Coping with North Korean Nuclear Quagmire – What Options are Available: Remarks at Jeju Forum Panel

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by Peter Hayes

I. INTRODUCTION

As a panelist at the Jeju Forum, Peter Hayes remarks that "At this late stage in the DPRK's nuclear breakout, one should begin with the question: what would be worth more to the Kim Jong Un government than its nuclear weapons capacities, such as they are? The answer is not this or that economic gain, or this or that change in its nuclear fuel cycle activities. They aren't going to put all their investment in the nuclear weapons program at risk after decades of effort and setbacks without seeing very bright light at the end of the tunnel of denuclearization. "

This Policy Forum is a version of remarks given by Peter Hayes at the Jeju Forum, Jeju, Korea, May 30th 2013. The remarks are in response to questions for the panel "Coping with North Korean Nuclear Quagmire – What Options are Available?" for which he was a panelist.

Peter Hayes is director of Nautilus Institute and Professor of International Relations at RMIT University in Melbourne.

The views expressed in this report 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 significant topics in order to identify common ground.

II. POLICY FORUM BY PETER HAYES

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1. ***Do the UN sanctions provide efficient disincentives for the DPRK to pursue its nuclear program through further nuclear testing, missile launches and weaponization? If yes, which sanctions are effective and which are not? If no, how could they be altered, lessened or abandoned?***

The following expert guidance is indicative of the likely UN sanctions effect on the DPRK:

"DPRK Sanctions UNSCR 2094 clarifies that the term 'luxury goods' includes, but is not limited to, jewellery, yachts, automobiles and racing cars. It was noted that the EU considers malt whisky aged 18 years to be a luxury, by which one might infer that 12-year malt whisky is considered essential."

(See "People's Republic of Korea: prospects and problems," IISS Workshop with UN Panel of Experts, Johannesburg, March 19, 2013)

I once saw a North Korean list of North Korean bank accounts in major cities around the planets, operated by a major North Korean party leader. It was astoundingly global and was matched by a global network of trading entities and warehouses. The idea that we can shut down these flows is fantastic, even with modern tracking technology.

I met some of the North Korean port mafia who operate out of port cities like Nampo. These nice

folks (dressed in all black, no kidding) know how to traffic stuff on coastal and oceanic ships via port cities and deal daily with crews of visiting vessels, part of the global transnational workforce on cargo vessels, who visit the "Semens Club" (actual spelling, no kidding) on the waterfront.

For a good mapping of DPRK vessel shipping routes that intersect with port city based operatives, see the superb empirical network mapping of DPRK shipping routes:

Ducruet C., Roussin S., Jo J.C. (2009) "Political and economic factors in the evolution of North Korea's maritime connections", Journal of International Logistics and Trade, 7(1) : 1-23 which is available at:
http://halshs.archives-ouvertes.fr/docs/00/45/90/22/PDF/IJTL_North_Korea_Ducruet_al.pdf

Ducruet C., Roussin S., Jo J.C. (2009) "Going West ? Spatial polarization of the North Korean port system", Journal of Transport Geography, 17(5) : 357-368 which is available at:
http://halshs.archives-ouvertes.fr/docs/00/45/85/87/PDF/Going_West5.pdf (to which must be added foreign flagged DPRK vessels).

I am not aware of a detailed study of North Korean fishing vessel operations, but there is obvious potential to move high value products at sea across vessels.

Another rent extraction potential arises from DPRK transit for drugs, arms, and endangered species or products flowing from China and southeast Asia to Russia. Track the Air Koryo routes to cities with DPRK diplomats with diplomatic pouch potential. Jakarta…Bangkok…

Also, there is vibrant export of DPRK produced drugs of various kinds into China connecting more recently with Chinese drug networks in southern China.

See also two studies on remittance and cross-border mechanisms to move money.

Alternative Remittance Systems and Terrorism Financing
Issues in Risk Management, World Bank at:
https://openknowledge.worldbank.org/handle/10986/5916

and
Mobile Money Methodology for Assessing Money Laundering and Terrorist Financing Risk at
http://www.gsma.com/mobilefordevelopment/methodology-for-assessing-money-laundering-and-terrorist-financing-risks

These and other techniques enable the North Koreans to avoid sanctions, even under forensic financial scrutiny. To pretend otherwise is fantasy.

