hu-rak when he repeated the necessity of much stronger political system to push ahead with inter-Korean talks at the press conference right after the announcement of the communiqué (Koh Byung Chul, 2005: 46-47).

The US policy towards Asia in the early 1970 included the reduction of US Forces in South Korea and the easing of tensions on the Korean peninsula in line with détente with communist China. This collided with South Korea's hostilities towards

¹¹⁶ The communiqué was formulated in a hurry for domestic political gain and thus made many concessions to North Korea. For example, the principles of ‘autonomy’ and ‘great national solidarity’ have been frequently used by North Korea as a ground to claim for the withdrawal of U.S. troops from the South.

communist North Korea and its socio-political system based upon anti-Communism and, consequently, bred discord between Washington and Seoul. The South's responses were *Jajugukbang-ron* [the discourse of self-reliance of national defense] and the attempt to develop nuclear weapons. Park Chung-hee, in an address on 15 August 1971, said that the future of the Korean peninsula depended not upon the Great Powers or international situations but upon the South's independent efforts and autonomous resolution (Min Kyeong-wu, 2006: 45-46). Thus, Park emphasized *Juche* [independence] and *Jaju* [autonomy] to refuse the new world order led by the United States, which was analogous to Kim Il-sung's calling for *Juche* in the late 1950s when he sought political independence from the Soviet Union and China.

The détente in East Asia in the early 1970s was positive for peace on the Korean peninsula, but the ruling political group in Seoul reckoned it disadvantageous to its maintaining the Cold War structure in South Korea. Park Chung-hee chose three directions in response, as aforementioned: reconciliation with the North, independence from the United States, and strengthening dictatorship in the South. For those aims, he emphasized *minjok* [nation]. As the new international situation was not contributing to his rule, Park appealed to independence and autonomy of the Korean nation, drawing a line of demarcation between South Korea and the United States. However, as his usage of *minjok* was intended to reinforce his dictatorship, rather than to enhance the welfare of the Korean nation or to realise the unification of the two Koreas, his nationalism was 'anti-nationalistic' as Min Kyeong-wu (2006: 47) pointed. This was also analogous to Kim Il-sung and Kim Jong-il's usage of *minjok*, in which they used the term primarily to consolidate the dictatorship by the Kim family in the North.

There was a striking difference in the United States' Asian policy between the

1960s and the 1970s. However, the hegemonic group took advantage of both to strengthen its power by relying on anti-Communism. In line with the United States' political and military policies in the 1960s, South Korea normalised diplomatic relations with Japan and participated in the Vietnam War. These worsened inter-Korean relations, and North Korea responded with a more aggressive South Korean policy including the excessive military buildup which ultimately resulted in a number of armed provocations. And yet, these developments contributed to reinforcing the rightist groups' hegemony in the South. For example, the ruling party politicians, including ex-military politicians such as Park Chung-hee, strengthened political power on the pretext of the provocations of the North from the late 1960s, and the Chaebol rapidly grew bigger from the early 1960s as a main beneficiary of Tokyo's ODA loans and of Washington's support for South Korean private sector's overseas expansion. Contrastively, the 1970s was the era of *détente*. The ruling political group, however, used it to reinforce dictatorship, instead of earnestly endeavouring to realise peaceful unification by talks. As a measure to resist the US-led *détente*, Park emphasized independence and self-defense, and the resulting heavy chemical industry drive served as another momentum for the Chaebols' rapid growth. In the process, the fear of communisation was actively used to obtain consent from society to the statist mobilisation and the concentration of political and economic power in the hands of a few.

In January 1982, Chun Doo-whan announced the National Reconciliation and Democratic Unification Plan which elaborated the existing two-Korea policy. This rather abrupt announcement was designed to make up for his lack of legitimacy due to the Coup d'état of December Twelfth and the Gwangju Massacre. The unification plan was not accepted positively by nationalists in South Korea and the North Korean government as

it was basically to perpetuate the division (Jeong Hae-gu, 1995: 291).

It was in 1984 when Seoul decided to accept Pyongyang's offer to provide relief goods to those who suffered from severe flooding in the South that inter-Korean talks began. Before long, both Koreas witnessed economic talks in 1984, Red Cross talks in 1985, and so on. It was noteworthy that in the autumn of 1985 Director of KCIA Jang Se-dong of South Korea and Secretary for South Korean Affairs Heo Dam of North Korea met together several times to discuss having an inter-Korean summit (Min Kyeong-wu, 2006: 79-80). The summit was proposed by Chun to shore up the legitimacy of his rule. He had been afflicted with a lack of legitimacy all the way since the coup and the massacre and considered the summit would generate a reversal of the situation. However, the inter-Korean talks were discontinued in January 1986 as Pyongyang suspended all talks as it realized that the summit could be interpreted for North Korea to approve the Chun administration and its atrocities in Gwangju.¹¹⁷ After the ruling political group failed to utilise nationalistic aspirations in society by having an inter-Korean summit, it relied upon the fear of communisation again to quell discontent over its undemocratic rule. From October 1986, the South Korean government escalated the fear of communist attack by exaggerating and distorting the facts about North Korea's Mt. Kumgang Dam: it announced that the dam had been built to inundate Seoul before the 1988 Summer Olympics. This was intended to oppress pro-democracy movements that were spreading nationwide rapidly at that moment (Lee Jong-seok, 1995: 150).

The Roh Tae-woo administration took an active approach towards North Korea based upon changes in external and internal circumstances. Externally, it was the period

¹¹⁷ Pyongyang's official justification for the discontinuence was that the Team Spirit, the annual South Korea-U.S. military exercise, was inconsistent with dialogue for reconciliation (Jeong Hae-gu, 1995: 292).

of détente between the United States and the Soviet Union, which eventually brought about the end of the Cold War at the Malta summit in December 1989. The easing of tension with the communist giant led Washington to pass the Nunn-Warner amendment in July 1989 which demanded a three-stage U.S. troop reduction on the Korean peninsula from 1990 (Min Kyeong-wu, 2006: 141). Internally, the democratization in 1987 triggered the eruption of unification movements in society, such as university students' large-scale demonstrations to hold inter-Korean student talks on 15 August 1988. In the midst of these pressures at home and abroad, the ruling political group tried to take the initiative with the July 7th Declaration in 1988 that called for inter-Korean exchanges and cooperation. This was followed by its *Nordpolitik* that sought for diplomatic normalizations with communist countries and, in the end, the realisation of unification with North Korea. Also, the government announced the principle of a 'single-window' in negotiations with North Korea to stifle exuberant demands for reconciliation with the North from below (Kim Ji-hyung, 2012: 171-172).

Roh Tae-woo's North Korean policy was different from his predecessors', particularly during the first half of his presidency. An example was the Korean National Commonwealth Unification Plan in September 1989 that incorporated confederation based unification formula which officially approved the North Korean communist system for the first time (Kim Ji-hyung, 2012: 176).¹¹⁸ Apparently, the shift of North Korean policy to the direction of reconciliation was similar to that of the Park Chung-hee administration in the early 1970s that started inter-Korean talks to cope with the détente

¹¹⁸ As the confederation based unification formula had been claimed by opposition leader Kim Dae-jung, opposition parties also welcomed the unification plan, and it has been the official unification plan of the South Korean government since then. This indicated that a bipartisan agreement on the North Korean policy can survive transfer of political power.

and the subsequent reduction of U.S. forces from South Korea. However, while the achievements in inter-Korean relations in the Park Chung-hee era were blatantly used to strengthen autocracy, those in the Roh Tae-woo era, such as the Basic Agreement on Reconciliation, Nonaggression, Exchanges, and Cooperation in 1992, were not utilized to suppress the opposition forces, at least explicitly.

The inter-Korean talks ended at the end of 1992. Officially, it was the Team Spirit exercise again that was taken as an excuse by the North to discontinue the talks. However, the end of the South-North dialogue was also the result of the South Korean hegemonic group's resistance to the reconciliation with the North. During the 8th round of high-level inter-Korean talks in August 1992, Lee Dong-bok, special advisor of the Agency for National Security Planning (ANSP), a predecessor of the NIS, ignored and even fabricated presidential directives and consequently led the talks to end fruitlessly. President Roh ordered that the South Korean delegates should concede the issue of the repatriation of Lee In-mo, the unconverted long-term prisoner who had been in prison for 34 years in South Korea, for the issue of the reunion of family members separated after the Korean War. However, the actual directive conveyed to the delegates in Pyongyang said that no agreement should be made until North Korea agreed to the issue of the reunion of the family members (Sisa Journal, 10 June 1993; Kim Yeon-chul, 2009; Kim Ji-hyung, 2012: 184; Min Kyeong-wu, 2006: 111). Interestingly, Lee Dong-bok was not punished. The incident rather raised his status as an anti-communist to the backbone. There were many powerful figures who protected and helped him, so he could easily get away with what he did. He just left office in 1993 but became a member of the National Assembly in 1996 (Han Wan-sang, 31 July 2012).

There had been two groups in the state bureaucracy with regard to North Korean

policy: one was a pro-reconciliation (or nationalist) group and the other was an anti-reconciliation group. Changes in the international and domestic arenas led to the rise of pro-reconciliation bureaucrats—such as Kim Jong-hwi, presidential secretary for foreign affairs and national security, and Lim Dong-won, deputy secretary of the Board of National Unification—who were very active in the process of the inter-Korean reconciliation from the late 1980s. However, there were still more bureaucrats who were anti-communists and thus strongly opposed reconciliation with the North (Min Kyeong-wu, 2006: 110-111). They deemed that the reconciliation would conflict with their ideology and interests, so even ignored laws as was the case of the manipulation of presidential directives in 1992. As the North Korean nuclear issue broke, the anti-reconciliation group regained ascendancy and many members of the pro-reconciliation group had to resign from government service. Amongst them, Lim Dong-won later played a key role in reconciling with North Korea during the presidency of Kim Dae-jung. His case was similar to that of Lee Hun-jai who had been ousted for his anti-Chaebol stance but returned as head of the powerful FSC in 1998.

Kim Young-sam at the early stages of his presidency seemed to be interested in reconciling with North Korea by repatriating Lee In-mo to North Korea without any condition (Jeon Sang-bong, 2007: 94). However, his gesture of reconciliation was a one-off. In June 1994, former U.S. President Jimmy Carter visited North Korea and met Kim Il-sung to resolve the nuclear issue. Then, Kim Il-sung expressed the hope that he wanted to have a summit with President Kim Young-sam. Kim in the South instantly accepted the offer, and both Koreas agreed to have a summit on 25 July. However, the summit was not realized as Kim Il-sung died on 8 July. Afterwards, inter-Korean relations were worsened drastically as the South Korean government refused to express condolences on

his death, did not allow any South Korean figures to express them, and even imprisoned some of those who wanted to attend the funeral in Pyongyang. Also, on the day of his funeral, Seoul published a Russian document indicating that Kim Il-sung started the Korean War and argued that he was a war criminal (Koh Byung Chul, 2005: 60-61). Furthermore, in an address on 15 August 1994, Kim Young-sam said that liberal democracy had finally won the war against communism and unification (by absorption) might come suddenly. His remarks were vigorously echoed by conservative media outlets that predicted the imminent collapse of the North Korean regime (Min Kyeong-wu, 2006: 174-175).

On 7 October 1994, in the midst of negotiations between the United States and North Korea in Geneva, Kim Young-sam publicly criticised the Clinton administration that it assumed a compliant attitude towards the North without understanding the true nature of the communists—that is, North Korea was not an entity to be negotiated with (Min Kyeong-wu, 2006: 167-169). The ruling political group's hardline position against Pyongyang was a counteraction to the improving relations between the United States and North Korea, which could significantly undermine the domestic historical bloc and thus could be detrimental to the interests of the hegemonic group. The hardline stance of Seoul did not affect much the negotiations between Washington and Pyongyang, which resulted in the Agreed Framework in 21 October 1994. However, the North's responses to the hostilities of the South were good grounds to emphasize the necessity to strengthen anti-Communism in South Korean society.

Why did South Korea see worsening inter-Korean relations during the presidency of Kim Young-sam? This thesis considers the deterioration of inter-Korean relations as a counteroffensive by the hegemonic group, and the symptom began from 1990, in the latter

half of the presidency of Roh Tae-woo. The early 1990s coincided with a time of the resurgence of hegemonic anti-communists who once hit hard by the democratisation and labour movements in 1987. In 1990, the ruling politicians regained their political power by the merger of three parties. Around this time, Chaebols also regained full control of the national economy which was once considerably challenged by the labour union after 1987. The hostile North Korean policy was vital to strengthen the hegemonic group's anti-Communism.

In general, North Korean policy before 1998 was the interplay of anti-Communism and the hegemonic group's interests. The ruling party politicians needed antagonistic relations with North Korea to consolidate their political power by stressing and exaggerating threats from the North. Chaebols who made gains through cheap labour supported hostile policies against communist North Korea, which were interlinked with the oppression of socialists and labour activists. Conservative media outlets were supportive of the policies, working as a trumpeter for the government, and yet it also reflected their owners' political stand as anti-communists. They were supported by anti-reconciliation bureaucrats who made up the majority of the state bureaucracy. The behaviours of each member of the group were justified by anti-Communism, and they were connected with each other by ideological unity.

6.2. New Ruling Political Group – Liberal Nationalists

There had been a number of counter-hegemonic social forces in the South that struggled against the dictatorships of Rhee Syngman, Park Chung-hee, and Chun Doo-hwan. In a broad sense, major groups within the social forces can be divided into nationalists and

labour activists even though they were inseparable in some issues such as democracy and anti-dictatorship. The former dedicated themselves to unification movements and emphasized cooperation with the North Korean government for unification, while the latter espoused Marxism and put stress on resolving class matters of the capitalist society. They all explicitly and implicitly threatened the privileges of the hegemonic group in the South. Nationalists can be divided into the two groups: liberal nationalists and independent nationalists. Nationalists in South Korea were born over the issue of the establishment of separate governments in the two Koreas in the latter half of the 1940s. After the bloody 1980 Gwangju Democratization Movement, independent nationalists emerged with conspicuous difference from existing liberal nationalists by aggressively calling for the withdrawal of U.S. Forces from South Korea—even though liberal nationalists emphasized self-determination, the degree of self-determination was far lower than that claimed by independent nationalists as they acknowledged the necessity of the U.S. Forces stationing on the Korean peninsula. The three groups were ‘counter-hegemonic’ because they could be direct threats to the hegemonic group in that, first, they strongly opposed anti-Communism with which the hegemonic group exercised ideological leadership and, second, nationalists and labour activists, compared with other social forces, had a significant degree of power to mobilise people in society. Amongst the three groups, liberal nationalists led by Kim Dae-jung took the helm of state affairs in the midst of the economic crisis.

The origin of South Korean nationalists goes back to the mid 1940s. After independence in 1945, the USAMGIK classified political forces in South Korea into rightists and leftists: rightists, mostly, had been pro-Japanese collaborators during Japanese colonial rule and, after independence, ardently asserted anti-Communism,

whereas leftists were communists who had a close relationship with communists in North Korea. But there was another major group which can be called nationalists that included Kim Gu and Yuh Woon-hyung (Do Jin-sun, 1997: 355-357). During the colonial period, Kim was president of the Provisional Government of the Republic of Korea in Shanghai, and Yuh was one of the most famous leaders of the independence movement in the southern part of the Korean peninsula.¹¹⁹ They could be referred to as the first generation nationalists in South Korea who gave priority to national unity over anything else.

Kim Gu was an avowed liberal who said, “My political belief in one word is liberalism.” He maintained that the new Korea should be the country of liberty and abhorred class dictatorship based upon a philosophy, which was indirect criticism of communism (Kim Gu, 2000: 306-308). While Kim took a negative stance on Marxists throughout his lifetime, Yuh Woon-hyung deemed socialism as the ideal system for the Korean nation (Han Bae-ho, 2000: 137). Even though their political views were different, they shared something in common: both were strong nationalists, as the USAMGIK considered Kim a ‘staunch nationalist’ and Yuh a ‘pure nationalist’ (Ohmynews, 6 September 2005). There were two types of nationalists at that time: liberal nationalists like Kim Gu and socialist nationalists like Yuh Woon-hyung. However, terrorist acts of rightists against socialist leaders and the ensuing Korean War eliminated most socialist nationalists and, after that, only liberal nationalists remained in existence, at least ostensibly, until the 1970s.

In 1946-1948 in which Koreans witnessed a high possibility of the permanent division of the peninsula, nationalists put in a great deal of effort to prevent it. They

¹¹⁹ Regarding Kim Gu, see Sin Yong-ha (2003) and regarding Yuh Woon-hyung, see Lee Jong-sik (2008).

vehemently opposed setting up separate governments in the North and the South. That is why Kim Gu and Kim Kyu-shik went to Pyongyang to have unification talks with Kim Il-sung in April 1948 before the establishment of separate governments in the two Koreas (Baek Yu-seon, 2008: 346). Their efforts were unsuccessful but their acts became the prototype of unification movements. Later, unification activists considered it important to go to Pyongyang and meet North Korean leaders personally (Do Jin-sun, 1997: 358).

A new form of nationalism in South Korea was formed during this period. While nationalism in the colonial period focused on independence, after the division of Korea it concentrated on peaceful unification and self-determination (Park Seong-ok, 1997: 11). This differed significantly from the rightists' view that agreed the establishment of a separate government in the South and championed the United States' close involvement in Korean affairs. Most of all, there was a significant distinction between rightists and nationalists regarding the method for unification. Rightists were willing to wage a war for unification and thus calling for unification by force or absorption, but nationalists strongly claimed that peaceful unification should be the only way to unification and thus called for unification by talks (Kang Man-gil, 2008b: 177-179).

Immediately after liberation, amongst rightists, leftists, and nationalists, no social force took hegemony in South Korea. Then, it was the issues of trusteeship and the establishment of a separate government that brought about a full-scale collision of the three forces. Most cities were inundated with relevant demonstrations, which threw South Korean society into disorder. Leftists first participated in the anti-trusteeship movement but later, directed by Moscow, turned their attitude completely. Rightists and nationalists were strong advocates of anti-trusteeship from beginning to end. However, they fought over the issue of establishing a separate government in the South (Park Hyun-hee, 2005:

21-22). Then, under the auspices of the USAMGIK, rightists gained an upper hand. From October 1947, after the complete breakdown of the U.S.-Soviet Joint Commission negotiations, Washington chose the armed repression of leftists and thus leftists lost their ground rapidly. Nationalists were also subject to suppression because they called for unification by talks, which was explained by rightists as a sign of espionage. Eventually, Rhee Syngman and the USAMGIK's crackdown on leftists and nationalists, the assassinations of Yuh Woon-hyung in July 1947 and Kim Gu in June 1949 and, above all, the Korean War had rightists take hegemony in the South (Kang Man-gil, 2008a: 128-135).

