

POLICY PAPER

April 15, 2003

ADDRESSING THE NORTH KOREA NUCLEAR CHALLENGE

Michael Armacost

Shorenstein Distinguished Fellow, A/PARC

Daniel I. Okimoto

Senior Fellow, IIS, Stanford

Gi-Wook Shin

Acting Director, A/PARC

EXECUTIVE SUMMARY

North Korea's renewed bid for nuclear weapons poses an urgent, serious foreign policy challenge to the United States. The current situation—though it bears a resemblance to the events of 1993–1994—is far more dangerous and difficult. North Korea has developed longer-range ballistic missiles; South Korea's growing nationalism has put its U.S. relations on shakier ground; and the United States is distracted by the wars on terrorism and for regime change in Iraq.

Despite these challenges, good prospects still exist for a diplomatic resolution to the North Korea problem. North Korea's dire economic circumstances have made it more vulnerable to outside pressure at a time when its neighbor nations and the United States are increasingly concerned about its nuclear ambition. Military means would not only exact huge human casualties but also deepen U.S. estrangement from Seoul and diminish prospects for developing a joint strategy with other Asian powers.

Given the urgency and complexity of the current situation, appointment of a special coordinator for North Korean policy could help the administration to formulate a unified policy, sell it to Congress, coordinate it with allies, and present it to Pyongyang. In any event, a key requirement will be real "give and take" negotiations with South Korea to arrive at a coordinated strategy.

In the end, Pyongyang must choose: economic assistance and security assurance on the condition that all nuclear activities be abandoned, or dire consequences if nuclear programs continue. Any new agreement, however, must avoid the deficiencies of the 1994 Agreed Framework. It must be more verifiable, less readily reversible, more comprehensive, more politically defensible, and more enforceable through the involvement of North Korea's neighbors.



ADDRESSING THE NORTH KOREA NUCLEAR CHALLENGE

Michael Armacost
Daniel I. Okimoto
Gi-Wook Shin

North Korea's revived bid for nuclear weapons poses an urgent and dangerous foreign policy challenge to the United States. A nuclear-armed North Korea might engage in even more dangerous forms of brinksmanship. If Pyongyang crosses the nuclear threshold with impunity, others, including Seoul, Taipei, and Tokyo, could feel compelled to follow suit. Global nonproliferation norms would be seriously undermined. And given its desperate need for cash, Pyongyang might be tempted to sell fissile materials to terrorist groups which feel less reluctant than nation states to use nuclear weapons against innocent civilians. Whatever Washington may choose to call it, this is a full-blown crisis.

In some respects, the current crisis appears to be a replay of events in 1993–1994. Then, as now, North Korea engaged in nuclear brinksmanship. Then, as now, the United States was willing to contemplate military options, punitive sanctions, and coercive diplomacy in response, while North Korea's neighbors shunned such options, and urged the United States to resolve the matter through direct negotiations with North Korea. Then, as now, North Korea's intentions were murky, but one evident objective was enhancing the chances of its regime's survival through establishment of normal ties with the United States and the economic support such a relationship might bring.

To be sure, conditions have changed in significant ways since 1994.

- Although North Korea has suffered through a decade of economic contraction, it has developed longer-range ballistic missiles capable of hitting targets in Japan, and potentially in North America. With its economy in shambles, the cash flow necessary to sustain the core elements of its regime—the military high command, party leadership, and upper level technocrats—comes increasingly from the sale of illicit drugs and dangerous weapons

to any customers who will pay hard currency. The financial burden of sustaining a bloated military establishment may have increased the appeal of a limited nuclear deterrent. Fears in Pyongyang that the Bush Administration may target North Korea for “regime change” after Iraq perhaps reinforces that appeal. Pyongyang's clandestine effort to secure fissionable materials through uranium enrichment technology, in violation of its Nuclear Framework Agreement with the United States, reinforced Washington's low regard for North Korea's reliability. It also hardened the Bush Administration's reluctance to “reward” bad behavior by initiating new bilateral negotiations.

- The U.S.–ROK alliance is now on much shakier ground. South Korean President Roh Moo-Hyun was recently propelled into office on a groundswell of anti-American feeling. His policy reflexes are clearly out of sync with those of Washington. U.S. officials regard North Korea as a dangerous “rogue state”, while South Korean authorities are more disposed to view Pyongyang as a potential partner in peninsular peacemaking. Since September 11, nuclear nonproliferation has risen on Washington's policy agenda. Seoul, by contrast, displays less alarm about the North's revived nuclear activities than about renewed conflict on the peninsula or the collapse of the DPRK regime.