As Lee Sigal argues, the real issue is the backfire effect on DPRK behavior on the nuclear issue, not the specific effects on its trade and finance. See L. Sigal, "How North Korea Evades Financial Sanctions," Foreign Policy, May 3, 2013, at: http://38north.org/2013/05/lsigal050313/

Also, we should note that the Chinese closure of a North Korean bank in Beijing has all but frozen the operations of important humanitarian NGOs operating in North Korea to provide healthcare and food to orphanages, women, children, old and sick people. As often happens, sanctions can harm the innocent while having negative backfire effects at the political-symbolic level.

In this regard, past sanctions efforts have been mostly counterproductive, accelerating DPRK proliferation, and forcing their trade into the very global subterranean channels that controvert the international community's anti-terrorist goals. The capacity for self-delusion about past successes in

this regard in Washington is apparently limitless.

Coercive diplomacy requires coercion combined with diplomacy to succeed. The greater the coercion, the greater the necessary diplomacy. We have almost all coercion, and almost no diplomacy at this stage. This imbalance must be rectified immediately.

Only when this shift occurs would sanctions play a minor constructive role, partly at home in sanctioning countries to inform domestic populations that their governments have serious resolve, and partly in North Korea, by underscoring the serious intention of engagement and diplomacy which is currently completely absent.

- ***Which North Korean concessions are imaginable if new talks can be held on the nuclear issue? Could the DPRK agree to a temporary test ban? Close down Yongbyon again? Abandon uranium enrichment? Declare its amount of fissionable material? Give up its bombs?***

I cannot imagine any North Korean leader or negotiate making concessions of any kind. Concession, in the English sense of "granting something as a right, accepting something as true, or acknowledging defeat," is not in the DPRK negotiator's lexicon.

What compromises or conditions might the DPRK agree to as part of a major breakthrough? In return for talks, nothing—merely talking is the quid pro quo for talks as Japan just demonstrated, and Obama appears to have forgotten.

At this late stage in the DPRK's nuclear breakout, one should begin with the question: what would be worth more to the Kim Jong Un government than its nuclear weapons capacities, such as they are? The answer is not this or that economic gain, or this or that change in its nuclear fuel cycle activities. They aren't going to put all their investment in the nuclear weapons program at risk after decades of effort and setbacks without seeing very bright light at the end of the tunnel of denuclearization. The essential constituent elements of this end state from a DPRK perspective are:

1. A termination of state of war on the Korean Peninsula.
2. Mutual declarations of non-hostility.
3. Termination of sanctions
4. A legally binding guarantee of non-attack by nuclear weapons states, in particular, the United States, which can be achieved only via a treaty-based nuclear weapons-free zone in Northeast Asia
5. A multilateral framework for managing 1-4 involving the regional powers, most likely in the form of a Northeast Asian Treaty of Amity and Cooperation.
6. External support for economic reconstruction of the DPRK's collapsed economy, most critically, in energy security.
7. Nuclear equality, meaning a nuclear fuel cycle including light water reactors.

If these elements can be negotiated, then the requisite reciprocal commitments from the United States and the other parties to the Korean conflict can be envisioned; and the necessary and logical sequence of steps leading to these outcomes can be defined and agreed at the outset. This must include freezing of nuclear fuel cycle activities, full declarations of all nuclear fuel cycle activities including clandestine enrichment, monitoring and verification regimes, etc.

- ***Does the Kim Jong-Un regime depend for its survival on fears of acute foreign threats, or could it respond positively to a lessening of sanctions by focussing more strongly on domestic economic reform? What would it take for Kim Jong-Un to abandon the Military First Policy?***

No, North Korea does not depend for its survival by drumming up fear of foreign threats. The DPRK government has considerable perceived legitimacy in a substantial fraction of the DPRK adult population, and to pretend otherwise is unrealistic. A rough breakdown based on my observations in North Korea is about 30% are true believers, 30% are judged untrustworthy, and have been banished, and about 30% live day to day apathetically by trying to look busy without taking risks by actually doing something that could go wrong.