In the 1950s, nationalists suffered harsh oppression by the dictatorship of Rhee Syngman. They strongly opposed Rhee as proponents of 'liberal' ideas as well—in other words, they opposed Rhee not only because he was an advocate of unification by invasion but also because he was a dictator. Rhee, especially during and after the war, actively used anti-communism in the name of security and purged his rivals by framing them as pro-communists, as was the case of the execution of Cho Bong-am in 1959 (Korea Human Rights Foundation, 2006: 59). In fact, the nationalists were not on good terms with communists in North Korea even though they insisted upon direct dialogue with North Korean leaders. Kim Gu was a famous anti-communist while he led the Provisional Government in China during the colonial period and, after the division, North Korea put up a banner saying, "Kim Gu is a traitor to the Korean people" (Lee Uk-yeol et al., 2008: 444). In the case of Cho Bong-am, he used to be a communist but in 1946 he turned against communism after he publicly denounced North Korea and the Soviet Union for their disregard for democracy. Immediately after his conversion, Cho allegedly said, "We need neither a bourgeois dictatorship nor a proletarian dictatorship" (Lankov, 9 January

2011).

After the April 19 Revolution in 1960, the opposition Democratic Party (DP) took political power and asserted peaceful unification founded upon nationalistic aspirations, contrary to Rhee's plan of unification by force upon ideological antagonism (Ma In-seop Cha Mun-seok, and Yun Cheol-gi, 2012: 63). In fact, the DP was a very conservative party and skeptical over inter-Korean talks. The party passively accepted the necessity of inter-Korean talks after it witnessed the people's effusive enthusiasm about peaceful unification. However, this caused discontent inside the party and, as a compensation, it also pushed ahead with the plan of establishing the Special Anti-Communist Law to protect its rule from any interference from Pyongyang (Shin Jong-dae, 2005: 191).

The predecessor of the DP, organized in September 1955, was the KDP which was formed in September 1945. The dominant old-line members of the DP were strong anti-communists from the landed class and advocates of conservative nationalist movements which emphasized education and cultural advancement during the colonial period. As they considered Western capitalist society an ideal model, they accepted capitalism and liberalism. They had a plan of gradual independence and took a conciliatory stance towards the Japanese and, thus, were subject to harsh criticism by leftists and nationalists who stressed the role of armed force in the independence movement. In fact, not a few figures who carried out conservative nationalist movements were involved in pro-Japanese activities directly or indirectly (Shim Ji-yeon, 2005: 14).

In the Rhee Syngman era, the members of the DP called for democratic rule against the dictatorship by Rhee who had destroyed their economic bases by the land reform in 1950. On economic and social issues, however, they were as conservative as

the ruling Liberal Party members. After the coup, they opposed Park's rule but remained conservative on those issues and, consequently, ignored labour rights, let alone representing them. They had a keen interest in the transfer of political power but did not devote themselves to devising and implementing an alternative strategy for economic and social development. It presented a striking contrast to the accomplishments of the ruling political group who were realizing rapid economic development by taking the export-oriented growth strategy. This was one of the main reasons that, in the sixth presidential election, Park Chung-hee could easily defeat Yoon Bo-sun, the presidential candidate of the NDP, the successor of the DP.

At this juncture, Kim Dae-jung emerged as a powerful new force in the NDP by proposing new ideas on the economy and inter-Korean relations. In the presidential primary for the seventh presidential election, Kim Dae-jung with a superb political dexterity beat Kim Young-sam who was backed by the party leader Yu Jin-san and most of the old-line members of the NDP (Suh Jung-seok, 2008: 155-157). In the presidential election campaign, Kim Dae-jung issued a number of noteworthy campaign pledges. With regard to economic policy, he promised to establish the independent national economy and nurture SMEs-based national capital. With the help of economist Park Hun-che, Kim Dae-jung formulated ideas of the nationalist strategy for economic development in which SMEs played a crucial role in economic development—concretely, by the state's support for enhancing the capabilities of SMEs for self-supply of parts and materials. His strategy was also intended to head off the dominance of the national economy by foreign capital, for example, by seeking balance in the induction of foreign capital by dividing the sources of foreign capital into three equal places of the United States, Japan, and Europe to prevent the national economy's subordination to one particular place (Kim Dae-jung,

1991: 97-98; Min Kyeong-wu, 2006: 48-49; Suh Jung-seok, 2008: 157-159). For inter-Korean relations, Kim Dae-jung advocated unification by talks and proposed inter-Korean exchanges and the three-stage unification formula which put forward the stages of confederation, federation, and complete unification. He also suggested unification through security assurance by the United States, China, Russia, and Japan (Jeon Sang-bong, 1999: 222). These were devised to realize peaceful unification through functionalism, one of the main liberal approaches to international relations.

Park Chung-hee framed Kim as a pro-communist and closely won the presidential election in 1971 even though it was rigged.¹²⁰ From that time, Park considered Kim the greatest threat to his rule. After the *Yusin* system was set up, Kim Dae-jung fled to Japan, but in August 1973 the KCIA kidnapped him in Tokyo and attempted to kill him by throwing him into the ocean. It was stopped by Washington in the last minute (Suh Jung-seok, 2007: 133-134). During the *Yusin* system which lasted until the assassination of Park Chung-hee in October 1979, voices for unification from below were taken as pro-communist and ruthlessly suppressed. This was also intended to oppress opposition leader Kim Dae-jung.

The Gwangju Democratization Movement in May 1980 triggered the development of social movements extensively. The junta massacred civilians in Gwangju who participated in demonstrations against the military group and confined Kim Dae-jung and other opposition leaders. It was a great shock to the public, and lots of people rose in opposition to the military rule. This was a time when student political movements

¹²⁰ Park advocated modernization as a nationalist project by saying ‘development first unification later’ and, by the same token, he frequently denounced labour activists as undermining the future of the nation. (Institute of Historical Studies, 2004: 522). This thesis argues that Park’s rhetoric of modernization of the nation shall not be the base on which he can be considered as a nationalist. Rather, he can be referred to as a developmentalist.

were nationally organized and student activists became a powerful social force (Lee Jeong-hee, 2003: 120). Previously, in the Park Chung-hee era, student activists ordinarily devoted themselves to settling campus-related issues but, after the Gwangju Democratization Movement, they engaged themselves in social and political issues actively and gained popularity rapidly (Institute of Historical Studies, 2004, 445-446).

In the 1980s, student movements developed with National Liberation (NL) and People's Democracy (PD) as the two major groups. While NL interpreted the system of South Korea as semi-capitalism or semi-feudal colonial capitalism, PD construed it as state monopoly capitalism. NL emphasized national issues rather than class issues and claimed that the present task was to realize the autonomy of the Korean nation from American imperialism. *Jusapa*, the strongest faction of the NL group, adopted the Juche theory of North Korea as a nationalistic thought, and the ultimate goal of NL was the unification of the two Koreas. PD prioritised class issues over everything else and insisted that the pressing task was to resolve class matters between capitalists and labourers. It took Marxism as a guiding philosophy and its ultimate goal was the construction of socialism in South Korea.¹²¹ NL gained much more social support than PD by appealing to nationalism and anti-Americanism: South Korean society in the 1980s was more interested in national problems than in class problems, and anti-American sentiment grew rapidly after the public was informed that the United States had allowed the military junta to use force against civilians in Kwangju (Maeil Kyeongje, 11 May 2012).

With regard to PD, its effect on labour movements was even more prominent than on student movements. Labour movements in the 1980s took on a new aspect because of

¹²¹ *Jusapa* is an abbreviation for *Juche* [Independence] *Sasang* [Thought] *Pa* [Faction] (Hong Jang-pyo, 2010: 175-188).

the active participation of university students. In the Park era there were a number of big incidents in the history of labour movements, such as the self-burning of a 22-year-old worker Chun Tae-il in 1970 and the YH Incident in 1979. However, they were one-offs with no organizational unity, as setting up the labour union itself was illegal. From the early 1980s university students, mostly from the PD group, went to factories disguising themselves as workers to organize the working class (Kwon Oh-mun, 2004: 383-385). The so-called *No-hak Yondae* [Worker-Student Alliance] resulted in a series of large-scale strikes, and labour groups became connected with each other on a national scale (Chang Dae-oup, 2001: 199).

The June Democracy Movement of 1987 was a successful anti-government struggle in which nearly all domestic dissidents participated. Student and labour activists played an important part by mobilizing hundreds of thousands of demonstrators on the streets all across the country (Ahn Cheol-hyeon, 2009b: 379). Nonetheless, it was the opposing Unification Democratic Party (UDP), the successor of the NDP, which led the movement—the name of the party indicated that ‘unification’ was regarded as important an issue as ‘democracy’ in South Korean society at that time. Unification movements became more active with the revision of the constitution in October 1987 which strengthened civil rights and reintroduced direct presidential elections (Kim Dang-tek, 2006: 508-510). A number of unification activists visited Pyongyang without the government's permission. For instance, Moon Ik-hwan, a pastor, visited Pyongyang in March 1989 to have two talks with Kim Il-sung about unification. About three months later, Lim Soo-kyung, a university student, went to Pyongyang to participate in the World Festival of Youth and Students and met Kim Il-sung (Research Association for Korean History, 1992: 416-417).

The UDP was founded by Kim Dae-jung and his longstanding friend and rival Kim Young-sam on 1 May 1987 (Ahn Cheol-hyeon, 2009b: 212). Kim Dae-jung was a nationalist who was internationally famous for his ideas on the peaceful unification of the two Koreas. Unlike Kim Dae-jung, Kim Young-sam was not, at least, an ardent nationalist but rather an anti-communist (maybe) because his mother was killed by a North Korean spy when he was three years old. His anti-Communism was one of the reasons that the old-line members of the NDP supported him in the presidential primary of the NDP for the seventh presidential election. As an opposition leader, he did not show any sincere enthusiasm for unification and his main criticism against the government was about democracy, rarely about unification policy. While he was president, he was antagonistic to Pyongyang and did not alter significantly the earlier governments' North Korean policy. Then, why did he accept Kim Il-sung's offer of having an inter-Korean summit in 1994? The summit was not taken as a measure to achieve inter-Korean reconciliation but to garner more support to his rule and more personal popularity from the public.

Ahead of the presidential election in December 1987, the UDP was divided into two as Kim Dae-jung and his faction left it to form a new party titled the Peace Democratic Party in November. The two Kims failed to agree on a single candidate and were defeated in the election by the ruling party candidate Roh Tae-woo, a close friend of Chun Doo-hwan and one of the key figures in the 1979 coup (Institute of Historical Studies, 2004: 451). In order to beat Kim Dae-jung and win the presidential election of 1992, Kim Young-sam decided to merge his party with Roh's ruling Democratic Justice Party and Kim Jong-pil's New Democratic Republican Party to form the Democratic Liberal Party (DLP) in 1990, which was suggested by Roh to break the political deadlock in which the ruling party was a minority (Lee Dong-hyeong, 2011: 451).

The hegemonic group, through the merger of three parties, expanded its membership to include pro-democracy politicians of the Kim Young-sam faction, which made the group more legitimate and, more importantly, extended the regional support base to South Gyeongsang region where Kim Young-sam was born. In South Korea, except for the capital area, South Gyeongsang region—including South Gyeongsang Province, Busan, and Ulsan—was the most populous region, followed by North Gyeongsang region—including North Gyeongsang Province, Taegu, and Pohang—where Park Chung-hee was born (Kim Jong-hoe, 2007: 52-54). The merger was one of the main reasons that Kim Dae-jung was in league with Kim Jong-pil ahead of the 1997 presidential election because he knew that regionalism would have a major impact on the election result.

From the early 1990s onward, as those politicians from the faction of Kim Young-sam who had more conservative and anti-communist views joined the hegemonic group, major counter-hegemonic groups could be approximately sorted into the following three categories: liberal nationalists, independent nationalists, and labour activists. Kim Dae-jung was the leader of liberal nationalists by providing political leadership and relevant visions. Independent nationalists consisted of, mostly, the (former) NL group members, in particular, *Jusapa* students and ex-*Jusapa* civic activists. The two nationalist groups, above all, were divided over the issue of the withdrawal of U.S. troops from South Korea. Liberal nationalists recognized the importance of American troops stationed in South Korea even though they accentuated self-determination. Independent nationalists advocated anti-Americanism and strongly insisted on the withdrawal of the troops. Labour activists were union members and civic activists closely linked to the PD group. There were other forces who criticized the behaviour of the hegemonic group, such as

many civic organizations for human rights, environment, education, etc. However, they were not as powerful as those three groups as they lacked the organizing ability to exert political influence by mobilizing a considerable number of citizens, students, or labourers.

Nationalists and labour activists alike rejected anti-Communism as they easily fell prey to anti-communist attacks. Earlier administrations occasionally applied the NSL to arrest those who secretly contacted North Koreans on espionage charges (Park Hyun-hee, 2005: 53). They took advantage of the law as well to suppress labour movements by branding labour activists as 'reds' (Korea Academic Organization Council, 1997: 69). Indeed, anti-Communism was one of the most effective tools of the hegemonic group in maintaining its power. One vivid example was a secret request to North Korea by the National Intelligence Service (NIS) in 1997 to fire several shots to the South with a view to fomenting fear amongst South Koreans just before the presidential election (Hankook Ilbo, 11 December 2000).

Amongst the three groups, liberal nationalists were the most powerful because of nationalist aspirations in South Korean society, the popularity of Kim Dae-jung, to name a few. Nevertheless, it would be more noteworthy to examine the reasons why the other groups were so weak. Most of all, the existence of communist North Korea hindered them from becoming possible alternatives to the hegemonic group. As ordinary South Koreans were always aware of threats from the North, they guarded themselves against pro-North Korean activists. Independent nationalists were mostly regarded as pro-North Korean by the public because some of their demands, such as the withdrawal of U.S. forces from the South, were identical to those by North Korea. Labour activists were often misunderstood as pro-North Korean, even though they consistently deprecated North Korea's dictatorship and were not on good terms with independent nationalists as the former

criticized the latter for their pro-North Korean inclinations (Cho Kuk, 2009: 25). Liberal nationalists were also afflicted with anti-communism, but the extent of the damage was smaller compared with the cases of the two groups that were blocked from entering into the National Assembly until 2004. South Korea's main opposition party, after the defection of the Kim Young-sam faction in 1990, was mostly made up of liberal nationalists who belonged to the Kim Dae-jung faction.

As a South Korean party was organized around renowned political figures, instead of being founded upon interests or demands of the people (Choi Jang-jip, 2005: 64), ideas and goals of the party leader(s) were critical in the operation of the party. Before, leading opposition political forces were made up of the Kim Dae-jung faction and the Kim Young-sam faction. Both Kims were liberalists, and the key difference between them was their attitude toward communist North Korea. As Kim Young-sam was an anti-communist, when he led his party into a merger with the conservative ruling party in 1990, nationalists, such as Roh Moo-hyun, joined the Kim Dae-jung faction. Subsequently, from the mid-1990s, the main opposition party was the party of Kim Dae-jung, and the members can be referred to as liberal nationalists although the degree of ideological faithfulness amongst them varied.

As of 1997, the main opposition party's economic and North Korean policies were based upon Kim Dae-jung's ideas on them. Regarding economic policy, Kim opposed the collusion between politics and business and criticized the inordinate economic dominance of the Chaebol in the South. As a countermeasure, he accommodated neoliberalism at this time. He, strongly influenced by economist Park Hun-che, had claimed to take protective measures against foreign capital during his campaign for the presidency in 1970-1971 (Ohmynews, 19 February 2010). However,

while he witnessed the global trend of neoliberalism, he changed his views from protecting the national economy from foreign capital to taking advantage of it. Most of all, he deemed it effective to take neoliberal reforms to sever the collusive link between politics and business and to rectify the Chaebol-centered economy. With regard to North Korean policy, Kim considered North Korea not a neighboring enemy to fight against, but a country of the same nation with which to cooperate for peaceful unification (Choi Wan-Kyu, 3 February 2008). He maintained North Korean policy on the basis of functionalism, a liberal approach for integration between different systems.¹²² He dreamed of a South-North Korean economic community through close and comprehensive inter-Korean exchanges—for example, by exchanging South Korea's capital and technology with North Korea's natural resources and labour—and, eventually, economic integration (Ahn Cheol-hyeon, 2009b, 364).

Between issues on economy and inter-Korean relations, the latter was what made the liberal nationalists counter-hegemonic because the hegemonic group also accommodated neoliberalism in the 1990s. They called for the reform of the Chaebol, but the degree of the reform fell short of the dissolution of the Chaebol which could lead to the complete change of the economic structure by taking SMEs as a replacement for the Chaebol. This was one reason that domestic hegemonic struggles occurred over the issue of North Korean policy. As explained before, a more central reason was that anti-Communism with which the hegemonic group exercised ideological leadership can be severely undermined by inter-Korean reconciliation.

¹²² Concerning functionalism, see David Mitrany (1948: 359).

6.3. Inter-Korean Reconciliation as a Hegemonic Project

The economic crisis in 1997 led the liberal nationalists led by Kim Dae-jung to attain political power by winning the presidential election in December 1997. However, the power of the new ruling political group was not solid. The victory was won as Kim Dae-jung formed a political alliance with conservative Kim Jong-pil, a political icon of Chungcheong Province, in the middle of the economic crisis which was deemed the worst crisis South Korea had ever faced after the Korean War.¹²³ However, relations between Kim Dae-jung's party, the National Congress for New Politics (NCNP)—the Millennium Democratic Party (MDP) from January 2000—and Kim Jong-pil's United Liberal Democrats (ULD) deteriorated before long over the issue of the introduction of the parliamentary government system which had been the key condition of the political alliance (Lee Seok-yeon, 2007: 229).

