



# **U.S. STRATEGY TOWARDS NORTH KOREA:**

*Rebuilding Dialogue and Engagement*

Joel S. Wit  
Principal Author

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# ABOUT THE AUTHOR

**JOEL S. WIT** is a visiting fellow at the U.S.-Korea Institute at the Paul H. Nitze School of Advanced International Studies (SAIS) at Johns Hopkins University and an adjunct senior research fellow at the Weatherhead East Asia Institute at Columbia University. Wit is a former State Department official who worked on U.S. policy towards North Korea from 1993 to 2002, first as a senior advisor to Ambassador Robert L. Gallucci and then as the coordinator for the implementation of the 1994 U.S.-North Korea Agreed Framework. After leaving the State Department, he was a visiting scholar at the Brookings Institution from 2000 to 2002 and subsequently senior fellow at the Center for Strategic and International Studies (CSIS) until 2005. Wit is the co-author of *Going Critical: The First North Korean Nuclear Crisis*.

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## EXECUTIVE SUMMARY

A U.S. policy based on containment and isolation alone only concedes that North Korea will remain nuclear-armed and that its weapons programs will further develop. That, in turn, will undermine stability in East Asia, sow doubts in Tokyo and Seoul about relying too much on the United States for their security and jeopardize cooperation with China. A nuclear North will also undermine Washington's global disarmament and non-proliferation agenda, particularly when viewed in conjunction with the danger of a nuclear Iran. The threat may become even more direct to U.S. security if the North perfects a long-range missile delivery system or exports fissile material or nuclear technology.

An effective American strategy towards North Korea will require a combination of tough measures with serious dialogue and engagement. At its core, such a two-pronged approach must recognize that:

- Pyongyang's actions are the result of a deep-seeded shift towards reliance on nuclear weapons to guarantee security, not internal disruptions caused by Kim Jong-il's stroke or the transition process;
- Because of Pyongyang's security policy and doubts about Washington's reliability as a negotiating partner, quickly eliminating the North's nuclear arsenal will be difficult, requiring the United States to live with, but not accept a de facto nuclear North Korea for some time;
- Since Kim Jong-il's successor is likely to have much less political authority, Washington should take advantage of the current window of opportunity during which he is still very much in charge and before the North's nuclear arsenal expands further;
- Coaxing Pyongyang onto the path of denuclearization will require a transformational, not transactional approach, based on recognition that success can only come with an improvement in U.S.-North Korean relations;
- In order to maximize its chances for success, Washington should: 1) combine measures to convince the North that it is unwilling to accept Pyongyang's nuclear status with progressively tighter negotiated limits on its program; 2) not reach for too much progress too soon since that would lessen the chances of success and endanger any incremental gains already made; and 3) avoid the Bush administration's mistake of setting ambitious objectives not supported by adequate means; and
- A transformative approach should seek not just to change U.S.-North Korean relations but

also to encourage positive economic and social trends underway in the North that could result in its peaceful integration into the regional and international community.

This report discusses current developments in North Korea and, in that context, lays out a realistic set of U.S. objectives and recommendations for dealing with Pyongyang through dialogue and engagement. While that plan focuses on the United States, it should be noted that consultation and cooperation with key allies as well as with China, Russia and the international community will be central to its implementation.

## DEVELOPMENTS IN NORTH KOREA

It is a truism that the lack of definitive information makes it difficult to assess developments in North Korea with certainty. Over the past 15 years, however, we have accumulated a considerable reservoir of experience in dealing with Pyongyang. Moreover, many new sources of information have emerged to help fill in blank spots in our knowledge. The result is much more nuanced than the black-and-white picture portrayed in the media.

**Leadership Transition on Track.** Kim Jong-il's planning for his succession appears to be on track. He seems firmly in charge of the process. His health has not noticeably deteriorated since the beginning of the year when he began a withering pace of trips throughout the country to give on-the-spot guidance. The transition may have had some impact on the North's external actions since Kim's stroke, but there is no evidence to suggest that it has caused Pyongyang to move aggressively or irrationally. Rather, these actions reflect policy trends already in place before his illness. If the transition succeeds, the rise of a North Korean Gorbachev bent on radical change is unlikely. A new leader—certainly in his first few years—will be more inclined than Kim Jong-il to continue existing policies and to show "toughness" in standing up to outsiders. In the event that the transition fails, the result could be factionalism, bloody political infighting and ultimately the collapse of the North Korean regime.

**Shifting Security Policy.** Fundamentally, North Korea's actions earlier this year were not caused by internal political developments, but were the result of a policy shift that began as early as 2002. Pyongyang has steadily moved away from trying to secure a strategic relationship with the U.S. as a hedge against pressure from its big power neighbors. It now seeks to guarantee its security through building national nuclear strength. In the future, Pyongyang will chose a strategy it believes best suited to accomplish the objective of becoming a "strong and prosperous nation" by 2012. To achieve that goal, it is prepared to use dialogue tactically to regulate the external environment and consolidate security gains. While the North's current focus on national nuclear strength does not auger well for future efforts at denuclearization, Pyongyang has in the past proved fully capable of switching course depending on changes in its internal and external circumstances.