Increasing numbers of South Koreans see U.S. troops, at best, as a necessary inconvenience, and at worst, as an affront to South Korean sovereignty.

Whereas Washington still considers its troops in South Korea to be an indispensable deterrent and a valuable future bargaining chip, increasing numbers of South Koreans—particularly those in their twenties and thirties—see them, at best, as a necessary inconvenience, and at worst, as an affront to South Korean sovereignty, or an unwelcome interference in its politics. These conflicting perspectives have impeded the development of a concerted U.S.–South Korean response to the North's nuclear aspirations.

- To make matters worse, Washington is currently distracted by other major security concerns—above all, the war on terrorism, the disarmament of Iraq, and the ouster of Saddam Hussein. In addition, the administration is: 1) deeply divided

over how to deal with Kim Jong-Il's Stalinist regime, and 2) lacks attractive options for coping with the current crisis.

These factors compound the dangers in the North Korea situation, and confound the search for a diplomatic solution. The level of distrust between Pyongyang and Washington is pervasive, and the absence of normal diplomatic communications with Pyongyang further increases the risks of miscalculation. Nonetheless, two features of the policy landscape may enhance prospects for diplomacy:

- *North Korea has become more vulnerable to outside pressure.* It cannot feed its people. Its manufacturing industries are at a standstill. Shortages of food and fuel must be taking a toll on North Korea's military preparedness and power. And for all of Kim Jong-Il's brave talk of "juche" ("self reliance"), the North depends heavily for its very subsistence on the charity of neighbors. Although Kim Jong-Il appears solidly in command, he urgently needs outside resources to maintain his political machine. It is in this context that economic sanctions pose an implicit threat to North Korea's regime. In short, it appears that Kim Jong-Il perceives the importance of negotiating a new deal with the United States, and possesses the necessary authority to conclude one.
- *North Korea's Great Power neighbors are increasingly concerned about its nuclear ambitions.* All publicly profess an interest in preserving a nonnuclear Korean peninsula. All have expressed misgivings about the North's withdrawal from the Nuclear Nonproliferation Treaty (NPT). While Moscow and Beijing currently appear hesitant to apply overt pressure on Pyongyang, they may be more ready, if an appropriate multilateral framework can be established, to invest serious political capital in thwarting the regime's renewed bid for nuclear weapons.

Is Washington positioned to foster a diplomatic resolution of the crisis? U.S. relations with Japan, China, and Russia are in better shape than they were in 1994, but Moscow and Beijing are tailoring their diplomacy toward the North to cues they are receiving from Seoul. So is Pyongyang, which has a growing stake in its nascent economic interdependence with South Korea. The efficacy of U.S. strategy toward North Korea will therefore depend heavily on the degree to which Washington and Seoul can align their views on what North Korea is up to, and what we should do together in response.

North Korea: Changing Objectives?

Much depends on North Korean intentions, and as usual, these are unclear. Perhaps North Korea has decided that it not only has a right to acquire nuclear weapons, but also an imperative security need for them. Perhaps it regards a revived nuclear option as leverage with which to negotiate new economic concessions from the United States and others. Perhaps it hopes to have its cake and eat it, too. No one knows for sure.

We do know that North Korea's society and economy are under heavy pressure to change. Its regime, to be sure, remains determinedly totalitarian. Its government stands above the law. Its society remains highly mobilized. Kim Jong-Il's "clan" seems firmly in charge. Collective opposition is nonexistent, the military provides the core support for the regime, and as near as one can tell, its officer corps, selected personally by Kim Jong-Il, remains steadfastly loyal to him. The "cult of personality", if anything, has worsened.

Such elements of continuity notwithstanding, observable changes have occurred at the policy level. Externally, the North seems to recognize that its protracted quest for political/military predominance on the Korean peninsula is hopelessly unrealistic. Pyongyang's formal proposals for "hegemonic" unification have not only been modified to support a confederation based on "equality with the South", but the North's overriding objective also now appears to be the survival of its system and its regime. Its current insistence on a formal nonaggression pact with the United States may be one reflection of that basic aim.