The existing hegemonic group maintained its hegemony even though it handed over political power. Most of all, the opposition Grand National Party (GNP) held the majority in the National Assembly, and the conservative media still took control of public opinion. This cast a dark cloud over the new ruling political group's maintaining political power, let alone attaining hegemony. At this juncture, new inter-Korean relations were considered to be a great opportunity for reversing the situation as it would seriously impair the hegemonic group's ideological leadership through anti-Communism. That is, in order to attain hegemony, the counter-hegemonic group relied on the new North Korean

¹²³ Regionalism played a major role in the election as before and the alliance contributed a lot to the first peaceful transfer of political power in the South Korean history. For example, Kim received more than 90 per cent of the electoral votes in his home province of Jeolla, whereas Lee received more than 70 per cent of the votes from the North Gyeongsang Province (Sung Han-yong, 2001: 17-21).

policy, a national-popular project of pursuing nationalism. This section is about the new ruling group's attempts to win hegemony with the new North Korean policy.

On the first day of his presidency, Kim Dae-jung laid out the three guiding principles of North Korean policy in his inaugural address. First, South Korea will not tolerate any armed provocations. Second, it has no intention to damage or absorb North Korea. Third, it will actively seek reconciliation and cooperation with North Korea. In the speech he added that the two Koreas, on the basis of separating economy from politics, needed to expand economic exchanges together with the expansion of cultural and academic exchanges (Hankyoreh, 26 February 1998).

A few months later, on 3 April, President Kim first used the term 'Sunshine Policy' at the London University School of Oriental and African Studies. He said:

It is now time for big changes in inter-Korean relations ... I have been steadfast in advocating what I call a Sunshine Policy, which seeks to lead North Korea down a path toward peace, reform, and openness through reconciliation, interaction, and cooperation with the South. As President, I will carry out such ideas step by step (Office of the President, 1999: 63-64).

The new policy toward North Korea was in accordance with functionalism and the goal was a gradual and peaceful integration of the two Koreas. That is, the Sunshine Policy was a unification policy. The organization in charge of the policy was the Ministry of Unification, not the Ministry of Foreign Affairs and Trade. To this end, the Board of National Unification under the wing of the Prime Minister's Office was changed to the status of ministry with the inauguration of the Kim Dae-jung administration (Hankook Ilbo, 24 February 1998). During the presidency, the Ministry of Unification was a more powerful organization than the Ministry of Foreign Affairs and Trade.

Establishing new and improved inter-Korean relations was a hegemonic project as it could enable the ruling nationalists to realize their vision of peaceful unification through a liberal approach and to take hegemony from the hands of the existing hegemonic group by appealing to nationalist aspirations and undermining anti-Communism. The existing hegemonic group still maintained its hegemony in society. Kim Dae-jung sought to use his power to make the counter-hegemonic group sustain its political power and, in the end, attain hegemony by reconciling with the communist regime in the North.

Eventually President Kim, for political purposes, stuck to reconciliation itself and neglected to abide by the Sunshine Policy he had initially proclaimed. When the Sunshine Policy in its original sense collided with reconciliation with the North Korean government, he jettisoned the former for the latter. That is to say, the Sunshine Policy in principle was different from the Sunshine Policy in reality. For example, one of the emphases of the new policy was a gradual progression in relations with North Korea but, in retrospect, President Kim did not keep the functionalist principle of gradualism when he actually implemented it (Kihl Young Whan, 2004: 248-249). During the address at SOAS, he said that he was willing to wait patiently but, in reality, he was in a hurry to show relevant accomplishments to the public.

At the beginning of his presidency, Kim Dae-jung assumed a cautious attitude toward inter-Korean relations. For instance, at the negotiation table in April 1998, South Korean delegates attached conditions by connecting the North's demand for fertilizer assistance with the issue of the reunion of separated families in the two Koreas and did not care much about the breakdown of negotiations with their North Korean counterparts (Jeon Sang-bong, 1999: 102). However, President Kim picked up speed soon as he was

assured of concrete, positive and early outcomes in relations with North Korea after he witnessed Chung Ju-young, the founder of the Hyundai Group, crossing the cease-fire line with 500 'unification cows' on 16 June 1998, followed by the announcement of the agreement on 23 June between Hyundai and North Korea's Asia-Pacific Peace Committee (APPC) on the tourism project of Mt. Kumgang in North Korea (Park Hyun-hee, 2005: 85-89). In his speech at Korea University on 30 June 1998 Kim promised, "Korean people are hot-tempered so you shall see a noticeable progress in relations with the North in a year" (Dong-A Ilbo, 1 July 1998). On that day the principle of functionalism was publicly thrown away.

As President Kim wanted to see substantial developments in inter-Korean relations in haste, ministers of the government advanced relevant ideas competitively. For example, Minister of Maritime Affairs and Fisheries Kim Sun-kihl proposed that South Korea provide non-operating ships to North Korea. Minister of Justice Park Sang-chun said that the South would repatriate unconverted, long-term prisoners to the North. Even, Jang Young-shik, president of the Korean Electric Power Corporation (KEPCO), suggested that the KEPCO build a 100,000KW thermal power generation plant in Pyongyang (Jeong Yong-seok, 1999: 100). At the talks on fertilizer assistance in March 1999, South Korean delegates changed their attitudes and said to the North Koreans that they would give 50,000 tons of fertilizer at once with no strings attached (Chosun Ilbo, 19 April 1999).

The South Korean government became more anxious to see tangible results with less than one year to go before the general election scheduled in April 2000. In particular, as the ruling party's chances of victory in the general election became so low, the group sped up the progress in inter-Korean relations. In his speech on 7 May 1999, the Minister

of Foreign Affairs and Trade Hong Sun-young claimed that South Korea could not wait blindly and urged the North to respond quickly to the South's proposals for reconciliation on an extensive scale (Chosun Ilbo, 8 May 1999). This indicated that a lot of proposals were put forth by Seoul behind closed doors. Amongst them, there was one major proposal which was related to a summit between North and South Korea.

For political gain in the shortest time possible, the ruling political group pursued drama and, as for a dramatic event, there was nothing like an inter-Korean summit. For that purpose, President Kim personally curried favour with Kim Jong-il and also sent his delegate to pave the way for the summit. In an interview with the Tokyo Broadcasting System on 9 February 2000, Kim Dae-jung said, "Kim Jong-il is known as having judgment and insight as a leader" (Dong-A Ilbo, 24 September 2003). One of his longtime right-hand men, Park Ji-won, worked as a special envoy. In early March, Park secretly went to Singapore to meet Song Ho-gyung, Vice President of APPC, to talk about a summit between the leaders of the two Koreas. The Berlin Declaration in which President Kim publicly showed a willingness to build up North Korea's infrastructure was issued on 9 March, just one day after the meeting between Park and Song. Lim Dong-won, a top aide to President Kim on the policy towards North Korea, later revealed that the large-scale aid plan in the declaration was included at the last minute (Dong-A Ilbo Special Report Team, 2005: 273-274). This indicated that there had been a certain kind of deal between the two special envoys from North and South Korea. About a month later, on 10 April, both Koreas announced that they would hold an inter-Korean summit on 13-15 June 2000.

On 14 June, after a four-hour long discussion, a joint declaration was signed between the two leaders. The declaration stated that, first, North and South Korea agreed

to resolve the question of unification independently without any foreign interference. Second, they agreed that there is a common element in the South's concept of a confederation and the North's concept of a loose form of federation. Third, they agreed to resolve promptly humanitarian issues such as exchange visits by separated family members. Fourth, they agreed to promote economic cooperation and exchanges in cultural, sports, environmental, and all other fields. Finally, they agreed to hold follow-up meetings soon after to implement the above agreements (Hankook Ilbo, 15 June 2000).

The contents of the declaration showed that it was an agreement for unification between the two Koreas, not for peace between the two hostile countries as it did not mention anything related to security such as the naval battle which had occurred just one year previously with dozens of casualties. What made the declaration historic was its first, second, and fourth clauses because there had been a couple of cases of reunions between separated family members in the past. The first clause was about self-determination on the issue of unification, which was one of the central claims by the nationalists. The second was about commonality between the two governments' unification formulae. The fourth was in accordance with functionalism that the counter-hegemonic group adopted as a unification method. Overall, it was a long-anticipated outcome for the liberal nationalists as it was a first step toward peaceful unification through a liberal approach.

The summit talks were a milestone in inter-Korean relations but they were also a very political event. The declaration was called the June 15 Joint Declaration even though it was signed on the evening of 14 June, suggested by Kim Dae-jung who thought 15 a lucky number. He insisted that it should be announced in the evening in order to be reported in the morning newspapers the next day around the world, and Kim Jong-il accepted it (Dong-A Ilbo Special Report Team, 2005: 288). The summit was carefully

designed for the benefit of the counter-hegemonic group from the outset. The announcement to have a summit with the North Korean leader was issued three days before the general election day, scheduled for 13 April, with a view to winning the hearts and minds of voters. The summit was a dramatic event that signaled the beginning of a new relationship between the two Koreas, and President Kim tried to make the most of it in order to maximize political influence.

In contrast to the progress in inter-Korean relations, many initial promises of President Kim were not met. For example, the South Korean government was not faithful to the rule of the separation of economy from politics that President Kim had stated in his inauguration address. The government supported the private sector's North Korean projects. According to what the National Assembly hearings revealed in 2003, Hyundai was given preferential treatment by borrowing 500 million USD from the Korea Development Bank and secretly remitted it to North Korea in return for business rights in seven areas such as tourism, telecommunications, electricity, railroad, and the Kaesong Industrial Complex. The government granted it in the name of promoting national interests and peace on the peninsula and let the NIS help Hyundai to transfer money to Pyongyang even though it violated the positive law (Yunhap News, 25 June 2003; Yang Moon Soo, 2005: 285).

Above all, President Kim broke the first principle of the North Korean policy, which he had stated in the inaugural address, that the South will not tolerate any armed provocations of the North. In his presidency there were many military provocations from North Korea. For instance, on 22 June 1998, a North Korean midget submarine was caught in a fishing net off the eastern coast of Korea. Its nine crew members all killed themselves. A few months later, on 18 December of the same year, a North Korean semi-

submarine boat showed up off the southern coast and was sunk by the South Korean navy (Noh Ho-rae and Lee Dae-seong, 2004: 144-145). The Kim Dae-jung administration minimized the gravity of the situation by saying “East Germany sent spies to West Germany until shortly before unification” and “The inter-Korean relations became much worse after the earlier Kim Young-sam administration overly reacted to the submarine incident in September 1996, and the new administration will not repeat that kind of mistake” (Chosun Ilbo, 25 June 1998). This signified that the ruling group was concerned more with the possible deterioration in inter-Korean relations than security threats posed by the North.

In August 1998 when Pyongyang test fired a three-stage ballistic missile, Taepodong-1, over northern Japan, Tokyo and Washington reacted with a mixture of panic and anger. However, Seoul said that the long-range missile was basically aimed at Japan and the United States, so the South did not have to make a fuss and made clear that there would be no setback in economic cooperation with the North (Dong-A Ilbo, 3 September 1998). The military also affirmed that it was not considering any military response as the missile was not targeted at South Korea (Chosun Ilbo, 1 September 1998). With regard to North Korea's suspected nuclear weapons development in Kumchangri, Yongbyon, foreign minister Hong Sun-young stated in the National Assembly that it might be a ground-water reservoir, an underground power station, or an underground bunker (Yunhap News, 26 August 1998). Moreover, President Kim tried to allay the suspicion by saying, “There is doubt but no positive evidence ... If we deepen the suspicion without evidence, it will disrupt the economic recovery” (Dong-A Ilbo, 21 November 1998).

The South did not change its position even in the face of direct, armed engagements with the North and subsequent military casualties. On 15 June 1999, four

North Korean patrol boats crossed over into South Korean waters. South Korean high-speed boats and guard ships attempted to push them back. In the process, three North Korean torpedo boats joined the scene and fired machine guns together with the patrol boats. South Korean boats and ships retaliated with machine guns. In the naval battle near Yeonpyeong Island, more than 17 North Korean soldiers were killed and 9 South Korean soldiers were injured (Hankook Ilbo, 15 June 1999). On 29 June 2002, three years after the so-called first battle of Yeonpyeong, the second battle of Yeonpyeong broke out. Two North Korean guard ships crossed the northern limit line, and four South Korean high-speed boats warned them to go back. Suddenly, the North Koreans opened fire and one of the South Korean boats was severely damaged. Soon, two high-speed boats and two guard ships reinforced the South Korean vessels that returned fire. The engagement resulted in the deaths of 6 South Korean soldiers and at least 13 North Koreans (Yunhap News, 29 June 2002).

The new ruling political group claimed to establish peace on the Korean peninsula with its engagement policy but turned a blind eye to the North's behaviour that threatened, and broke, peace. Over the North's missile tests, suspicious nuclear activities, and armed provocations, the South Korean government expressed concern but did not take any corresponding actions. The government always asserted that the inter-Korean relations would go sour if it overreacted to North Korea's actions. However, such an attitude was counterproductive in ensuring peace on the peninsula. Instead of taking concrete measures to secure peace, Seoul had a naive hope that improved relations with Pyongyang would naturally bring about peace sooner or later and, therefore, it clung to repairing inter-Korean relations itself.

Reconciliation with North Korea could have contributed to peace in the long run.

However, it was not to be fruitful because the reconciliation process was done at the expense of tolerating North Korea's armed provocations and nuclear and missile development. The measure of a threat is defined as a combination of a nation's capabilities and intent (Caldwell and Williams Jr., 2011: 13). Out of these two, the former is considered more critical than the latter in preventing armed conflict and war as it takes much more time to enhance its capabilities than to change intent. It was worthwhile making efforts to change North Korea's intent in favour of peace, but it was unreasonable if the process was done by overlooking and even financially assisting its military capability enhancement. In addition, North Korea's armament development drove Japan to shift further to the right and sparked a new round of debates in Tokyo about becoming a 'normal' state that included the revision of its pacifist constitution banning its right to possess war materials and wage war (Hughes, 2009: 291-312). This could provoke an arms race in Northeast Asia. Overall, the South Korean government's policy toward North Korea was not a success in the aspect of promoting peace.

Then what was 'peace' regarding the Sunshine Policy, in reality? It was primarily about 'peaceful' unification as a measure for unification. The counter-hegemonic group's North Korean policy was a great step forward for peace in the future compared with, e.g., Rhee Syngman's plan of unification by invasion. However, the policy was not that helpful for settling peace in the present. Strictly speaking, it sacrificed current, tangible peace for peace in the indefinite future.

While reconciliation with the North failed to foster peace on the peninsula, it succeeded in repairing relations with the North Korean government. That was the very first step for the ruling liberal nationalists to realize their long-fostered nationalistic wish of unification. Also, the inter-Korean reconciliation was a key means to convert

nationalistic aspirations of the public into a political force that would bring hegemony to them. It could end the South Korean people's antagonism towards communist North Korea as well, which could weaken anti-Communism with which the hegemonic group exercised ideological leadership. Thus, the counter-hegemonic group made use of newly acquired political power to gain hegemony through promoting relations with Pyongyang.

6.4. Consequences of Inter-Korean Reconciliation on Hegemonic Struggles

Reconciliation with North Korea could stay neutral in the domestic struggle for hegemony. However, the nationalists pursued it to attain hegemony from the hands of the existing hegemonic group. In the process, President Kim pushed ahead with it rigidly, even contradicting what he said before. Nevertheless, the consequences of new and improved relations with North Korea were not satisfactory to the new ruling political group. Strong resistance from the hegemonic group was instrumental in preventing the nationalists from attaining hegemony by disparaging the North Korean policy, overstating its negative aspects, and arousing public opinion against them. The satisfying of nationalist aspirations was outweighed by fear of communisation which was magnified by the hegemonic group.

Amongst the major constituents of the group, the opposition GNP and the conservative media played a much bigger part than Chaebols who were deeply occupied with surviving neoliberal restructuring during that time. To begin with, the strong opposition party severely condemned the government's policy toward North Korea with few exceptions. Opposition leader Lee Hoi-chang maintained that President Kim's

obsession about reconciliation with North Korea was politically motivated, as were the cases of his predecessors' attempts to make use of inter-Korean relations to resolve domestic political problems (Segye Ilbo, 8 May 1999). As for the summit, the party tried to denigrate its historical significance by saying that the phrase 'without any foreign interference' in the June 15 Joint Declaration could mean the withdrawal of U.S. troops from South Korea, and North Korea's concept of a loose form of federation was merely a preparatory stage for federation (Maeil Kyeongje, 15 June 2000). Regarding security issues, the party members unanimously blamed the government for the military provocations of North Korea by insisting that the policy of appeasement instigated them (Munhwa Ilbo, 13 July 1998). They also argued that the Sunshine Policy had weakened the military's awareness of national security and driven South Korean people to be much more insecure (Segye Ilbo, 27 August 1998). After the second battle of Yeonpyeong on 29 June 2002, the party asserted that the Kim Dae-jung administration 'pumped' money into Pyongyang's hands in return for bullets.¹²⁴

The conservative media also harshly censured the government's engagement policy. Their criticisms were even harsher than the opposition party's because the party could not oppose the reconciliation itself nor disregard the people's aspirations for unification. In South Korea, Chosun Ilbo, Joongang Ilbo, and Dong-A Ilbo were three key conservative newspapers, the market share of which altogether accounted for more than 70 per cent at that time and thus played a great role in the formation of public opinion.¹²⁵ Regarding the inter-Korean summit, Dong-A Ilbo in its editorial expressed concern that

¹²⁴ After the nuclear tests in 2006, they said the Sunshine Policy 'pumped' money into North Korea for nuclear weapons in return.

¹²⁵ Chosun Ilbo boasted the largest circulation in the country. As of December 2000, their market share altogether was 71 per cent (*Dailian*, 20 January 2005).

the emphasis on 'independence' in the joint declaration could spark problems in the South's relations with the United States, Japan, Russia, and China (Dong-A Ilbo, 16 June 2000). When reporting the second battle of Yeonpyeong, according to the chairperson of Newspapers Monitor Committee Kim Eun-ju, Chosun Ilbo bashed the government for reinforcing the North's position by its appeasement policy, distorted facts to stir up antagonism towards Pyongyang, and raised tensions on the Korean peninsula by representing the opinions of hard-liners in Washington (Pulppuri Media, 12 November 2002; Kim Jong-dae, 27 July 2012). The media were not commentators outside politics, but critical players that safeguarded the South Korean anti-communist system inside politics (Choi Jang-jip, 2005: 141).