**Gradually Expanding Nuclear Threat.** While Pyongyang's recent nuclear and missile tests represent important milestones, the North has the ability to expand its force further through producing more fissile material (including its recently announced effort to enrich uranium) and conducting additional nuclear and long-range missile tests. In view of its nuclear-focused security strategy, unfavorable conventional force trends and the political hothouse of a transition that may skew decisions in the direction of "more is better," Pyongyang will do so if left unhindered. With regard to exports, the North already has the ability to offer state and non-state actors turnkey nuclear facilities, fissile material and bombs, technical advice and information, such as bomb designs and blueprints. If the

North's fissile material stockpile remains unconstrained and it succeeds in producing HEU, which would allow purchasers to produce simpler weapons more easily, the danger will grow. Demand will also increase if efforts to strengthen the global non-proliferation regime, particularly to stop Iran's nuclear weapons program, fail.

**Economic Coping and Social Transformation.** North Korea today is less motivated by economic imperatives to establish closer ties with the international community than in the past when a driving factor behind its strategy of building better relations with Washington was to secure outside assistance. One casualty of that shift has been economic reform. As the North's internal economic situation has improved, fueled by closer ties with China, that effort has been shelved. The North is now more selective in seeking outside economic help, focusing on key areas, such as science and technology, which it believes will spur modernization. Sustaining growth and resolving long-term food security problems could prove difficult, however, if there is any disruption of economic ties with Beijing because of deliberate Chinese government policies or market conditions. Dangers to the food supply from droughts, floods and disease also remain a risk.

Steps taken to cope with the famine of the 1990s as well as towards reform earlier in this decade, have triggered transformative economic and social changes that will pose new challenges for Pyongyang. These include: expanding market forces, a fraying of the social contract that provided for an exchange of loyalty to the leadership for cradle-to-grave sustenance, increasing knowledge of the rest of the world, and new generations of North Koreans whose visions of the future are no longer wedded to the views and beliefs of the Kim dynasty. Coping with these trends could prove challenging for the North which faces a choice between maintaining legitimacy through isolation (i.e. mass appeals for nationalistic fervor and demands for sacrifice) or providing a better life for its people by opening up and modernizing. The North can try to maneuver between the two, but changes underway may force choices in the future.

## U.S. INTERESTS CHALLENGED

The emerging picture of North Korea suggests a country that can threaten American national security interests in several ways.

- **Disrupt Global Disarmament and Non-proliferation Agenda:** An unconstrained nuclear North Korea presents a challenge to the Obama administration's renewed commitment to this agenda. That challenge is magnified when viewed in conjunction with Iran's nuclear program and the long history of cooperation between the two. Collapse of the regional non-proliferation regime in East Asia seems unlikely, but if a hostile North Korea continues to expand its deterrent, preventing significant erosion could prove difficult.
- **Undermine Peace and Stability in East Asia:** While political, economic and technological cooperation have grown over the past decade, coping with an unconstrained Pyongyang now threatens to divide countries in the region, particularly if Washington, Seoul and Tokyo feel compelled to take military and economic steps that China may view as threatening to its interests. Moreover, the North's nuclear program could undermine stability as states seriously consider preemptive strikes to head off a nuclear attack during a future crisis. Finally, in the long-term, pushing Pyongyang into China's lap makes little sense if Washington's objective is for South Korea to take the lead in reunification of the Korean peninsula.

- ***Pose a Strategic Threat to the United States:*** North Korea can already export nuclear materials, technology and know-how to assist hostile states and non-state actors in building their own nuclear devices. If it succeeds in producing additional fissile material, particularly HEU, that danger will increase. Pyongyang could also press forward with building missile delivery systems able to reach the United States. Such a development, aside from stimulating missile defense programs, would mean Washington would have to live in a brave new world of multi-polar deterrence.

The possibility of instability in North Korea only magnifies the dangers posed by these potential threats. If the North collapses, there would be little chance of preventing the hemorrhaging of dangerous technology and know-how into the international community. Aside from posing a political, security, economic and humanitarian nightmare for East Asia, collapse could trigger confrontation between Beijing and Washington as each moves to protect its interests on the peninsula. It could also severely undermine the stability of a South Korea compelled to move north as a first step towards reunification.

## OBJECTIVES FOR THE FUTURE

U.S. policy should acknowledge these challenges by pursuing four objectives that not only seek to deal with North Korea's dangerous nuclear and missile programs, but also take into account an inevitable political transition in Pyongyang as well as the economic and social changes already underway in the North. These objectives are:

- ***Seek the Phased Elimination of the North Korean WMD Threat:*** In view of Pyongyang's reliance on nuclear weapons to guarantee its security, the near-term prospects for a deal to eliminate its arsenal are bleak. Denuclearization, if it can be achieved at all, will have to be gradual and phased, based on the premise that forward momentum will make it more and more difficult for the North to turn back. In order to achieve its objective, Washington should seek to: 1) convince the North that it is unwilling to accept Pyongyang's nuclear status; 2) secure progressively tighter negotiated limits on its program; and 3) show Pyongyang that its objective of becoming a "strong and prosperous nation" by 2012 can be best achieved not through continued nuclear buildup, but by building better relations with the United States. Steps to end North Korea's threatening technology exports should be fully integrated into this approach, as should measures to constrain its ballistic missile program.
- ***Build a Positive Agenda of Peace and Normalization:*** America's security objectives will be achieved only if Washington recognizes that an important factor driving the North is its underlying security concerns. Alleviating those concerns will require building a new, more positive relationship with the United States. Aside from taking steps towards normalizing relations with North Korea, Washington will also need to make a fundamental decision to respect the North's sovereignty and a commitment to live with the regime. From Washington's perspective, any process of normalization will have to be accompanied by movement towards better relations between North Korea and America's allies in the region as well as steps to resolve concerns about Pyongyang's human rights violations and illicit activities.
- ***Encourage the Peaceful Transformation of North Korea and Greater Integration with the Global Community:*** While also a difficult proposition, encouraging the gradual process of change already underway in the North in a positive direction could have important

