The image is a composite. The top half shows a handgun, possibly a Glock, lying on a red surface. The bottom half shows a large crowd of people, many wearing white headscarves, in what appears to be a public gathering or protest.

U.S. STRATEGY TOWARDS NORTH KOREA:

Rebuilding Dialogue and Engagement

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A report by the U.S.-Korea Institute at SAIS
and the Weatherhead East Asian Institute
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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).

2

INTRODUCTION

Over the past six months, U.S.-North Korean relations reached a new low caused by the North's missile and nuclear tests, followed by the visit of former President Bill Clinton to Pyongyang and the North reaching out to the United States and its neighbors to renew dialogue. North Korea's actions to develop a small nuclear arsenal have triggered an appropriately tough response from the Obama administration which has moved to bolster defense ties with allies and to secure international support for sanctions. And the North's recent efforts to renew dialogue have prompted justified skepticism about Pyongyang's seriousness and debate about the future of efforts to end the North Korean threat.

A U.S. policy based on containment and isolation alone only concedes that North Korea will remain nuclear-armed and allows its weapons programs to run free. A North Korea that continues to arm will undermine stability in East Asia, sow further doubt in Tokyo and Seoul about relying too much on the United States for their security and put in jeopardy cooperation with China. A nuclear North will disrupt Washington's global disarmament and non-proliferation agenda, particularly when viewed in conjunction with the danger of a nuclear Iran. It may also eventually pose a direct threat to the United States through exports to other countries and sub-national groups or the further development of long-range missiles to deliver its nuclear weapons.

An effective American strategy to disarm 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 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.

3

DEVELOPMENTS IN NORTH KOREA

According to public perception, Kim Jong-il's stroke last summer triggered a series of actions that appeared to make little sense. In spite of a new American administration's willingness to engage in more serious diplomatic give and take than its predecessor, Pyongyang moved ahead with long-range missile and nuclear tests, triggering international political and economic sanctions against the regime. The North declared the Beijing Six Party Talks and all agreements reached in those negotiations dead, including any previous commitments to give up its nuclear weapons. Relations between the two Koreas reached a new low resulting in a drastic cutback of economic and humanitarian ties that had come about through the "sunshine policy" pursued by two previous South Korea leaders. More recently, Pyongyang has shifted its course again, welcoming renewed talks with the U.S. and other countries and triggering speculation about its real motives.

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 reservoir of experience in dealing with Pyongyang. Moreover, 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. That picture revolves around key questions with important implications for American policy. Is the leadership transition on track or are there signs of resistance that could have near-term consequences for North Korean foreign policy and long-term implications for its stability? Are North Korea's actions manifestations of longer-term security policy trends? What are the prospects for North Korea's development of its nuclear and missile arsenals as well as its exports of WMD technology? What would be a new North Korean leader's attitude towards denuclearization and building better relations with the United States? What role do economic considerations play in Pyongyang's security policy? Finally, is the North economically and socially static or are there trends in place that could result in a gradual positive transformation? These questions are addressed below.

LEADERSHIP TRANSITION ON TRACK

The popular picture of a stricken Kim Jong-il showing a defiant face to the world while rushing to put in place a contested transition and fighting to keep internal hard line forces at bay is inaccurate. Kim'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 wither-



A South Korean newspaper shows alleged pictures of heir apparent, Kim Jong-un. (AFP/Munwha Ilbo 2009)

ing pace of trips throughout the country to give on-the-spot guidance. In fact, there is evidence to suggest that the succession began as early as 2000-2001. After a hiatus from 2004-2008, it resumed after Kim's stroke last summer with clear signs earlier this year that the chosen successor would be his youngest son, Kim Jong-un. The transition appears to be linked to 2012, the 100th anniversary of Kim Il-sung's birth.

Kim's succession related moves seem designed to strengthen traditional governing bodies—the party, military and government—as well as to put bureaucratic heavyweights in positions to facilitate the transition. These moves include elevating and expanding

the powerful National Defense Commission (NDC) to bring together internal security and defense responsibilities and strengthening the State Planning Commission associated with renewed emphasis on central planning and control. A case in point has been the high-profile changes in the military which, rather than reflecting jockeying for power, appear designed to facilitate the formation of a strong support group for the succession plan, restore the traditional role of the Ministry of the People's Armed Forces (MPAF) by giving control of the military to the Defense Minister, consolidate reporting channels to Kim so as to ease his burden and elevate regime security as a top priority. There is no evidence that these moves were intended to give the Korean People's Army a new role in nuclear policy, which is controlled elsewhere.

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, a strong case can be made that the North's moves reflect policy directions already in place. For example, North-South relations began deteriorating in the summer of 2008, before Kim's stroke, when Pyongyang initiated a series of escalating steps designed to show South Korean President Lee that he would have to pay a high price for breaking with the sunshine policy. Similarly, planning for the North's rocket launch may have begun before Kim's illness, motivated as much by scoring points in inter-Korean competition as by building pressure on the United States.

While the transition appears to be on track, there has been no actual transfer of power. Its ultimate success may depend on whether Kim Jong-il has sufficient time to put in place the necessary arrangements. If he passes from the scene sooner rather than later, other prominent officials such as Jang Song-taek, his brother-in-law who was recently named a member of the National Defense Commission, and O Kuk-ryol, reportedly in charge of external intelligence operations and now vice chairman of the National Defense Commission, may play more important leadership roles.

If the transition succeeds, it seems unlikely that a new leader will be able to make or implement tough decisions or change previous policies, at least in the near-term. The rise of a North Korean Gorbachev bent on radical change will be possible only if the new leader has sufficient power, self-confidence and experience to take bold, potentially dangerous decisions. More likely, a new leader will be inclined to show "toughness" in standing up to outsiders, given the need to firmly establish his own credentials and to build political space to consolidate power. 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

Recent actions by North Korea can be traced to a shift in Pyongyang's security policy that began in late 2002 or early 2003. Until then, North Korea sought a strategic relationship with the United States to guard against infringement on its sovereignty by Russia and China and to facilitate an improved external security environment that would allow Pyongyang to restore its economy. As part of that relationship, the North was willing to reach agreements that eventually eliminated its nuclear program and limited its missile effort. That policy reached its high point in 2000 with the signing of the October Communiqué during a visit to Washington by North Korea's second ranking official and Secretary of State Madeline Albright's meeting in Pyongyang with Kim Jong-il.

Since then, North Korea has moved away from its objective of strategic engagement with the United States towards an emphasis on building up its nuclear capabilities. The slide down the slippery slope began in 2001-2003. Disillusioned by what it viewed as the Bush administration's unwillingness to reengage in dialogue after taking office, Pyongyang's frustration mounted with the collapse of the U.S.-North Korea Agreed Framework in 2002. In response, North Korea expelled international inspectors and restarted its nuclear facility, left the Nuclear Non-Proliferation Treaty (NPT), and reprocessed plutonium. In early 2004, North Korean scientists showed an unofficial U.S. delegation alloyed scrap from plutonium which proved it was capable of casting and shaping fissile material, two steps in weapons production. However, Pyongyang also joined the Beijing Six Party Talks, in large part, to reassure China.



Top envoys from six countries join hands before dinner on the eve of the resumption of Six Party Talks aimed at dismantling North Korea's nuclear program (Beijing, December 17, 2006). L-R: South Korea's Chung Yung-woo, Japan's Kenichiro Sasae, the United States' Christopher Hill, China's Wu Dawei, North Korea's Kim Kye-gwan and Russia's Sergey Razov. (Reuters)

Against the backdrop of President Bush's reelection, the North's shift to an emphasis on national nuclear strength gained momentum. In February 2005 Pyongyang declared that it had manufactured nuclear weapons for self-defense as well as its intention to bolster its arsenal. Another plutonium reprocessing campaign commenced that summer. Still, in September, Pyongyang agreed to a joint statement at the Six Party Talks that included a pledge to denuclearize, although that agreement quickly evaporated as both sides backed away from their commitments. Negotiations collapsed later that year and Pyongyang accelerated the development of its nuclear force with renewed testing of long-range missiles in mid-2006, after an eight-year hiatus, and the conduct of its first nuclear test in October.



North Korea destroys the cooling tower at its Yongbyon nuclear facility on June 27, 2008.

The North subsequently returned to negotiations after Washington expressed a new willingness to meet bilaterally, a key North Korean demand, in addition to the Six Party Talks. An agreement was reached to disable the plutonium production facilities at Yongbyon in return for political and energy-related benefits. Pyongyang's bargaining position also pushed the negotiated elimination of its nuclear arsenal further into the future. The Six Party Talks reached a stalemate in late 2008, however, reflecting not only the North's unhappiness with a shift in Washington's position towards demanding tougher verification measures for

a declaration of its nuclear activities but also its disillusionment with the multilateral talks. As a result, Pyongyang embarked on a new round of nuclear modernization.

North Korea's current strategy is based on three objectives. First, rather than rely on a new relationship with the U.S. to guarantee Pyongyang's sovereignty, the North has shifted its emphasis to building up its national nuclear strength to ensure its security and seeking tacit acceptance of its new status by the international community. Second, rather than build a strategic relationship with Washington aimed at China, the North is pursuing a balancing game between Beijing and Washington by playing on China's fears about growing American influence on the peninsula as well as of instability on its borders. Finally, rather than seeking a calm external security environment to allow economic reform, Pyongyang now relies largely on a mixture of coping mechanisms that appear sufficient to ensure economic stability. As part of that coping strategy, the North also seems willing to selectively cooperate with the international community—in the field of science and technology, for example—in order to gain economic benefits

North Korea's future security policy is likely to be shaped by Pyongyang's overall objective of becoming "a strong and prosperous nation" by 2012. Underpinning that objective is the need to create a strong and stable regime for Kim Jong-il's successor. For now, it seems the most prudent course of action will be to alternate measures to further develop its nuclear force with the tactical use of engagement to help regulate its external environment and consolidate gains. The North's recent conciliatory gestures towards the United States, South Korea and Japan can probably best be explained in that context rather than as a shift in course caused by the economic impact of sanctions—of which there is no direct evidence—imposed by the United Nations Security Council.

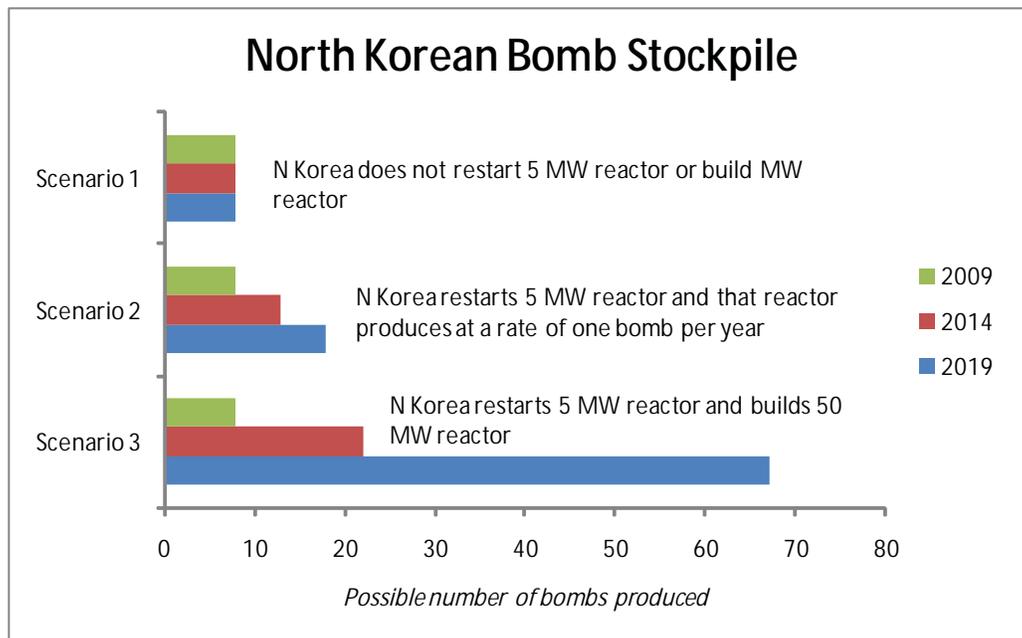
While the North's current focus on national nuclear strength does not auger well for future efforts at denuclearization, Pyongyang has, in the past, proven fully capable of switching its course depending on changes in its internal and external circumstances. The North might drift to a more insular, belligerent policy, stepping up cooperation with other "rogue states," such as Iran, Syria and Burma. Or Pyongyang may decide once again that its interests would be better served by a gradual shift away from relying on nuclear weapons for security towards a renewed focus on strategic engagement with the United States.

GRADUALLY EXPANDING NUCLEAR AND MISSILE THREAT

Pyongyang's recent missile and nuclear tests represent important technical milestones in the development of a nuclear arsenal able to threaten the region and possibly the United States over the next decade. Future moves to expand its nuclear arsenal could include the production of more fissile material, plutonium in the near-term and highly enriched uranium further down the road. The North could also conduct new nuclear detonations intended to perfect designs to be mounted on ballistic missiles and additional long-range missile tests. While Pyongyang could opt for an "anti-coercion" deterrent force like China, consisting of a small number of weapons and delivery systems, it is more likely to decide that its needs can only be met by a larger, more survivable nuclear force including long-range delivery systems.

Fissile Material. North Korea's nuclear stockpile is believed to consist of sufficient plutonium to build 4-8 nuclear weapons. Pyongyang has already begun to restore its reprocessing facility, which is expected to resume operations soon. While the North has yet to announce its intention to restart the five megawatt reactor at Yongbyon, partially disabled as a result of diplomatic agreements, that

course of action remains open and entirely possible. Using existing stocks of fresh fuel, North Korea could produce a bomb's worth of plutonium each year from 2011-2013. If the North is able to refurbish its fuel fabrication plant in the meantime, that production rate could continue indefinitely with its arsenal reaching 14-18 weapons by 2019.



If the North decides to expand its nuclear stockpile further, it has two options:

- Finish Construction of the 50-megawatt Reactor at Yongbyon:*** According to Pyongyang's nuclear scientists, plans for finishing construction of this reactor were formulated in 2004-2005, but then shelved because of unspecified "industrial bottlenecks." While those bottlenecks may prove insurmountable, if the North is able to move forward, the reactor could produce 55 kilograms of plutonium annually, enough material for about 11 bombs per year. However, it might take five or more years to complete the facility. One disadvantage to pursuing this option is that the location of the reactor, which is well-known, would be vulnerable to a preemptive strike.
- Carry Out Threats to Produce Highly Enriched Uranium (HEU):*** Based on its recent public statements, Pyongyang appears to be moving forward with a uranium enrichment program. A successful program would give the North the option of more easily producing either simpler (gun-assembly type) or more sophisticated nuclear weapons (using composite pits or boosted fission techniques). Since such a program would be harder to locate, it would be less vulnerable to attack and more difficult to monitor in any denuclearization arrangement.

How quickly Pyongyang could move beyond a pilot program to build an operating facility is unknown. Although the North may have begun exploring HEU production in the early 1990s, the acquisition of materials did not begin until later in the decade and it is uncertain how much progress has been made to date. In a worst-case scenario, depending on the centrifuge design, the North could make significant advances towards an operational program over the next five years. The North's recent announcements of progress in this effort, if true, may represent its first steps in that direction.

North Korea has demonstrated rudimentary but sufficient skills to produce large amounts of precursors for UF₆, the material that serves as feedstock for centrifuges engaged in enrichment, and the additional steps required are thought by experts to be within its grasp. Also, Pyongyang has large deposits of uranium and knowledge of the chemical processes required to produce materials needed for UF₆. Moreover, the North appears to have mastered other requirements for a successful program, such as temperature control and the ability to convert UF₆ from solid form to gas in order to feed it safely into centrifuges. There is no evidence, however, to suggest that North Korea has the mass spectrographic analyzers necessary for evaluating the effectiveness of prototype machines or for determining whether enrichment has been successful or not.