In response, the Kim Dae-jung administration expressed its discomfort with those conservative newspapers by saying that they were major obstacles to the efficient management of state affairs. A document made by the Office of the Senior Secretary to the President for Civil Affairs on 30 November 2000 stated that government policies were not smoothly implemented owing to extremely conservative, anti-communist and reactionary media that spoke only for vested interests and the GNP (Dong-A Ilbo Special Report Team, 2005: 325). President Kim in a beginning-of-the-year press conference on 11 January 2001 declared that the press, academia, civic organizations, and National Assembly should work together to establish proper measures for media reform. Shortly afterwards, from 8 February, the National Tax Service conducted special tax audits of 23 media corporations and, on 20 June, it made public the findings of the investigations and reported six owners of media corporations, including Chosun Ilbo, Joongang Ilbo, and Dong-A Ilbo, for prosecution. For this, President Kim allegedly mobilized almost all inspection agencies such as the Fair Trade Commission, the Financial Supervisory

Commission, the prosecution, the police, and the NIS (Dong-A Ilbo Special Report Team, 2005: 326-327). However, contrary to the expectation of the counter-hegemonic group, the conservative media's influence on public opinion was strengthened even further as the three conservative newspapers' market share increased from 71 per cent in 2000 to 73.7 per cent in 2002 (Mediatoday, 7 July 2004).

Public opinion could be easily manipulated by those conservative newspaper companies. In fact, it was not easy to distinguish public opinion from published opinion. Winston Churchill once said, "There is no such thing as public opinion. There is only published opinion." As dominating conservative media outlets gushed negative opinions, more and more people had negative views on the government's policy toward North Korea. Later, in a survey of nearly 1,200 people conducted in 2005, even one year before North Korea's first nuclear test, more than 60 per cent of South Koreans said that the inter-Korean summit talks in 2000 were not fruitful.¹²⁶

The national interests the ruling political group claims mean the interests that contribute to its winning hegemony. Here, attaining hegemony in the sphere of civil society is critical. As civil society had been under the control of the existing hegemonic group for several decades, it was very difficult for the new ruling political group to transfigure its interests as the national interests. Particularly, as above-mentioned, in a situation where a few conservative media giants held sway over the media market, the North Korean policy that the counter-hegemonic group claimed to be contributive to the national interest was not sanctioned or supported as such by the 'majority' of the public—

¹²⁶ Specifically, 714 people out of 1,186 answered that the summit talks were not fruitful (Korea Broadcasting System, 2005: 41). In contrast, in a survey of 1,200 South Koreans conducted in December 1999, about 84 per cent supported inter-Korean summit talks (Korea Institute for National Unification, 1999: 68-69).

which is critical in the case of a formal democracy such as the South Korean political system.

Eventually, the reconciliation with North Korea deepened ideological disputes in society, failing to undermine the anti-Communism which had made possible the hegemonic rule. One example was that from the year 2000 South Korea witnessed a growing number of conservative civic groups that advocated anti-Communism aggressively on the street. Construing the reconciliation as being detrimental to their vested interests, they criticized that the new ruling political group was imperiling South Korea's identity by colluding with brutal communists in North Korea. Likewise, ideological polarization intensified rapidly in society (Shin Jong-dae, 2005: 196).

At large, the inter-Korean rapprochement had rather a negative effect on changing the holder of hegemony. The controversy over 'pumping' money into Pyongyang's hands always dragged the counter-hegemonic group down from that time on. The issue was brought up again and again, often exaggerated by the hegemonic group, particularly before elections. By the same token, anti-Communism has remained the strongest weapon for the hegemonic group in suppressing its opposition forces. One recent piece of evidence was the NIS's intervention in the 2012 presidential election in which its agents attempted to manipulate public opinion on the internet by branding opposition candidates as reds (New York Times, 14 June 2013).¹²⁷

The hegemonic project failed, and the existing hegemonic group still holds hegemony. The GNP (now 'Saenuri Party') has been the dominant party except for once when it impeached President Roh Moo-hyun in 2004. The three conservative newspapers

¹²⁷ There have been many other cases that show how powerful anti-Communism still is in South Korean society. In September 2013, one university lecturer was reported to the NIS for teaching Marxism (Kyunghyang Shinmun, 9 September 2013).

above-mentioned are still the three biggest newspaper companies. Most of all, the power of the Chaebol has been enhanced due to the economic policy by the counter-hegemonic group. I argue that this is of particular importance to society in general as well as to hegemonic struggles in the South.

The new ruling political group had to concentrate more on changing the economic structure if it were to attain hegemony. South Korean people chose the counter-hegemonic group in 1997 primarily in expectation of a different economic management from its predecessors. The fact that the economic crisis was an organic crisis indicated that the new leadership had a historical task to change the historical bloc, and that it should start with a change in the excessive Chaebol-centered economic structure. Actually, the presidency of Kim Dae-jung was a very rare chance for a full-scale reform of the Chaebol because they were predominantly responsible for the unprecedented economic crisis in the 1990s. However, in reality, the new ruling political group joined hands with the Chaebol for short-term political victories. This myopic decision, along with far-reaching neoliberal restructuring, worsened social contradictions of South Korea.¹²⁸

Aggravating social instability owing to the ongoing exportist Fordism has been detrimental for the counter-hegemonic group to secure hegemony. In retrospect, it was concrete evidence that, as Jessop indicates, any programme to attain hegemony will prove most successful when it is closely connected with an appropriate accumulation strategy (Jessop, 1990: 211). This is in line with what Gramsci said, “for though hegemony is ethical-political, it must also be economic, must necessarily be based on the decisive function exercised by the leading group in the decisive nucleus of economic activity”

¹²⁸ I argue that social contradictions in South Korea have been exemplified, most of all, by its highest suicide rate amongst the OECD countries from 2004—for nine years, until 2012 (Lee Gwang-ja, 25 March 2014).

(Gramsci, 1971b: 161).

Indeed, the failure of the hegemonic project was owing to its de-linkage with the accumulation strategy. In fact, it is noteworthy that Kim Dae-jung had long envisioned the linkage between inter-Korean reconciliation and an accumulation strategy through a South-North Korean economic community. In that context, he was very enthusiastic about inter-Korean business and infrastructure projects, such as building an industrial complex in the North Korean city of Kaesung and pursuing inter-Korean railroad linkage project, as those would be the first steps toward an inter-Korean economic community where the South's capital and technology would be combined with the North's natural resources and labour. However, this conception could not be realized because of uncertainties North Korea gave as well as resistance the domestic hegemonic group made. In a sense, it was outdated because the linkage of nationalism with an accumulation strategy was formulated around the year 1970 and, thus, could not reflect the reality about 30 years later. Or, it was premature because circumstances in the two Koreas and the international arena were not ready for the successful implementation of the plan. In capsule, it was too idealistic at that time.¹²⁹ Resultantly, the inter-Korean reconciliation had little to do with the accumulation strategy of the ruling political group.

Theoretically, the hegemonic project was a national-popular programme in which the ruling political group pursued nationalism to secure hegemony. Whilst the opposition GNP represented the hegemonic group, including the Chaebol, consistently, the new ruling political group did not “base itself specifically on any historical class” (Gramsci, 1988: 249). The forerunner of the ruling NCNP was the KDP which had represented now

¹²⁹ The volume of inter-Korean trade, at its peak (in 2008), accounted for less than 0.3 percent of the total trade volume of South Korea (Asia Gyeongje, 12 August 2010). That is, the inter-Korean reconciliation gave little economic benefit to South Korea.

the defunct landed class (Choi Jang-Jip, 2005: 130-131). The NCNP represented neither the working class, nor small industrial capital such as the owners of the SMEs. Besides, the ruling political group could not devise an alternative accumulation strategy to the hegemonic group's Chaebol-centered exportist accumulation strategy. In such circumstances, the nationalistic goal seemed to be the only viable option for obtaining hegemony, though the result was far from satisfactory.

6.5. Conclusion

Each country has its own characteristics in its historical development of the hegemonic struggles. In the case of South Korea, the struggles took place over the North Korean policy, not over the economic policy. Anti-Communism in South Korean society was so deeply-rooted that those who were sympathetic to communism, socialism, and even labour movements were brutally punished. As a result, even labour activists who strove to change the Chaebol-centred economic structure were easily branded as communist and harshly penalized. Instead, initiated and reinforced by nationalism, nationalists that prioritised the improvement of inter-Korean relations for unification became major counter-hegemonic social forces. That is, the mobilisation power of labour activists was not as strong as that of nationalists in South Korean society. The division of the Korean peninsula characterized the form of the hegemonic struggles in South Korea, where nationalists such as Kim Dae-jung, not labour activists, posed the greatest threat to the existing hegemonic group.

The principal agent of the reconciliation with North Korea from 1998 was the new ruling political group. This group can be specifically categorized as liberal

nationalists, distinct from independent nationalists, even though the hegemonic group did not, or would not, distinguish between them. The group's liberal character was manifested not only through its neoliberal economic reforms but also through its functionalist approach to inter-Korean relations. This was also revealed in the three guiding principles of the North Korean policy that President Kim proclaimed in his inaugural address.

The three principles, however, were not kept in reality. The new ruling political group used inter-Korean relations for political gain by appealing to South Korean people's nationalist aspirations. As a result, the inter-Korean reconciliation accelerated and, in the process, Seoul made too many concessions and gained too little in return from Pyongyang. The South Korean government did not even take particular measures against North Korea's repetitive armed provocations and turned a blind eye to the North's nuclear and missile developments in order to maintain good relations with the North Korean government.

If President Kim had adhered to the initial principles of the Sunshine Policy, the hegemonic group's offensive would have been less effective and the North Korean policy could have achieved much more in the long run. Seoul had to take time in reconciling with North Korea, keep the rule of the separation of economy and politics, and deal with the North's military provocations more sternly. In that context, the ruling political group's hastiness was 'primarily' responsible for fierce criticisms over the North Korean policy. In addition, Pyongyang was responsible too. But for the North's unilateral actions, such as its occasional military provocations against the South, the situation would have been different. However, to Kim Jong-il, those actions were entirely consistent with his interests, as will be detailed in the next chapter.

Last but not least, this thesis takes note of the relationship between South Korea's

economy and its North Korean policy. Before 1998, North Korean policy was closely related to the economic structure of South Korean society, but the new North Korean policy in the Kim Dae-jung era had little to do with it. Kim's vision of linking inter-Korean reconciliation with an accumulation strategy through establishing an inter-Korean economic community did not consider, most of all, the idiosyncrasy of the North Korean system which was averse to implementing a full-scale reform and opening enough to make it realized in the short-term. The de-linkage between the North Korean policy and the economic structure was one of the main reasons that the hegemonic project failed, and South Korean society witnessed the continuance of exportist Fordism. The significances of the failure are presented in the fourth section of Chapter IV.

Chapter VII. Reconciliation with South Korea

Inter-Korean relations have been closely related to hegemonic struggles in North Korea, and South Korean policy has been utilised for the Partisan Faction to maintain its hegemony as well as political power. In the mid-1990s, Kim Jong-il witnessed a major economic crisis that autarkist Soviet Fordism gave birth to. The organic crisis which was the result of excessive subordination of the economy to politics, however, did not bring about a new ruling political group, let alone a new hegemonic group. The Party's Monolithic Ideological System did not allow mass consciousness for change and any political rivals to Kim Jong-il to exist. The hegemonic group struggled to stop the economic crisis from developing into regime change and the collapse of the whole North Korean system through *Silli* Socialism and *Seongun* Politics. However, these were provisional measures as the hegemonic group was afraid of undertaking a comprehensive reform for fear of out-of-control capitalization and liberalisation.

At this juncture, the transfer of political power to Kim Dae-jung in the South seemed to be a great opportunity to the hegemonic group in the North. The new ruling political group in South Korea was made up of liberal nationalists who had been eager for inter-Korean reconciliation, and President Kim Dae-jung kept signaling a major change of North Korean policy. As the hegemonic group had no intention of carrying out a full-scale reform of the existing system, the possibility of large-scale economic aid from Seoul was something that it could not ignore. Thus, new inter-Korean relations could be an important instrument in weathering the crisis and maintaining its hegemony.

The following section begins with the accounts of the existing ruling political group's policy toward South Korea in the Kim Il-sung era. This will show how the ruler

in the North took advantage of inter-Korean relations and the issue of unification. The next section will demonstrate that the reconciliation with South Korea between 1998 and 2002 contributed a lot to overcoming the grave economic crisis and strengthening the legitimacy of the Kim Jong-il regime. Then, consequences of the reconciliation will be presented with regard to domestic hegemonic struggles. This chapter will conclude with a summary.

7.1. South Korean Policy in the Kim Il-sung Era

The South Korean policy by Kim Jong-il was consistent with that in the Kim Il-sung era. In fact, the continuation of the policy was not an option for Kim Jong-il: he became the successor over his uncle Kim Young-ju because he was better than his uncle at reading Kim Il-sung's mind. Before 1994 when Kim Il-sung died, Kim Jong-il, as an heir to the 'Great Leader', had adopted and implemented policies toward South Korea in accordance with his father's thoughts, or the Juche Ideology—also, he was a de facto co-leader with his father for more than ten years. This continued even after Kim Il-sung's death as the legitimacy of his rule lay in the fact that he was the very person who could understand and realize his father's thoughts best. Besides, Kim Jong-il's perception of inter-Korean relations was already formed while Kim Il-sung was alive, so it would not change overnight upon the death of his father (Choi Wan-Kyu, 1998: 196-197). Indeed, it is important not to consider Pyongyang's new South Korean policy as completely different from the past even though it appeared to be so and, thus, it is critical to understand Kim Il-sung's thought and ideas on inter-Korean relations to analyse the South Korean policy of the ruling group.

To Kim Il-sung, South Korea was the object with which to unify and inter-Korean relations were the instrument with which to achieve it. The unification was to place the whole Korean Peninsula under communism—and under the Juche Ideology later—and not under capitalism or anything else. As North Korea branded South Korea as an American colony and the South Korean government as a puppet government for the United States, unification also meant the liberation of the South Korean people from American imperialism (Hwang Jang-yop, 2008: 430).

From the early stages of his rule, Kim Il-sung used the issue of unification as a means to strengthen his power in North Korea. For example, in the speech at the inaugural congress of the KWP in late August 1946, Kim asserted that the fundamental demand of the Korean people was to transform North Korea into a ‘democratic base’ to set up a unified, democratic, and wholly independent state, and proposed that unification should be the ultimate goal of the Party (Park Tae-ho, 1985: 72). Since then, the party charter has specified that the Party should carry out the pressing tasks of national liberation and people’s democratic revolution on a national scale, including in South Korea (Jeong Kyu-seob, 2004: 91-92).

Kim Il-sung exterminated his rivals within the Party by claiming that the Party should be a strong and solid entity for unification with no ‘impure’ forces within the organization (Oh Il-hwan, 1999: 356). This was critical in establishing his dictatorship as North Korea took the form of the party-state system in which the single communist party commanded and controlled all governmental and non-governmental organizations and institutions. The August Faction Incident paved the way for his taking full control of the Party, and he made the most of antagonistic inter-Korean relations. He argued, “These days, the Rhee Syngman faction is abetting this very small number of anti-revolutionary

forces to start a riot like the case of Hungary to invade North Korea as it used to do.” and added “South Korea is now sending numerous spies to hatch a plot against the Party and the government.” (Lee Jong-seok, 1995a: 150).

In the October Plenum of the Central Committee in 1966, Kim Il-sung insisted that South Korea's diplomatic normalization with Japan, in fact, established the military base to wage another Korean War and, thus, created a great anxiety over the security of North Korea. This became a key ground to establish a permanent Secretary Bureau and the post of the General Secretary. This served as another key momentum to strengthen dictatorship because, afterwards, he could make important decisions on his own without having to hold a formal party meeting (Ryoo Kihl-jae, 2005: 221-222; Oh Il-hwan, 2000: 70). Later, when Kim Il-sung became the ‘Great Leader’ by calling for the monolithic leadership in the new constitution of 1972, the issue of unification was also an effective pretext (Kim Se-kyun, 2006: 141). It was similar to the South Korean case of Park Chung-hee who justified the *Yusin* system with the excuse of building a firm foundation for unification (Kim Jae-hong, 2012: 17).

While unification was empty political rhetoric to Rhee Syngman and Park Chung-hee, Kim Il-sung of North Korea had economic and military capabilities until the early 1970s, provided that the U.S. troops were pulled out of the Korean Peninsula. Therefore, the North placed the withdrawal of American troops from South Korea as one of the key objectives in its relations with the South. Kim Il-sung repeatedly claimed that all foreign forces should be withdrawn. However, he did not claim this at the outset. He depended upon the power of foreign forces from the Soviet Union and China when he waged the Korean War. His rejection of foreign forces was simply aimed at driving American troops out of South Korea after the Korean War, and this was aggressively

voiced after 1958 when all remaining Chinese troops left North Korea (Lee Sin-cheol, 2008: 399).

Kim Il-sung, from the outset, took advantage of the issue of unification in inter-Korean relations as well. Straight after independence, he deemed that there were many nationalists in South Korea and sought to make use of them for political gain. In order to appeal to nationalists in South Korea, Kim Il-sung in his speeches frequently emphasized national self-determination and the necessity of unification with the South. However, his stance was different from that of Kim Gu who said that the ideological confrontation between capitalism and socialism on the Korean peninsula would be merely momentary (Kim Gu, 2000: 60). The stance of Kim Il-sung was more similar to that of Rhee Syngman who prioritised ideology over the Korean nation or prioritised his personal interests over everything else. Nevertheless, Kim had to look like a staunch nationalist who devoted himself to the task of unifying the two Koreas to strengthen his position in the domestic arena.

If Kim Il-sung had been a devoted nationalist like Kim Gu, for instance, he would have opposed the five-year trusteeship plan agreed upon in Moscow in December 1945 and would have attempted to delay the formation of a separate government in North Korea. He pretended to be a committed nationalist, though, by inviting Kim Gu and Kim Kyu-shik to have unification talks in Pyongyang in April 1948. The two visitors allegedly felt insulted to know that Kim Il-sung had already finished all the preparations for the establishment of the Democratic People's Republic of Korea and that they just played a supporting role on a stage which was intended to show that Kim Il-sung had made sincere efforts to unify the two Koreas, before setting up the separate government in North Korea (Baek Yu-seon, 2008: 346 and Lee Jong-seok, 1995: 205).