On the home front, meanwhile, there exists a grudging acceptance of the need for economic reform. This is evident in the North's heightened interest in specialized economic zones, and in last summer's announcement of sizeable wage and price increases to dry up a burgeoning black market. Hints of economic pragmatism are not yet matched by any apparent comprehension of market forces, let alone trust in them. And the government's legitimacy, such as it is, rests on a contrived and absurd myth of the superiority of the North Korean system. This in turn reinforces its reluctance to expose its citizens to the truth about conditions elsewhere—particularly in South Korea—and severely limits the scope and contours of change.

The "reforms" that have been announced to date do not amount to much. And Pyongyang's current priorities and practices—such as excessive reliance on heavy industries, an inordinate diversion of resources to the military, the absence of any significant tradable goods sector, the prolonged neglect of the nation's

infrastructure, and the failure to invest in human resources—are misguided and counterproductive. Unless dramatic changes occur, foreigners, including South Koreans, will have little incentive to invest there. One suspects that North Korea's renewed quest for broader relations with South Korea, Japan, and the United States is motivated less by a genuine readiness for reform, than by the forlorn hope that

North Korea's renewed quest for broader relations is motivated less by a genuine readiness for reform, than by the forlorn hope that new subventions from abroad will allow the regime to survive.

new subventions from abroad will allow the regime to survive with minimal policy adjustments. This perhaps is the central explanation for North Korea's current nuclear brinksmanship.

South Korea: The Future of the "Sunshine Policy?"

What can North Korea expect from Seoul? In recent years, the South has pursued a rather unreciprocated form of engagement with the North in the hope that magnanimous gestures toward Pyongyang would, at best, facilitate its gradual reform, or, at worst, postpone its eventual collapse. Kim Dae-Jung did not demand strict reciprocity from the North, presumably because Seoul was seeking to build trust from a position of strength. The payoff from South Korean concessions would come gradually, it was expected, over a period of time. In any event, given the anticipated high costs of unification, his proximate goal was a prolonged period of peaceful coexistence on the peninsula.

Kim Dae-Jung's "sunshine policy" rested on three premises:

- 1) "zero tolerance" for North Korean military provocations;
- 2) a separation of economics from politics in order to foster expanded economic and societal exchanges; and
- 3) an explicit reassurance to Pyongyang that Seoul neither coveted its territory nor sought to undermine its regime.

Historians will have to judge the effectiveness of Kim Dae-Jung's engagement policy. The high water mark for the policy occurred at the time of the June 2000 Summit in Pyongyang. Domestic support for the policy had declined by the end of Kim Dae-Jung's term, but Roh Moo-Hyun—who declared his intent to sustain the policy—was elected president

notwithstanding. The North never enthusiastically embraced Kim's grand engagement; many there suspected it represented an effort to subvert the system from within. North-South ministerial-level talks took place only sporadically; cooperative projects were hampered by a certain "start and stop" quality. Forward movement in expanding family reunions was painfully slow. More headway has been visible

on the economic front. Land transportation links have been reestablished; the Mt. Kumkang project provides Pyongyang with a significant source of tourist revenues; and a Special Economic Zone in Kaesong is taking

shape. Of course, these projects provide tangible benefits to the North without requiring compensating concessions to Seoul.

On the political and security front, progress has likewise been meager. Developments in opening up the North to outside influences have been modest at best. The North-South dialogue has focused almost exclusively on inter-Korean matters; Pyongyang adamantly refuses to address major security issues with Seoul. Indeed, while a deputy foreign minister from Russia had a six-hour dialogue with Kim Jong-Il in January 2003, the "dear Leader" ignored entirely a subsequent visit to Pyongyang by Lim Dong-Won, the key architect of Kim Dae-Jung's "sunshine policy." Kim Jong-Il has yet to pay a long-expected return visit to Seoul. And intensified engagement with the North may have psychologically disarmed the younger generation of South Koreans. Fears of the North have receded, while popular support for the United States alliance has declined. This seemed a tolerable trade-off so long as the North's nuclear activities were dormant. It appears more problematic today.