Pyongyang could choose from a number of centrifuge development options. Past procurement efforts suggest that the North has been interested in building the Pakistani P-2 design, but technical challenges could mean a long development process. Basing North Korean centrifuges on the Iranian modified IR-2, IR-3 or IR-4, all of which are still in the test phase, could also pose significant technical challenges. Another route would be to build a centrifuge based on the Pakistani P-1 design. The speed of North Korean progress would depend on the amount of foreign assistance received and whether it included technical specifications, machine equipment, and materials to build the centrifuges.



President Ahmadinejad inspecting centrifuges at Natanz in Iran. (August 2009)

Alternatively, North Korea might seek to design its own centrifuges indigenously, avoiding potential problems that would be encountered through relying on foreign-based designs and imported components. In a worst-case scenario, such a program could build a working machine in 2 years and a small cascade able to produce a bomb's worth of material in 5 years. But it is unclear whether Pyongyang has the inclination, materials and equipment to pursue this option.

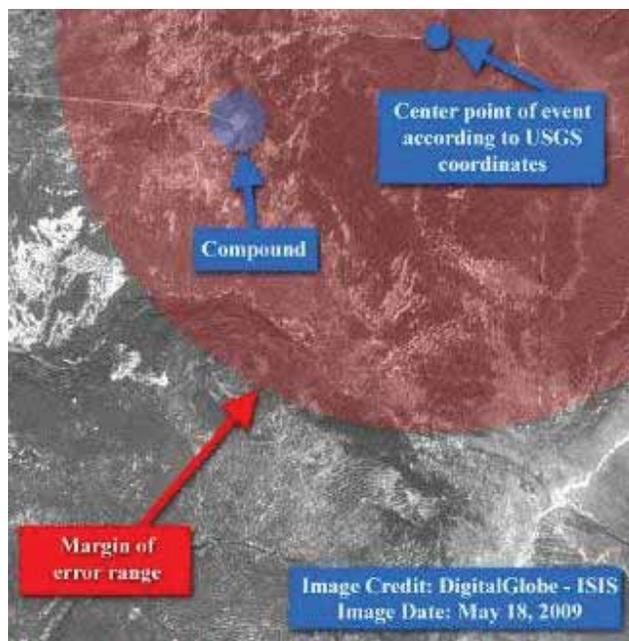
Providing help to Pyongyang in building centrifuges could prove to be an attractive option for Tehran, which would benefit greatly from gaining access to the North's nuclear weapons design, nuclear test data, wide-ranging knowledge of plutonium production and experience with uranium metallurgy. Moreover, building an HEU production facility in the North would give Iran access to fissile material beyond the reach of international inspectors.

Nuclear Weapons. The May 2009 nuclear test appears to have advanced North Korea's ability to field an effective nuclear force. Pyongyang's 2006 test fell short of its intended yield, but was probably successful enough to allow the North to build a large simple device with several times the yield of the detonation. The recent test, believed to be in the 2-4 kiloton range, may have met design expectations and would have advanced North Korea's ability to build devices with yields up to 20 kilotons. It would also have improved Pyongyang's ability to mount those weapons on delivery systems able to reach Japan and other regional targets. Further nuclear tests, if successful, would probably resolve any remaining technical problems associated with making a weapon small and light enough to mount on missiles able to attack Japan and advance its ability to eventually strike intercontinental targets. Given Pyongyang's limited stockpile of fissile material, the conduct of such tests could

depend on the production of more plutonium or highly enriched uranium.

If North Korea has had access to foreign bomb designs and test data, its ability to mount nuclear warheads on missiles would be enhanced. Through connections to the A.Q. Khan nuclear smuggling ring, North Korea may have received a Chinese bomb design and test data from the 1960s. Access to more sophisticated designs found on the computer of a Swiss national associated with the Khan network in 2004, may have provided the North with valuable new information which could help Pyongyang develop more advanced warheads for even longer-range missiles.

Ballistic Missiles. The North Korean rocket test in April 2009 represented a significant stride forward in developing long-range ballistic missiles. The Unha-2 rocket incorporates more advanced technology than that of the Taepodong-1 missile tested in 2006 and is able to carry a larger payload to greater distances. A three-stage ballistic missile based on the Unha-2 could carry a 1,000 kilogram nuclear warhead to ranges in the vicinity of 10,000-10,500 kilometers, sufficient to reach Alaska, Hawaii and roughly half of the lower 48 states. Its ability to carry a larger payload could be enhanced by, for example, using a third stage with a higher rocket thrust. A two-stage missile based on the Unha-2 could fly a maximum of 7,000-7,500 kilometers with a 1,000-kilogram warhead, sufficient to strike Alaska and parts of Hawaii, but not the lower 48 states. The same missile could carry larger warheads up to 6,000 kilometers, enabling it to only reach targets in Alaska and Guam.



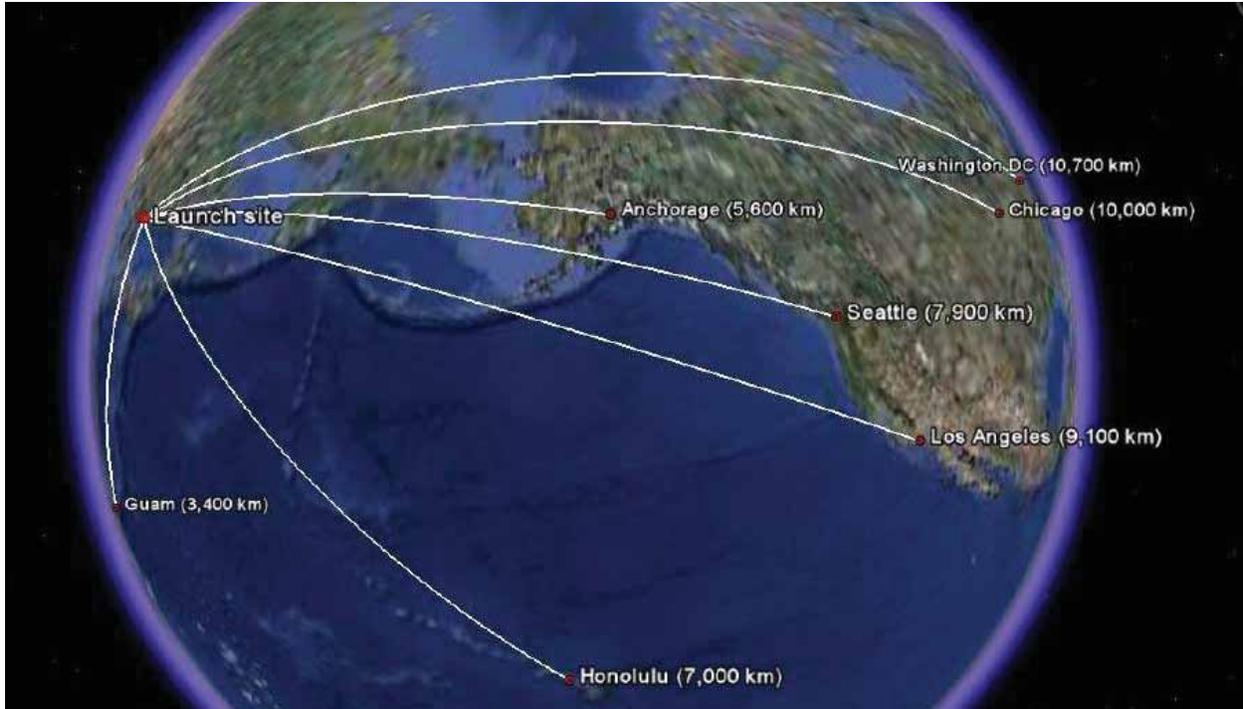
North Korean nuclear test site.



Unha 2 rocket launch, April 2009.
(www.spacelaunchreport.com)

North Korea will have to overcome several important obstacles in order to build a reliable long-range missile force. Evidence suggests that Pyongyang's ability to produce these missiles may be limited by what appears to be the Unha-2's reliance on Russian components, particularly a second stage that seems identical to a Soviet-era SS-N-6 sea-launched ballistic missile. If this analysis is correct, the North's ability to indigenously produce key rocket components may be limited. Nevertheless, the North has, in the past, been able to use what technology it has had to build increasingly capable launchers. Moreover, Pyongyang could have stockpiled enough components to overcome this potential obstacle or acquired production equipment and expertise from former Soviet missile designers.

Second, since long-range missiles are complex systems and North Korea has yet to successfully test a three-stage missile, it may need to conduct a new series of flight tests. Without such tests, the North might be reluctant to use its missiles to deliver a nuclear payload since there would be a high probability of failure. Additional tests would also be required if North Korea decides to improve missile accuracy. A delivery

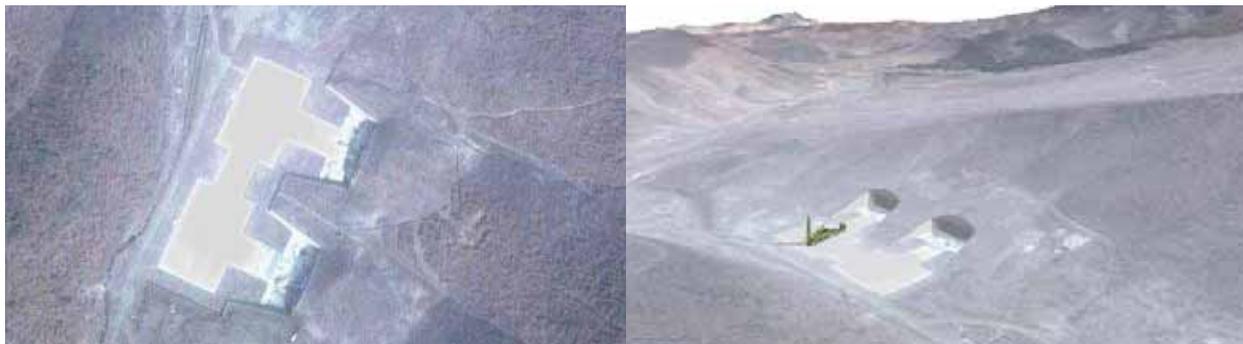


Ranges from the North Korean launch site to various locations around the world. (David Wright, Union of Concerned Scientists, drawn in Google Earth)

system based on the Unha-2 that uses a relatively simple guidance system and heat shield might miss a target by 10 kilometers or more. Much would depend, however, on potential targets, since accuracy is not essential if the objective is to destroy a large city.

Third, Pyongyang may need to develop a heat shield to protect payloads on long-range missiles as they reenter the earth's atmosphere. While the North should be able to overcome this barrier, given past experience in building a less-capable shield for the medium-range Nodong missile and access to decades of work done by other countries, a rudimentary shield could be an additional major source of inaccuracy. Developing a more advanced shield would be a very difficult engineering task. Without a reentry heat shield, the North could still detonate a nuclear explosion in space to generate an electromagnetic pulse (EMP) designed to cause major damage to electrical and electronic infrastructure. North Korean commentators have noted that such an attack could prove effective. According to recent reports, South Korea has decided to increase spending on programs designed to counteract the effects of EMP.

Finally, North Korea will need to develop a survivable basing mode for its new missiles, since launch



Medium-range Nodong mobile missile base and possible cave basing for future long-range weapons. (www.militaryphotos.net)

from a gantry tower would be vulnerable to a preemptive attack. Although the North appears to have been constructing underground silos, they are easily identifiable and therefore vulnerable. Another basing option, used by the Chinese, would be to station missiles in caves and roll them out before firing. The North has planned to operate its shorter-range missiles and artillery in the same manner. While Pyongyang would have to develop a large transporter-erector-launcher (TEL) for any new, longer-range mobile weapons, it has built similar systems for smaller missiles.

In the future, closer cooperation between the Iranian and North Korean missile programs would benefit both countries. According to one report, Iranian missile experts in Pyongyang earlier this year delivered a letter from President Mahmoud Ahmadinejad to Kim Jong-il stressing the importance of space technology cooperation. Future cooperation might include North Korean assistance in helping to increase the range/payload capabilities of the Iranian Safir-2 medium-range missile or outright sales of a new missile based on the first two stages of the Unha-2 that would be able to threaten Western Europe. Aside from financial support for the North, if reports that Iran is developing a long-range solid-fuel missile prove to be true, Tehran could help the North build up its own capabilities or sell solid-fuel motors to Pyongyang. Such motors could be used to develop a more sophisticated third stage for the Unha-2, improving its range and payload, or shorter-range mobile missiles for attacking regional targets.

One unconfirmed report indicates that the North may have recently conducted its first test of a new medium-range weapon based on the Soviet SS-N-6 missile. Tests of this system will contribute to the development and deployment of more capable regional delivery systems able to target Japan and China.

Strategy, Doctrine and Targeting. Like other newly emerging nuclear powers, North Korea will face important decisions about “how much is enough.” Technological advances and resource availability will be important, but so will fundamental political and security considerations that flow from the destructive power of nuclear weapons and a possible confrontation with the world’s largest nuclear power. Pyongyang’s arsenal is intended to keep the United States, Japan and China at bay and to serve as a political tool in its competition with Seoul. To meet those requirements, North Korea could decide to emulate the Chinese model of a small “anti-coercion” deterrent force. Or in spite of resource constraints, Pyongyang may conclude that it would be better served by a larger force able to threaten more cities and American military facilities in the region or even targets in the United States.

North Korea will make this decision based in part on lessons learned from five decades of observing Washington’s nuclear behavior. One lesson is that, in the past, the U.S. has been willing to threaten or even use those weapons against non-nuclear states as demonstrated by the nuclear bombing of civilian targets in Japan in 1945, threats made during the Korean War and the Quemoy-Matsu crisis and the deployment of thousands of tactical nuclear weapons on the peninsula for decades. More recently, the Bush administration’s defense posture review reportedly advocated the preemptive use of nuclear weapons against suspected WMD facilities in countries like North Korea. A related historical lesson learned by Pyongyang is that Washington’s behavior can be modified when confronted with a nuclear-armed state, as it was by the Soviet Union during the Cold War.

In the late 1980s, the North appeared to be on the threshold of building a large nuclear deterrent based on decisions made a decade earlier when relations with the United States were still tense. Washington estimated that Pyongyang’s force could reach nearly 100 weapons by the year 2000. The 1994 U.S.-North Korea Agreed Framework, which included provisions for gradually improving bilateral relations and eliminating Pyongyang’s nuclear program, represented a dramatic shift away

from that posture towards reliance on a non-nuclear defense. Pyongyang may have changed direction again after that agreement collapsed, when it pressed forward with reprocessing more plutonium, testing a nuclear weapon and building new delivery systems. Still, Pyongyang appeared ready to cap the size of its nuclear stockpile, perhaps at less than ten weapons, by agreeing in the Six Party Talks to disable its plutonium production facilities.

It would seem reasonable to assume that pressures have grown to address the issue of how much is enough, given the successful long-range rocket test in April and the May nuclear detonation. There is certainly recognition in Pyongyang that any use of nuclear weapons could prove suicidal, which would tend to reinforce the argument in favor of a small anti-coercion force. If Pyongyang opts for such a force, one option would be to have sufficient weapons to detonate nuclear “warning shots” during a crisis or conflict and then to use the remaining bombs against population centers as a last resort with the primary targets in Japan. According to Hwang Jang-yop, the most senior North Korean official to have defected, “they intend to devastate Japan to prevent the United States from participating. Would it still participate even after Japan is devastated? That is how they think.”¹

A more likely course of action for Pyongyang will be to seize opportunities to gradually expand its nuclear force. Aside from a security policy that is now based on national nuclear strength, there is also the unpleasant reality that the only means available to the North to compensate for unfavorable trends in the conventional force balance on the peninsula—aside from reaching a political accommodation with the United States and South Korea—is to build nuclear weapons. Moreover, any discussion of how much is enough could emerge in the hothouse of ongoing preparations for a future transition. How that will affect decisions is unclear but it is likely to skew them in the direction of “bigger is better.”