Kim Il-sung believed that there were many potential social forces in South Korea which could rise against the rightist dictatorship, so he advocated the united front tactic to win them over to his side (Choi Wan-Kyu, 1998: 195). The united front tactic, elaborated on by the Comintern in 1922, was a method to join with labourers, farmers, intellectuals, and so on in the struggle against the bourgeoisie (Marxists Internet Archive, 1922). Kim Il-sung applied it as a unification tactic, and nationalists in South Korea were the main targets. This tactic was particularly preferred after he experienced the formidable military power of the United States during the Korean War, and was officially proposed in 1960 when South Korea underwent the April Revolution. Kim considered it a golden opportunity. On 18 August of the same year, to attract 'revolutionary forces' in the South, he proposed to establish the North-South Federation in which each political system would remain until the complete unification of the two Koreas (Shin Jong-dae et al., 2013). This also reflected Kim Il-sung's confidence in the North's system over that of the South at that time. However, the proposal went awry because of the coup d'état by Park Chung-hee who harshly cracked down on all forms of unification movements after he seized power (Suh Jung-seok, 2007: 123).

In July 1971, immediately after US National Security Adviser Henry Kissinger visited Beijing to talk about the Sino-American diplomatic normalisation, Chinese Premier Zhou Enlai visited Pyongyang to explain China's new policy toward the United States. Then, Zhou conveyed what Kissinger said on 9 July 1971: "If the relationship between our countries develops as it might, after the Indochina war ends and the ROK troops return to Korea, I would think it quite conceivable that before the end of the next term of President Nixon, most, if not all, American troops will be withdrawn from Korea" (U.S. Department of State, 2006a in Schaefer, 2010: 6). This delighted Kim Il-sung who

regarded the withdrawal of American forces from the South as the optimal condition for his united front tactic. Kim was also delighted by the remarks that Kissinger made during his second visit to Beijing: “Our present plan is to withdraw a substantial percentage of our forces from South Korea in the next years. If the tensions in the Far East continue to diminish, the number of forces in Korea can be expected to be very small” (U.S. Department of State, 2006b in Schaefer, 2010: 8).

While publicly supporting the Sino-American rapprochement, Kim Il-sung proposed inter-Korean talks to give Washington the impression that tensions on the Korean peninsula were being relieved. Park Chung-hee responded positively to his suggestion because, on the one hand, he felt it urgent to improve relations with Pyongyang to reduce security threats after the Nixon Doctrine and, on the other hand, he tried to utilize inter-Korean talks for strengthening his dictatorship. The talks gave birth to the July 4th Joint Communiqué and continued until August 1973, when North Korea declared a halt in communication with South Korea because Kim realized that Park exploited the talks to legitimise the 1972 *Yusin* system which allowed little room for the unification tactic to succeed by tightening control over the people (Harrison, 2002: 140-141).¹³⁰ Kim Il-sung was allegedly outraged, even though he also used the inter-Korean dialogue ‘as a pretext for dictatorship’ and also ‘as a tactic for unification’. Regarding the former, several months later, North Korea promulgated a new constitution in which the monolithic leadership by the ‘Great Leader’ was stipulated with the emphasis on the need for the dictatorship to prepare for unification (Kim Se-keun, 2006: 141). As for the latter, Foreign Minister Heo Dam confessed to the GDR ambassador in Pyongyang in August 1972 that

¹³⁰ However, the official pretext of the halt was the kidnapping of Kim Dae-jung in 1973 (Jeon Sang-bong, 1999: 184).

the communiqué was merely tactical by maintaining that the North would not retain its socialist system at all costs (GDR Embassy Pyongyang, 1972 in Schaefer, 2010: 14). Some months later, the kidnapping of Kim Dae-jung on 8 August 1973 served as a pretext for Pyongyang to officially halt the inter-Korean talks (Kim Jin-guk, 2000: 195).

During this period, Kim Il-sung told a couple of communist leaders in foreign countries about his ideas for unification and inter-Korean relations. For example, he revealed that North Korea now preferred the united front tactic to direct invasion to South Korea for unification. Kim said to Romanian leader Nicolae Ceausescu in June 1971 and Bulgarian Communist Party leader Todor Zhivkov in June 1975 that a military invasion could provoke a global-scale war and that the Soviet Union and China would not want to be engaged in such a conflict. Hence, unification would be realized only through the 'growing revolutionary impetus' in the South.¹³¹ At that time, it was noteworthy that he had two misunderstandings as follows about the issues of unification and inter-Korean relations: first, he was assured that the future democratic government in South Korea would make possible 'victory through elections' in which the unified Korea would turn out to be a socialist system (Schaefer, 2010: 5); second, the enthusiasm for unification in South Korea represented the people's preference for the North Korean system (Schaefer, 2010: 29). This excessive optimism was analogous to his miscalculation before the Korean War that if the North invaded the South, a great number of South Koreans would rise against the Rhee Syngman regime and therefore unification would be realized with ease (Goh Jin-seok, 2012: 142).

Even though the first official talks between North and South Korea ended in

¹³¹ For the discussion with Ceausescu, please see Wilson Center (1971), and for the discussion with Zhivkov, please see Wilson Center (1975).

failure, it was for the first time that the two Koreas had formally recognized each other as negotiation counterparts. Prior to that, the North Korean government did not want to talk with the South Korean government for two reasons: first, as previously mentioned, North Korea regarded the South Korean government as a ‘puppet’ government for the United States; second, the two Koreas were in a state of armistice but it was the U.S. government, not the South Korean government, who signed the cease-fire agreement—regarding military issues, Pyongyang deemed it futile to talk with Seoul because the United States had both wartime and peacetime operational command of all forces in South Korea.

After the inter-Korean talks were broken off, Pyongyang concentrated on having direct talks with Washington. In particular, this was inspired by the fact that the communisation of Vietnam was possible with the withdrawal of American troops from Vietnam, which had been agreed upon by North Vietnam and the United States in the Paris Peace Accords in 1973 (Ko Jong-suk, 2003: 134-135). Accordingly, in March 1974, the Supreme People's Assembly of North Korea suggested a peace agreement to the United States while it rejected a non-aggression pact proposed by South Korea (Jeong Kyu-seob, 2004: 296-297). However, contrary to Pyongyang’s expectations, the suggestion was not accepted by Washington.

In October 1980, a few months after the Gwangju Democratization Movement in South Korea, Kim Il-sung proposed founding a Democratic Federal Republic of Koryo at the 6th Party Congress. The proposal suggested a unified Korea on a federation formula, with one state, two systems and two governments (Kim Se-kyun, 2006: 132-133). He added the term ‘democratic’ to the earlier proposal of the North-South Federation in 1960 in order to appeal to South Korean people who were indignant with the dictatorship that made a bloody suppression of the pro-democracy demonstrators. However, Kim’s

intentions were to unify Korea through the united front tactic as before, which manifested itself in the prerequisites for the creation of the federation that included the guarantees of freedom of thought (including communism) and freedom of organizing any party (including a communist party), the abolition of the NSL, and the establishment of a peace treaty between the United States and North Korea after the withdrawal of U.S. troops from South Korea.

Kim Il-sung's federation formula was a concrete method for realizing the united front tactic. In the name of great national unity, the formula aimed to embrace all social standings that were discontented with the ruling establishment and foreign powers (Hwang Jang-yop, 2010: 220). It also defined the United States as a foreign force in order to attack the alliance between Seoul and Washington and emphasized self-reliance to stave off interference from abroad, especially from the United States (Hwang Jang-yop, 2010: 228). Kim Il-sung sought to appeal to South Korean nationalists with the North Korean version of nationalism. However, by the 1980s, the nationalism was nothing less than to make the Korean people give blind loyalty to Kim by claiming that his absolute rule would suit the interests of the people (Hwang Jang-yop, 2010: 318).

The easing of the Cold War tensions from the late 1980s and the collapse of the Soviet Union in 1991 posed a serious threat to the national security of North Korea. The South Korean government's normalization of diplomatic relations with Russia, eastern European countries, and China raised the severity of the situation (Ha Yong-chul, 2003: 167). In response, Kim Il-sung attempted to open a dialogue with Seoul. This time, the main purpose of talks with South Korea was not to promote unification as in the 1970s, but to guarantee its security from the United States by showing that North Korea had a cooperative and peaceful relationship with South Korea. Subsequently, the two Koreas

started talks on a variety of issues, such as inter-Korean parliamentary talks, high-level inter-Korean talks, inter-Korean Red Cross talks, and so on. A series of inter-Korean talks resulted in two major agreements: the Basic Agreement on Reconciliation, Nonaggression, Exchanges, and Cooperation on 13 December 1991 and the Joint Declaration on the Denuclearization of the Korean Peninsula on 31 December 1991.¹³²

In accordance with the Joint Declaration, an inspection team from the International Atomic Energy Agency (IAEA) was allowed into North Korea in May 1992. However, the team found that North Korea did not reveal its nuclear facilities fully and, in February 1993, the North refused to permit special inspections from the IAEA. To make matters worse, in March 1993, it threatened to withdraw from the NPT (Suh Sang-mok, 2004: 257). It utterly ignored the Joint Declaration in only one-and-a-half years. This signified that Kim Il-sung from the outset had no intention to keep the agreement it made with South Korea. Then why did North Koreans sit at the negotiation table with South Koreans? It was because Kim wanted to impress Washington, not Seoul. This was evidenced by the facts that the North willfully brought negotiations with the South to an end by threatening to turn Seoul into a 'sea of fire' in March 1994 while it continued a series of talks with Washington (Park Hyun-hee, 2005: 82).

Eventually, Kim Il-sung had North Korea sign the Agreed Framework with the United States, not with South Korea, on 21 October 1994, in which the North agreed to freeze its plutonium production programme in return for fuel oil and the construction of two light-water reactor power plants. The Agreed Framework also specified economic

¹³² The Joint Declaration on denuclearization forbade both Koreas to test, produce, receive, possess, store, deploy, or use nuclear weapons and also banned the possession of nuclear reprocessing and enrichment facilities. In 1991, before the completion of the Joint Declaration, Washington pulled U.S. tactical nuclear weapons out of the Korean peninsula (Yu Ho-yeol, 2004: 300).

cooperation and the step-by-step normalization of relations between Washington and Pyongyang. Kim Il-sung died in July 1997, about three months before the settlement of the negotiation with the United States. Now the ball was in his son's court.

In general, South Korean policy was the interplay of the Juche Ideology and the hegemonic Partisan Faction's interests. The Juche Ideology was closely connected to nationalism, and the most urgent nationalistic goal that North Korea claimed was the unification with South Korea. The North argued that, in order to unify with the South that was backed by strong U.S. forces, North Korean society should be united under the monolithic leadership of Kim Il-sung. Under the pretext of preparing for unification, the Kim Il-sung faction purged all (possible) rivals and established the Monolithic Ideological System and autarkist Soviet Fordism. In that process, Kim Il-sung and the members of the Partisan Faction monopolised material interests in North Korea.

7.2. Inter-Korean Reconciliation as a Hegemonic Project

The ruling political group in the Kim Jong-il era, like that in the Kim Il-sung era, utilised the issue of inter-Korean relations as a key instrument to legitimise the new leadership, add to its traditional unification efforts, secure the regime from external threats. And yet, there was another and more important purpose with regard to the issue to Kim Jong-il. Economic recovery was not attainable without a full-scale reform of the system and thus the North Korean regime needed outside help urgently. Overcoming the organic crisis was of primary significance to revive the backbone of the system: the consent mechanism that inculcated North Koreans with the Juche Ideology that justified the dictatorship by the Kim family. It was critical to maintain the hegemonic rule in the North.

Reconciling with the South Korean government for economic gain had no obstacles in domestic politics as long as Kim Jong-il found the legitimacy in his father's words. In that vein, on 4 August 1997, immediately after he was nominated as general secretary of the Party, he publicly pledged to carry out Kim Il-sung's instructions on unification in an article entitled, "Let's carry out the Great Leader comrade Kim Il-sung's instructions on unification thoroughly" (Yu Ho-yeol, 2004: 303).

Although the issue of inter-Korean relations was critical in strengthening the hegemonic rule, there was little progress in the relationship between North and South Korea until the end of 1997. In the South, President Kim Young-sam did not show particular enthusiasm for the issue of unification and had no trust in the North Korean regime, owing to a series of provocative actions such as the nuclear problem in 1992-1994 and the submarine infiltration incident on 18 September 1996 (Do Jin-sun, 2001: 46). In the North, Kim Jong-il was outraged by the fact that, when Kim Il-sung died, Kim Young-sam did not offer condolences and even banned South Korean civic groups and student organizations from sending delegations to the funeral (Dong-A Ilbo, 21 December 2011). It was not until the inauguration of Kim Dae-jung as president of South Korea that inter-Korean relations began to make meaningful advances. Kim Dae-jung had been a nationalist with a sincere interest in unification for decades, and he sent repeated suggestions for reconciliation to Pyongyang.

In fact, North Korea had eagerly anticipated the day that Kim Dae-jung became the president since he lost the 1971 presidential election closely. Kim Il-sung expected that if Kim Dae-jung became the head of state, he would attempt to engage in dialogue with North Korea, and this would enhance the chances of implementing the united front tactic (Schaefer, 2010: 5). However, Kim Jong-il at the outset assumed a cautious attitude

toward the reconciliation with South Korea because circumstances had changed drastically. In the early 1970s, Pyongyang expected that frequent inter-Korean contact would enable more and more South Koreans to favour the North Korean system. However, in the late 1990s, the situation was reversed. Rapid progress in relations with South Korea could be fatal to the regime security as the South was far more economically developed than the North. North Korean people had been brainwashed into thinking that they were living on an earthly paradise, but frequent contact with South Korean people, culture, and products could disillusion them. This could trigger a breakdown of the whole North Korean system. Moreover, Kim Jong-il was doubtful about the real intentions of the Sunshine Policy. The South Korean leader might have been mindful of unification by absorption. This suspicion was not groundless because that was the North's intention when it pursued the reconciliation with the South in the early 1970s (Wilson Center, 1972b).¹³³

For the time being, Pyongyang was ambivalent about Seoul's Sunshine Policy. On the one hand, North Korea showed strong hostility towards it. It claimed that the policy was merely 'a silly dream' that could not come true and that South Korea was doing a foolish thing in exchanging politics for money. It also said that the policy revealed the South's ambition to extend the United States' colonial rule to the North. Rodong Shinmun interpreted the South Korean policy as an anti-unification monologue by arguing that its essence was to induce North Korea to reform itself and open the door, which meant the categorical denial of the current North Korean system. Until June 1999, the North Korean newspaper contended that the policy was nothing but a scheme for unification by absorption (Kim Yeong-su, 1999: 12-13).

¹³³ See also Wilson Center (1972a).

On the other hand, Pyongyang showed an unprecedented interest in the Sunshine Policy. In the past, it had ignored Seoul's North Korean policies and just urged Seoul to accept the proposals from Pyongyang. In contrast, Pyongyang paid great attention to the North Korean policy of the Kim Dae-jung administration and strove to minimize the possible, negative consequences. Besides, Pyongyang avoided giving a direct rebuke to President Kim Dae-jung. It easily branded former South Korean presidents or other politicians as puppets but it never called President Kim a puppet. When it wanted to criticize South Korean persons, it just called them by their name without using titles. However, when it wanted to criticize President Kim, it did not mention his name and instead used the term *Jipgwonja* (meaning the person in power) (Kim Yeong-su, 1999: 14-17).

North Korea, after all, had no choice but to reconcile with South Korea at that time. Economic necessity was the primary reason. The economic crisis, accompanied by massive starvation, destabilized North Korean society to the extent that it threatened the very existence of the regime, particularly by undermining the consent mechanism as afore-mentioned. Kim Jong-il was implementing a number of drastic politics to overcome the economic crisis. However, external assistance was very much needed because the main cause of the crisis was the North Korean system itself that established and preserved the dictatorship of the Kim family.

The reconciliation would facilitate inter-Korean economic transactions to the advantage of North Korea. Already, North Korea earned a large amount of money from the Mt. Kumgang project with Hyundai, which was supported by the South Korean government. Full-scale reconciliation would enable more South Korean companies to invest in North Korea and bring in huge amounts of capital to Pyongyang. It would be

critical to receive foreign aid as well. Without that, North Korea would have difficulty in obtaining aid copiously from Western countries, not to mention direct economic assistance from South Korea.

The continuation of antagonistic relations with South Korea could be advantageous to the regime in oppressing the people. However, it would block North Korea from entering the road to economic recovery and, eventually, lead to a crisis of the whole system. Reconciliation with the South could weaken the stability of the regime but it would be decisive in reviving the economy. Eventually, according to Park Hyeong-jung, a policy switch in favour of reconciliation with Seoul was settled after a series of debates between the conservatives and the reformists in the latter half of 1999. They decided that North Korea would take advantage of South Korea to solve its economic problems on the condition that it should strengthen its internal controls (Park Hyeong-jung, 2000: 24). As a measure for the latter, for example, the North used the slogan 'mosquito nets of Juche' to block any negative consequences of the reconciliation with the South. By the same token, North Korean media frequently claimed that people in the North should beware of capitalist elements which could throw society into chaos and destroy the morality of the people (Kim Yeong-su, 1999: 21-22).

Kim Il-sung opted for a self-sustaining economy because they considered that economic autonomy from the Soviet Union and China would be beneficial to their attaining hegemony. Likewise, Kim Jong-il chose reconciliation with South Korea as it could contribute to their maintaining hegemony in the midst of the economic crisis. Consequently, the reconciliation process was geared toward enhancing economic cooperation for the most part, while military problems were still discussed mainly with Washington. In addition, economic cooperation was confined to the form of trade and aid

for the survival of the regime, not devised as a preparation for unification—for example, the two Koreas agreed to seek balanced economic development between North and South Korea but, in reality, only the projects which could guarantee direct material benefits to Pyongyang were carried out.

The June 15 North–South Joint Declaration was also coined and utilized in ways that were conducive to the best interests of the hegemonic group. To North Korea, the wording of the first clause, ‘independently without any foreign interference,’ established legal grounds for the withdrawal of U.S. troops from the peninsula. The second clause was interpreted such that Kim Jong-il made the South Korean leader formally acknowledge his father's unification formula. The promotion of economic cooperation in the fourth clause was of practical help because it provided explicit grounds to receive economic assistance from the South. The North Korean media evaluated the historical significance of the declaration as follows: first, it was a great achievement of North Korea’s leader Kim Jong-il who demonstrated his superior ideas, leadership, and brave decisions; second, it showed to the world that the long-cherished wish of unification could not be stifled by any anti-unification forces both at home and abroad (Shim Byeong-cheol, 2002: 160-161).

