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By Glyn Ford

BRUSSELS -- In a vital move toward securing greater stability, North Korea announced last week it would return to the six-party talks in Beijing with the United States, China, South Korea, Japan and Russia to try to resolve the nuclear crisis on the Korean Peninsula. The breakdown in negotiations had been triggered most recently by U.S. claims that North Korea had a secret enriched-uranium program to produce nuclear weapons.

Who blinked? It is not entirely clear. While North Korea has been under enormous pressure from its neighbors to return to the talks, compounded by its own internal economic problems, Pyongyang's prime objective has been to get the U.S. to accept the idea of a changing regime rather than regime change.

Kim Gye Gwan, North Korea's chief negotiator at the talks, states that Christopher Hill, the State Department's new negotiator, has confirmed a shift in U.S. policy.

At the same time, South Korea has seized the agenda from the U.S. Seoul's minister of unification, Chung Dong Young, recently met with North Korean leader Kim Jong Il in Pyongyang. During this meeting an offer was put to Kim that, subject to a settlement of the crisis, the South would provide the North with electricity.

Chung's perception of Kim was that he was a decisive, rational leader whose word could be accepted. Kim is studying the proposal. The idea is that the next round of talks will aim for some framework agreement between the parties.

In exchange for all nuclear-weapons programs being dismantled step by step with inspection and verification at each stage, the other five parties will offer multilateral security guarantees to the North, and South Korea will immediately commence the promised assistance in the interim.

While awaiting the construction of the necessary power grids in the North, the South will supply heavy fuel oil to the North as an alternative energy source.

Why might the North accept? After all it would compromise national sovereignty in a fundamentally irreversible manner. The reason is economic and regime survival.

After the collapse of the Soviet Empire, North Korea faced an economic crisis as more than 3 billion euro in barter trade disappeared overnight. Compounded by a series of natural disasters and a half-century U.S. embargo, the North's economy went into meltdown, triggering the 20th century's most intense humanitarian catastrophe.

If last Boxing Day's tsunami killed 300,000 people, North Korea lost 10 times as many in the 1990s. Three million died of slow starvation, one in eight of the population. And it is not over yet. It is estimated that 37 percent of children under the age of 6 in the North suffer from chronic malnutrition, leaving them stunted and brain damaged.

South Korea and others want North Korea to have a soft landing. An imminent collapse could lead to war on the Peninsula at worst, and at the very least a humanitarian disaster. The landing will be closer to Hanoi or Beijing rather than Seoul. Since 2002, Kim has tried to walk the tightrope

between being Mikhail Gorbachev and Deng Xiaoping, who said, "black cat, white cat, who cares as long as it catches mice."

In the summer of 2002, wage and price reforms introduced the market to North Korea, where previously food and other essentials were delivered by the state through the People's Distribution Service (PDS). Twelve months later farmers were set lower targets for delivery and permitted to sell their surplus in new official markets, a move that increased productivity "more effectively than fertilizer," as a vice minister of state planning put it. Last year the state plan was abandoned in most industrial sectors, allowing factories to fire and hire at will and increase their own production.

Overall the system has been radically changed in a way that is impossible to reverse. Now people receive less than half of their essential food through the PDS and have to bridge the gap through family, humanitarian assistance or the market. Since last September, in Pyongyang rice prices have increased from more than 400 won per kilogram to between 770-880 won (the PDS price is 60 won per kilogram), while the exchange rate for the euro has gone from 1,450 to 3,050 won.

Although the new middle class has access to a range of goods that were previously unobtainable, a family of four with two working can barely feed itself.

Song Gin Nam of the Pyongyang Cabinet's Economic Research Institute, which recently won the battle for control of the economy with the Korean Workers Party, concedes that the latest reforms were "a success, but not a big success," drawing the lesson to go forward, not back.

North Korea is signaling its future direction by applying to join Iraq and Iran as observers at the World Trade Organization. If the North can find a settlement in next week's talks in Beijing, there may be hope that the last survivor of the Cold War standoff can be brought in from the cold.

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