If precedent is a guide, most emerging nuclear powers have decided to go beyond building a minimum deterrent to ensure that their forces can survive a first strike. That was true for the great powers. Even China, which opted for a small “anti-coercion” force on a strategic level, initially put an enormous effort into building intermediate-range missiles to deter the Soviet Union. Israel, India and Pakistan have arsenals numbering near 100 or more. Moreover, the first two countries have sought survivability through developing missile-carrying submarines. South Africa may have been the exception to the rule, although only because the collapse of the Afrikaner regime ended its plans for nuclear expansion.

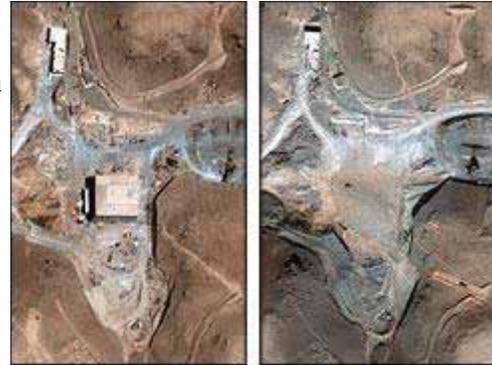
If the North opts for a more robust capability, recent technological developments could give Pyongyang the option to launch a retaliatory strike against a growing number of targets in East Asia. Although it remains unclear whether the delivery systems for those weapons would be missiles, more successful nuclear tests would put any doubts to rest. Nuclear-armed, medium-range weapons, such as the Nodong missile and its follow-on system, would be capable of inflicting significant damage on major Japanese cities. If the North’s arsenal expands, additional cities, military bases and ports would be threatened. Similarly, while Pyongyang has, for the most part, avoided explicit statements about its nuclear intentions towards South Korea, the North would be able to mount a nuclear attack against Seoul and additional civilian targets in the near future if its stockpile expands. Finally, Pyongyang might consider the use of nuclear weapons in limited contingencies against China, for example, if Beijing appeared to be considering military intervention in the North.

Pyongyang must still overcome a number of technical barriers over the next decade in order to develop the capability to attack targets in the United States. This will require a significant investment of resources, including a new series of flight tests more extensive than those conducted in the

¹ Bermudez, Joseph, *Armed Forces of North Korea* (New York: I.B. Tauris & Co Ltd), 2001: 13.

past. One near-term option might be to deploy a handful of long-range missiles with little chance of actually hitting targets in the United States or surviving an attack, but with some deterrent value given uncertainties about their capabilities. The Chinese took such an approach in the early stages of developing their nuclear force.

Nuclear Proliferation Threat. The North's suspected involvement with the A.Q. Khan smuggling ring's export of nuclear technology to Libya as well as its sale of a plutonium production reactor and possibly related facilities to Syria, demonstrates a disturbing willingness to take risks. An unconstrained North in need of hard currency will work in concert with illicit smuggling rings or other nations to export nuclear technology or know-how. (One theory swirling around Pyongyang's nuclear sale to Syria is that the North was part of a cabal that may have included Iran, perhaps Belarus and even Burma.)



These two satellite images made available by DigitalGlobe show a suspected nuclear facility site in Syria before and after a Sept. 6, 2007 Israeli airstrike. (AP)

Three scenarios are possible:

- Pyongyang could offer customers turnkey facilities. The market would seem to be limited since most countries would be unlikely to seek such assistance from a pariah state that is not a member of the NPT. Potential customers might include Iran, Syria, Belarus and Burma.
- North Korea could offer fissile material or bombs to states and sub-national groups. If Pyongyang's stockpile expands at a slow rate and remains confined to plutonium (which requires a more complicated bomb design), its export potential will be limited. If the North's stockpile grows more rapidly and includes HEU (which would allow simple bomb designs), its export potential could expand.
- North Korea could offer information or assistance, such as bomb designs, blueprints, data or technical advice, to countries or groups interested in pursuing covert "hedging strategies" or bomb programs. The market may already be larger than in either of the other models since such information is easier to conceal. Demand will grow in the future if efforts to constrain Iran's nuclear weapons program fail, prompting neighbors, such as Turkey, Egypt, Syria, Saudi Arabia and others to hedge against that increasing threat.

One additional factor that could affect market demand is whether the non-proliferation regime—the Nuclear Non-Proliferation Treaty and associated export control mechanisms—remains viable. The United States has plans to strengthen the international regime that, if successful, could limit North Korea's export opportunities. But if that effort fails, whether caused by unsuccessful efforts to stop Iran's nuclear program or to unite the international community around Washington's initiative, those opportunities will grow.

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. Moreover, Pyongyang's leadership may have underestimated the extent of the lessening of control and the growth of foreign influence that reform would bring. As a result, the North is now more selective in seeking outside economic help, focusing on key areas such as science and technology, which it believes will further spur modernization.

Pyongyang's improved performance has been accompanied, however, by transformative economic and social changes. Triggered by attempts to deal with the famine of the 1990s and halting steps towards reform earlier this decade, these changes pose challenges to the regime. They are:

- ***Expanding Market Economic Forces:*** With the collapse of the Soviet Union and the success of Chinese reforms, North Korea's external economic relations now depend on market economies. Forced to contend with the gulf between its state-directed non-monetized economic system and a world where money matters, Pyongyang has devoted considerably more effort to seeking foreign assistance, military sales abroad and making money through illicit activities than to a commercial trade and economic development policy.

The rapidly growing, still chaotic economic interactions with China are a positive indicator of North Korean acceptance of expanding market-related relationships, but also of its lack of a coherent policy to manage this process. Commercial ties through Kaesong and expanding processing on commission trade with Seoul have some promise, but are infused with heavy government involvement, including bribes and cash payments and are vulnerable to shifting political relations. Both indicate that the North has a long way to go to learn how to do business the right way for success in the international economy.

North Korea is also contending with the growth and diversification of markets inside the country first developed during the famine of the mid-1990s as a grassroots response to the breakdown of the Public Distribution System. In spite of Pyongyang's attempt to rein in these markets, they have remained resilient, testifying to the limitations of state power. Moreover, these efforts show that the government is not guided by a coherent policy process, but by knee-jerk responses to households' dependence on markets, not the state, for survival.



Left: A bustling North Korean market. Right: Satellite photo of a market in Pyongyang.

- ***Changes in the Social Contract:*** The exchange of loyalty to the leadership for cradle-to-grave sustenance has been fraying since the 1980s and was seriously disrupted by the

famine of the 1990s. The failure of the state to sustain the basic needs of the people led to an economic and psychological distancing that has fundamentally altered the social fabric. The expansion of markets has contributed in a critical way to this process by allowing North Koreans to experience the freedoms and responsibilities that come with consumer choice. The economic reforms of 2002 and 2003, which deliberately shifted more responsibility to individuals for their own well-being, reinforced the restructuring of the social contract by monetizing the economy, reducing government subsidies for household needs, requiring payments for services, such as electricity, increasing reliance on markets and expanding discretionary decision-making in enterprise management.

- **Increasing Knowledge of the Rest of the World:** Limitations on the spread of knowledge have been eroded by increased contacts between the North Korean people and the outside world that have evolved since the mid-1990s when Pyongyang appealed to the international community for humanitarian assistance. The North will be compelled to continue those contacts to cope with domestic problems it cannot manage on its own and to pursue the modernization that is necessary to be a strong and prosperous nation. With essentially unregulated markets providing more access to televisions, videos, radio and cell phones to those who can afford them, information from the outside will continue to erode the isolation of the North Korean people, despite efforts by the state to reassert control, and will pose an increasingly challenging domestic environment for the regime.
- **Generational Change and a Focus on the Future:** North Koreans from all levels of society may no longer be wedded to an increasingly distant past of unfettered loyalty to the worldview and politics of Kim Il-sung and Kim Jong-il. All of Kim Jong-il's children have been educated abroad and several waves of civil servants, some of whom were also educated abroad, have reached management positions and have the potential for establishing effective working relationships with foreigners if political developments make international cooperation possible. Kim Jong-il has managed the promotion of younger military officers to ensure their loyalty, but the potential effects of generational change on future military policy remain unknown. Younger people in the general population, especially among the elite, have more access to consumer goods through markets, reinforcing their rising expectations of improved living standards and of a future that delivers on aspirations.
- **Weakening of Central Authority at the Local Level:** Political controls appear to remain strong, but central authorities are finding it increasingly more difficult to obtain support from localities for measures that adversely affect local realities and economic interests. This may be particularly true for areas far from Pyongyang near China, where cross-border economic activity creates greater incentives for autonomy. Significant decentralization of authority was granted in the economic reforms of 2002 and 2003, essentially acquiescing in a reality that was already well established. Moreover, the center's inability to provide financial



According to the KCNA, Pyongyang's Samthaesong Restaurant, North Korea's first fast food restaurant which opened in June 2009, serves more than 20 kinds of dishes including hamburgers, waffles, fried chicken and soft drinks. Prices range from \$0.60 to \$1.70 per item. The restaurant was opened as a joint venture with a Singaporean company, which trained the restaurant staff and supplied equipment; while the North Korean side provided the employees and food materials.

resources to local authorities severely handicaps its control and influence over the periphery. As a result, administrative dictates, such as episodic clamping down on markets, seem to have had limited impact.

- ***The Challenge for Power and Resources among the Military, Party and Cabinet:*** In addition to political questions surrounding the succession, an important issue is whether stove-piping of the military, court and people's economies might be changing in ways that could have a significant impact on potential economic efficiency. For example, if unconfirmed reports that supervision of the financial arm of the party has been given to the National Defense Commission are true, then an expansion of that body to include more non-military officials may presage the emergence of a more collective leadership system. This could plant the seeds of sustainable systematic guidance with potentially great impact on North Korea's future.

In the future, Pyongyang will face two potential problems. First, while its economy appears to have stabilized, sustaining growth and resolving long-term food security problems could prove difficult 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. In addition, the North's critical energy sector continues to decline, albeit perhaps at a slower pace than before since some larger thermal plants and smaller hydroelectric units have been built, refurbished or replaced. Once again, the North is dependent on China, this time for critical oil supplies.

Second, Pyongyang will have to cope with internal challenges posed by transformational trends. The North could seek to maintain legitimacy through isolation, mass appeals for nationalistic fervor and demands for sacrifice or to handle these trends through the provision of a better life to the people by opening up and modernizing. The North could also continue to try to maneuver between the two. Changes underway may require choices between isolation and openness, maintaining social control and permitting growing freedom, sustaining ignorance and expanding access to knowledge, prioritizing regime survival and meeting the requirements for household survival, and adherence to the past and adjustment to the future.

Opting for isolation and a focus on the threat posed by the outside world for its legitimacy could lead to a protracted period of confused, contradictory policies reflecting a competition for scarce resources between the state, enterprises and households as well as a growing alienation between the population and leadership. One possible—but not the only—outcome would be dissent, increasing numbers of refugees seeking new lives across borders, and domestic instability. On the other hand, Pyongyang could opt for a path of reform and modernization that could be supported by the international community and lead to economic growth as well as a stable and “normal” state that is increasingly integrated into the global system. The North can try to maneuver between the two, but changes underway may force choices in the future.

4

U.S INTERESTS, OBJECTIVES AND STRATEGY

The above analysis suggests a number of developments that have important implications for the United States:

- North Korea's nuclear and missile programs, already advanced by recent tests, will most likely continue to expand in size and sophistication if left unconstrained. The same is true for North Korea's dangerous technology exports.
- The North's recent moves, rather than the result of internal developments related to Kim Jong-il's stroke and the political transition, reflect a trend in place since 2002 away from building a strategic relationship with the United States towards building nuclear strength while using conciliatory diplomatic moves to regulate its external environment and to consolidate gains.
- Kim remains firmly in charge but once he passes from the scene, a new North Korean leadership is unlikely to have sufficient authority to change policies that exist at the time of succession and, in the worst case, a failed succession could result in factionalism, disintegration and collapse.
- The North's economy has stabilized, allowing Pyongyang to be less concerned about building external ties, but still remains fragile. The North has the additional problem of coping with irreversible, transformational economic and social trends, triggered by its response to the 1990s food crisis and reforms launched earlier in this decade.

INTERESTS

These developments only highlight the challenges that North Korea poses to America's interests in promoting the global reduction and elimination of nuclear weapons, in building a strong international non-proliferation regime and in nurturing regional stability as well as the potential threat it poses to the United States itself. Washington has been a strong supporter of the nuclear non-proliferation regime since its inception in 1967 and the Obama administration has brought to office a new dedication to that agenda as well as to global disarmament. If left unconstrained, North Korea could deal a significant blow to progress on both fronts, particularly juxtaposed against the chal-

lenge of stopping Iran's nuclear program and the long history of cooperation between the two. As for the regional non-proliferation regime in East Asia, there are significant political, economic and other constraints in place that make its collapse unlikely. A continued U.S. effort to reassure allies should help contain any damage in the short-run, but a nuclear-armed North that expands its arsenal will ratchet up pressure on the regime as other countries become increasingly concerned about the growing threat.

North Korea also presents a major challenge to the prospects for the peaceful evolution of East Asia. Political, economic and technological cooperation in the region grew over the past decade. Although there were problems that still needed to be addressed, such as the role of the United States and the continued burden of historical antagonisms and territorial disputes, the trends seemed to be moving in the right direction. Ironically, the Six Party Talks appeared to be a potential catalyst for further cooperation, perhaps even providing a jumping off point for establishing a regional security body. It was also hoped that as part of a diplomatic solution to the crisis, Pyongyang would move towards integration with regional and global systems.

However, a different picture is now emerging. Aside from the new security threat to Washington's forces and allies in the region, the issue of how to cope with that danger threatens to divide the major players, particularly if Washington, Seoul and Tokyo feel compelled to take military and other steps to defend against an expanding North Korean threat that could be viewed by China as undermining its interests. Even with measures taken by the United States and its allies to shore up their defenses and regardless of the view that North Korea's use of nuclear weapons would be suicidal, nagging doubts may grow that the American nuclear umbrella would be unable to prevent the death of millions of people in the major cities of allies. Since failure would be catastrophic, the result would be "crisis instability," with a premium placed on preemption.

Finally, North Korea poses a potential strategic challenge to the United States. The danger that nuclear weapons will be acquired and used by non-state actors will increase if North Korea exports nuclear know-how and technology. Although the technology to identify state exporters of fissile material used in any attack has advanced, assistance can take other less identifiable forms, such as bomb design information. Moreover, the threat of retaliation has little relevance for non-state actors. A more direct route for Pyongyang to pose a strategic challenge will be to build long-range delivery systems able to reach the United States. The possibility that such a threat will emerge over the next decade is greater if Pyongyang remains unconstrained. 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.

All of these potential threats—to America's global nuclear agenda, to regional stability and to the United States itself—are only magnified by the possibility of instability in North Korea. While the U.S. and China may have contingency plans to seize Pyongyang's WMD stockpiles in case of collapse, historical experience in Iraq has shown that, with little or no information on the location of these weapons, the chances of failure are great. Depending on the size of Pyongyang's nuclear arsenal (not to mention chemical and possibly biological weapons), the result could be catastrophic, as the North's WMD infrastructure hemorrhages into the international community. Disintegration of the regime would also result in a political, security, economic and humanitarian nightmare that would undermine the stability of East Asia. Collapse could ignite tensions between Washington and Beijing, as each takes steps to protect its own interests on the peninsula as well as severely undermine the stability of a South Korea impelled to move north as a first step towards reunification.