North Korea reconciled with South Korea upon the consent of its military. Pyongyang pursued the rapprochement in cooperation with the military, not in disregard of it. Moreover, the armed forces kept the lion's share of material benefits from the new relations with Seoul. Generals earned a lot of money by engaging in trade with South Korea. The conditions of soldiers improved first as the regime preferentially distributed to the military food and goods it gained from the South. This was helpful for common people to sustain their lives any way because when soldiers were not given food and

goods, they extorted them from citizens (Hwang Jang-yop, 2001: 293). Meanwhile, even after the Joint Declaration, North Korea's military continued armed provocations against South Korea as a show of strength and Pyongyang pushed ahead with nuclear and missile development programmes supported with the money it received from the South. This was possible because the inter-Korean summit agreement was, primarily, not to promote peace, but to prepare for unification, as explained in the previous chapter, and thus it did not explicitly include any articles that would be helpful to head off military conflicts between the two Koreas.

The reconciliation with South Korea, first and foremost, contributed to North Korea's economic rebound (Lee Young Hoon, 2005: 205). Inter-Korean trade officially began in October 1988 when the South Korean government announced the Basic Guide for Inter-Korean Commodities Exchange. The North's major export goods were fisheries and textile goods manufactured through process-on-commission, but the profits were meagre (Lee Young Hoon, 2005: 182). The introduction of the Sunshine Policy in 1998 made North Korea enjoy a considerable trade surplus with South Korea, in which the Mt. Kumgang Project was a major source of revenue. As the following Table 13 shows, the inter-Korean summit in 2000 was another catalyst as the South Korean government actively backed the private sector's economic transactions with the North. The volume of humanitarian aid also surged from 2000 as shown in Table 14. North Korea registered positive economic growth from 1999 after nine years of negative growth. According to Lee Young Hoon, were it not for inter-Korean trade and humanitarian aid, North Korea would have posted negative growth for the years 1999-2002 (Lee Young Hoon, 2005: 204).

Table 13. Changes in inter-Korean trade volume from North Korea's perspective from 1995 to 2002 (1 million USD)

	1995	1996	1997	1998	1999	2000	2001	2002
Outflow	223	182	193	92	122	152	176	272
Inflow	64	70	115	130	212	273	227	370
Total	287	252	308	222	333	425	403	642

Source: Lee Young Hoon (2005: 186).

Table 14. Changes in humanitarian aid volume from 1995 to 2002 (10,000 USD)

		1995	1996	1997	1998	1999	2000	2001	2002
South Korea	government	23,200	305	2,667	1,100	2,825	7,863	7,045	8,375
	private sector	25	155	2,056	1,863	3,513	6,494	5,117	7,061
	total	23,225	460	4,723	3,185	4,688	11,376	13,539	13,492
Int'l Community		5,565	9,765	6,350	30,199	35,988	18,177	35,725	25,768
Total		28,790	10,225	31,073	33,384	40,676	29,553	49,264	39,219

Source: Lee Young Hoon (2005: 192).

Reconciliation with Seoul also played a significant role in Pyongyang's improving relations with the United States. While Washington negotiated with Pyongyang over the missile and nuclear issues, Seoul often took Pyongyang's side. For example, President Kim Dae-jung showed skepticism about the possibility of the North's nuclear program through the media when the Kumchangri issue arose in 1998 (Dong-A Ilbo, 21 November 1998). Despite a series of high-level talks, after September 1999 during which North

Korea declared a moratorium on its missile tests, relations between the United States and North Korea made little progress. Then, the high-profile inter-Korean summit talks broke the stalemate. A few months later, in October 2000 Cho Myong-rok, vice chairman of the North's National Defense Commission, visited Washington as a special envoy (Ha Yeong-seon, 2006: 174). In the same month, U.S. Secretary of State Madeleine Albright paid her visit to Pyongyang to meet Kim Jong-il as a move to end long-standing enmities between the two countries (Jeon Sang-bong, 1999: 164).

Other capitalist countries followed suit before long. In the case of Japan, it held a series of normalization talks with North Korea in 1991 and 1992. However, they all ended in failure because of the North's excessive demands for compensation for Japan's colonial rule (Ha Yong-chul, 2003: 193). The talks did not resume owing to the issues surrounding the North's nuclear and missile programs. The inter-Korean summit in June 2000 facilitated the progress of relations between Japan and North Korea and, about three months later, the first ever summit talks were held in Pyongyang. A month later, negotiations for diplomatic normalization officially recommenced (Ha Yong-chul, 2003: 218-219).

From 1998, when the reconciliation process began in the peninsula, North Korea's relations with Western countries improved fast. In December 1998, the first political talks were held between North Korea and the European Union and, in January 1999, representatives of the European Union visited Pyongyang to have talks with Kim Jong-il (Jeong Min-su, 2004: 54). Relations with individual countries were also enhanced. This began with the establishment of ambassador-level diplomatic relations with Italy in January 2000. North Korea was of more interest to Western countries after the inter-Korean summit talks. Before long, the North set up ambassador-level diplomatic relations

with the United Kingdom in December 2000, the Netherlands and Belgium in January 2001, Spain and Canada in February 2001, and Germany, Luxembourg, and New Zealand in March 2001 (Suh Jin-yeong, 2003: 84).

7.3. Consequences of Inter-Korean Reconciliation on Hegemonic Struggles

The hegemonic group of North Korea pursued rapprochement with South Korea deliberately. It made use of the new inter-Korean relations as a means to fend off possible political instability followed by the unprecedented economic crisis. The crisis broke down the public distribution system and had North Korean people engage in trade and stay away from their companies and hometowns. The Party's tight grip on the people became looser as more and more people did not participate regularly in the Review Meeting on Everyday Life and the political activities of extra-governmental bodies in which the Party indoctrinated them with the ideology of Juche that provided legitimacy for the dictatorship of the Kim family. The indoctrination through the Party was critical to the rule of the hegemonic group. Only when North Koreans accept the legitimacy of the absolute rule of the Kim dynasty can the current system be preserved. Hence, overcoming the economic crisis was directly related to the maintenance of political power by the hegemonic group.

The economic support from the South was not enough to normalise the North's national economy. However, we can assume that the Number One Plan and plans for the Party economy and the defence industry—which were essential to maintaining the dictatorship in North Korea—must have been substantially helped by the US dollars, food,

fertilizers, and so on from Seoul. In addition, the hegemonic group implemented *Silli* socialism and *Seongun* politics to stabilize society in the midst of the economic crisis, and the economic benefits from the reconciliation with the South were beneficial in implementing them more extensively and effectively. For example, they were conducive to conducting *Silli* Socialism by providing relevant supplies and money for the economic sector and, also, they were of great assistance in executing *Seongun* politics by allocating food to the military primarily and purchasing military equipment with the money the North received from the South.

The reconciliation benefitted the Party, the military, and the Cabinet of North Korea and thus strengthened the power of the state vis-à-vis society. The economic gains contributed to the recovery of industrial facilities and thus led many people to go back to their workplaces and homes. As a result, more people could participate in the Review Meeting on Everyday Life and the political activities of extra-governmental bodies. This strengthened the Party's clout, though it was not at the same level as before the economic crisis. Even though the military opposed the reconciliation at the beginning, it received the lion's share of the fruits of the new relations with South Korea. Besides, regardless of the overt rapprochement, the military did not restrain itself from conducting armed provocations against South Korea and, moreover, its nuclear and missile development programmes were aided with the US dollars it received from the South. The Cabinet had been a key advocate for the reconciliation as money, goods, and materials from the South would be essential for the successful implementation of the reforms that it attempted to undertake. Direct and indirect assistance from the South Korean government helped the Cabinet to carry out the July 1 Measures in 2002.

At the outset, Pyongyang worried about the possible negative consequences of

the inter-Korean reconciliation. However, they turned out to be insignificant, at least in the short term. North Korea's various measures to curtail negative consequences took effect to some extent. Nonetheless, more fundamentally, the political stability was due to the fact that there was no room for a counter-hegemonic group to take root in the North. As described in Chapter VI, North Koreans did not have an alternative to the Juche Ideology—even books written by Marx or Lenin North Koreans could read only in the library with the Party's permission—and Kim Jong-il had no political rivals to challenge him. Therefore, no pivotal ideas or persons existed that could mobilize any counterforces against the hegemonic group even when North Koreans saw many South Korean and U.S. products in the farmers' markets—a sizeable amount of assistance and aid to North Korea was diverted for resale in these markets (Manyin and Nikitin, 2011: 12).

With regard to the military provocations and the nuclear and missile development programmes, the South Korean government gave North Korea the benefit of the doubt and tried to conciliate with it. On the contrary, the United States did not. In particular, after the Bush administration was inaugurated in January 2001, the United States stepped up its pressure against North Korea, which culminated in Bush's labelling the North as part of an axis of evil, along with Iran and Iraq in January 2002 (BBC, 2 February 2002). Eventually, the reconciliation with the South aimed to attain positive results in the areas of economy, politics, and security but, from January 2001, achievements in the security field vanished. Nonetheless, in a general sense, the reconciliation project with South Korea, pursued by the North's hegemonic group, was successful in preserving its hegemony.

From a Gramscian perspective, the hegemonic project had a national-popular outlook of nationalism. The North Korean regime made the reconciliation with South

Korea look like a realization of Kim Il-sung's instructions on unification which was the most important task in the pursuit of North Korean nationalism. In effect, however, the reconciliation was implemented to alleviate the people's suffering resulting from North Korea's accumulation strategy and to support, albeit in a limited fashion, the new economic policy called *Silli* socialism. We can interpret Pyongyang's hegemonic project as being more closely related to its economic objectives and, in that sense, the North had more tangible fruits than its southern counterpart through the inter-Korean reconciliation from the late-1990s.

7.4. Conclusion

During the Cold War, Kim Il-sung took advantage of inter-Korean relations, on the one hand, to strengthen his power in North Korea and, on the other hand, to unify the Korean peninsula under communist control. In particular, his federation formula was a means to realizing the united front tactic to attract South Korean people with nationalistic aspirations to his side and to topple the South Korean capitalist state. With the relaxation of Cold War tensions from the late 1980s, one more purpose was added: securing the North Korean regime from external threats, particularly from the United States. Talks with South Korean leaders were primarily for show to impress American policy-makers. Agreements with the South Korean government were mere scraps of paper, as were the Basic Agreement on Reconciliation, Nonaggression, Exchanges, and Cooperation and the Joint Declaration on the Denuclearization of the Korean Peninsula in 1991.

Kim Jong-il and his inner-circles used the inter-Korean rapprochement to fulfil the three purposes as well. As for the consolidation of power in the domestic sphere, the

new leadership claimed that Kim Jong-il faithfully followed his father's instructions on unification, which was helpful in justifying the hereditary succession. Regarding the unification of the Korean peninsula, the inter-Korean reconciliation gave the North opportunities to expand exchanges in cultural, sports, and so on with the South. There was little prospect of unification under the communist leadership in the 2000s. However, the reconciliation could at least weaken the capitalist country's power by dividing South Korean society ideologically—it is better to have a divided enemy than to have a unified one. Last but not least, the new relations with Seoul helped ease Pyongyang's security concerns through improved relations with Washington.

There was one more purpose when Kim Jong-il shook hands with Kim Dae-jung at Pyongyang Sunan Airport in June 2000. It was to receive as much help as possible from South Korea to overcome the economic crisis. This was of far greater importance than the aforementioned three purposes at that time. The economic crisis had impaired the Party's activities that indoctrinated North Korean people with the Juche Ideology which justified the dictatorship by the Kim family; therefore, overcoming it was of critical significance to the maintenance of hegemony. That is, the reconciliation was a hegemonic project by the then North Korean leadership. Hence, it was implemented primarily for economic purposes, rather than out of nationalist aspirations even though the North claimed this to be so.

If North Korea truly intended to seek cooperation between Korean people, it would not stage armed provocations against South Korean people. Those provocations, however, backfired against North Korea by swaying public opinion in South Korea to the disadvantage of the North and empowering the existing hegemonic group in the South. If North Korea took consistent action for peace on the Korean peninsula, the economic

benefits it received from South Korea and other capitalist countries would have been much bigger than they actually were and, therefore, would have been much more helpful in restoring the economy.

Chapter VIII. Conclusion

8.1. Summary: Main Arguments and Empirical Findings

Applying a Gramscian approach, this thesis explores the relationship between hegemonic struggles in South and North Korea and the inter-Korean reconciliation from 1998 to 2002 and it argues that the reconciliation was pursued as hegemonic projects by the ruling political groups of the two Koreas.

In South Korea, the 1997 economic crisis was an organic crisis that Chaebol-friendly exportist Fordism in the early stages of neoliberalisation yielded. The crisis caused the counter-hegemonic liberal nationalists led by Kim Dae-jung to take over political power. The new North Korean policy was a ‘national-popular’ programme that pursued nationalism to secure hegemony. That is, the reconciliation was devised and implemented to appeal to nationalist sentiment of the public for political gain. Furthermore, it could end South Koreans’ antagonism toward communist North Korea and, hence, weaken anti-Communism which had been the hegemonic group's ideological base and the most effective instrument to repress its opposition forces. The rhetoric was to enhance peace on the peninsula but, in reality, the reconciliation process was undertaken at the expense of tolerating North Korea's armed provocations and nuclear and missile development. The ruling political group clung to repairing inter-Korean relations because it was a project designed to attain hegemony from the hands of the hegemonic group.

In the case of North Korea, the South Korean policy had a ‘national-popular’ outlook of nationalism but, in practice, it aimed to fulfil economic objectives to preserve

hegemony. The economic crisis in the 1990s was an organic crisis resulted from Pyongyang's autarkist Soviet Fordism that excessively subordinated the economy to politics and thus worsened the shortcomings of the socialist system. The economic crisis brought about unparalleled damage to the existing system and, most of all, severely debilitated the state's tight grip on society. In particular, the economic crisis undermined the Party's consent mechanism that indoctrinated North Korean people with the Juche Ideology that legitimized the dictatorship and made hegemonic rule possible. Overcoming the economic crisis was vital to preserving hegemony, and the hegemonic group needed help from outside because it refused to embark on a thorough reform of the existing system which had been designed and implemented for the dictatorship of the Kim family. That is, economic aid from the South and other capitalist countries was crucial to keeping the existing system without a full-scale reform. Hence, the reconciliation was taken primarily for economic gain by the hegemonic group to maintain hegemony in the midst of the economic crisis. Pyongyang's new South Korean policy was not to make a genuine reconciliation with Seoul but to preserve the existing system of North Korea with the help of South Korea and, therefore, Kim Jong-il could shake hands with Kim Dae-jung while he secretly developed nuclear weapons.

More specifically speaking, in South Korea, the new ruling political group was made up of liberal nationalists led by longtime dissident Kim Dae-jung. The thesis advanced the following three groups as major counter-hegemonic social forces in South Korea: liberal nationalists, independent nationalists, and labour activists. Amongst them, liberal nationalists were the most powerful group and constituted the leading opposition party when South Korea was severely hit by the economic crisis in 1997. Independent nationalists and labour activists could not expand their power considerably because of the

strong anti-communist sentiment in society, as they were easily branded as reds. Kim Dae-jung himself had been branded as a red before, but the democratization in 1987 released the shackles, at least 'officially'. Liberal nationalists obtained political power as the public became disenchanted with the existing hegemonic group, and also as the hegemonic group split over the crisis and Kim Jong-pil, a political icon of Chungcheong Province, sided with Kim Dae-jung.

Hegemony, however, was still in the hands of the existing hegemonic group. The group had been formed in the Park Chung-hee era, made up of the ruling party politicians including ex-military politicians such as Park himself, large industrial capital (the Chaebol), most state bureaucrats, and the conservative press. They were constructors and beneficiaries of the historical bloc that achieved an economic miracle in the 1960s and 1970s. The production process of exportist Fordism determined the economic structure of the historical bloc, and the developmental state and anti-Communism constituted the superstructures of the bloc. Most members of the hegemonic group had been pro-Japanese collaborators in the colonial days and, after independence, survived and prospered by advocating anti-Communism which primarily made possible the hegemonic rule. There were not a few members who had not collaborated with Japanese colonial rule, but all the members were strong anti-communists.

It was the economic crisis that struck a serious blow to the hegemonic group. The group had adapted to new circumstances successfully before the crisis. For example, since the early 1980s, it had adopted neoliberalism as a policy guideline and slowly turned the state into a neoliberal state. By the time of the presidency of Kim Young-sam, state economic bureaucrats were all proponents of neoliberalism even though they could be divided into two groups according to their attitude toward the Chaebol. In the mid-1990s,

the hegemonic group still relied upon exportist Fordism for the production process and, most of all, anti-Communism to preserve hegemony.

Interestingly, the counter-hegemonic 'liberal' nationalists who obtained political power as a consequence of the economic crisis accelerated neoliberalisation including the financialization of the economy and greater flexibility in the labour market that the hegemonic group had failed to implement in the previous administration. The ruling political group's attitude toward the Chaebol became quite the same as the hegemonic group's when it halted the reform of the Chaebol in mid-2000 for the victory of the presidential election in December 2002 as the United States' dot-com bubble burst in the spring of 2000 dampened South Korea's economic growth. The result was Chaebol-friendly neoliberalisation with continuing exportist Fordism as the production process. This was in a sense inevitable because exportist accumulation strategy was considered common sense even to the counter-hegemonic group.

Meanwhile, the ruling liberal 'nationalists' relied upon nationalism to maintain political power and attain hegemony by appealing to nationalistic aspirations and by undermining anti-Communism in society. In that sense, reconciliation with North Korea was deemed critical and, thus, it was pursued as a hegemonic project. Therefore, the South Korean government did not take appropriate measures against the North's missile tests, armed provocations, and suspicious nuclear activities in order to be on good terms with the North Korean government. This invited harsh criticism from the hegemonic group, particularly from conservative media outlets. More and more people had negative views on the inter-Korea reconciliation not only because of the strong oppositions from the hegemonic group but also because of North Korea's continuing military provocations. Subsequently, the reconciliation rather intensified ideological disputes and could not

lessen anti-Communism in society and, thus, the hegemonic project could not achieve the desired outcome.