payoffs in the future, including its evolution towards a more normal state, a greater degree of political and economic integration with the outside world and increased stability in East Asia. Peaceful evolution, perhaps leading to eventual reunification, would also be preferable and less costly than continued confrontation and possible collapse.

- ***Establish Beachheads of Cooperation that Will Put Washington In A Better Position to Cope with Future Leadership Changes:*** Building better relations now could have important payoffs in the future. While it is impossible to predict how long Kim Jong-il will remain on the scene, patterns of cooperation (or hostility) in place when a new leadership takes charge will probably continue, since it will likely have little freedom to maneuver. In the worst case outcome of collapse, the more transparency accomplished in the preceding years, the better other countries will be able to cope with the chaos that will ensue. For example, the more progress made in securing transparency and limiting North Korea's nuclear weapons program through negotiations now, the easier it will be to prevent the hemorrhaging of nuclear weapons, materials and related technology into the international community in a post-Kim Jong-il era.

## **A NEW U.S. STRATEGY**

While steps taken by the United States in response to North Korea's nuclear and missile tests have reassured allies and built international support, a policy based on these measures alone acquiesces in a nuclear-armed North Korea and leaves it free to pursue policies contrary to American interests. Given Pyongyang's deep-rooted security concerns, extensive experience in evading sanctions and China's continued unwillingness to exercise strong pressures, the current approach will not convince the North to give up its nuclear force, contain Pyongyang's technology exports or stop it from taking actions that undermine regional stability. Moreover, such a narrowly focused strategy fails to take into account potential opportunities presented by a future political transition in Pyongyang or other economic and social trends underway inside the North.

A more effective strategy would seek to supplement these measures with steps towards dialogue and engagement. Recognizing that Pyongyang may remain opposed to negotiating complete denuclearization in the near-term, a strategy that also emphasizes rebuilding dialogue still represents the only potentially effective route to constraining the North. Aside from helping to clarify uncertainties about Pyongyang's intentions, dialogue may create a positive dynamic that can move both Washington and Pyongyang down new paths of cooperation. Moreover, only the possibility of stepped up contacts will allow the U.S. to better position itself for a political transition in Pyongyang and to encourage economic and social change inside the North. Finally, dialogue provides Washington with an effective tool to build political support in Seoul, Tokyo and Beijing, none of whom are comfortable with an approach narrowly focused on tough measures.

*Ensuring that renewed dialogue with North Korea has the best chance for success will require Washington to pursue a transformational, not transactional, approach in guiding its engagement policy. That will mean avoiding a serious mistake made by the Bush administration at the beginning of its second term, namely moving immediately into technical talks without accurately gauging the amount of political damage done to U.S.-North Korean relations over the past decade. Because Washington failed to fathom the sea-change in North Korean security policy towards a reliance on national nuclear strength, its effort to negotiate limits on that program proved fragile and ultimately*

unsuccessful. Yet, there still appears to be a strong inclination in the current administration to rush back into denuclearization talks that could produce similar results. A more prudent approach would be to first begin a process of rebuilding the political foundation for negotiations as a prelude to talks on specific issues. And then, when specific talks begin, Washington should embed in those negotiations a steady stream of politically significant steps designed to continue the rebuilding process.

Second, rebuilding positive leverage will be essential and should include: 1) assurances that Pyongyang has long sought, including U.S. diplomatic recognition and a peace treaty formally ending the Korean War, as well as symbolic, politically significant gestures, such as a willingness to conduct diplomatic contacts at increasingly senior levels, although not between leaders until important progress has been made; 2) energy assistance designed to meet immediate needs, to modernize this sector and to encourage cooperation with the outside world through an initial suite of smaller incremental projects building towards larger efforts; 3) development programs that build on humanitarian assistance in order to help the North address persistent problems, such as food shortages and public health needs; 4) economic help intended to nurture market changes, put the North's economy on a more sustainable long-term footing, and gradually integrate Pyongyang into the global system; and 5) cultural, sports, educational and scientific exchanges that can transform the contentious relationship and help the North build expertise critical to its modernization.

Because there are likely to be a number of impediments that may limit the effectiveness of these building blocks, the use of innovative organizational strategies will also be important. In addition to bilateral efforts, other countries, international organizations, non-governmental organizations, private foundations and even industry should be encouraged to conduct their own cooperative programs with the North or work in partnership with others. An additional benefit from this approach will be to diversify contacts with a range of North Korean organizations at all levels of society, helping to encourage positive change and laying the foundation for greater cooperation.