OBJECTIVES

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 economic and social changes now 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 and the North's lack of trust in American credibility, the near-term prospects for a deal to eliminate its arsenal are bleak. Denuclearization, if it can be achieved at all, will need 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 take steps intended 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 a continued nuclear buildup, but by building better relations with the United States and the international community. Steps to end North Korea's dangerous exports should be fully integrated into this approach—with the objective of bringing Pyongyang back towards the non-proliferation mainstream—as should measures designed 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 improving relations with America's allies in the region as well as resolving concerns about Pyongyang's human rights violations and illicit activities.
- ***Encourage the Gradual Transformation of North Korea and Greater Integration with the International Community:*** While also a difficult proposition, encouraging the gradual process of change now underway inside 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 the Best Possible Position to Deal with Future Political Change in the North:*** 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 new leadership takes charge will probably continue, given the likelihood that it will 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 WMD, related technology and know-how into the international community in a post-Kim Jong-il era.

STRATEGY

While recent measures taken by the United States and the international community in response to North Korea's nuclear and missile tests—securing sanctions and bolstering defense ties—have served to reassure allies and build international support, a policy based on these measures alone is unlikely to secure the above objectives. Such a strategy essentially 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 is unlikely to convince the North to give up its nuclear deterrent, to contain Pyongyang's dangerous exports or to stop it from taking actions that undermine regional stability. Moreover, such a narrowly focused approach fails to take into account the potential opportunities presented by a future political transition in Pyongyang or the transformative trends underway inside the North.



The North Korean freighter Kang Nam I turned back from a suspected voyage to Burma after being tracked by the U.S. navy. (AP 2009)

A more effective approach would seek to supplement these measures with steps towards dialogue and engagement that attempt to coax the North to adhere to international standards of behavior. Even 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 constraints on its weapons programs and threatening behavior. Aside from helping to clarify uncertainties about Pyongyang's intentions, dialogue can create a positive dynamic that may offer a chance to alter realities on the ground. As diplomacy plays out, the calculus in Washington and Pyongyang may be affected in important ways, moving both down new paths of cooperation. Moreover, only dialogue and the possibility for stepped up contact will allow the U.S. to better position itself for a political transition in Pyongyang—a successful succession or collapse—and to encourage positive transformative trends inside the North. Finally, dialogue provides Washington with an effective tool to build political support for its policies in Seoul, Tokyo and Beijing, none of whom are comfortable with an approach focusing solely on tough measures.

Ensuring that any renewed dialogue with North Korea has the best chance for success will require taking four steps. *First, Washington should pursue a transformational, not transactional, approach to guide its engagement policy.* That will mean avoiding a serious mistake made by the Bush administration at the beginning of its second term, namely rushing into dialogue on technical issues without accurately gauging the amount of political damage done to U.S.-North Korean relations over the past decade. Because Washington failed to accurately understand 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. While the Obama administration should be loathe to make the same mistake, there still appears to be a strong inclination to rush back into denuclearization talks that could yield similar results. A more prudent approach would be to first seek venues to 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, a critical component of any effort to rebuild an effective dialogue should be reestablishing the building blocks of positive leverage. As one American expert recently noted, “The DPRK has nuclear and missile leverage. We are reduced to withholding visas for a symphony orchestra.”² Based on the common political, security and economic roadmap laid out in the 1994 U.S.-North Korea Agreed Framework, Washington, along with other governments and international bodies as well as private organizations, moved to reestablish ties with Pyongyang throughout the 1990s. Positive leverage was put in place with cooperation growing across a broad range of joint activities. As a result, the North modified previously provocative behavior and by the end of the decade, seemed ready to embark on a positive transformation of relations with Washington. Although the collapse of the Agreed Framework in 2002 ended that possibility, patterns of cooperation lingered on. For example, cordial contacts with the Korean Peninsula Energy Development Organization (KEDO)—the organization tasked to build two light-water reactors in the North under the framework—continued into 2006, even as KEDO was putting its reactor project in mothballs. A number of NGOs have continued to work inside the North, expanding their programs and developing positive working relationships with local counterparts who have become strong advocates for their programs.

The major building blocks are:

- Political and Security Reassurances:** Pyongyang has long sought U.S. diplomatic recognition, a peace treaty formally ending the Korean War, security assurances in various forms as well as other statements not to suborn its regime and not to impede economic development. Added to this mix should be symbolic, but politically significant gestures that demonstrate American willingness to deal with the North as it is, not as some might wish it would be. Such gestures could include a willingness to conduct diplomatic contacts at increasingly senior-levels although, from Washington’s perspective, a meeting between leaders should not take place until important progress has been made on issues of concern to the United States.
- People-to People Contacts:** Past experience has demonstrated that cultural, sports, educational and scientific exchanges can help transform contentious relationships. Aside from creating greater understanding, they can build constituencies with an interest in reconciliation and normalization, help increase technical expertise in key sectors of economic modernization, acclimate North Koreans to international norms, establish important relationships between Pyongyang and other countries and put in place tools for change and experimentation. Thousands of North Koreans travel to other countries each year to participate in study tours, short-term training, capacity-building programs and formal courses of study. Only a handful visit the United States.



Syracuse University (SU) and The Korea Society (TKS) organized three training programs in Beijing for faculty from Kim Chaek University of Technology (KUT). Top: North Korean Ambassador Han Song-ryol is chatting with two of the instructors from Syracuse University while Regional Scholars and Leaders Seminar (RSLs) participants and two representative of the FDRC (now KAPES) look on. Bottom: RSLs participants and instructors are responding to remarks being made by Pak Song-il (FDRC), Thomas Harblin (SU), Stuart Thorson (SU/RSLs co-director), Han Jong-woo (SU/RSLs program coordinator), and Sin Thae-song (KUT).

² “North Korea Back at the Brink,” 111th Cong., 1st Sess. 4 (2009) (testimony of Leon Sigal).

- Humanitarian/Development Cooperation:** Such programs can help address (although not solve) critical problems, such as chronic food shortages and public health needs. Initial humanitarian assistance efforts can lay the groundwork for sustained rehabilitation and donor interventions and prepare the framework for establishing pilot food security programs. Those programs will build patterns of cooperation critical for long-term “sustainable development” projects. Successful implementation will require overcoming barriers in North Korea, such as difficulties in establishing cooperative planning, the lack of information provided by the government, problems in implementing standard project development and monitoring procedures, and inconsistent North Korean policies (such as deciding whether to allow farmers to keep or profit from production beyond quota requirements).



Above: An organic fertilizer plant in North Korea built with NGO assistance. Below: a potable water system where water is pumped by solar power into the elevated tank and then piped into the adjacent school, providing clear, safe, running water.

- Economic Engagement:** Nurturing market change can help put North Korea’s economy on a sustainable long-term footing that will benefit its people. It will encourage an outward-oriented growth strategy that will gradually integrate North Korea into a dynamic regional economy and international financial system. This process will require: 1) capacity- and institution-building necessary to enable Pyongyang to manage its own financial affairs in line with international norms for transparency and rule-based practices; 2) encouraging the expansion of markets and decentralized decision-making by enterprises, collective farms, households and local governments; and 3) ensuring that aid has meaningful economic rationality compatible with the transformative agenda. Such assistance could bump up against the North’s negative attitudes towards reform and efforts to manage gradual changes currently underway.



- Energy Cooperation:** Despite the need for extensive assistance to rehabilitate the North’s energy infrastructure, packages should at least initially avoid large-scale projects, and instead include a suite of smaller, incremental programs better able to address pressing problems. These problems include: implementing energy efficiency measures, rehabilitating the rural energy infrastructure and power plants, and beginning a transition to more gas use to improve overall energy-efficiency, reduce local environmental impacts, and prepare for regional gas grid integration. Assistance can also open up new export opportunities, increase energy security and sustainability, offer environmental benefits, and advance capacity-building through the provision of training for North Koreans. Such programs would not only rebuild ties with the international community and encourage the peaceful evolution of the North, but also serve long-term interests, such as reintegrating Pyongyang into the regional energy system. Key hurdles to overcome will be the North’s limited absorptive capacity and the escalating costs of assistance.

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. Washington will play a key role in many of these areas but should be open to other concerned governments and international organizations taking the lead in some as well. For example, the European states might advance a number of different capacity-building initiatives to assist the North in fashioning economic development programs. There is also ample room for non-governmental organizations, private foundations and even industry to conduct their own cooperative programs with the North or in partnership with others. For example, a recent private American initiative to combat a serious public health problem in the North has combined the resources of a well-known university, a private foundation and state and national medical authorities. An additional benefit from this approach will be to diversify contacts with a broad range of North Korean organizations at all levels of society, helping to further encourage positive change and laying the foundation for future cooperation.

Finally, Washington should seek to magnify the attractiveness of its positive leverage by combining these steps with measures to contain the 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 open the door to possible benefits from "peaceful nuclear activities" conducted in accordance with international rules of the game. The same may be true for other activities, such as cigarette smuggling. Pyongyang's willingness to abide by international standards may depend not only on strengthening law enforcement efforts to halt these activities, but also on opening avenues for North Korea to participate in legitimate commerce, such as establishing legal cigarette manufacturing facilities in the North.

5

RESTARTING U.S.-NORTH KOREAN DIALOGUE

Restarting U.S.-North Korean dialogue will be a difficult, delicate, time-consuming process. Given recent events—an escalation of tensions characterized by move and counter-move—the first step in that process should be to construct an off-ramp, not meant to identify substantive solutions to the problems separating Pyongyang and Washington, but to move away from a confrontational atmosphere back onto the negotiating track. Since it is not politically realistic to expect either side to slam on the brakes and reverse course, achieving this objective will require a process of gradual deceleration. That process should:

- Halt the escalation of move and counter-move while toning down the rhetoric on both sides;
- Create political space in both Washington and Pyongyang for the two governments to resume talks without having to appear to be making concessions on substantive positions; and
- Allow initial contacts in an atmosphere where both sides can take steps/send positive signals that will provide grounds for subsequent, more substantive meetings.

One primary motivation for North Korea will be to not appear as giving into pressure from Washington. If Pyongyang is indeed serious about probing the possibilities for negotiations, it will probably acknowledge in some way the need to consider that the Obama administration faces similar problems of its own.

- ***Choreography:*** Public and private signals from Washington should reinforce each other, although they do not have to proceed in lockstep. The signals do not have to be explicit at first, but they should be consistent in demonstrating U.S. interest in talks. In effect, this means rhetoric and even concrete steps that will be interpreted by the North Koreans as a positive turn in American policy. It is sometimes difficult for Washington to remember that its audience is primarily in Pyongyang, and that arguments that sound good at home may ring differently in the North. That requires careful choice of language and going beyond the normal boilerplate used by the State Department's spokesperson and other government officials stating that U.S. remains open to talks.

One approach would be to carefully select language from key past agreements and meetings that might still resonate in Pyongyang as the basis for these signals. These documents include the June 1993 Joint Communiqué that paved the way for negotiations under the Clinton Administration after Pyongyang threatened to withdraw from the NPT, the land-

mark 1994 U.S.-North Korea Agreed Framework, the October 2000 Communiqué reached on the occasion of Marshal Jo Myong-rok's meeting with President Bill Clinton in Washington, D.C. and the transcript of Secretary of State Madeline Albright's meetings with Kim Jong-il in Pyongyang.

- Communication Channels:** Public signals by U.S. officials referencing past language are almost certain to catch the North's attention. Washington should reinforce those statements with private messages along the same lines. Aside from the obvious channels, such as the North Korean Mission to the United Nations, the administration might also seek to identify other avenues for communication. For example, the recently appointed North Korean Ambassador to Egypt, who served as Kim Jong-il's English language interpreter for a number of years, might provide a useful link between Washington and Pyongyang. There may be other channels yet to be identified as well. One tactic used by the United States in the past was to probe all countries with diplomatic ties to the North to get their assessments of how well connected the resident North Korean ambassador was in Pyongyang. If the off-ramp is working, signals from the two sides should build into a call and response dynamic, allowing each to move a step closer to sustained contacts and the initial meetings that can lay the foundation for substantive talks.



Kim Jong-il's special envoy Jo Myong-rok meets President Clinton at the White House (October 10, 2000).

If both countries succeed in taking the off-ramp, Washington should avoid an immediate rush back into denuclearization talks. Instead, it should seek to begin an initial, unconditional exploratory set of meetings with Pyongyang. Negotiations with North Korea, or any country, for that matter, are not merely a question of providing the right package of incentives (or disincentives), but rather require some agreement on the problems facing both sides as well as acknowledgement of the shared benefits of solutions. Since events of the past year, not to mention those of the past decade, have been sufficiently jarring, a detailed examination of bilateral relations with a focus on security interests and objectives would seem in order. 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 the platform to spinoff concrete negotiations.

Once again, joint documents agreed to in the past could provide useful "jumping off" points for these discussions. For example, the October 2000 Joint Communiqué, reached at the high point of U.S.-North Korean relations, still seems to have some positive resonance in Pyongyang because Kim Jong-il and the highest-ranking military official in North Korea signed off on it. The document laid out a broad common agenda, also specifying that both countries were ready to "fundamentally improve their bilateral relations." While the circumstances then were more propitious than they are today, a statement by the administration that the October 2000 Communiqué should be one component of a new starting point for U.S.-North Korean relations would grab Kim's attention and hopefully help find a bilateral toehold. Parts of other joint documents, such as the June 1993 statement that averted the North's withdrawal from the NPT and the September 2005 agreement concluded at the Six Party Talks, might be used to reinforce the message. Portions of each could even be combined to reach a new joint statement, smoothing entry into substantive talks on specific issues.

In conjunction with the resumption of dialogue, the United States could take steps with symbolic, confidence-building or humanitarian value. One political initiative would be to resume joint U.S.-

North Korean missions to recover the remains of Americans who were killed or missing in action during the Korean War. Before the current crisis, the North Koreans seemed interested in restarting these missions discontinued by the United States late in the Bush administration. An added dimension that might prove attractive to Pyongyang would be to offer to include assistance in helping the North recover and identify the remains of its own war dead.

Other measures, limited in scope and cost, would seek to demonstrate concern for vulnerable people, build relationships necessary for future collaborative efforts, achieve results on a small scale that demonstrate the benefits of cooperation, and encourage North Korean adherence to global norms (see Table 1). The provision of fuel would have high value as a confidence-building measure while other programs, such as the provision of needs-based humanitarian assistance, would serve objectives ranging from building patterns of cooperation and expanding the range of contact to encouraging North Korean behavior in line with international norms. Still others, such as new programs for English language training in the North, would help lay the groundwork for future interactions with the outside world across a range of activities.



English training at Pyongyang Foreign Language University.

Throughout this start-up phase, questions will be rife about whether Kim Jong-il is “serious.” Focusing on authoritative statements from Pyongyang and ignoring low-level media commentary, which will likely continue harsh rhetoric, will be important. It will also be important to realize that there is unlikely to be any movement until Kim Jong-il has decided that he has held firm long enough to make his point—i.e., that he will never give in to international pressure. At that juncture, he will begin to ease off the throttle, though not necessarily in an unambiguous way. Initially, Kim’s focus might be on Beijing rather than Washington, his immediate goal being to convince the Chinese that he is not unduly prolonging the crisis and that the North is open to entertaining gestures from the United States. Whatever the reason, once the window opens even a crack, it is important for Washington to move quickly to exploit the opportunity. If Kim has indeed decided to move from a confrontational posture to engagement, North Korean diplomats will steadily implement the decision. That does not mean these initial contacts will go smoothly. It will not be surprising if for tactical reasons, the North acts skittish and distrustful, protesting particular formulae or official U.S. statements.