The 1994 U.S.-North Korean Agreed Framework was expected to provide a truce on the Korean peninsula—a means of temporarily freezing Pyongyang's nuclear activities—while allowing North-South engagement to proceed. We now know that the North did not freeze all of its nuclear activities. Further, it has recently renounced former constraints on those activities. Under these circumstances, will Seoul persist in seeking to insulate its engagement with North Korea from the nuclear issue, or will it attempt to impel Pyongyang to choose between its nuclear aspirations and outside economic support?

Since taking office on February 25, President Roh Moo-Hyun has publicly admonished the North to dismantle its nuclear weapons activities. He has also pledged to persevere in his predecessor's "sunshine

policy”, while declaring his intent to implement it with new guidelines in mind—greater transparency, greater reciprocity, and a greater effort to secure bipartisan support. At the same time, he has rejected all hints of military pressure or economic sanctions against the North while calling on the United States to resolve the problem through direct negotiations with the North. As President Roh redirects his attention from campaigning to governing, his policy toward North Korea will perhaps change in subtle ways. “Zero tolerance” for provocations has little meaning if Pyongyang need fear no adverse consequences for its nuclear brinksmanship.

Several factors may induce Seoul to adopt a firmer approach to the North in the period ahead. First, the North’s growing belligerence is souring economic prospects in South Korea. Moody’s already has put Seoul’s credit ratings on negative watch. The climate for foreign investment has turned decidedly less positive. Economic growth forecasts have been reduced. The South Korean press is treating the economic crisis as “a perfect storm.” Second, if President Roh expects to obtain wider bipartisan backing for his policy toward the North, he will presumably have to insist that Pyongyang accommodate Seoul’s major interests. Third, the United States is not without leverage of its own, including adjustments in the size and location of its military deployments. In short, the new ROK administration may begin to recognize the advantages of using sticks as well as carrots to discourage Pyongyang’s nuclear ambitions.

Prospects for a multilateral solution?

Washington has expressed an understandable desire to deal with the North Korean nuclear challenge in a multilateral framework. It sees Pyongyang’s nuclear activities not primarily as a bilateral problem, but as a genuine threat to regional security—indeed global security. Pyongyang not only violated its Framework Agreement with the United States; it also contravened nuclear commitments to South Korea and all other NPT signatories. Engaging the North’s neighbors in any new nonnuclear agreements with Pyongyang should increase their stake in enforcing North Korea’s compliance with its commitments. In addition, a multilateral setting would provide opportunities for bilateral discussions between Washington and Pyongyang. And if the North wants security assurances, why not enlist all the Northeast Asian powers to provide them—to both Koreas?

What are the chances for such a multilateral

approach? The United States, Japan, China, and Russia share an acknowledged interest in a nonnuclear Korean peninsula. All recognize that if Pyongyang crosses the nuclear threshold, it will increase the risks of conflict on the peninsula, could invite a domino effect in the area, and might precipitate new patterns of strategic rivalry in the Pacific. Despite this, tactical differences between the Great Powers have thus far blocked the emergence of any joint strategy for dealing with Pyongyang.

- **RUSSIA:** Russia is keen to play a role in Korean nuclear diplomacy, but has relatively little to bring to the table beyond its claims to a special relationship to Kim Jong-Il. Russia provides North Korea with scant aid, but hopes for large commercial payoffs from cooperative North–South projects. Exports of oil or natural gas could provide an inducement

“Zero tolerance” for provocations has little meaning if Pyongyang need fear no adverse consequences for its nuclear brinksmanship.

to North Korean moderation, but others would presumably have to foot the bill.

- **JAPAN:** Japan has a larger potential role, but its bilateral normalization talks with the DPRK are currently in the deep freeze. Tokyo’s part in shaping a concerted trilateral approach to North Korea is currently inhibited by U.S.–ROK policy differences. Japan’s perception of a growing North Korean threat has accelerated its efforts to develop ballistic missile defenses, and recent North Korean missile tests have even prompted surprising talk of “preemptive measures.” Since Japan currently provides no aid to North Korea, it can do little at present to ratchet up the pressure on Pyongyang, beyond tightening the squeeze on the modest flow of remittances that North Korean sympathizers in Japan still send to the North. Tokyo has expressed sympathy for Washington’s desire for a multilateral framework, and is, of course, eager to capitalize on any opportunity to participate in new Northeast Asian security institutions. But since Japanese policymakers fear that Pyongyang may swiftly cross the nuclear threshold, they exhibit some frustration with the apparent lack of urgency and coherence in Washington’s approach to this crisis.