Third, Washington should seek innovative ways to magnify the attractiveness of its positive leverage by combining these steps with measures to contain North Korea's threatening behavior. For example, steering the North back towards the non-proliferation mainstream may require measures to both increase the political and economic cost of illicit exports and to open the door to possible benefits from "peaceful nuclear activities" conducted in accordance with international rules of the game.

## **RESTARTING U.S.-NORTH KOREAN DIALOGUE**

Constructing a path back to the negotiating track will require toning down the rhetoric on both sides, creating political space for the two governments to resume talks without appearing to make substantive concessions and allowing initial contacts in an atmosphere where both sides can take steps that provide the grounds for further substantive meetings. Successful choreography will require reinforcing public and private signals with carefully chosen language that goes beyond boilerplate, perhaps drawing on past U.S.-North Korean agreements that still resonate in Pyongyang such as the October 2000 Joint Communiqué issued on the occasion of Marshal Jo Myong-rok's meeting with President Clinton. In addition to the North Korean U.N. Mission, Washington might explore establishing new channels of communication in order to get the attention of the North Korean leadership. For example, Pyongyang's new Ambassador to Egypt served as Kim Jong-il's English language interpreter.

If the off-ramp strategy succeeds, Washington should avoid an immediate rush back into denuclearization talks, opting instead for an initial set of unconditional exploratory discussions to examine bilateral relations. One important focus would be security interests and objectives. Such a discussion, while probably difficult, acrimonious and perhaps stretching on for some time, would hopefully help to slowly restore confidence, identify common ground (if any exists), and serve as a platform for concrete spinoff talks. Past documents, such as the October 2000 Joint Communiqué, could provide useful “jumping off” points for these discussions. For example, a statement by the U.S. that the October Communiqué should serve as one starting point for bilateral relations would resonate positively in Pyongyang since both Kim Jong-il and the second ranking North Korean official were personally associated with that document. Parts of the October Communiqué as well as other joint documents might even be combined to reach a new bilateral statement smoothing reentry into substantive talks on specific issues.

With the resumption of dialogue, the United States should consider taking steps with confidence-building or humanitarian value, such as proposing the resumption of U.S.-North Korean missions to recover the remains of Americans who were prisoners of war or missing in action during the Korean War. An added dimension that might prove attractive to Pyongyang would be to offer to expand the scope of these missions to include assistance in helping the North recover and identify the remains of its own war dead.

Washington could also draw on other measures that would be easy to deliver, limited in scope and cost and demonstrate the benefits of cooperation. Such programs might include the provision of humanitarian assistance or the creation of more opportunities for North Koreans to learn English, both of which could help lay the groundwork for greater interaction with the international community (see Table 1).

## **FIVE KEY INITIATIVES**

Rather than pursuing a dialogue narrowly focused on nuclear talks—which would leave important issues unaddressed and create a fragile engagement process—achieving U.S. objectives will require launching five inter-related initiatives. Three negotiations—on Pyongyang’s nuclear weapons, its missile program and on establishing peace on the Korean peninsula—would provide important opportunities to stifle the North’s nuclear force development, improve bilateral relations and address the transition in Pyongyang as well as other changes underway inside the North. Additional dialogues on improving North Korea’s human rights record and halting its illicit activities, while not linked, will allow Washington to address issues that will enable it to move towards the establishment of better bilateral relations central to achieving core security objectives. Management of this agenda could prove complicated, although the Clinton Administration was able to conduct multiple sets of talks with Pyongyang. Moreover, such a process has the advantage of giving Washington greater flexibility in pushing its agenda forward. For example, in the near-term, limits on Pyongyang’s long-range missiles may prove more achievable than progress in nuclear discussions.

### **I: ESTABLISHING A NUCLEAR ELIMINATION ROADMAP**

Since the prospects for eliminating North Korea’s arsenal in the near-term are bleak, Washington should seek to cap, rollback and finally eliminate its program. Steps to bring North Korea back

towards the non-proliferation mainstream should be fully integrated into a nuclear roadmap from the very beginning. Rather than merely insisting that the North come clean on its suspected nuclear assistance to Syria, a more effective approach, based on past experiences with other suspected proliferators, such as China, would combine negotiated non-proliferation commitments and positive inducements with diplomatic measures to further clamp down on illicit exports. While the focus of these negotiations will be Pyongyang's nuclear activities, they also will provide a valuable opportunity for Washington to achieve other objectives through the provision of political, economic, energy and other incentives likely to be sought by the North as part of any agreement.

**Phase I: Stop Expansion and Begin Rollback.** Washington's objectives could best be achieved by seeking negotiated measures to: 1) prevent the North from further advancing its warhead design through constraining nuclear testing, perhaps starting with a moratorium followed by a negotiated ban; 2) halt additional production of fissile material, once again through initial informal limits but then as part of a negotiated agreement; 3) secure the dismantlement of the nuclear program beginning with plutonium production facilities; and 4) take steps to bring Pyongyang back towards the non-proliferation mainstream.

One immediate challenge will be to capture the North's uranium enrichment program in a production ban. While Pyongyang's recent pronouncements acknowledging such a program exists seem to indicate it is fair game for the bargaining process, negotiating limits could prove difficult since enrichment facilities are easy to conceal. Achieving those limits will require measures intended to gradually constrain the program starting with visits (not inspections) to uranium enrichment facilities by a team of centrifuge experts, a comprehensive declaration of the program including history and relevant documents, and then on-site inspections if negotiations move into a dismantlement process.