TABLE 1: REBUILDING DIALOGUE

	INITIATIVE	PROS/CONS	DPRK CONTACTS	COMMENTS	
ENERGY ASSISTANCE	Fuel (HFO/Coal)	Provides some humanitarian benefit	Central government, some provincial officials, and officials/technicians at locations where fuel is delivered	Could be provided by individual countries or consortiums of nations	
		Historically recognized negotiating currency			
		Limited potential for diversion			
		Easy to procure and deliver			
	Initial Energy Capacity Building	Little impact on self-sufficiency			
		Opens opportunities for interested countries not centrally involved (Australia, New Zealand)	Government officials, engineers, technicians	Provide training programs by outside experts in DPRK on such topics as: energy efficiency, renewable energy, power systems design and energy markets	
		Plants seeds of long-term capacity-building and social/economic change		Send DPRK students abroad to attend existing short university courses	
		High on the list of DPRK priorities		Provide study tours bringing officials, engineers and technicians to the U.S. and other countries	
	Diesel Engine (generator sets and equipment)	Low cost for governments (use non-government grants)			
Little effect on short-term energy needs					
Provides humanitarian and social benefits		Central government (ministries for electric power coal mining, industry)	Provision of liquified petroleum gas (propane) instead of diesel is more expensive and cumbersome, but avoids diversion		
Holds potential for wide usage in hospitals, clinics, schools, agriculture, mining (safety, water pumps and lighting)		Institutes dealing with thermal engineering, non-conventional energy and coal mining technology			
HUMANITARIAN ASSISTANCE	Food Assistance (with monitoring)	Relatively low cost, although fuel is needed	Technicians, managers, workers at farms, hospitals, schools and other institutions		
		Potential for diversion of diesel fuel to military	Officials, engineers, technicians, experts on energy issues		
		Meets international standard and builds on precedent set by 2008 deliveries	Central, provincial and local governments	Need to determine NGO/WFP split given past problems with WFP program, limited NGO capacity and the effects on other UN operations in DPRK	
		Some remaining differences over monitoring provisions	Organizational counterpart (KAPES)		
DEVELOPMENT ASSISTANCE	Encourage Expansion of Small-scale Development Projects (NGOs, international organizations and other countries)	Potentially quick positive payoff from joint development efforts		Projects are already quietly underway that involve development on the "Ri" (town, village or commune) level, such as building organic fertilizer factories and using solar power for irrigation systems; one NGO is also pursuing microcredit programs for agriculture	
		Paves the way for future programs		Mixed NGO views on government support: only some feel USG support for their activities increases attractiveness to DPRK	
		Demonstrates best practice development cooperation			
		Establishes positive CBM			
		Builds relationships for future			
	Provide Agricultural Equipment (tractors, threshers, diesel engines for irrigation pumps or to run other equipment)	Potential for failure due to internal or external political interference			
		Ensures maximum benefit of agriculture output		Small-scale program would cost relatively little, but more extensive assistance could reach tens of millions of dollars requiring bilateral assistance programs	
		Takes early steps towards food security			
		Establishes a possible basis for future micro-credits			
		Reduces crop loss significantly			
ECONOMIC DEVELOPMENT	Initial Economic Capacity Building	May be too politically controversial early in process			
		Could lead to better DPRK economic policy under the right political circumstances	Mid-level and senior government officials	Create short-term training courses and dialogues both in country and outside in macroeconomic policy management, financial system development, external debt management and aid coordination	
				Done sporadically by European and other governments, NGOs and individual experts	
PEOPLE-TO-PEOPLE CONTACTS	English Language Training/Library Assistance			Encourage more extensive efforts and a new UNDP role based on previous plan for work in the DPRK	
		Prepares the DPRK for broader engagement with the international community		Expansion of previous efforts by countries with diplomatic relations, focusing on "training the trainers" and programs to provide English language books by NGOs	
		Potentially allows greater numbers of North Koreans to study abroad		Only possible in context of improving political relations	
		Low cost and easy to establish			

6

FIVE KEY POLICY INITIATIVES

Rather than defining dialogue as 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, missile program and establishing peace on the Korean peninsula—would provide important opportunities to stifle the North’s nuclear force development, to launch significant initiatives to improve bilateral relations and to address the political transition in Pyongyang as well as changes underway inside the North. Dialogues on improving North Korea’s human rights record and halting its illicit activities, while separate and not linked, will allow Washington to more easily move towards the establishment of better bilateral relations, which is essential to achieving its core security objectives. Management of such a broad agenda could prove complicated, although the Clinton Administration conducted multiple sets of talks with Pyongyang. Moreover, such a process would give Washington greater flexibility in pushing its agenda forward. For example, in the near-term, achieving limits on Pyongyang’s long-range missiles may prove more achievable than making progress in nuclear discussions.

I. ESTABLISH A NUCLEAR ELMINATION ROADMAP

Since the prospects for eliminating North Korea’s nuclear arsenal in the near-term are bleak, Washington should initiate a phased policy of stopping any further buildup, rolling back the nuclear program and finally, securing denuclearization. Aside from recognizing political realities, such an approach would take advantage of what may be an important window of opportunity in Pyongyang’s effort to expand its arsenal, namely the current pause in its force development activities. Beginning a process of rollback may also prove possible since Pyongyang, at least until the recent breakdown in the Six Party Talks, had been willing to put the Yongbyon nuclear facility on the negotiating table. As for the elimination of Pyongyang’s nuclear arsenal, achieving that longer-term objective will depend on solving thornier problems including Washington’s ability to redirect the North away from its reliance on nuclear weapons towards a new bilateral relationship and addressing its concerns about an American nuclear threat. Achieving elimination will also depend on building positive momentum in negotiations, making it harder for the North to turn back and bringing it to a “tipping point” where Pyongyang will be able to consider a decision to eliminate its arsenal.

Steps to move North Korea back towards the non-proliferation mainstream should be fully integrat-

ed into a nuclear roadmap from the very beginning. The Bush administration's approach in dealing with this important issue was seriously flawed, merely insisting that the North come clean on its suspected covert nuclear assistance to Syria. A more realistic approach would take into account similar past experiences. For example, in the early 1980s the United States initiated a dialogue with China designed to convince Beijing to end illicit exports, triggered by the discovery that it had provided Pakistan with a nuclear bomb design. That dialogue included seeking a Chinese pledge to halt illicit exports and offering Beijing positive inducements such as peaceful nuclear cooperation. Discussions were difficult and time consuming, but in the end, while Beijing never admitted past transgressions, it did eventually realize the benefits of adhering to international norms.

While the focus of these negotiations will be Pyongyang's nuclear arsenal, they also will provide a valuable opportunity to help achieve Washington's other objectives. If progress is made, the talks can set the stage for rebuilding beachheads of cooperation with the current North Korean leadership that may serve Washington well during a future political transition in Pyongyang. Moreover, the political, economic, energy and other incentives likely to be demanded by the North as part of any elimination roadmap, if carefully conceived, could encourage the continued peaceful economic and social evolution of the country towards becoming a more normal state. As the process of rolling back and eliminating the North's nuclear program gathers momentum, the scope and scale of these incentives will also grow.

Phase I: Stop Expansion and Begin Rollback. Washington's initial objectives could best be achieved by seeking measures that would: 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 formal agreement; 3) secure the initial dismantlement of the nuclear program focusing on plutonium production facilities at Yongbyon; and 4) begin to bring Pyongyang back towards the non-proliferation mainstream.



Yongbyon nuclear research center.

One immediate challenge facing American negotiators will be to capture North Korea's uranium enrichment program in a fissile material production ban. Pyongyang's recent public pronouncements that it has such a program are a two-edged sword. The North's statements should end the diplomatic game of hide-and-seek conducted during the Bush administration with Washington seeking and the North concealing what was a covert program and what now would seem to be fair game for the bargaining process. On the other hand, achieving workable limits on the North's

nascent program could prove complicated given the fact that uranium enrichment facilities are easily concealed. 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 on-site inspections if negotiations move into a dismantlement process.

A second challenge will be to begin a process of bringing Pyongyang towards the non-proliferation

mainstream. Any initial steps by Pyongyang are likely to be limited. While American negotiators can continue to demand that the North come clean on past nuclear assistance to Syria and possibly other countries, a more promising approach would be to block future illicit activities while opening the door for legitimate exports. Four initiatives are:

- Secure Pyongyang's agreement to a statement of non-proliferation principles, including a pledge to support international efforts to prevent the spread of weapons of mass destruction, supplemented by an additional obligation not to export fissile material, nuclear weapons or nuclear explosive devices as well as not to encourage, assist or induce any non-nuclear weapons state in the manufacture, transfer or acquisition of nuclear weapons.
- Build on the U.S.-North Korean joint pledge to combat international terrorism reached at the end of the Clinton Administration, Pyongyang's subsequent statements of support for anti-terrorism measures and its membership in relevant international conventions to secure the North's agreement to join the International Convention for the Suppression of Acts of Nuclear Terrorism, which requires members to criminalize such assistance to non-state actors.
- Open the door to legitimate, peaceful nuclear exports by beginning discussions with the North on its adherence, even if informal at first, to existing international norms, such as the Nuclear Supplier Group guidelines, that permit certain exports if appropriate non-proliferation assurances are applied and other parties are notified of pending sales.
- Initiate a series of limited non-proliferation confidence-building measures which might include visits to the North by representatives from the Nuclear Supplier Group and the Director-General of the International Atomic Energy Agency to help start a process of eventual North Korean adherence to the NPT and technology control regimes.

Since non-proliferation measures in this early phase will probably be limited in scope, it will be essential to continue steps to further constrain the threat of illicit sales. More Chinese and Russian cooperation in stopping clandestine shipments by land and air is needed. Greater cooperation from countries along key sea routes, such as Indonesia and Malaysia, who remain outside the Proliferation Security Initiative (PSI), is necessary. Steps to reduce demand from recipients of North Korean WMD goods and services must also accompany those intended to reduce supply. Aside from strengthening international support for robust export controls on nuclear commerce reducing demand might require specific diplomatic initiatives targeted at recipients of North Korean aid. For example, an important objective for the recent thaw in U.S.-Syrian relations should be severing North Korea's suspected WMD relationship with Damascus.

Securing progress on this broad nuclear agenda will require the innovative use of positive inducements. One initiative that would help achieve these objectives would be the conversion of the Yongbyon facility into a peaceful scientific research center, an idea first raised by North Korean scientists in early 2008. While the exact parameters of a new center would need to be worked out, perhaps keyed to the North's non-nuclear science and technology priorities, one priority would be the dismantlement of plutonium production facilities at Yongbyon as part of an environmental cleanup necessary to allow the safe use of the site. North Korean scientists and technicians would not only assist with the dismantlement process but their skill sets could lend themselves to non-nuclear activities, such as working on electric, hydro and wind power stations as well as water, gas and oil pipelines.

While activities at the new facility would be predominantly non-nuclear, a key component of this

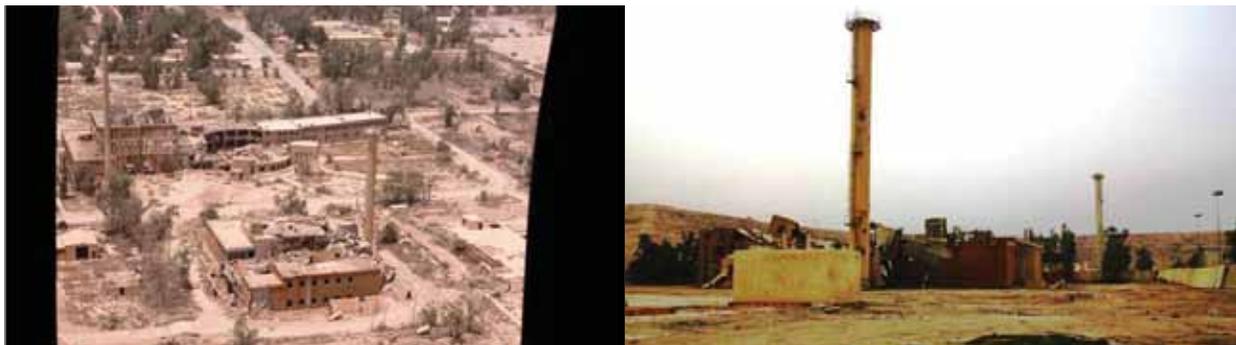
initiative would be to refurbish the small, Soviet-supplied IRT research reactor at the site, enabling it to produce radioactive isotopes for export. The reactor could generate significant quantities of MO-99, which is used in 80 percent of nuclear medical procedures performed around the world. With almost 20 million procedures conducted in the U.S. alone, a still developing market in China, South Korea and the rest of Asia, and a shortage of production from other reactors, North Korean isotopes could potentially earn millions of dollars each year. Refurbishment could be carried out by the United States, Russia and others who have conducted similar programs in Libya, Kazakhstan, Vietnam and elsewhere. The effort could be completed in less than five years at a cost of about \$10 million. The new reactor might also serve as the basis for a research center for applied and clinical radio-medicine, similar to a facility being established in Libya.



Libyan IRT research reactor. (www.globalsecurity.org)

A number of arguments could be made against the proposal to convert Yongbyon. One argument might be that the North would divert earnings from isotope exports to support its nuclear weapons or other military programs. Washington has had to cope with the same problem in the past when it established similar programs in Russia, but found solutions, such as tightly controlling revenue streams. Another possible concern is that Pyongyang might use the facility to surreptitiously produce plutonium as it may have done during the late 1980s. In fact, the refurbished reactor's technical ability to do so would be extremely limited. Moreover, concluding a special international safeguards agreement covering the research reactor would further minimize risks. That agreement could be supplemented by a multinational presence necessary in any case to insure quality control in the production of isotopes for export. Another downside might be that Pyongyang could expel outsiders and then use the facility to produce, albeit very slowly, plutonium. To hedge against that danger, the completion of the small reactor's refurbishment would be linked to a stage in the dismantlement of plutonium production facilities that would be truly irreversible.

This approach would have a number of significant advantages over less-far-reaching plans formulated during the Bush administration, that focus solely on steps to permanently disable the Yongbyon facilities. It would:



Left: View of an Iraqi nuclear facility from the air in 2005. Right: View from the ground in February 2009 after completing the first two phases of dismantlement.

- Not just gut the site, but establish a more durable, longer-term framework to ensure that nuclear weapons-related facilities are destroyed. The new facility would generate earnings from legitimate peaceful nuclear sales and contribute to the overall modernization of the North Korean economy;
- Benefit Washington's non-proliferation goals. Legitimate exports should dampen the incentives to sell dangerous technology covertly since discovery might jeopardize earnings;
- Redirect significant numbers of North Korean nuclear scientists and technicians into peaceful pursuits, helping to gradually wean them from weapons work and ensuring that they do not engage in the illicit nuclear trade;
- Encourage greater nuclear transparency through a longer-term process of cooperation at the site, a valuable experience that could help build impetus towards securing the elimination of Pyongyang's program;
- Have broader political benefits, demonstrating to the North that Washington and the international community are willing to make a more lasting commitment to building better relations; and
- Contribute to achieving the objective of positive economic and social change inside the North by building greater ties between its scientific community and colleagues in the outside world.

A second important step in coaxing Pyongyang towards nuclear limits would be clear recognition of North Korea's right to use nuclear energy for peaceful purposes. While there are sound reasons to question whether building new reactors makes technical or economic sense for the North, this issue has been fundamental to Pyongyang's negotiating position since the 1980s. The two reactors promised to the North under the 1994 U.S.-North Korean Agreed Framework were never completed since that arrangement collapsed. And Washington quickly backed away from a pledge in the September 2005 joint statement to consider this issue "at the appropriate time." This demand will almost certainly be resurrected in any new negotiations and could be the key to securing the North's agreement to begin rolling back its program. Also, since an explicit condition for acknowledging Pyongyang's right to use peaceful nuclear energy should be its respect for non-proliferation norms, including rejoining the NPT in the future, this proposal could help move the North back towards the nuclear mainstream.