In North Korea, Kim Jong-il became the new leader after Kim Il-sung died in July 1994 and his era officially began from September 1998. However, before Kim Il-sung's death, Kim Jong-il, as an heir to and a de facto co-leader with the 'Great Leader' for more than ten years, had made South Korean policy in accordance with his father's thoughts. Also, as Kim Jong-il's perception of inter-Korean relations would not change overnight upon the death of Kim Il-sung, policies toward South Korea in his era were highly consistent with those in his father's era. Kim Il-Sung had three purposes with regard to inter-Korean talks: first, to strengthen his power in the North; second, to unify Korea under communist control; and third, to help secure the North Korean regime from external threats, particularly from the United States. The new leadership 'added' one more purpose: to receive as much help as possible from the South Korean government to overcome the economic crisis. The fourth purpose was analogous to the third one that Kim Il-sung set when the relaxation of Cold War tensions posed a great security threat to the North Korean regime, in that it was also set up to take advantage of inter-Korean relations in order to weather a serious crisis. This time, it was the unprecedented economic crisis from the mid-1990s that the existing North Korean system could not cope with by itself and thus brought Pyongyang to the inter-Korean dialogue.

The historical bloc of North Korea was established in the Kim Il-sung era by the hegemonic group which was composed of high-ranking party officials, military generals, high-ranking government officials, and (bereaved) families of the so-called 'revolutionary fighters' who had fought with Kim Il-sung against the Japanese colonial army—the Partisan Faction—or who had distinguished military achievements during the

Korean War. Amongst them, the Partisan Faction and their families who had been loyal to Kim Il-sung and Kim Jong-il were the core members of the group. It is also noteworthy that the party bureaucracy was the strongest fraction in the state bureaucracy. The hegemonic group helped Kim Il-sung to build the historical bloc which was basically intended to strengthen Kim's dictatorship in the North and free Pyongyang from external pressures, particularly from Moscow and Beijing. The bloc was made up of the economic structure which was determined by the production process of autarkist Soviet Fordism, and its superstructures included the Stalinist state as a form of state and the Juche Ideology as a ruling ideology.

The historical bloc had been weakened slowly because of stagnated productivity and the ailing economy which resulted from the socialist system's innate drawbacks and North Korea's autarkist Soviet Fordism. The distinctive production process had excessively subordinated the economy to politics by, for example, adopting the party management committee system in which the party secretary, not the manager, chaired the management committee in accordance with political necessities, not economic efficiency and rationality. The system was designed to rely more on labour mobilisation to compensate for shrinking foreign aid as Kim Il-sung decided to take autarkist accumulation strategy to free North Korea under his dictatorship from the pressures of the Soviet Union and China. Then, the collapse of the Soviet Union in 1991 and a series of natural disasters in the mid-1990s had devastating effects on the economic structure of the bloc.

The economic crisis in the 1990s severely damaged the state's control over society. As more and more people engaged in trade to survive, owing to the breakdown of the public distribution system, fewer and fewer people regularly participated in Party

activities such as the Review Meeting on Everyday Life and the activities of extra-governmental organisations where people were indoctrinated into the cult of personality of Kim Il-sung. Eventually, the economic crisis posed a great threat to the historical bloc itself as those Party activities were critical in the mechanism of consent—which was not created spontaneously but established by the party-state—and the backbone of the unique system which made possible the hegemonic rule. Instead of the Party, the North Korean state brought the Cabinet and the military to the forefront and carried out *Silli* socialism and *Seongun* politics to manage the crisis. These measures helped the hegemonic group to preserve political power. However, they could not bring sufficient economic recovery to stop the expansion of the market and the erosion of the indoctrination system.

For fear of out-of-control capitalization and liberalisation, the hegemonic group could not take a comprehensive reform of the existing system and thus it needed external help in forms of aid, trade or compensation which can be more manageable. In that context, the reconciliation with South Korea was considered vital to maintaining hegemony and, thus, it was pursued deliberately primarily for economic gain even though ostensibly it was undertaken to realize Kim Il-sung's instructions on unification. The reconciliation turned out to be a success at least in the short-term by contributing to the North's economic recovery and, indirectly, to improving relations with the United States and other capitalist countries. What the North received from the South was not sufficient to normalise the national economy but it helped the state regain its power vis-à-vis society considerably. Meanwhile, the military could continue armed provocations against South Korea even after the June 15 North-South Joint Declaration because it was primarily an agreement to prepare for unification, not to promote peace, and thus it did not specify any articles that would prevent military conflicts between North and South Korea.

8.2. Empirical Implications of the Study

The primary reason why Seoul's North Korean policy had limited consequences was that the ruling liberal nationalists implemented it in haste to lay a foundation for unification in order to appeal to the nationalistic aspirations of the public. The reconciliation with North Korea should have focused more on enhancing peace than on preparing for unification. From a historical perspective of the Korean nation, unification was a very urgent issue. However, practically, the issue of unification was close to impossible to resolve through talks with the Stalinist leadership in the North in a short period of time. It was in the same vein that Kim Il-sung had concluded in the early 1970s that unification through talks would be impossible as long as South Korea had a dictatorial regime.

Historically, the North has been very skillful in taking advantage of nationalists in the South. This would be repeated if South Koreans tried to approach North Korea under the banner of nationalism. This is because North Korean leaders are not sincere nationalists even though they pretend to be. As aforementioned, those people who call the Korean nation 'the Kim Il-sung nation' cannot be nationalists in a general sense. Nationalism has been merely a good instrument to serve their interests. Therefore, those South Koreans who want to join hands with the North Korean regime to realize unification are doomed to failure, not by criticism from their rivals in the South but, decisively, by the betrayal of political leaders in the North.

The Sunshine Policy, when first devised, well materialized functionalism in international relations and, when duly practised, could have contributed a lot not only to the unification of the two Koreas in the future, but also to the promotion of peace in the

present. However, as the North Korean policy in reality was implemented as a hegemonic project in disregard of the initial principles of the Sunshine Policy, many things were sacrificed and ignored, such as the institutionalization of an arrangement for peace on the peninsula. Furthermore, the North Korean policy magnified social divisions in the South and, consequently, one's attitude toward North Korea became an easy criterion that divided friend and foe amongst South Korean people. This had an adverse impact on national unity as well.

There have been doubts about the usefulness of South Korea's North Korean policy in reforming and opening up North Korea. These are reasonable considering the harsh and unrelenting dictatorship in the North. Nonetheless, we need to think continuously of a better way to lead North Korea to reform and open up, to promote peace on the peninsula, to relieve human rights abuses in the North, to prepare for unification, and so on.¹³⁴ One idea from this research is that we have to focus on invigorating the North Korean markets because this will weaken the power of the state vis-à-vis society and eventually impair the indoctrination system that has justified the dictatorship by and hereditary power successions within the Kim family. The state has attempted to close down markets many times but has always failed, basically because it cannot provide enough food and necessities to people. North Korea now cannot sustain itself without the market. South Korea and its allies, or even China, who want reform and opening up of the North, can help to vitalize North Korean markets by providing more goods, instead of giving money, to the North. For example, South Korean companies gave Choco Pies as bonuses to North Korean workers in the Kaesung Industrial Complex, instead of giving

¹³⁴ The South Korean government did not blame heavily the North Korean government for human rights abuses for fear of deterioration of the relationship with North Korea.

them hard cash. In the wake of the shutdown of the complex in April 2013, the price of the snack skyrocketed in the North Korean markets (Chosun Ilbo, 9 April 2013). This was one of the most recent pieces of evidence that goods from foreign countries were easily diverted for resale in the markets. Providing qualitative goods to North Korea will stimulate the market because traders can set high prices for them and thus will attract more people into the market in expectation of high profit margin. Vibrant markets will also induce factories to increase non-national or unplanned production to make profits and therefore will damage the planned economy. Besides, more goods in the market will lead not only to a weaker state, but also to better lives for North Korean people by, for instance, reducing poverty.

In understanding North Korea today, we need an integrative approach that includes the analysis at the level of politics, economy, and ideology. An economic factor has evidently played a key role in the power shift of Pyongyang, particularly after the economic crisis during which the military became a main economic actor. And yet, ideology is still a very effective instrument for dictatorship. This integrated approach provides an additional and important aspect in examining North Korea today including the causes and consequences of major incidents, such as the execution of Jang Sung-taek who was uncle-in-law to North Korea's new leader Kim Jong-un and seemingly the number two man who successfully supported his nephew's inheritance of power from Kim Jong-il. To this end, we need to take a look at what has happened after the year of 2002.

From the second half of 2005, as North Korea came out of the worst economic crisis since its founding, Kim Jong-il elaborated and implemented old-line policy, although the country was still in a state of severe economic difficulty. The gist of these

changes was to restore the previous role of the party. Jang Sung-taek was a key figure in the scheme. In July 2005, the Planning and Finance Department of the party was created to check and interfere in the economic policies of the cabinet. In December 2007, Kim Jong-il separated the Office of the Administration from the Organization and Guidance Department (OGD) and appointed Jang as head of the newly established Administration Department (AD) of the party. The new policy required the military to return to its original role of defense. The excessive economic activity of the military had caused a laxity of military discipline and had damaged the smooth recovery of the national economy at large. In accordance with policy direction, Jang restructured the trade sector and, in doing so, played a central role in reducing the trade volume of the military. These drastic changes were possible because Kim Jong-il was the mastermind of the modifications.

After two debilitating strokes in 2008, Kim took the succession issue as a matter of the highest priority and considered Jang and his wife the most reliable figures to carry on the succession process safely and smoothly after his death. Jang became the de facto second-in-command and expanded his economic clout more actively. For example, the Planning Department of the military, under the control of Oh Geuk-ryul, a sworn brother of Kim Jong-il and a rival of Jang for decades, was disintegrated and the newly established General Intelligence Bureau took significant parts of the department's businesses. The management rights of Oh's Cheongsong Associated Corporation, one of North Korea's main sources of foreign currency by exporting weapons, was also transferred to the bureau. Kim Jong-il's will on 8 October 2011 designated Jang Sung-taek as the guardian of the next leader Kim Jong-un and his wife Kim Kyung-hee as the executor of the will. By late 2011, Jang's political and economic power in North Korea was overwhelming. He practically owned the Hapyoung Investment Committee and

Section 54, or the Kangsung Trading Company, to name just a few. The Hapyoung Investment Committee, established in July 2010, was North Korea's official organization for attracting foreign investment. The committee took over the business interests of the Najin Port Development Project from the military's Kangsung Trade Company in November 2011. Section 54 had been the most lucrative organization owned by the military, which exported natural resources such as coal and fish. The management rights of the organization were transferred to Jang in April 2011.

During the first stage of Kim Jong-un's rule from December 2011 after his father's death, Pyongyang saw the consolidation of the policy line from the second half of 2005. Jang Sung-taek was the biggest beneficiary of the course, and the military suffered the most. For instance, the Central Committee of the party, instead of the National Defense Commission, became the highest authority. In addition, the Central Military Commission of the party, whose power had been drastically enhanced at the Third Conference of Party Representatives in September 2010, ranked higher than the National Defense Commission in authority. In formal ceremonies, the National Defense Commission was called third after the Central Committee and the Central Military Commission.

Most of all, the economic activities of the military were severely curbed. On 14 May 2012, Kim Jong-un publicly reproved the army for corruption and criticized soldiers for being too obsessed with making money. He then ordered that economic reform should be led by the party and that the military should not engage in trade. Correspondingly, Pyongyang began to transfer management rights of trade and other profitable businesses from the military to party-affiliated organizations or the cabinet. For example, the military's Chosun Daepung International Investment Group was disintegrated, and Jang's Hapyoung Investment Committee, which officially belonged to the cabinet, was

reorganized and expanded even further. The Agency of People's Security, under the command of Jang, also took over the development rights of gold mines and fruit farms that had previously been managed by the military.

Moneymaking by military officers and bureaucrats was not just a remunerative sideline. It was a matter of vital significance. North Korean society had witnessed the dramatic advancement of marketization from the mid-1990s. Party and military officials also had suffered impoverishment to a greater or lesser extent during the economic crisis and had thus adapted to this change by becoming involved in business, either directly or indirectly. With the risk of another economic crisis always looming, accumulating wealth while they could was seen as a wise act. Furthermore, in the absence of a well-functioning public distribution system, they could not enjoy life corresponding to their status without earning extra money. Moreover, money was the most effective instrument in building up their careers. Low-ranking officials had to give money to high-ranking officials for a higher position. Senior officials had to contribute to the Kim family's governing funds for promotion or preservation of their ranks. There had been a number of cleanup measures against corruption since the mid-1990s, but all of them failed because moneymaking had become a central goal for most people in North Korea, whether civilian or military. As such, Jang's pecuniary greed was a great threat to these people's standards of living and economic and political ambitions.

Core members of the anti-Jang group included the doyens of the OGD and the military, such as Jo Yon-jun and Hwang Byung-seo in the OGD and Oh Geuk-ryun in the military. They had been supporters and collaborators of Kim Jong-un's mother Ko Young-hee and key contributors to the young leader's succession to leadership. In 2012 and 2013, a number of senior officials joined this group. Amongst them were Choi Ryong-hae and

Kim Won-hong. Choi was another sworn brother of Kim Jong-il, and his deceased father, Choi Hyun, was a former Minister of People's Armed Forces and one of the few people who could be referred to as a friend of Kim Il-sung. From April 2012, he was Director of the KPA General Political Bureau, the highest position of the party whose role was to control the military. He had been a cohort of Jang for decades and expected to rearrange the military to the benefit of Jang. Kim Won-hong was Minister of State Security. He had been a military man before he became Vice Director of the KPA General Political Bureau in 2011, on the recommendation of Jang. The Ministry of State Security is North Korea's equivalent of the Central Intelligence Agency, and the head of the intelligence agency had been occupied by Kim Jong-il from 1987 and by Kim Jong-un from 2009 due to the importance of the position in the dictatorship. Kim Won-hong's appointment to become minister in April 2012 indicated that he had gained an exceptional level of trust from the new leader. Many of those who had sided with Jang turned their back on him at this period. One critical reason for this change of mind was money. For instance, Choi Ryong-hae and Kim Won-hong earned huge amounts of money through trade companies under the names of their sons. They were threatened by Jang's swallowing up of lucrative businesses at a rapid pace.

After Lee Young-ho was arrested in July 2012 by Jang Sung-taek's subordinates and purged for resisting the party's measures of depriving the military of trade businesses, the anti-Jang Sung-taek group expanded considerably. The group bolstered political influence apparently and aggressively from winter 2012. The military took a leading role in escalating tensions on the Korean Peninsula from December 2012 to April 2013. North Korea conducted long-range missile and nuclear tests in December 2012 and February 2013 respectively, ended the 1953 Korean Armistice Agreement unilaterally and declared

a 'state of war' against South Korea in March 2013, and closed South Korean entry to the Kaesong Industrial Complex in April 2013. Jang Sung-taek opposed the missile launch and the nuclear test. His argument was that these provocations would be obstacles to economic reform. However, it was not the primary reason because he himself had incapacitated the cabinet from undertaking economic reform by appropriating profitable organizations for his own good. His opposition was based upon the fact that a series of hostilities would strengthen the power base of the armed forces. Nonetheless, he had to give in as continuous development and the possession of ballistic missiles and nuclear weapons were the instructions of the late leader.

Meanwhile, the OGD revised the existing Ten Principles for the Establishment of the Party's Monolithic Ideological System. The principles took precedence over the constitution of North Korea and governed every individual's public and private activities ever since they were announced by Kim Jong-il on April 14th 1972. No one who severely breached the principles would be allowed to escape the death penalty, irrespective of rank. The OGD was the main body for enforcing the principles in society for the benefit of the dictatorship of the supreme leader. The revision correlated with the reinforcement of its clout and the enhancement of its status in Pyongyang. On June 19th 2013, Kim Jong-un personally promulgated the new Ten Principles for the Establishment of the Party's Monolithic Leadership System in front of senior officials from the party, the military, and the cabinet. About a month earlier, at a meeting of chief officials, Kim Jong-un recalled the loyalty of Lee Je-gang, the former de facto leader of the OGD and the archrival of Jang Sung-taek, and asked them to emulate him. As Kim had publicly condemned the military for engaging in business in May 2012, the anti-Jang group had reversed the situation just in a year.

The attack on Jang Sung-taek was swift and decisive for fear of revenge in consideration of his mighty influence and past. The arrest of Jang during the extended meeting of the Political Bureau of the Central Committee on December 8th, and the judgment of death by the Special Military Tribunal of the Ministry of State Security several hours before the execution on December 12th were mere formalities. The heaviest charge against Jang was that he severely violated the Ten Principles which were announced by the young leader in June. This signified that the execution was carefully deliberated much earlier than his arrest in November.

The death of Jang Sung-taek, however, has not dampened North Korea's fledgling economic reforms. Jang was not an architect or even a devoted proponent of economic reform. Key trade-related organizations were under his control, and thus he was simply the highest profile North Korean associated with trade and foreign investment. His interests in business with foreigners were attributed to the pursuit of his own economic gain and, as a result, he accumulated great riches for several years. He had been concerned more with regulating society for regime stability than with reforming the socialist economy. From the late 1990s, he was in charge of the Agency of People's Security, whose main tasks included control of people's market activities across the country. From the latter half of 2005, he was the chief administrator of the party-led reorganization of the economy that sought to restrain the market and reinforce the role of the party in national economic management.

The military and the OGD are currently at the helm of the economy, the two victors of the power struggle. Their victory has brought vast rewards. Powerful figures in those institutions took large shares. For example, Oh Geuk-ryul in the military took back the management rights of the Najin Port Development Project as well as gold mines, fruits

and fishery farms. Hwang Byung-seo in the OGD appointed his foster-daughter Lee Young-ran as head of Section 54. She is the daughter of his predecessor Lee Young-chul. The authority of the cabinet was enhanced, but its jurisdiction in managing and reforming the economy is still substantially limited as it cannot regulate a great number of businesses that are practically controlled by the military and the OGD. The military and the OGD are seeking immediate economic benefits rather than pursuing the sweeping economic reforms which are crucial to solving North Korea's economic slump. Foreign investment, in that sense, is more likely to be the medium for influential figures in Pyongyang to accumulate wealth than the source of nationwide economic reform. By the same token, the marketization of the economy will be maintained as long as the military and the OGD reap enormous profits from the current economic situation.