On the non-proliferation front, American negotiators should launch four initiatives: 1) secure Pyongyang's pledge to support efforts to prevent the spread of weapons of mass destruction and to not export weapons, technology or know-how that would assist non-nuclear states in building nuclear weapons; 2) secure the North's agreement to join the International Convention for the Suppression of Acts of Nuclear Terrorism which criminalizes such assistance to non-state actors; 3) open the door to legitimate, peaceful exports by beginning discussions on the North's adherence, even if informal at first, to existing international norms that permit certain exports if appropriate non-proliferation assurances are applied and other parties are notified of pending sales; and 4) initiate confidence-building measures including visits to the North by representatives of the Nuclear Supplier Group and the Director-General of the International Atomic Energy Agency.

Since negotiated non-proliferation measures in this early phase are likely to remain limited, it is essential to continue steps that further constrain the threat of illicit sales. Those steps include securing more cooperation from China and Russia as well as countries along key sea routes that remain outside the Proliferation Security Initiative (PSI). Reducing demand for North Korea's technology and know-how will require strengthening international support for robust export controls on nuclear commerce and launching targeted diplomatic initiatives; for example, efforts to end North Korea's suspected WMD relationship with Damascus as part of the recent thaw in U.S.-Syrian relations.

Accomplishing these nuclear objectives will require providing positive incentives. These could include:

- **Convert Yongbyon into a Peaceful Research Center:** An idea first suggested by North Ko-

rean scientists in 2008, this proposal would convert the site to non-nuclear activities with the exception of the North's small Russian research reactor, which would be refurbished to produce medical isotopes for export. The initiative would require the dismantlement of plutonium production facilities, help bring the North back towards the non-proliferation mainstream by discouraging illicit nuclear commerce, and advance Washington's non-nuclear agenda by building ties between the North's scientists and the outside world. All of this would be achieved in the context of a more durable long-lasting solution that would contribute to the North's economic modernization.

- ***Recognize North Korea's Right to Use Nuclear Energy for Peaceful Purposes:*** Fundamental to Pyongyang's negotiating position since the 1980s, recognition would help achieve the North's agreement to cap its program and dismantle Yongbyon's plutonium production facilities. Since Pyongyang's respect for non-proliferation norms would be an explicit condition for acknowledging this right, such a proposal could also help move the North back towards the nuclear mainstream. Whether Washington should also promise to assist the North in obtaining new light-water reactors at this stage of talks is unclear, but such a pledge would require close coordination with other countries, particularly South Korea, which is likely to provide the bulk of technology and financing.
- ***Take Steps Towards Political Normalization:*** As agreement is reached on rolling back the North's nuclear program, beginning the process of establishing diplomatic relations by setting up a liaison office in Pyongyang would send an unambiguous, positive signal. It would also help set the stage for accelerated negotiations between the two countries by facilitating more frequent contact. Another important step would be to conclude a peace declaration (between the U.S., South Korea, North Korea and China) to coincide with a nuclear deal that would signal positive momentum towards normalization and trigger a process eventually leading to a peace treaty (see Section on Korean Peace Process.)
- ***Develop Military-to-Military Ties:*** Building on the early resumption of joint missions to recover the remains of Americans missing in action or killed in the Korean War, Washington should consider steps designed to further develop military-to-military contacts. Obviously a difficult challenge, such an effort would have to be pursued in conjunction with an improvement in political relations if it is to have any chance of even modest success. Possible activities include contact visits intended to begin a process of breaking down mistrust, exchange of medical and engineering units, bilateral or multilateral symposia on subjects, such as military medicine, and consultations on the conduct of humanitarian/disaster relief operations.
- ***Integrate an Extensive Menu of People-to-People, Humanitarian, Economic and Energy Incentives:*** American negotiators will be able to deploy an extensive menu of measures designed to rebuild North Korea's ties to Washington and the international community, encourage transformative trends in the North, and lay the groundwork for future expansion of projects in these areas. An early initiative would be to help arrange the visit of the DPRK State Orchestra to New York City that was slated for 2008. Other steps could be to assist in refurbishing major energy facilities and local power grids, establish pilot food security projects and support scientific exchanges (see Table 2).

**Phase II: Continue Rollback and Eliminate.** An initial nuclear agreement will move both sides down the road to denuclearization. However, North Korea may delay taking further steps down that road until it is sure that the United States is serious about this new relationship. The central

challenge for Washington, therefore, will be to move as quickly as possible to secure and implement specific commitments from Pyongyang to reduce and eliminate its nuclear arsenal. Reaching that “tipping point” will likely require addressing the thorny problem of what Pyongyang calls, “ending the American nuclear threat.” Finding a solution will depend, in part, on how Pyongyang defines that demand. It would be unacceptable for the North to seek an end to American alliances with South Korea or Japan. However, if the North seeks a gradual shift in mission for U.S. forces towards maintaining peace and stability on the peninsula just as it posited in discussions with the United States during the 1990s, then its demand may be acceptable under certain conditions. *Rather than eliminating extended deterrence completely, Washington’s objective should be to encourage the decreasing salience of these weapons in East Asia through a normalization of relations between North Korea and the United States (as well as with Washington’s allies), an end to the danger of war on the peninsula and the elimination of the North’s nuclear program.*

One possible step that could build momentum early in the second phase would be to conclude a joint “vision statement” designed to demonstrate each sides’ commitment to a significant thawing of relations and to articulate a positive framework for future negotiations. Such a statement might combine general principles governing relations between the United States and North Korea with specific pledges that lay out guideposts for subsequent talks. Those guideposts could include commitments to reduce and eliminate North Korea’s nuclear weapons program by a certain date, to bring Pyongyang into compliance with international non-proliferation norms, to end the American “nuclear threat,” to establish normal political and economic relations and to reach a lasting peace on the peninsula.