Whether the North will insist that Washington go beyond recognizing Pyongyang's rights to actually promising to assist it in securing LWRs at this stage of the negotiations is unclear. Such a demand might prove possible to meet provided that the actual effort only begins in the context of a second-phase pledge by Pyongyang to reduce and eliminate its nuclear arsenal (see Phase 2). But addressing a demand for future assistance will require close consultation with other countries, particularly South Korea, who would probably have to provide the bulk of financing and technology.

Third, Washington should seek to deploy important political incentives as part of the first phase of an elimination roadmap. An important step would be to begin the process of establishing diplomatic relations by offering to set up a liaison office in Pyongyang (and presumably the North would establish a similar office in Washington). Such a move might prove politically controversial but could be manageable in the context of an agreement to begin rolling back the North's nuclear program. Given the reality that Pyongyang will probably not move to dismantle its nuclear facilities, never mind give up its weapons, without improved relations, establishing a liaison office would send a clear signal

that the U.S. was willing to move further down that road. It would also help set the stage for accelerated negotiations between the two countries, allowing more frequent contacts on issues central to each side's concerns.

Another important political step would be to conclude a Korean peace declaration, perhaps to coincide with an agreement to begin rolling back the North's nuclear program. Such a declaration, which would be negotiated on a separate track and include participation by South Korea and China, would commit the parties to beginning a Korean peace process and to eventually sign a peace treaty, presumably coinciding with the North's elimination of its nuclear weapons. It could reiterate positive language in the October 2000 Joint Communiqué that "neither government had hostile intent towards the other," and confirm, "the commitment of both governments to make every effort in the future to build a new relationship free from past enmity" (see Section on Korean Peace Process).

Building on the early resumption of joint missions to recover the bodies of Americans missing in action or killed in the Korean War, Washington should also consider steps designed to further develop military-to-military contacts. Obviously a difficult challenge, such an effort will have to be pursued in conjunction with a broader improvement in political relations if it is to have any chance of even modest success. That has been an important lesson learned from the experience of building military ties (still modest at best) with Vietnam and China. Nevertheless, even modest ties could have positive benefits for overall relations given the important role of the military in North Korea. A range of possible military-to-military activities are: 1) contact visits intended to begin a process of breaking down mistrust that could include local and senior commanders, civilian defense officials and the exchange of military bands and ceremonial units; 2) medical and engineering unit exchanges including training and support for environmental cleanups; 3) bilateral and multilateral symposia on subjects such as military medicine; and 4) consultations on how to conduct humanitarian/disaster relief operations drawing on the U.S. military's extensive experience.

In addition to these political moves, the United States would have a number of economic, energy, development and other measures available that could be embedded in an initial nuclear arrangement. These measures would be more extensive than those deployed during the process of rebuilding dialogue but the overall thrust would be essentially the same, to continue to lay the groundwork for the further development of ties between North Korea and the outside world while also encouraging positive economic and social trends underway inside the North (see Table 2). Washington could take steps to encourage people-to-people contacts through sponsoring events, such as the DPRK State Orchestra's visit to New York City that was slated for 2008. New projects could begin to address structural problems in the North's energy system, encourage capacity-building and initiate reforestation programs with important humanitarian, social and environmental benefits. While U.S. direct involvement in assistance programs would remain limited, Washington might consider initiating a pilot food security program, expanding indirect help through NGOs for community development, encouraging greater involvement by international organizations in development work and fostering new ties between Pyongyang and international financial institutions.



The New York Philharmonic's performance in Pyongyang, February 2008.

TABLE 2: INITIAL NUCLEAR AGREEMENT

	INITIATIVE	PROS/CONS	DPRK CONTACTS	COMMENTS
ENERGY ASSISTANCE	Refurbish/Replace Selected Major Energy Facilities	First projects to demonstrate technical, logistical, financial and other details of infrastructure rebuilding for longer-term efforts	Central government officials in charge of electric power and coal, construction and transportation	Thermal power plants and district heating plants, larger hydropower plants including dams, and rebuilding coal supply infrastructure in one or two key mines
		Begins to address major structural/infrastructure energy bottlenecks	Local plant managers, technicians and officials	Costs could run into the tens or hundreds, (depending on scale) of millions of dollars
		Aids North-South economic integration		
		Limited people-to-people contacts		
		Does little to address environmental concerns		
	Local Energy Supply/Grid Refurbishment Assistance	Begins to address major structural/infrastructure energy bottlenecks	Central government ministries responsible for electricity, coal mining, light industry, construction, and extractive industries	Mini-hydro plants and biomass-fired plants for new/rebuilt mini-grids, and small coastal Liquefied Propane Gas (LPG) terminals for delivery and distribution
		Helps areas (for example, counties or "enterprise zones") work towards becoming self-sufficient and builds local economy	Officials, experts and others at the provincial, county and local levels	Costs could run from millions to tens of millions of dollars; possible funding from countries or foreign commercial ventures such as small mining or manufacturing firms
		Catalyzes similar projects in other localities with prospect of eventually being interconnected to reform sub-national or national grids		
		Begins to develop gas distribution infrastructure for export oriented factories		
	Enhanced Energy Capacity Building and Pilot /Demonstration Projects	Helps catalyze development of local and possibly export oriented industries		
		Extends and expands benefits of initial capacity-building programs	Same DPRK actors as in initial phase, but deeper interactions with agencies and other institutions that play host to "centers of excellence" and courses for "training the trainers"	Broadens scope to include training at enterprises, DPRK universities and institutes and the development of "centers of excellence" within existing ministries, institutes or universities
		Pilot projects with related/supporting capacity-building provide positive examples for the DPRK economy to build on		Possible participation in the APEC Energy Working Group
Creates additional avenues for North Koreans to interact with foreigners			Programs for university and graduate students and specialized post-graduate students abroad, focusing on energy efficiency and renewable energy application	
Reforestation	More costly than initial phase, but still relatively inexpensive			
	Potentially significant humanitarian, social and environmental benefits	Central government including Ministry of Forestry as well as representatives from agriculture, transport, and institutes such as non-conventional/new and renewable energy	Provision of fuel supplies for local cooking and heating end-uses required in order to assure reforested areas grow mature trees	
	Achieves the objectives of internal DPRK campaigns focusing on reforestation	Local officials at provincial and county levels, leaders of local cooperatives and individual residents	Costs millions of dollars or more, depending on scale	
	Helps create a more environmentally-sound Korean peninsula			
HUMANITARIAN ASSISTANCE	Food Assistance (with access)	Potential for failure unless local populations are involved		
		Meets international standard and builds on precedent set by 2008 deliveries	Central, provincial and local governments	Need to determine NGO/WFP split given past problems with WFP program, limited NGO capacity and the effects on other UN operations in DPRK
		Organizational counterpart (KAPES)		
	Pilot Food Security Programs	Increases DPRK capacity to produce food	KAPES, plus potentially Ministry of Agriculture, Academy of Agriculture, Academy of Science	Beginning of U.S. assistance based on game-plan for transition to food security completed in initial phase
		Continues transfer of food responsibility from central to local authorities		Pilot programs focused on small-scale, low-cost inputs to farms
Strengthens markets as tools for distributing food			Plastic sheeting allows farmers to plant seedlings in beds before transfer to fields; used by some NGOs for greenhouses that allow institutions, such as health clinics, to grow food all year round	
More cost-effective than food aid		Provide small-scale, medium-cost farm equipment, such as portable threshing machines, that save labor and reduce grain loss		

TABLE 2 (continued)

	INITIATIVE	PROS/CONS	DPRK CONTACTS	COMMENTS
DEVELOPMENT ASSISTANCE	Support UNDP and UN Country Team Programs for Capacity Building, Demonstration Projects, Social Assessments and Aid Coordination Mechanisms	Enhances capacity to absorb development assistance and private investment	Economic ministries, local governments and DPRK counterpart organizations	Premised on the UN playing an important coordinating role in-country in the building up of development assistance just as it has in the provision of humanitarian assistance
		Demonstrates best practices in development assistance Enhances coordination within the DPRK government and among donors		
	U.S. Funded NGO Community Development Programs	Allows expansion of existing NGO programs to other localities	Central government, local governments and populations	Provide funds to U.S. NGOs with existing programs and proven track records (World Vision, Global Resource Services, Agglobe International and Christian Friends of Korea)
		Continues to expand local capacities to address housing, food and energy needs		Existing efforts focus on activities, such as food production facilities (soy production and goat dairies), solar energy for schools, clinics and greenhouses, and upgrades for existing buildings
	Develop Game-Plan for DPRK Development programs	Assists further evolution of DPRK economic system toward international norms	Central government ministries—agriculture, trade, land and environmental protection, forestry, sanitation, education, health and the Academy of Science	Broader and more comprehensive than the initial Food Security Programs Game Plan
		Unclear whether DPRK will find this approach attractive	Counterpart organizations such as KAPES, the Korean European Exchange Society and the National Coordinating Committee	Develop systematic benchmarks to show progress necessary to attract large-scale bilateral and multilateral investments in development projects
				Base on the Agricultural Recovery and Environmental Program Plan (AREP) developed by North Korea and the UN in 1998 to formulate a bridge to “sustainable development assistance”
				Study should be conducted in cooperation with the U.S., North Korea and other country/international organizations with experience, such as the Swiss Development Corporation
	Joint Roundtable on Microcredit/Household/Community Credit/Loans with DPRK	Identifies conditions that may allow for expansion of microcredit programs that have successfully improved living standards in other countries	Central Bank, Ministry of Agriculture	Bring together government and international organizations, NGOs and individuals with experience on the ground to discuss lessons learned and make recommendations for U.S. government participation
		Further economic change in the North by allowing individuals and/or communities to retain profits or barter increased outputs for other goods	Possibly the National Academy of Agriculture	Might provide vehicle for involving Chinese microcredit programs which have proven to be successful
ECONOMIC DEVELOPMENT	Expanded Economic Education Programs	Improves knowledge needed for economic reform, modernization and management	Economic ministries, financial institutions, universities and economic institutes	Offer training opportunities in other countries, including new opportunities in United States at the graduate level
				Allow IFI participation in educational activities sponsored by others in order to build relations and draw on experience
	Technical Assistance for Economic Capacity Building	Expands capacities for economic management needed for reform and modernization	Economic ministries, financial institutions, universities and institutes	Larger scale programs sponsored by UN development agencies, the EU and others, with the addition of USAID
		Increases adoption of international economic management norms		Focus on economic management and policy analysis, external debt management, financial and legal system modernization and anti-money laundering
	Building IFI Ties	Increases potential for managing sustained economic growth		
		Enhances understanding of international norms and best practices	Economic ministries and financial institutions	Begin external debt dialogue with IFIs and other creditors
Develops working relationships focused on technical economic management issues			Establish special trust funds for capacity-building, research and pre-investment studies for IMF, World Bank and Asian Development Bank	
	Prepares North Korea for future IFI membership		Conduct pre-membership activities such as improving economic and social statistics needed for IFI membership as well as addressing legal aspects	

TABLE 2 (continued)

	INITIATIVE	PROS/CONS	DPRK CONTACTS	COMMENTS
PEOPLE-TO-PEOPLE CONTACTS	USDA/FAS Educational Exchange Programs	Sends important positive signals to DPRK	Ministry of Agriculture and/or Ministry of Trade and/or individual universities	U.S. sponsorship of North Korean delegations for training tours on a wide range of agricultural issues
		Accelerates the introduction of new agricultural management and food distribution techniques, which in turn puts pressure on the government to adapt		USDA Foreign Agricultural Service sponsored exchanges for development and adoption of new technologies and enhancement of agribusiness and trade in foreign markets
				Utilize existing programs, such as the Borlaug Fellows Program which enables collaboration on sustainable agriculture with USDA, Land Grant Colleges, NGOs and other institutions
	USG Support for English Language Programs	Increases the number of North Koreans who can interact with the United States and the international community	Ministry of Education, potentially individual universities	Pattern U.S. government sponsored program through the State Department's Office of English Language Specialists after similar efforts by the British Council
		Provides the U.S. with an opportunity to introduce its own teaching curriculum		
		Help open the door for U.S. NGO programs		
	Increase U.S. Cultural and Sports Exchanges (private and government funded)	Send important symbolic message given reported interest in orchestra exchange by Kim Jong Il	North Korean Committee for Sports Guidance, North Korean Taekwon Do Committee	Move forward by inviting the DPRK State Symphony Orchestra to New York, reciprocating the visit by NY Philharmonic to Pyongyang
		Build bilateral good-will	Central Committee for Culture and Arts	Sponsor a visit of the North Korean circus to the U.S. and other cultural events, such as exhibit of traditional Korean dresses, art or a tour of traditional musicians
		Improve mutual understanding between both countries		Provide U.S. government sponsorship of good-will basketball games as well as Olympic Taekwon Do teams in Pyongyang and United States
		Help create larger and more experienced core of people who can advocate transformation of DPRK		
		Expand people-to-people exchanges to younger generations typically associated with sports		
	Include DPRK in State Department International Visitors Leadership program	Sends an important symbolic message to the DPRK	Current and potential leaders in government, politics, the media, education and other fields	Brings participants from other countries to the U.S. to meet with professional counterparts
		Increases DPRK capacity to introduce change into their system		Preliminary steps have already been taken by the State Department to include the DPRK, but were not fully implemented due to the nuclear crisis
	U.S. Government Support for Scientific Cooperation Exchanges	Begins to address capacity bottlenecks in individual fields such as agriculture and medicine	Government ministries involved in science and technology and the Academy of Sciences	Support ongoing NGO efforts through inviting DPRK visitors to U.S. centers of scientific learning (National Institutes of Health, National Science Foundation, National Academy of Science)
		Accelerates trust building through collaboration rather than one-way transfer of knowledge		Provide U.S. government funding to support private exchange programs through the USDA's Visiting Scientist and Scientific Cooperation Research Program, the National Science Foundation and other relevant government institutions
Identifies potential opportunities for multilateral cooperation on regional scientific problems (such as environmental or health problems) and roots bilateral efforts in a broader regional context				

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” is likely, in turn, to require addressing the thorny problem of what Pyongyang calls the American “nuclear threat” and finding a solution will depend, in part, on how Pyongyang eventually defines that demand. If the North seeks an end to American alliances with South Korea or Japan, then its demand will be unacceptable. If the North seeks, as part of an overall improvement in bilateral relations, a gradual shift in mission for U.S. forces on the peninsula from defending against

North Korea towards maintaining peace and stability (implicitly providing protection against a possible Chinese threat), that may prove possible under certain conditions.

In the past, extended deterrence has served a number of purposes on the peninsula. First and foremost, it has protected South Korea from another destructive conventional war. The threat that nuclear weapons will be used in case of a conventional attack has never been abandoned. Second, America's nuclear protection has compensated Seoul for not developing its own nuclear weapons and large offensive conventional forces as protection against the North and China. Third, American nuclear protection has offset the superiority North Korean conventional forces have enjoyed for many years, restricting Pyongyang's political leverage and containing the threat it posed. Finally, it has offset North Korea's nuclear program and any eventual development of those weapons.