Unless lifting of sanctions is accompanied by a constructive external engagement that results in expanded trade, investment, and external financing of critical development infrastructure, not much will result from lifting of sanctions. The sanctions are primarily a political issue for North Korea, not an economic issue.

In turn, until the DPRK leadership feels that it is able to initiate structural adjustments and undertake economic transition with a reasonable chance of success, it is unlikely to commence a program of serious economic reform. Meanwhile, the best that external agencies can do is to conduct training of economic managers, especially middle-ranking, enterprise-level managers, to expose them to modern practices and technologies, in countries that are not antagonistic to the DPRK's existence; and support many small scale, diverse projects in the DPRK in the hope that some will work even if many do not.

The military first policy can be abandoned only when the enabling conditions for a comprehensive security settlement are achieved; and then only with substantial economic subvention from outside the DPRK.

- ***Can the ROK co-ordinate its approach to the DPRK's nuclear program with China without damaging its alliance with the USA?***

To the extent that the ROK kick-starts a peace process in conjunction with China in a leadership role, it can substitute for the deficit of proactive American leadership aimed at shaping the regional security environment and creating a new strategic framework in which to manage the DPRK problem. The United States is likely to fall happily in behind such a coordinated ROK-Chinese strategy rather than resist it. Any such framework must immediately involve North Korea and the United States as the primary antagonists in the Korean conflict, so US-ROK alliance fundamentals are unlikely to be challenged by a ROK-Chinese concert aimed at kick-starting a peace process. The stumbling block would be if this strategy excludes Japan and Russia from talks, thereby upsetting American and North Korean strategic calculi and motivations for no long-term gain, as these two parties must play unique roles in a comprehensive security settlement that is a prerequisite for reversing the North Korean nuclear breakout.

- ***Could China change from a reactive to a proactive policy in relation to the North Korean nuclear program?***

Yes, in principle; but no in practice. China is remarkably passive in this regard, and does not exhibit confidence that it can design and implement a strategic framework in the region without American leadership or partnership. As I learned this week in Beijing, there is an active debate in China on what to do about North Korea as a problematic ally. Some argue North Korea simply needs time to

let reform take place. Others argue the external security conditions must be improved before the DPRK can relax. Yet others argue it's an American-North Korean problem. All this is true—but equally, China is a party to the conflict.

Nearly a million Chinese died in the Korean War. It is the ally of one of the two primary antagonists. It cannot be simply an honest broker, a host, seeking to facilitate the two conflicting parties to come to agreement. It must be far more pro-active, and if necessary, put to the United States a regional strategic framework to stabilize and then solve the Korean conflict with Chinese characteristics. Simply resuming the Six Party Talks to do the same thing and fail again is senseless. The US and Chinese presidential meeting in California is a critical meeting in this regard. If China proposes a comprehensive security settlement (see below), starting with a year of senior official meetings to end in a Six Party Summit in one year, then the pressure would be on all parties to perform, including the DPRK. Aiming low will fail. To succeed, China must aim high, with an ambitious but realistic strategy.

- ***Is it possible to remain firmly opposed to the North Korean nuclear program without making this the main issue in relations with the DPRK?***

Yes. The starting point is to address the issue of the DPRK small light water reactor safety. Objectively, after operating for a few years, a melt-down reactor accident scenario at Yongbyon could be of higher probability and greater overall human and economic consequence than a major military confrontation short of all-out war in Korea. It deserves much higher priority on the agendas of external players, which China seems to be aware of already. However, it's not clear that the US and ROK are aligned on the imperative to engage the DPRK on this score.

- ***Should the nuclear issue be on top of President Park Geun-hye's agenda in her upcoming meetings in Beijing?***

It should have co-equal status with improving ROK-China economic relations, to ensure that the important role that the ROK plays in stimulating the Chinese economy, and in turn, increasing the chances that the CCCP can maintain stable governance of China, remains intact; which in turn places powerful limits on the DPRK's ability to pressure China with regard to its nuclear and other destabilizing activities in Korea and beyond. In this regard the economic and security spheres are inextricably linked.

III. NAUTILUS INVITES YOUR RESPONSES

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Nautilus Institute
608 San Miguel Ave., Berkeley, CA 94707-1535 | Phone: (510) 423-0372 | Email: nautilus@nautilus.org