The two sides would then move to put “meat on the bones” of these commitments. Important priorities will be to nail down a timetable for the reduction and elimination of the North’s nuclear program and for Pyongyang to take further steps to comply with international non-proliferation norms. A commitment to rejoin the Nuclear Non Proliferation Treaty (NPT) and the International Atomic Energy Agency (IAEA) will be a key prelude to the elimination of its weapons stockpile. Washington could show its willingness to end the “nuclear threat” by agreeing to a North Korean demand for trial inspections to demonstrate that South Korea is free of nuclear weapons. Other steps signifying a sea change in the political atmosphere might be a joint pledge to establish full diplomatic relations and to reach a Korean peace treaty keyed to the denuclearization process.

Major economic, energy and other assistance packages could be part of the final elimination agreement (see Table 3). Of particular note would be a light-water reactor (LWR) project, which presumably would be central to North Korea’s agreement to relinquish its nuclear stockpile. Because of international legal restrictions, key reactor technologies could be delivered only after the North has allowed the conduct of inspections to certify that it is nuclear-free. If the North proves flexible, one possible solution would be an initial supply of large-scale conventional energy assistance equivalent to one LWR, followed by the construction of another reactor. That would provide the North with a significant portion of the energy assistance package before the elimination of its nuclear stockpile with the remaining portion of the single LWR completed afterwards.

In addressing the final shape of potential denuclearization arrangements, two options are:

- Combining a negative security assurance by the United States to North Korea with an agreement denuclearizing the peninsula and verification measures. China and Russia would also provide similar guarantees to both Koreas. Added to those guarantees might be a renewed commitment by South Korea and Japan aimed at the North, pledging not to acquire nuclear weapons; and

- Establishing a more formal Korean nuclear-free zone based on the North-South Denuclearization Declaration reached in the early 1990s with protocols signed by the nuclear weapons states that would include negative security assurances and verification provisions. Such an agreement may, however, encourage Pyongyang to seek provisions based on other global precedents that would be unacceptable to the U.S., such as restrictions on ship movements or extending the zone to neighboring countries, such as Japan.

Verification will pose a difficult challenge as denuclearization moves forward since on-site measures will have to be part of the process. Such arrangements will only succeed if political relations are moving in a positive direction and Pyongyang has a stake in progress. *Therefore, verification measures should be carefully folded into the process in a way that meets immediate security needs without creating unnecessary negotiating roadblocks.* Washington should also draw on the experience of past U.S.-Soviet talks, when innovative cooperative programs were devised to ease the Russians into accepting what otherwise would have been unacceptable, intrusive measures. Finally, the United States should adopt a reasonable standard of effectiveness for verification measures, namely, an ability to detect violations that might pose a security threat, not immediately, but rather in enough time to allow appropriate countermeasures to be taken. That standard was used in agreements with the Soviet Union, which posed a far more serious danger to the United States and its allies than North Korea does today.

## II: CORRALLING THE NORTH'S MISSILE PROGRAM

The most effective approach to disarming North Korea will be to combine negotiated limitations with other measures to stop Pyongyang's missile-related imports and exports. Successful talks would end a potential threat to the United States and to allies in the region, particularly to Japan. They would also undermine North Korean-Iranian cooperation in building missiles. However, a North Korean insistence on including limits on South Korea's space launch and missile programs, which have made significant advances over the past eight years, could complicate any talks.

Washington might seek to combine three types of measures:

- **Arms Reduction:** U.S. negotiators could pick up where the Clinton Administration left off by seeking to reinstate an informal moratorium on long-range flight testing followed by a formal ban on the testing and deployment of long-range weapons and an end to the North's missile exports. Constraints might also be sought on the medium-range Nodong missile that threatens Japan, although such negotiations could prove more complicated since those systems have already been deployed. Using restrictions and verification measures from previous U.S.-Soviet arms reduction agreements, limits could become progressively more restrictive to also cover stockpiled weapons and production facilities. Such steps would require on-site monitoring measures.
- **Cooperative Threat Reduction:** Utilizing programs previously employed in redirecting Ukrainian production facilities and technicians away from building missiles to peaceful endeavors would increase transparency, prevent the North from reconstituting its weapons program and contribute to economic modernization. In Ukraine, for example, several missile production lines have been rededicated to producing railway cars, trams, light-rail vehicles and large farm tractors. Other parts of the complex are working on windmill designs for wind-driven power generator systems, shock absorber/vibration damping systems for rail cars and large trucks and drills for mine excavation. Specialized experts could participate in

multilateral space cooperation (see below), in public centers for terrestrial-based academic research or in engineering design for pipeline systems and hydro- or wind-based electric power generation.