Some of these reasons no longer apply, are less relevant or could become more irrelevant depending on the future course of events. South Korea has not pursued a nuclear weapons program for decades. Seoul has built large conventional forces that, along with those of the United States, are superior to the North's declining capabilities. At least until recently, the threat of war seemed to be receding, as the main trend in inter-Korean relations was moving towards peaceful engagement. What remains is the possibility that even a successful conventional war would be costly and destructive, making deterrence a major concern. And finally, extended deterrence is now needed to offset the North's growing nuclear weapons capabilities. *In short, in order to consider any diplomatic measures that might affect extended deterrence, the twin challenges of the North Korean nuclear threat and possible confrontation on the peninsula would have to be addressed.*

The potential spillover from actions on the peninsula into the U.S.-Japanese security alliance would also have to be considered. Washington's nuclear protection of Seoul has helped reassure Japan (as does the U.S.-ROK alliance and American forces on the peninsula) that the U.S. would not "lose" South Korea to forces threatening its security. It has helped reassure Japan that the U.S. would not retreat from East Asia as did the continued presence of American forces on the peninsula. Washington's nuclear protection of South Korea added to the credibility of its deterrence of attacks on Japan, at the same time helping to contain a potentially divisive domestic debate over defense issues. It also has helped discourage the development of nuclear weapons by Japan. Finally, Washington's deterrent, directly and through its protection for South Korea, has helped secure access for U.S. forces to bases in Japan and therefore has been a major contributor to its ability to project military power in the region.

While many of these reasons are less relevant today, the danger of spillover remains. Maintaining a U.S. nuclear umbrella for South Korea to reinforce the deterrence of threats to Japan is less necessary today, but something Tokyo still pays attention to. Reassuring Japan about the durability of the U.S. military presence in the region and its commitments to its friends is less necessary because of the greater integration of U.S. and Japanese military forces. Japanese fears persist, however, not just about North Korea, but also about China and Russia. Nevertheless, a strong argument can be made that spillover would be manageable in the context of steps towards eliminating the North Korean nuclear threat and improving relations among all of the concerned parties. Moreover, other bilateral measures might be taken to bolster U.S.-Japanese ties. These could include greater consultation between the U.S. and Japan—given Washington's plan to globally deemphasize extended deterrence, focused on other non-nuclear elements of deterrence—and building a more concrete, common understanding of how deterrence functions in East Asia.

Rather than eliminating extended deterrence completely, Washington's objective should be to encourage the decreasing salience of these weapons in East Asia. That was the basic recipe used at the end

of the Cold War. A massive relaxation of political conflict came before the great cutback in military confrontation and the diminished salience of nuclear deterrence in providing security for many states, allowing arsenals to drop sharply. In the case of East Asia, that formula would translate into an end to the nuclear confrontation with North Korea as well as a significant improvement in relations between Pyongyang and the United States, South Korea and Japan. It would also mean working towards greater regional security cooperation and better relations between the major countries in the region. Since this phase of denuclearization would embody many of these objectives, the role of American extended deterrence on the peninsula might also recede.

The success of this second phase will depend on a number of factors, not the least of which will be whether Pyongyang is ready, once again, to recognize the primacy of the political relationship with the United States and others, both for its security and its economic well-being, and to move further down the road to denuclearization as part of a strategic reorientation. But it is worth noting that even if the process stalls at this point, agreements in place may prove more effective in boxing in the North Korean threat than any approach based solely on containment. The ongoing buildup of positive leverage should give Pyongyang a stake, if not in moving forward, at least in maintaining the gains it has already made.

Given the danger that the denuclearization process may stall, one possible step to avoid that problem would be to conclude a joint “vision” statement early in the second phase. The purpose of such a statement would be to confirm a significant thawing of relations and to articulate a positive framework for the future. Such a statement could combine general principles governing the future development of relations between the two countries with specific pledges that lay out guideposts for subsequent detailed talks. Those guideposts could include commitments to reduce and eliminate North Korea’s nuclear weapons program, to bring Pyongyang into compliance with international non-proliferation norms, to end the American “nuclear threat,” to fully normalize relations, to conclude a peace treaty to replace the armistice that ended the Korean war and to provide the North with significant economic, energy and other forms of assistance.

The two sides would then move quickly to put “meat on the bones” of these commitments in more detailed follow-on talks and agreements. Important priorities for that effort will be to nail down a specific timetable for the reduction and elimination of the North’s nuclear weapons program as well as for Pyongyang to come into compliance with international non-proliferation norms. A commitment to rejoin the Nuclear Non-Proliferation Treaty and the International Atomic Energy Agency as a prelude to the elimination of its nuclear weapons program will be critical. For its part, early in that process Washington might begin to demonstrate an end to its nuclear threat by agreeing to “trial” inspections in the South to show that the peninsula is free of U.S. nuclear weapons. Meeting what is essentially a North Korean political demand for reciprocity, since it is well understood that U.S. nuclear weapons are no longer based in the South, should not pose any risks, particularly since Washington and Seoul were willing to accept such inspections in the past. Trial inspections could also lay the groundwork for a peninsula-wide inspection regime.

Accompanying these measures would be other steps signifying a significant change in relations between North Korea and the United States as well as other involved countries. A timetable could be set for the establishment of full diplomatic ties as well as for the conclusion of a Korean peace treaty keyed to the nuclear reduction and elimination roadmap. The establishment of full diplomatic ties may pose a political challenge for American decision-makers, particularly if Pyongyang has not made significant progress on other issues of concern to Washington, such as improving its human rights record. Nevertheless, in the context of some progress in the right direction on that front and a clear commitment to eliminate its nuclear arsenal, those political barriers may dissipate (see Sec-

tion on Starting a Pragmatic Human Rights Strategy).

Major economic, energy and other initiatives could also be folded into the process (see Table 3). All of these initiatives would move the North down the road towards political and economic integration into the region and the international community, encourage transformative economic and social trends underway and build ties with key elements of the North Korean government and population. Because of the potentially significant investment required by these projects, there will probably be a need to involve a broad range of countries and international institutions.

TABLE 3: NUCLEAR ELIMINATION

	INITIATIVE	PROS/CONS	DPRK CONTACTS	COMMENTS
ENERGY ASSISTANCE	Build Two LWRs or One Plus Conventional Energy Equivalent	Integrates DPRK into regional energy superstructure and facilitates closer North-South ties	Central government ministries involved with electric power, transport, nuclear energy as well as on the ground technical personnel and workers	Complete the two KEDO units at Kumho or one unit plus a package of conventional energy assistance equivalent to capital cost of one LWR
		Provide DPRK with steady stream of income from power sales	Conventional equivalent of LWR will require interaction with a much broader group of ministries and individuals	Will require interconnection of reactor with ROK grid as well as DPRK and perhaps the Russian Far East grid
		Potentially difficult to secure participation of other countries, particularly ROK, given past experience with KEDO, and to structure the project in general		
		Carries significant costs in the billions of dollars (including maintenance and operations such as grid system)		
	Construct Large Energy Infrastructure Projects	Benefits national economy, helps environment and facilitates integration of the North into the regional and global economies	Central government ministries, including those responsible for electric power, coal mining, industries, communications, transport, labor, construction, finance, agriculture and foreign trade	Could include a LNG receiving facility at a cost of \$250-500 million, more extensive national grid reconstruction at a cost of billions of dollars, and national gas grids in conjunction with regional gas trade initiatives
		May stimulate other improvements, such as fixing communications and transport systems	Officials at provincial and county levels, individual plant managers and plant technicians	Provide more extensive assistance with coal supply infrastructure, including development and modernization of large key mines, completion of long-term mine refurbishment started over a decade ago, and implementation of additional mechanized mining equipment
		Creates programs that can attract IFI financing in combination with commercial consortia (electricity/gas/rail interconnections)		Could spark related transportation system refurbishment again possibly in conjunction with regional initiatives such as rail transport from ROK through DPRK to Russia/China
		Consistent with DPRK national energy goals		
		Greatly increases DPRK interaction with the outside world; might be viewed as potentially dangerous by the DPRK government		
	Establish Advanced Energy Education Programs	Builds links with foreign technical counterparts in governments, international organizations and private institutions/foundations	Central government ministries including education as well as organizations that employ trainees (coal, power, finance etc)	Help establish advanced degree programs at North Korean universities in energy efficiency engineering, environmental science and energy technology
		Builds capacity in energy-related fields	Existing technical institutes, universities and the Academy of Sciences	Work to develop relevant university infrastructure through provision of laboratory facilities, faculty training and related educational/training opportunities abroad
		Encourages greater interaction between North Koreans and foreigners	Individual North Korean scientists, officials, engineers and technicians	Involve U.S. national labs or similar organizations in other governments, international organizations or private science NGOs and foundations
		Requires increased coordination and planning per dollar spent		
	Encourage Renewable Energy/ Energy Efficiency Industry	Creates programs consistent with DPRK energy and technology transfer priorities	Government institutes related to renewable energy and energy efficiency	Build production facilities for solar hot water heaters, solar PV panels, wind power, insulation materials and high-performance windows
		Meets internal needs while generating hard currency earnings through exports	Existing factories/work groups tasked with producing related products (and the ministries responsible for them)	Establish with seed funding from governments plus investment from companies capitalizing on low-labor costs
Links the DPRK to other economies		New businesses (state-owned) created to be counterparts of foreign companies	Could generate high global demand if quality control sufficient	

TABLE 3 (continued)

	INITIATIVE	PROS/CONS	DPRK CONTACTS	COMMENTS
DEVELOPMENT ASSISTANCE	Seek Re-invigoration of Greater Tumen Initiative (GTI)	Encourages regional economic integration	Core economic ministries and local governments in Tumen area	Add U.S. and Japanese participation to original members (Russia, China, South Korea, North Korea) Initiatives in several areas (transport, energy, tourism, investment and environment) in planning phase
	Expand USDA Cooperation	Accelerates understanding of relationship between market and agricultural development	Central government ministries, such as agriculture, trade and economics	Include participation in the USDA Cochran Fellowship that provides U.S. training for specialists and administrations from the public and private sectors concerned with agricultural trade, agribusiness development, management, policy and marketing
		Increases knowledge of the infrastructure (physical and financial) for a vigorous agricultural sector	Individual universities	USDA, may be open to recognizing the DPRK at this stage of the roadmap as an "emerging market"
		Provides better understanding of international agricultural trade norms		U.S. has developed tailored programs for other countries, such as a scientific cooperation program with China and a faculty exchange program which includes countries in Central Asia, Eastern Europe and Sub-Saharan Africa
		Improves knowledge about sustainable farmings		
ECONOMIC DEVELOPMENT	Support Membership in IFIs and Establishment of Normal Programs	Encourages application of international standards and best practices in macroeconomic management and economic development policies	Core economic ministries and financial institutions	Membership requires application and a Board of Governors vote to approve it; Japan and Europe as well as the U.S. would need to agree to vote in favor given heavy weight in the voting structure
		Helps mobilization of ODA and FDI required for large-scale investment projects and programs		Legally, a country must join the IMF before the World Bank (technically IBRD); in practice, this is done in tandem with votes of the two boards usually one day apart
		Major step in integrating North Korea into the international financial system		Once the idea of membership in the IFIs is accepted all three will happen in a close timeframe, but the relationship with the IMF is going to be critical as it requires transparent reporting of economic and financial information as a condition of membership
		Would take economic management issues out of the arena of political bargaining and into the arena of rule-based conduct of economic affairs		
		North Koreans may not be willing to comply with degree of transparency required		
	Support WTO Accession process	Establishes the conduct of trade within the internationally-accepted framework of WTO policies and mechanisms for dispute resolution	Core economic ministries, especially trade and finance	Pursue in coordination with development of programs of IFIs and European Commission
	Takes a major step in integrating North Korea into the international economic system			
PEOPLE-TO-PEOPLE CONTACTS	Fulbright Fellowship Participation	Helps normalize academic cooperation between the U.S. and North Korea through a premier U.S. exchange program	Central Government, Ministry of Education	Make available for North Koreans wishing to study in the U.S. and American academics interested in pursuing research in the DPRK
		Increases U.S. understanding of North Korea through expanding breadth of scholarship, number of experts on North Korea and English Teaching Assistants program with young adults living in the North	Individual universities	Use Fulbright English Teaching Assistants Abroad program to expand language training in the DPRK

Of particular note would be the light-water reactor project, which presumably would be central to North Korea's agreement to relinquish its nuclear stockpile. Securing multi-billion dollar funding and the necessary technology could prove difficult, although salvaging work already done on LWRs in North Korea by KEDO could help limit the cost. But the project may also become a diplomatic challenge if Pyongyang insists on its provision before eliminating its nuclear weapons. 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 a single 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 the context of rapid movement towards better bilateral relations between Pyongyang and Washington, significant progress towards securing permanent peace on the Korean peninsula and normalizing ties between the North and the international community, final arrangements intended to end the nuclear problem would have to be nailed down. Two options would seem to be available:



Incomplete KEDO reactors in Kumho, North Korea.

- Combine the provision of a negative security assurance by the United States to North Korea (based on Pyongyang rejoining the NPT as a non-nuclear weapons state) with an agreement laying out the requirements of a nuclear-free peninsula and measures to verify those commitments. China and Russia might also provide the same assurance to both Koreas as part of the deal. Added to that guarantee could be specific commitments by South Korea and Japan to the North that neither would acquire nuclear weapons in the future.
- Conclude a formal agreement on a Korean nuclear-free zone based on the North-South Denuclearization Declaration reached in 1992. That zone would include protocols signed by the nuclear weapons states that would provide negative security assurances for both Koreas. The danger posed by such an arrangement is that, based on precedents in other parts of the world, Pyongyang might seek provisions unacceptable to the United States, including restrictions on ship or aircraft movements, or to extend the zone to include other countries, such as Japan, undermining Washington's security ties with that country. Verification could be carried out under bilateral and multilateral arrangements.

The challenges posed by verification throughout the denuclearization process will be significant. As the process moves forward, requirements are likely to grow to include a variety of on-site measures. One important point is that it would be almost impossible for such arrangements to succeed in an environment characterized by tension and distrust. But if relations are moving in a positive direction and Pyongyang has a growing stake in seeing the process work, then the chances for successful implementation will also grow. *Therefore, care should be taken to fold verification measures into the process in a way that meets immediate security needs without creating unnecessary roadblocks.* The Bush administration managed to fall into that trap during the last months of its negotiations with the North by insisting on verification measures related to its declaration of plutonium production that could have been easily implemented later in the process after further steps were taken to secure the dismantlement of the North's plutonium production facilities.

Washington should also take a page from the playbook of past U.S.-Soviet arms control agreements, when it devised innovative cooperative programs to ease Russia into accepting what otherwise would have been deemed unacceptable, intrusive measures. The two sides worked together on procedures, verification technologies and joint experiments to perfect those measures. Such an approach was used during successful negotiations culminating in the Strategic Arms Reduction Treaties (START) as well as other important arms control and reduction agreements. Outside of the

Korea context, other countries are currently developing cooperative verification measures to assist in moving towards the global elimination of nuclear weapons. For example, the United Kingdom and Norway have been working together on devising procedures for eliminating nuclear warheads. These efforts could be applicable to a Korean denuclearization program.

Finally, even with all these steps, Washington will need to adopt a reasonable standard of what is acceptable in terms of the effectiveness of any future verification regime. Once again taking a page from past arms control negotiations, Washington's standard for acceptability was what was called "adequate verification," which meant the ability to detect violations that might pose a threat to national security in time to take appropriate countermeasures. That standard, which did not approach one hundred percent certainty that violations would be detected immediately, was deemed acceptable even in view of the greater security threat posed by the Soviet Union.

II. CORRALLING NORTH KOREA'S MISSILE PROGRAM

While North Korea's nuclear effort should remain the focus of negotiations, the Unha-2 rocket test in April 2009 has generated renewed interest in Pyongyang's missile program. Beginning negotiations early on would serve Washington's interests. Because the North still needs to overcome a number of technical hurdles to develop more effective systems, there may be a diplomatic window of opportunity before those problems are solved. Moreover, missile talks separate from the nuclear negotiations would also provide Washington additional opportunities to make progress in constraining the North. These discussions could also begin to address Japanese concerns about the North Korean missile threat and prevent the export of missiles and technology. Finally, successful talks could undermine North Korean-Iranian cooperation in developing more capable missiles in the future.