- **CHINA:** China’s role is potentially pivotal. Among North Korea’s neighbors, it has come the closest to carving out a genuine

“two Koreas” policy. Its ties with Seoul have expanded dramatically over the past decade, yet it remains Pyongyang’s largest provider of food and fuel. Arguably, China has the most to lose from North Korea’s brinksmanship. It cannot wish to see another nuclear power on its borders, particularly since that might inspire emulation from Taipei, Seoul, and/or Tokyo.

Beijing also has a large stake in sustaining cordial relations with Washington, and recognizes that the Bush administration expects Beijing’s help in containing Pyongyang’s nuclear ambitions. To date, its assistance has appeared largely hortatory: Beijing has opposed military options for responding to DPRK brinksmanship. It has been reluctant to consider economic sanctions, due to concerns over North Korean instability and an expanded exodus of refugees. It fears that Kim Jong-Il will respond to added pressure with greater belligerence. And while Beijing has offered to be a venue for talks with the North, it clearly expects the United States to do the “heavy lifting” in any negotiations that develop. Beijing does not discount the merits of a multilateral framework for dealing with the North Korean challenge, and supported the International Atomic Energy Agency’s (IAEA) recent decision to refer the North’s NPT withdrawal to the Security Council. It may have been quietly warning Pyongyang not to cross other “red lines”, and some reports suggest they may have briefly suspended oil supplies last month as a warning against further provocations.

What Should We Do?

The first objective of U.S. diplomacy toward North Korea must be to ascertain whether some combination of contingent threats, inducements, and assurances can dissuade North Korea from pursuing its nuclear weapons aspirations.

The most plausible negotiating approach would involve presenting North Korea with some variation on the tough choice that former Secretary of Defense William Perry offered to Pyongyang in 1999—substantial economic cooperation and security assurances if the North is prepared verifiably to abandon all nuclear activities; dire consequences if it is not.

Any new agreement must avoid the deficiencies of the Framework Agreement. That is, it must be more verifiable, less readily reversible (by removing spent fuel rods from the country), more comprehensive (by embracing uranium enrichment activities, missile tests, and exports), more politically defensible (by

replacing promises of light water reactors with supplies of more conventional sources of fuel), and more enforceable through the involvement of North Korea’s neighbors.

To achieve these ambitious negotiating objectives, the United States will need more substantial bargaining leverage than we mustered in 1994. We cannot expect to get far with the North unless we can confront it with the serious consequences of its current course of action. To face the North unilaterally would force us to rely too heavily on military means, whose use or threat under current conditions would deepen our estrangement with South Korea and diminish prospects for developing a joint strategy with the other Asian powers. Our most urgent need is a coordinated U.S.–South Korea strategy for dealing with the North. At the same time, if we are to enter early negotiations with Pyongyang, South Korea and the North’s other neighbors need to provide us with more bargaining leverage.

In developing such a coordinated strategy, it would be worth testing Seoul’s readiness to accept a significant tradeoff. That is, Washington would demonstrate its preparedness to move swiftly toward direct talks with Pyongyang—ideally within a multilateral setting—if Seoul indicated its willingness to link its own engagement policy with the North to a satisfactory resolution of the nuclear issue. Previously, this has been a missing link in the ROK’s “sunshine policy”; amplifying the policy in this way would add an “or else” to admonitions to Pyongyang to cease all nuclear weapons-related activities. It may even be worth establishing an additional quid pro quo: a U.S. assurance to Seoul that we will not exercise a military option without their assent, in return for their agreement to maintain publicly that all options remain on the table if the North resumes reprocessing plutonium. It will be essential to find more common ground with Seoul by the time President Roh visits Washington later in the spring. The Trilateral Coordinating Group (U.S.–ROK–Japan) should assist in the search for a joint strategy.

Enlisting China’s cooperation in organizing a multilateral meeting on Korea and firming up its policy will also be critical. It seems clear that Beijing is unmoved by appeals simply to support our nonproliferation policy. A broader approach is needed, one that could be facilitated by the kind of strategic dialogue that we have often conducted with Beijing in the past. It may be easier to capture Beijing’s attention now that its leadership transition is more or less complete.