- **Space Cooperation:** Pyongyang may be interested in capacity-building programs, access to data from existing satellites, launch services provided by other countries, and joint satellite development. Such programs are available from international and regional organizations as well as from the United States, China, Russia, the European Union and other countries. For example, in 2000, negotiators considered the provision by Russia of space launch services for a specified number of North Korean satellites. Although Washington's role might be constrained for political and legal reasons, others, such as China and Russia, would not have the same limitations. Still, the North could participate in the U.S.-led Pacific Disaster Center or share remote sensing data from the low-resolution LANDSAT satellites. Cooperation with South Korea in the future could include a joint study on the environmental restoration of the peninsula using remote sensing data or work to evaluate the effects of Chinese acid rain.

*In addition, new steps to block the North's missile imports and exports might include initiating a U.S.-Russia dialogue on technology transfers to Pyongyang that would seem justified by evidence that the second stage of the Unha-2 rocket is identical to the Soviet SS-N-6 sea-launched ballistic missile. The objective would be to learn about past assistance to the North and to ensure no further technology leakage. Washington should seek to engage Syria in an effort to end missile-related imports from North Korea as part of its broader effort to improve relations with Damascus. Israel might also be enlisted in a diplomatic offensive to end Pyongyang's exports to the Middle East should Tel Aviv be willing to revive its effort from the 1990s to convince the North to halt those sales.*

### **III: LAUNCHING A KOREAN PEACE PROCESS**

Terminating the existing armistice and concluding a peace treaty that formally ends the Korean War would best be achieved by reaching a series of interim agreements keyed to progress in other talks, particularly denuclearization discussions, which would serve as stepping-stones to a final arrangement. These interim agreements would demonstrate recognition of Pyongyang's sovereignty and signal improving relations between North Korea, the United States and South Korea. A final agreement should be timed to coincide with the North's denuclearization.

Interim arrangements leading to a peace treaty are: 1) a peace declaration that is essentially a declared end to enmity, a pledge to respect each country's sovereignty and a commitment to engage in negotiations with the objective of signing a peace treaty; 2) a "peace mechanism" to replace the Military Armistice Commission set up to monitor the cease-fire at the end of the war; and 3) confidence-building measures, such as hotlines that link military or naval commands, negotiated in the new "peace mechanism" to avoid the recurrence of inadvertent clashes

### **IV: STARTING A PRAGMATIC HUMAN RIGHTS DIALOGUE**

Improvements in North Korea's human rights record will be necessary if the United States is to establish more normal relations with Pyongyang. A new practical strategy should be based on a "human security" framework, more likely to be palatable to Pyongyang, that would place human rights alongside other challenges to individual and collective security. The initial objective would be to expand the North's compliance with global standards on less politically sensitive issues, such as:

- ***The U.N. Convention on the Rights of the Disabled:*** Relatively apolitical and with widespread international support, North Korea has ratified similar agreements covering women and children. Pyongyang passed a law in 2003 that ensures equal access for the disabled to public services and has worked closely with a number of foreign non-governmental organizations to improve those services. Accession to this convention would also provide capacity-building opportunities for North Korean officials, administrators and healthcare workers.
- ***International Labor Organization:*** Membership would give the North access to assistance on labor issues and management development, helping bring North Korea into greater harmony with international standards and improving the environment for future investment. While the expansion of the Kaesong Industrial Zone or the creation of a joint shipbuilding site depends on South Korean funding, other industrial zones will require capital from elsewhere (i.e., Europe or the Middle East). Participation in the ILO could facilitate such connections. An ILO initiative on export processing zones, which began in 2008, could also help Pyongyang fit the Kaesong Industrial Complex—where 40,000 North Koreans enjoy improved working conditions—into a larger development and human security strategy.

## **V: COMBATTING ILLICIT ACTIVITIES**

North Korea adopts policies that enmesh its institutions in illicit activities, such as the production of counterfeit currency, the manufacture of cigarettes and forging of tobacco revenue stamps, the distribution of narcotics (which seems to have diminished) and, more recently, the production of counterfeit pharmaceuticals. Revenues from these activities and the sale of weapons are estimated to cover a large portion of the North's annual trade deficit, with most of the proceeds used by the leadership to further work on nuclear and other WMD projects.

Law enforcement efforts designed to deal with illicit activities could be more effective if they have international scope and unambiguous top-level support to gain the cooperation of foreign authorities. A shrinking involvement in narco-trafficking indicates a North Korean sensitivity to public exposure that could be exploited to induce its leaders to suspend or withdraw from other ventures, such as counterfeiting and insurance fraud. Financial sanctions could become more effective with better international communication and information sharing. Even though Pyongyang's ability to dodge restrictions is well-honed, North Korea has not yet been able to regain the degree of access to the international financial system it enjoyed prior to the U.S. action against Banco Delta Asia that made bankers aware of the reputational risks of doing business with Pyongyang.

Combining tough measures with incentives to become a law-abiding member of the global community might be an effective strategy. Offering North Korea opportunities to legitimately earn hard currency might also establish a new internal dynamic, undermining a system that rewards illicit behavior. In the case of cigarette and pharmaceutical counterfeiting, private companies could strike deals with the North that would swap beachhead investments for halting illicit activities. With regard to super-note counterfeiting, the U.S. could restore access of North Korean institutions to the international financial system in exchange for the surrender of the wherewithal for counterfeiting and the adoption of regulations that would prevent a reoccurrence.