Has the demise of Jang Sung-taek contributed to the stability of the North Korean leadership? Yes, at least in the short run. The intensive power struggle in the inner circle of Pyongyang came to an end with the execution of Jang, who once wielded greater power than Kim Jong-un himself. Ostensibly, the dictatorship in North Korea has been tightened to a significant extent. All bureaucrats and generals now affirm their loyalty and 'must' show the utmost politeness to the new supreme leader, which is attributed to the introduction of the stricter Ten Principles that the OGD revised in order to purge and eliminate Jang. Nobody near to Kim Jong-un now clasps their hands behind their backs nor puts them in their pockets as Jang did before. Dozing off at the meeting where Kim Jong-un attends can be a sufficient cause for the execution by firing squad. However, this does not necessarily mean that the young leader is in full control of North Korean politics, let alone its economy and society.

8.3. Theoretical Implications of the Study

This thesis has demonstrated the applicability and explanatory power of the Gramscian method in explaining inter-Korean relations. Few studies have applied historical materialism, not to speak of Gramscian theory, as a main framework for the study of inter-Korean relations. This thesis contributes to the research by applying the methodological framework that is inferred from Gramsci's ideas on international relations and his concepts such as hegemony, historical bloc, and so on. In particular, the empirical study of the rapprochement shows the strength of the Gramscian framework through analysing inter-Korean relations at the levels of politics, economy, and ideology in an integrative manner particularly with the help of the concept of historical bloc, and explaining the economic origins of the inter-Korean reconciliation as well as the political purposes of the two summits.

There would be many different ways to apply Gramsci's theory for the analysis of international relations. This thesis, amongst them, proposes that we can infer a methodological framework for foreign policy analysis from Gramsci's original ideas and concepts. This article is an attempt to do that by taking particular note of Gramsci's thoughts on the relationship between the national and the international and his concept of organic crisis, in addition to his relatively more popular concepts of hegemony and historical bloc. The branch of Foreign Policy Analysis in political science that examines the processes and outcomes of foreign policy was not frequently explored by Marxist theories. This thesis, in that sense, can also add to the academic branch by exemplifying the effectiveness of a Marxist approach as well as a Gramscian approach for that particular field.

With regard to Gramsci's concept of organic change, organic innovation was often used by many scholars, including Robert Cox, but organic crisis was not. This thesis underlines the academic utility of the concept as it is useful in explaining social change and its consequences on the economy, politics, international relations, and so on. Many drastic changes in society and international relations can be explained with the concept. For example, we can understand the rise of fascism in Germany in the twentieth century as an example of consequences of organic crisis. The change took place after the economic crisis and, during the crisis, the superstructures of the then Germany no more represented the general interests of the capitalists. This organic crisis brought about corporatism in the economic structure and Nazism in the superstructures. The new historical bloc helped the process of capital accumulation can advance again on a new social basis.

Also, it is noteworthy that organic innovation and organic crisis are not mutually exclusive, even though this thesis apparently distinguishes between them. For instance, an organic crisis can lead to an organic innovation. When a group of counter-hegemonic forces attains hegemony, the new hegemonic group can bring about an organic innovation. If the particular historical bloc is strong enough, the country can become a hegemon by reconstructing the world order under its leadership. If an organic crisis cannot lead to an organic innovation, the historical bloc will remain unstable. In such circumstances, no matter how powerful it once was, the country cannot remain a hegemon.

Regarding capitalist South Korea, this research uses the concepts of the fraction of the class and social categories. Most South Korean Marxist literature in the 1970s and 1980s put capital in general as a main subject of study, rather than focusing on large industrial capital or the Chaebol, a fraction of the capitalist class. This tradition has

continued for the most part and exerted a negative influence on the appropriateness of Marxism in analysing South Korean society by underestimating the clout that the Chaebol have wielded in society. South Korea has a Chaebol-centered social structure and many of South Korean society's unique characteristics are due to the structure. For example, the reason why there are many more illegal migrant workers in South Korea compared with those in Taiwan and Japan is the systematic low profitability of SMEs. As they were exploited by the Chaebols, as explained earlier, SMEs had to rely on foreign workers for low labour costs and foreigners could easily find their workplaces even if they were illegal migrants. Also, as labour rights were not properly protected in South Korea, owners of SMEs could readily give them low wages. This increased the number of illegal low-paid migrant workers in South Korea.

In addition, most Marxist studies on South Korea did not make much of the roles of state bureaucrats, journalists, scholars, and other intellectuals as the bearers of anti-Communism and developmentalism (later, neoliberalism), while they emphasized the role of students as a main actor in social revolution along with the proletariat. So to speak, there were few Marxist researches explaining how the Chaebol ruled society (not how the bourgeoisie in general ruled society), who changed society (not who should change society), and what the ruling ideology was (not what the revolutionary ideology should be). One main reason that intellectuals, including Marxists, did not contribute much to the development of South Korean society, such as narrowing the gap between the rich and the poor, was that they could not explain reality in society sufficiently and therefore failed to provide an alternative. The new ruling political group in the presidency of Kim Dae-jung had to stop the reform of the Chaebol because there was no alternative with which to replace the export-oriented accumulation scheme, and they thus had to rely on the

Chaebol to overcome the economic crisis quickly as they had superiority in exports.

In explaining socialist North Korea, Gramsci's concepts were rarely employed because they were primarily formulated to explain a capitalist society, with the examination of a socialist society using a Marxist's theory deemed ineffective. Besides, due to the collapse of most socialist countries, the utility of applying Gramsci to such countries — except for the cases that had capitalist industrial relations such as China — was reduced to a great extent, and this subsequently affected the study of North Korea. This thesis, nonetheless, argues that Gramsci's concepts can be very useful in explicating North Korea, if properly applied. This is not a new attempt when we turn our eyes to other socialist countries. In particular, the Soviet Union was often subject to Gramscian analysis. Hegemony was a concept of great interest to these researchers. As has been explained in the Literature Review, they conducted the coercion-consent analysis of Soviet society with an emphasis on the mechanism of consent. This thesis also took note of the mechanism of consent in achieving hegemony by the North Korean leadership.

The thesis, furthermore, argues that for the analysis of North Korea as well as South Korea, the concept of historical bloc is inseparable from that of hegemony, because a historical bloc shows not only who the hegemonic group is, but also how hegemony is materialised and strengthened in a particular historical period. Moreover, the formation and preservation of the historical bloc is only possible through the exercise of hegemony. Thus, in comprehending how hegemonic rule has materialised in the North, the concept of the historical bloc is critical. The concept is also helpful in clarifying the distinctive relations of the North Korean economy with its politics. During the formation of the new historical bloc, the economic structure was, when compared with other socialist countries, more directly connected to the socialist state in the North. There was little autonomy of

economic space under the party-state system as economic ownership actually belonged to the bureaucrats, which brought about more cohesion between the economic structure and the superstructures in established in the socialist country.

The concept of historical bloc is also helpful in clarifying the distinctive relations of the North Korean economy with its politics. During the formation of the new historical bloc, the economic structure was, compared with other socialist countries' cases, more directly connected to the socialist state in the North. There was little autonomy of economic space under the party-state system as economic ownership actually belonged to the bureaucrats, which brought about more cohesion between the economic structure and the superstructures in the socialist country. As the party committee controlled the production process more directly, the party played a more important role than before in the economic sphere. Now important decisions in production were made by the party secretary who chaired the committee in keeping with political necessities and, as a result, the economy was more systematically subordinated to politics.

Gramsci's ideology, a constituent of the historical bloc, was another important factor in understanding North Korea. The ideology of Marxism and Leninism had played a key role in the formation and fortification of the existing historical bloc by linking the economic structure with the superstructures, but also by providing the ideological unity to the socialist state and other constituents of the superstructures. The new historical bloc from the late 1950s was accompanied by a new ideology, Kim Il-sung's Juche Ideology, which promoted and facilitated the new production process by reproducing production relations which subordinated the economy to politics. The ideological unity was incessantly and vehemently pursued by the leadership and, by the early 1980s, the Juche Ideology wholly replaced Marxism-Leninism to become the sole ruling ideology of North

Korea. During the process, all other ideologies except for the Juche Ideology were eradicated from society. The ideological unity was officially established in the system under the title of the Party's Monolithic Ideological System — this is what North Korea called its system.

The concept is also beneficial in understanding social consequences of the economic crisis from the mid-1990s, particularly when we interpret them as the process of the disintegration of the historical bloc. Briefly speaking, the severity of the economic crisis was the result of the party-centered economic structure that excessively subordinated the economy to politics. The crisis debilitated the party because less and less people participated in party activities, as they had to engage in trade for survival. The party's main role was to indoctrinate North Korean people in their workplaces and residencies with the Juche Ideology, which justified the dictatorship of the Kim family. Accordingly, North Korea in the 1990s saw the weakening of the Party not just in the economy but also in its role as the medium of the mechanism of consent. As a result, key constituents of the historical bloc, such as the economic structure, the party-state and ideology, were no longer tightly connected, so that hegemonic rule became significantly impaired.

'Soviet Fordism', amongst the main concepts for the analysis of North Korea in this research, is perhaps the least used concept in social science. It has been used by scholars who attempted to apply Gramsci's concept of Fordism to the case of the Soviet Union to explain the labour process and production relations of the socialist economy. In short, the Soviet Union changed the economic ownership of the means of production, but its labour process was essentially the same as that of capitalism. The Soviet labour process was controlled by managers, appointed by and answerable to the state, to meet the

objectives of the central plan, and integral to this process was the subordination of workers to new production relations. This thesis argues that, as Fordism is helpful in elucidating the capitalist economic structure, Soviet Fordism would be of help in understanding the socialist economic structure. Clarification of the concept is the basis for understanding its modified version of North Korea, namely, autarkist Soviet Fordism. In that sense, a thorough understanding of Soviet Fordism — established during the eras of Lenin and Stalin — is required, which has determined the socialist economic structure, particularly as contrasted with autarkist Soviet Fordism of North Korea.

Soviet Fordism, I argue, conflicted with the market mechanism of original Fordism in the United States, where fears of bankruptcy and unemployment were ever present. The virtuous circle of Fordism which connected the production process with the enhancement of productivity requires, say, innovation of the entrepreneurs, the easy exit of nonviable enterprises, flexibility in the labour market, and flexible consumption demand. For instance, when a company elicits an enhancement of productivity through the innovations of the entrepreneur, it can gain substantial profits and thus accumulate capital more efficiently. If these innovations demand extra training and more intensive work, workers have to engage in this extra work, because the threat of unemployment and the (possible) reward of higher wages spurs them to do so. The companies which cannot keep up with innovations will suffer low productivity and go bankrupt, increasing joblessness. People out of work would then find new jobs in productive companies as the non-productive ones go bankrupt and, consequently, the general productivity of the society will gradually increase. Also, as more and more workers receive higher wages, it would raise the general consumption level and, accordingly, stimulate more production.

The socialist caricature of Fordism, thus, could not realize the virtuous circle of

original Fordism. For example, state-owned enterprises in a socialist country had soft budget constraints, something which Kornai has noted. As they were not allowed to go bankrupt, they were always bailed out with subsidies or other instruments and, therefore, there was little incentive for managers to be innovative. The deficiency of an innovation mechanism in the production process of Soviet Fordism was a key cause of the widening gap in productivity between the Soviet Union and the United States. Also, the socialist system banned unemployment, which gave little inducement for workers to work hard and learn new skills, because no matter what happened, at least they could subsist from state support — this was one of the main reasons why the state repeatedly launched a mass movement to enhance labour productivity, like the Stakhanovite movement. Moreover, the state planning committee normally decided the total consumption level of society conservatively, because what concerned it the most was the possible failure of the plan, so there was little room for a consumption-led production boost.

This thesis argues that the North Korean equivalent of Soviet Fordism, namely autarkist Soviet Fordism, caused low productivity because of excessive subordination of the economy to politics, which was one of the main reasons of the economic crisis in the 1990s. However, Soviet Fordism itself was a defective system that could not realise sustainable productivity enhancement. Existing studies have rarely examined this issue of relations between Soviet Fordism and productivity enhancement. In addition to the shortcomings of the planned economy and the absence of market mechanism, this thesis points out the weakness of the production processes of the socialist economy, the systematic inability to materialise sustainable productivity advancement. This weakness was worsened in the case of North Korea, as explained earlier in the thesis. All socialist countries suffered an economic depression due to low productivity after a short period of

rapid economic growth but, in the case of North Korea, the level of depression was so severe that it could not sustain its economy without the foreign aid it received from the 1990s.

Last but not least, amongst Gramsci's main concepts, this thesis did not apply the concept of passive revolution in explaining North Korean political economy. The concept is used by Gramsci in various contexts. Nonetheless, we can construe that its primary usage is to conceptualise processes through which socio-political transformations are attained by non-revolutionary means or 'revolution from above'. It is a useful concept in understanding, say, socio-political changes after the June 29 Declaration in 1987 in South Korea (Choi Jang-Jip, 2005), the dynamics of China's capitalist restoration after Deng Xioping's Reforms and Openness in China (Gray, 2010), and so on. The marketisation from the 1990s, above all, is a candidate for us to use this concept with regard to North Korea. It was first a spontaneous phenomenon in society for survival, but was later endorsed and supported by the state, under the slogan of Silli socialism. The North Korean leadership, pressured from below, had to take economic reform measures to maintain its rule, such as the July 1 Measures in 2002. However, it would be far-fetched if we consider any form of marketisation in North Korea today as passive revolution, because the degree of socio-political transformation in the North was very limited due to the nature of the reform: it was not a 'reform of the existing system' but a 'reform within the system'.

The marketisation of North Korea, most of all, did not reconstitute its production relations into capitalist production relations. Far from it, the North did not even change its production process. Still, the party secretary in the party committee made key decisions in production management to meet political necessities, and the subordination of the economy to politics continued. Only the number of people who engaged in trade

significantly increased. There emerged capitalists who earned a lot of money, but their businesses were not related to production. They, unlike the case of China, were commercial capitalists, and the rise of the number of rich people in North Korea was not related to any change of production relations. The new North Korean economy with rapid marketisation was, I argue, not a development in a progressive and sustainable manner. The reform measures were undertaken by the North Korean state to normalise and protect the socialist economy, something which has been evidenced by the new economic policy from the second half of 2005, in which North Korea unsuccessfully carried out its old-line policy which attempted to close most markets in the country and carry out currency reform after the North came out of the worst economic crisis since its establishment in 1945.

Passive revolution, however, is still worthy of discussion in North Korean study, particularly in the case of a 'reform of the system' in the future. The North Korean version of passive revolution — or revolution from above in a real sense — is possible when the reform aims towards the direction of accommodating domestic subaltern demands and global capitalist industrial relations. Or, we can say that North Korean reforms proceed smoothly when they are implemented towards that direction. Yet this is subject to certain conditions. For instance, the main institution for the national economic management shall be the Cabinet, not the Party nor the military. They are predatory economic actors, only looking for profits without considering the national economy, and thus are not interested in, nor capable of, reorganising social relations for a sustainable enhancement of a productive force, such as restoring capitalism. The Cabinet, in the early-2000s, had full responsibility and power to run the economy. However, it was nominal because real economic power remained in the hands of the Party and the military. The first step toward

a reform of the system, and the first signal of it given to the outside world, will be the substantial role of the Cabinet in the national economic management.

8.4. Future Research

We need more comparative analysis on North Korea. Most North Korean studies are based upon materials from North Korea, such as collected writings by Kim Il-sung and Kim Jong-il, newspapers, magazines. However, as scholars examined North Korea based upon North Korean sources, they encountered an insufficient level of objectivity. Uncovering and actively using outside materials, such as minutes of conversation between Kim Il-sung and Nicolae Ceausescu in Chapter VII, are needed in order to guarantee more objectivity in such research. However, considering the shortage of new materials outside North Korea, more comparative analysis is needed for the development of North Korean study. This is one method to get over the chronic problem of the dearth of North Korea-related objective materials. This thesis is an attempt to do that.

In the comparative analysis of South Korea and North Korea, conventionally, most scholars have not applied a single framework for the analysis of the two Koreas after assuming fundamental differences between the capitalist and the socialist systems. This thesis, in a way seeking to break from conventionality, actively used Fordism with the help of the French Regulation school's interpretations on the concept as a single framework for comparison of the two economies. In the case of South Korea, I coined the term 'exportist Fordism', instead of 'peripheral Fordism' that regulationists frequently use to explain the South Korean economy. Implicit in the term is that South Korea's export-oriented capital accumulation strategy has given rise to the distinctive production

process that brought about the Chaebol-centered economy. In the case of North Korea, there have been no particular terms to explain the production process, unlike in the case of the Soviet Union where the terms Soviet Fordism, Soviet-style Taylorism, and so forth were used to describe its production process. This thesis uses the term ‘autarkist Soviet Fordism’ to explicitly show that the distinctive production process was caused by Pyongyang's choice of an autarkist path to free itself from the pressures of the socialist giants such as the Soviet Union and China. This comparison of the capitalist production processes of South Korea and the socialist production process of North Korea has rarely been conducted before and thus requires further research.

Gramsci argued that through ideological struggles structural changes occur. And yet, it is not always ideology that matters. In many countries, religion still wields a very strong influence over society. In those countries, the division of society can arise from conflicts between different sects of one particular religion or between ideology and religion. An example of the first is the case of Syria between Sunnism and Shiism, and an example of the second is the case of Egypt between secularism and Islamic fundamentalism—although conflicts between Sunnism and Shiism in Egypt should not be overlooked. Ideology has replaced religion in the West, but still in many places religion, instead of secular ideology, determines people's worldview and common sense. When we take religion in place of ideology or along with ideology, the Gramscian method can contribute more to the analyses of those countries' social changes, political conflicts, major policy changes, and so on.

With regard to inter-Korean relations, South Korean society has a dilemma concerning unification. In short, South Korea's weak social safety nets have deepened socio-economic inequalities. It is noteworthy that welfare spending of South Korea has

been one of the lowest amongst the OECD countries, and deep-rooted anti-communism has been a major cause of this. However, when South Koreans argued for more welfare spending, they were severely criticized by the hegemonic group as reds. The inter-Korean reconciliation as a hegemonic project gave another pretext to strengthen anti-communism by displaying that the then South Korean government collaborated with the communists in the North, despite escalating security concerns. In that sense, efforts to realise unification have had a negative effect on the welfare of South Korean people. This can be referred to as ‘the Unification Dilemma’ within South Korean society. There are many other cases of the dilemma. For example, many human rights organisations of South Korea refrain from voicing concerns about human rights abuses in North Korea, because they believe the North Korean regime is a partner for cooperation in order to realise unification. This kind of contradiction happens in many issues in the South. Hence, the Unification Dilemma will be, I argue, a valuable subject for further research.

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