

# Policy Forum 04-30A: Moody's Parallel Universe on North Korea's Nukes

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US Economic Diplomacy Toward North Korea

PFO 04-30: August 12, 2004

## Moody's Parallel Universe on North Korea's Nukes

by Ian Bremmer

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### I. Introduction

This policy forum essay is by Ian Bremmer, the President of the Eurasia Group and Senior Fellow at

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the World Policy Institute. Bremmer argues that, "far from being aligned in a strategy to put pressure on Kim's rogue regime, unilateral initiatives by the U.S.'s two allies at the negotiating table are undermining the prospects for a diplomatic solution to the North Korean nuclear issue."

The views expressed in this article are those of the author and do not necessarily reflect the official policy or position of the Nautilus Institute. Readers should note that Nautilus seeks a diversity of views and opinions on contentious topics in order to identify common ground.

## **II. Essay by Ian Bremmer**

"Moody's Parallel Universe on North Korea's Nukes"  
by Ian Bremmer

Moody's Investors Service recently raised South Korea's debt-rating outlook to stable from negative, citing a reduced risk of conflict over North Korea's nuclear programs.

That's right, in the strange parallel universe inhabited by the debt rating agency Pyongyang's efforts to build more bombs and the six-party talks on the issue being held in Beijing this week amount to a reduction in tension. That's despite the fact that talks -- which bring together the two Koreas, the U.S., Russia, China and Japan -- have still not yielded any tangible results.

"The risk of conflict on the Korean peninsula will remain low as long as current negotiations hold promise for achieving the goal shared by the United States, the Republic of Korea, and Japan," Moody's announced on June 11, in possibly the most misguided political-risk decision by a ratings agency since the mid-1990s, when they missed the growing political vacuum that predated the Asian and Russian financial crises. Never mind the fact that recent events suggest that, far from diminishing, tensions over Pyongyang's nuclear programs are on the rise. Not least in relations between the three parties -- the U.S., South Korea and Japan -- whose joint insistence on a denuclearized North Korea was cited by Moody's as the ostensible rationale for its decision. Take for instance, the recent announcement that the U.S. plans to withdraw one third of its 37,000 troops from the Korean peninsula by 2005. Even Moody's could not ignore that. Instead the ratings agency insisted that it would not mean, "a significant weakening of Republic of Korea-U.S. military capabilities or dissolution of the two nation's military and political alliance."

Now it's true that the reduction in America's troop strength on the Korean peninsula is not a new idea. Since 7,000 U.S. soldiers were withdrawn in 1991, more cuts have been expected -- and only delayed by the ratcheting up of tensions over North Korea's nuclear programs. But Moody's sanguine reaction ignored the suddenness and scale of the Pentagon's decision.

They should have listened to the reaction of South Korean diplomats, who privately complained the pullout was "intemperate." Or to how startled President Roh Moo-hyun was that the decision was made so quickly, and with so little input from the Blue House. Indeed South Korean security officials are already trying to pretend the Pentagon's decision is far from final, talking of "counter-proposals" from Seoul, and suggesting a delay of several years in the timetable for the troop reduction.

The truth is that Washington is fed up with the Roh administration's unilateral initiatives toward Pyongyang, such as the recent opening of cross-border road and rail links. These undermine efforts to maintain a united diplomatic front that would put pressure on North Korea to end its nuclear blackmail. The Bush administration hopes that the withdrawal of a significant portion of the U.S. security umbrella will cool President Roh's enthusiasm for such initiatives, and allow a tougher policy on the North to prevail in Seoul.

Nor is South Korea the only player in the region to undermine the united front against Pyongyang by courting Kim Jong Il. Japanese Prime Minister Junichiro Koizumi lacks credibility when he seeks to portray his visit to Pyongyang last month as motivated by a desire to resolve the issue of the families of Japanese abductees being held in North Korea. After all, a foreign head of state's visit to Pyongyang confers clear diplomatic benefits on his North Korean hosts and is not a step to be taken lightly -- or, for that matter, to secure incremental progress on one single issue.

Instead Mr. Koizumi is considering the eventual normalization of relations with the rogue regime, as evidenced by the fact that this was his second visit to Pyongyang in as many years. Senior officials in the Bush administration were caught off guard by the Japanese prime minister's initiative. Tokyo had been America's closest ally on North Korea, and the decision to provide food and medical aid in an effective quid pro quo for the release of the relatives of several Japanese kidnapped by North Korea, however quietly presented, has undermined U.S. policy toward Pyongyang.

Existing frustration in Washington over Tokyo's refusal to review its warm ties with Tehran, despite mounting evidence of the Iran's nuclear ambitions, has been exacerbated by Mr. Koizumi's Pyongyang gambit. All this could have a significant effect on enthusiasm within the Bush administration for the U.S.-Japanese strategic partnership. Moody's seem oblivious to the fact that Washington's policy toward Pyongyang is currently on hold in the run-up to November's presidential election. And if U.S. President George W. Bush is reelected, an intensification of pressure on North Korea and a resulting escalation of tension is a near certainty.

But it is in ignoring Seoul and Tokyo's growing divergence from Washington over how to handle Pyongyang that the rating agency's analysis really falls apart. Far from being aligned in a strategy to put pressure on Kim's rogue regime, unilateral initiatives by the U.S.'s two allies at the negotiating table are undermining the prospects for a diplomatic solution to the North Korean nuclear issue.

### **III. Nautilus Invites Your Responses**

The Northeast Asia Peace and Security Network invites your responses to this essay. Please send responses to: [napsnet-reply@nautilus.org](mailto:napsnet-reply@nautilus.org) . Responses will be considered for redistribution to the network only if they include the author's name, affiliation, and explicit consent.

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