## **BRINGING THE ALLIES ALONG**

Continued support for U.S. policy towards North Korea is essential to maintaining close alliance ties and to enlisting Seoul and Tokyo in the implementation of any new agreements. While both initially staked out tough positions in response to Pyongyang's behavior, neither will feel comfortable for long with an approach that does not also include rebuilding dialogue—perhaps including their own talks with Pyongyang—in an attempt to constrain the North. Moreover, domestic developments are nudging Seoul and Tokyo in that direction. Even though South Korean President Lee Myung-bak's popularity has eroded as tensions have mounted over the past year, his positive response to Pyongyang's recent conciliatory moves has been tempered by a need to maintain the support of conservatives and moderates. Japan is far more antagonistic towards the North. Nevertheless, the August 2009 elections brought to power a new government led by the Democratic Party of Japan, which will want to cool tensions over time as part of a strategy to improve relations with China.

Both countries could take a number of positive steps to rebuild dialogue:

- **South Korea** might propose: 1) expanding ongoing North-South talks on the Kaesong Industrial Zone to discuss a proposed joint fishing area which would allow crabbing south of the Northern Limit Line linked to naval-confidence-building measures; 2) resuming the further development of Kaesong, perhaps starting with infrastructure projects; 3) reviving the Joint Committee for Inter-Korean Economic Development as a positive signal to Pyongyang that Seoul is ready to resume cooperation on financial costs; 4) beginning discussions on the establishment of a new joint economic zone in or near Haeju or on cooperative shipbuilding complexes; and 5) reaffirming the commitment made during the last summit not to interfere in the internal affairs of the other country as well as the commitment made at the first summit not to slander each other.
- **Japan** might seek step-by-step implementation of the Pyongyang Declaration reached during Prime Minister Koizumi's visit to the North, an approach implicit in its last effort to resume talks under Prime Minister Fukuda. His government promised to end some sanctions imposed on Pyongyang in return for the North reopening its investigation of the abductee issue and allowing Japan to participate in that process. Other items listed in the declaration were an end to missile tests and to intrusions by North Korean spy ships into Japanese waters as well as direct talks on these and other security issues. If North Korea proves receptive, it could seek talks on the early normalization of relations including the provision of economic and humanitarian assistance.

Even if Tokyo and Seoul move towards their own limited engagement policies, it would be a mistake to believe that restarting dialogue between Washington and Pyongyang would head off potential differences with the allies. In fact, such a move could trigger a new set of difficulties as both seek to secure their own priorities (which can differ from those of the United States) and attempt to exercise control over Washington's new approach. Close consultation will be essential as always. But the U.S. may also have to keep in mind one lesson from the past; namely, that it will have to lead rather than be led if the North Korean challenge is to be resolved.

## THE LIMITS OF CHINESE COOPERATION

Although China will take greater action after North Korea's recent nuclear test than it did in 2006, those actions will not reach the extent to which many would have hoped to achieve. Beijing remains concerned that sanctions, rather than causing Pyongyang to reverse course, will instead risk insta-

bility in the North and could provoke it to take even more dangerous steps in an escalatory cycle that may spiral out of control. China could squeeze the North more subtly by making the use of its banking facilities less convenient, slowing transactions at the border, and interrupting the flow of oil. There are unconfirmed reports it has already slowed oil deliveries since the nuclear test. China may also cooperate, as American officials believe it is committed to do, in inspecting North Korean planes and ships in its ports and airports that are suspected of carrying prohibited equipment and material.

What might cause China to adopt a more activist approach in squeezing the North? While Washington has emphasized to Beijing the risks of further regional proliferation caused by the North's nuclear effort and Beijing is concerned that a nuclear North could trigger decisions to "go nuclear" in Japan, South Korea or even Taiwan, that concern is less intense than in the past. China believes the United States has a reasonably firm grip on any proliferation tendencies not only in Japan but also in South Korea and Taiwan. If risks are not sufficient to move Beijing, are there inducements or reassurances that might cause China to adopt a more assertive stance? One area of cooperation that addresses a different set of concerns—steps the United States and China could take if chaos descends on the North—might have a spillover effect in facilitating greater trust in handling sanctions. However, the main issue for China is not to counter a U.S. strategic advantage, but to protect its interests in its immediate neighborhood. So far, at least, Beijing's conviction that pushing Pyongyang to the wall is counter-productive will trump any putative benefit from going along with what it sees as a potentially risky U.S. policy.

While Beijing may be skeptical about the North's willingness to eliminate its nuclear weapons, negotiation remains its preferred course of action. The implication for Washington is that a policy designed to maximize Chinese support, even if that support falls short of expectations, must include a willingness to hold serious talks with Pyongyang. If the North does come back to the negotiating table, while Beijing—like Seoul and Tokyo—would like to be in the room, the Chinese are comfortable with the U.S. meeting the North alone. They would insist upon, however, full prior coordination and a refusal to deal with the North on any basis that conveys upon it the status of a nuclear weapons state or that allows it to keep its weapons regardless of its legal designation as a non-nuclear state under the Nuclear Non-Proliferation Treaty (NPT).