What about the adjustments of U.S. forces in South Korea—a subject of some contention during the recent ROK presidential elections? The Bush

administration has properly exhibited flexibility in responding to South Korean calls for adjustments. An orderly process exists between our governments for discussing them, and now is a good time for joint planning and straightforward dialogue. But without a clearer understanding of North Korea's nuclear

and their hopes for reform of its economy, and Pyongyang's fears about the North's security and its desperate need for outside resources and a more substantial integration into the regional and global economy. Moving forward with the sense of urgency this problem demands may require the appointment of a

Any new agreement must be more verifiable, less readily reversible, more comprehensive, more politically defensible, and more enforceable.

intentions, and a joint strategy for combating them, the implementation of major force adjustments might wind up confusing friends and foes alike.

What are the prospects for this approach? It requires major adjustments in policy by all parties. Washington and Seoul will have to engage urgently in real "give and take" at a time when both are preoccupied with other concerns. To get other governments on board, we will need to address their concerns. These include worries in Seoul, Tokyo, and Beijing about the consequences of North Korea's collapse

special coordinator for North Korean policy to help the administration to formulate a unified policy, sell it to Congress, coordinate it with allies, and present

it to Pyongyang. William Perry performed this valuable service to the Clinton administration. Brent Scowcroft's name comes to mind as someone with comparable credentials and close ties with key people in the Bush administration. But whether it looks for outside help or not, the time has come to push this issue much higher on the administration's action agenda, lest Pyongyang resume production of plutonium, or irretrievably crosses other critical "red lines."

ABOUT THE AUTHORS

Michael Armacost is currently the Shorenstein Distinguished Fellow at A/PARC. Most recently (1995–2002), Armacost served as president of Washington D.C.'s Brookings Institution. Previously, during his twenty-four year government career, Armacost served, among other positions, as undersecretary of state for political affairs and as ambassador to Japan and the Philippines.

Daniel I. Okimoto is senior fellow of IIS, director emeritus of A/PARC, and professor of political science at Stanford University. During his twenty-five year tenure at Stanford, Professor Okimoto has served as a research fellow at the Hoover Institution, and has taught at the Aspen Institute for Humanistic Studies, the Stockholm School of Economics, and the Stanford Center in Berlin.

Gi-Wook Shin is currently acting director at A/PARC (2002–2003), senior fellow at IIS, and associate professor of sociology at Stanford University. He also directs A/PARC's Korean Studies Program. A historical-comparative sociologist, his research has concentrated on areas of social movements, nationalism, and development. Before coming to Stanford, Professor Shin taught at the University of Iowa and the University of California, Los Angeles, where he also served as acting director of the Center for Korean Studies.





The Asia/Pacific Research Center
Institute for International Studies
Encina Hall
Stanford University
Stanford, CA 94305-6055
tel: 650-723-9741
fax: 650-723-6530
email: Asia-Pacific-Research-
Center@stanford.edu

Please visit us on the web at
<http://APARC.stanford.edu>
for information about
current research, events, and
other activities.

Selected recent A/PARC publications

The Paradox of Korean Globalization.

Gi-Wook Shin. January 2003.

Political Office, Kinship, and Household Wealth in Rural China.

Andrew G. Walder. December 2002.

From Keiretsu to Startups: Japan's Push for High Tech Entrepreneurship.

Henry S. Rowen and A. Maria Toyoda. October 2002.

The Growth of Broadband Internet Connections in South Korea: Contributing Factors.

Kyounglim Yun, Heejin Lee, and So-Hye Kim. September 2002.

The United States and China: A President's Perspective.

An Address by the Honorable Jimmy Carter, 39th President of the United States.
August 2002.

Foreign Penetration of Japan's Investment-Banking Market: Will Japan Experience the "Wimbledon Effect"?

Nicole Pohl. July 2002.

On the Edge: Shaping the Future of Peri-urban East Asia.

Douglas Webster. May 2002.

Chinese and Indian Engineers and their Networks in Silicon Valley.

Rafiq Dossani. March 2002.

Cosmopolitan Cities and Nation States: Open Economics, Urban Dynamics, and Government in East Asia.

Thomas P. Rohlen, February 2002.

<http://APARC.stanford.edu>

The Asia/Pacific Research Center
Institute for International Studies
Encina Hall
Stanford University
Stanford, CA 94305-6055