Before the recent escalation of tensions, North Korea seemed willing to pick up where missile talks under the Clinton Administration left off. In addition to an informal long-range missile test moratorium already in place, in 2000, the two sides agreed to a formal ban on the testing, development and deployment of long-range missiles and an end to the North's exports. Further talks were required to extend the ban to medium-range Nodong missiles threatening Japan. Verification issues were left unresolved. What the North would receive in return also remained unclear, although Pyongyang required some compensation, particularly for revenue lost from the export ban. Moreover, in view of the North's interest in peaceful space activities, securing Russian launch services for Pyongyang's satellites was also considered. Although previous talks excluded South Korea's missile and space programs, given their significant advancements over the past eight years, a North Korean insistence on including them in new talks would complicate matters.

The goal of new missile talks would be to reinstate a test moratorium as well as to reach arrangements that impose increasing restrictions on the North's program. To achieve these



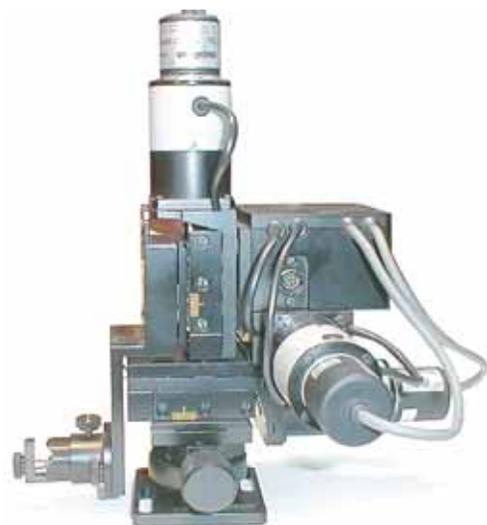
Satellite photo of North Korea's Nodong missile launch site shows what appears to be a vehicle parked outside the installation's launch control center on May 24, 2006. (Reuters/Digital Globe)

objectives, the U.S. could combine three types of measures. First, arms reduction measures based on U.S.-Soviet arrangements, such as the Intermediate Nuclear Force in Europe Agreement (INF) and the Strategic Arms Reduction Treaty (START) which included limits covering mobile missiles, similar to what would be required in any agreement with the North. Second, that experience has been supplemented since the collapse of the Soviet Union by the so-called “Nunn-Lugar” programs, designed to assist countries like Ukraine in moving from building missiles to more peaceful pursuits. Finally, the highly developed web of international space cooperation would provide opportunities for Pyongyang to continue with peaceful space programs without building its own launchers as well as contribute to transparency.

The arms control measures required to achieve American objectives are relatively straightforward, but increasingly complicated as those limits become more restrictive. Picking up where U.S.-North Korean negotiators left off in 2000, the two sides could initially focus on resurrecting a ban on the testing and deployment of long-range weapons and an end to missile exports based on standards set by the Missile Technology Control Regime (MTCR). Additional limits on missiles might capture the Nodong missile and the North’s new medium-range missile through an initial freeze, then reduction and eventually elimination. Utilizing the precedent of provisions in the INF and START, verification would be conducted through a combination of national technical means such as satellites and cooperative measures including timed displays of deployed weapons. Moving to a ban on medium-range weapons would be trickier due to their mobility. Ensuring that the North was not covertly fielding or stockpiling new missiles could be done through continuous monitoring measures at missile production facilities developed and used as part of the INF Treaty.

Traditional arms control measures could be reinforced through the use of cooperative threat reduction programs. During previous talks, Pyongyang noted that a ban on exports would shut down factories and put their employees out of work. Cooperative threat reduction programs could be designed to redirect both facilities and workers involved in missile production to peaceful activities. Such measures would not only increase transparency and prevent the North from reconstituting its missile program, but also assist Pyongyang in modernizing its economy.

Beginning in the early 1990s, the United States, as part of a multilateral effort, conducted an extensive threat reduction program in Ukraine, where much of the former Soviet ballistic missile production program had been based. As a result of that effort, several former missile production lines are now fully dedicated to producing railway cars, trams, light-rail vehicles and large farm tractors. Other parts of the Ukrainian rocket industrial complex are working on more specific civilian projects: windmill designs for wind-driven power generator systems, shock absorber/vibration damping systems for rail cars and for large trucks, and rotary equipment such as drills for mine excavation and air circulation systems to improve the storage capability for agricultural grains. For example, one former Ukrainian scientist who developed rocket launch systems during the Soviet era has worked for the past decade with an American partner in creating new waste-free grain storage technologies. Moreover, many of the less specialized workers, such as machine tool operators and welders, could also be easily “converted” to work in these or other civilian plants.



Example of a micro-manipulator device that, in some variation, is based on the engineering design of a Ukrainian inertial guidance system.

Redirecting highly specialized missile facilities and specialists, such as design facilities with their aerospace engineers, space payload specialists and propulsion system designers, would be more challenging. Ukraine was allowed to keep its missile design and production complex, but was required to limit it to the business of building space launch vehicles and related systems design and production. That may prove impossible in North Korea unless the security environment evolves in such a way that Pyongyang is no longer viewed as a potential threat. It might be necessary to create new civilian programs designed specifically for these specialists. Such activities could include developing experiments or modules for the international space station as part of multilateral space cooperation. Or North Korean experts could be employed in public centers for terrestrial-based academic research, such as fluid dynamics studies or engineering design for pipeline systems and hydro- or wind-based electric power generation.

The possibility of some future space-launch vehicle work by North Korean specialists should not be ruled out entirely. If those specialists prove to have unique skills developed out of their reverse-engineering experience with shorter-range SCUD missiles, they might find a niche in engineering-problem solving work. For example, trying to mate a payload designed by another group onto an existing SLV is not a trivial task. Solving such problems can require innovative engineering and often production of prototypes to investigate and test the engineering solutions. Because North Korean specialists appear to have done such types of innovative engineering with its current family of missile systems, there might be a niche in multilateral cooperation programs for North Korean specialists and facilities to work on such engineering design challenges.

The third tool for limiting and eventually eliminating North Korea's missile program would be to enmesh Pyongyang in international space cooperation programs. Such programs could include: 1) training, seminars and workshops; 2) access to information from existing satellite systems; 3) joint satellite development; and 4) launch services provided by other countries. These programs might be conducted as part of regional or international space cooperation groups or bilaterally with key countries, such as the United States, Russia, China, the European Union, Japan or even South Korea.

While Pyongyang's space program is motivated by its competition with South Korea, the North also appears to have its own concrete objectives. Pyongyang has publicly asserted the need for "satellites for communications, resource exploration, weather forecasts and the like which are essential for the country's economic development."³ Remote sensing could help deal with humanitarian issues, such as disaster monitoring, relief and management. It could also assist the North in exploiting mineral deposits and in developing mining operations. Other uses for these satellites include urban mapping, irrigation, crop production and forest monitoring and road/railway development and maintenance.

The prospect of space cooperation with North Korea may seem far-fetched, but countries with less than friendly political relations have been able to work together on such programs in the past. For example, there is a long history of U.S.-Soviet space cooperation throughout the Cold War from Presidents Kennedy to Carter. In the early days, programs were limited, for example, to cooperation on earth and biological science. American cooperative programs with China are also limited largely to capacity-building activities, such as sharing data from satellites. The same may prove to be true for any future cooperation with North Korea. But what the traffic will bear also depends on the individual partner. For example, U.S. restrictions on the transfer of satellite technology are much tighter than Russian or Chinese regulations. Also, while it would be impossible for the U.S. to fly a North

³ "DPRK Technology Committee Issues Statement on Plan to Launch Satellite," Pyongyang, KCNA Online (in Korean), 24 February 2009.

Korean (or for that matter, a Chinese) astronaut into space, Beijing might be willing to consider that possibility.

Future space cooperation with North Korea might include:

- **Capacity-building Programs:**

The least difficult to arrange, there are a variety of options in the Asia-Pacific region, some of which the North Koreans have already been part of, such as the APEC Telecom Working Group, the Asia-Pacific Satellite Communications Council and the ASEAN Subcommittee on Space Technology and Applications. Another

possibility might be membership in the Chinese-led Asia Pacific Space Cooperation Organization (APSCO) that includes Bangladesh, Indonesia, Iran, Mongolia, Pakistan, Peru, Thailand and Turkey. The group engages in joint research and development efforts and provides a formal training course for scientists and engineers from the region in space technology and remote sensing, held at the Beijing University for Aeronautics and Astronautics. Under the right circumstances, it might even be possible to start limited programs between the United States and North Korea similar to those Washington pursues with Beijing.



The second meeting of the Interim Council of the Asia-Pacific Space Cooperation Organization (APSCO) held in Beijing in November 2006.

- **Satellite Data Sharing:** These programs offer immediate benefits, require a relatively small investment and present a low risk of technology transfer. Pyongyang could tap into regional organizations such as “Sentinel Asia” which uses national space resources combined with an information distribution system to send data rapidly to affected countries as an early warning or after disasters occur. North Korean participation, however, might prove politically sensitive in the near-term since Japan plays a leading role in the initiative. Alternatively, Pyongyang could participate in the Chinese-led APSCO, which is working on developing a regional data-sharing system as well as its own satellite. North Korea might also join the privately-organized Disaster Monitoring Constellation, whose members include organizations from Algeria, China, Nigeria, Thailand, Turkey, the United Kingdom and Vietnam. Another option would be participation in the U.S.-led Pacific Disaster Center in Hawaii which uses a web-based system to disseminate satellite information.

North Korea could work with individual countries to tap into data services provided by their satellites. It may be possible to initiate limited U.S.-North Korean cooperation through sharing remote sensing data from the low-resolution LANDSAT satellite system. That would require negotiating a new agreement to reactivate a ground station established in the North during the late 1990s in cooperation with the United Nations Development Program. Cooperation may be initiated with the growing number of other countries that have purchased their own satellites from foreign companies.

- **Launch Services:** The provision of launch services for North Korean built satellites would involve little or no technology transfer. Such cooperation might include resurrecting the possibility discussed during the Clinton Administration of Russia launching an agreed number of North Korean satellites. In the past, Washington has also provided launch services to potential proliferators. In the early 1990s, Brazil was suspected of seeking to build long-range

ballistic missiles working with Iraq. Washington facilitated the launch of a Brazilian-developed satellite by a Pegasus rocket fired from an aircraft as one inducement to end that program. China has also been very active in providing launch services to other countries, such as Brazil and Nigeria, as part of a concerted space diplomacy effort.

- **Building Satellites:** From an American perspective, providing the North with assistance in designing and building satellites could prove difficult given the danger of unintended technology transfer. Nevertheless, if the North is interested in operating satellites, Pyongyang could seek to establish a partnership with the Surrey Satellite Technology Ltd. (SSTL), which has collaborated with Algeria, Portugal and Nigeria. A satellite could cost as little as \$13 million with launch services provided by either Russia or China at a cost of a few million dollars more. Chinese and Russian companies could also build satellites for the North. Russia recently built a geosynchronous satellite for Kazakhstan, although the cost was fairly high, \$100-200 million for the satellite and tens of millions of dollars for launch.

Progress in eliminating the North Korean missile threat, in fostering space cooperation and in building better political relations might create the foundation for the eventual conduct of joint projects with South Korea. One possibility would be a study using remote-sensing data that would focus on the environmental restoration of the peninsula, perhaps to evaluate biodiversity corridors that would enable important species to reconnect with their habitats. Another joint effort might evaluate the impact of Chinese acid rain on Korean forests. The studies could be conducted in cooperation with the United Nations Environmental Program (UNEP) or other bodies. There is past precedent; in 1998, the United Nations Development Program (UNDP) conducted a project in North Korea designed to assess the impact of natural disasters and to support agricultural rehabilitation. That project used available satellite images as part of its work.

While missile negotiations would be an important U.S. diplomatic priority, talks should be accompanied by measures to clamp down on the North's external supply of technology as well as its own exports. Two initiatives worth pursuing are:

- A U.S. dialogue with Moscow on the possible transfers of Russian technology to Pyongyang would be justified by evidence suggesting 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 more about past assistance in order to better discern the North's ability to press forward with its long-range program and to ensure no further leakage of technology to Pyongyang.
- Washington should seek to engage Syria in an effort to end its missile-related imports from North Korea as part of its broader effort to improve relations with Damascus. It might also be possible to enlist Israel in a diplomatic offensive designed to clamp down on Pyongyang's exports to the Middle East in view of Tel Aviv's talks with the North in the early 1990s designed to achieve the same objective.

III: A KOREAN PEACE PROCESS

In the September 2005 Joint Statement, the six parties agreed that, "the directly related parties will negotiate a permanent peace regime on the Korean Peninsula at an appropriate separate forum." At the October 2007 North-South summit meeting, the two Koreas committed to "terminate the existing armistice regime and to build a permanent peace regime." A four-party working group chaired

by China was intended to commence work soon afterwards, perhaps kicked off by a meeting of the six-party foreign ministers. At that time, the U.S. position was a peace process could begin once the North had taken significant steps to disable its nuclear facilities and a final agreement could be concluded when Pyongyang abandoned its program.

The object of those talks would be a peace treaty formally ending the Korean War. Yet a treaty has to come at the end of the peace process for two reasons. First, the North has long expressed a desire for a peace treaty with the United States. That makes it a major bargaining chip to withhold in exchange for its nuclear arms and fissile material. As a result, Presidents Clinton and Bush have extended the possibility of signing a peace treaty, but only if the North eliminates its nuclear programs. The second reason is that a peace treaty, if it is to be more than mere formality, would have to resolve a number of tough issues like permanent borders between North and South Korea and the disposition of armed forces on both sides of the Demilitarized Zone (DMZ).

More fundamentally, the United States and South Korea would also benefit from a peace process that reduced the risk of inadvertent war. That risk was palpable in 1994 when the United States and South Korea almost stumbled into war with North Korea after it abruptly unloaded plutonium-laden spent fuel from its nuclear reactor at Yongbyon. Yet, a peace treaty could significantly reduce the risk of inadvertent war on the peninsula only by getting rid of the North's forward-deployed artillery and short-range missiles or redeploying them out of range of Seoul. That is unlikely if the North were to give up its nuclear arms because elimination would leave its forward-deployed artillery and short-range missiles as its ultimate deterrent.

A series of interim agreements, though militarily less meaningful, could be politically useful, stepping-stones to a treaty formally ending the Korean War. For it to move further towards nuclear elimination, the North will seek a substantial improvement in relations with the United States, including full diplomatic relations. But U.S. policy dating back to the Clinton administration has been that full relations depends on the resolution of other issues, among them dealing with the North's missile programs and human rights violations. In the meantime, interim agreements between Pyongyang and Washington in a Korean peace process would constitute a token recognition of the North's sovereignty. A series of such agreements—which Seoul and Beijing might also sign—will not end the toe-to-toe military standoff along the DMZ, but would be steps towards U.S.-North Korean political normalization that Pyongyang would take seriously. Each of these interim agreements could be linked to the roll back and elimination of the North's nuclear weapons program.

A first step could be what the North has called a “peace agreement” and what the South has called a “peace declaration.” By peace agreement, the North does not mean a peace treaty, but a declared end to enmity and a pledge to respect each country's sovereignty. That concept was also the policy of former South Korean President Roh Moo-hyun. Such a declaration would commit the four parties to begin a peace process and to sign a peace treaty at the end of that process. It could also reiterate positive language in the October 2000 U.S.-North Korean Joint Communiqué about the bilateral relationship and confirming “no hostile intent.”

Another agreement long sought by Pyongyang would



Kim Jong-il and Roh Moo-hyun shake hands at the 2nd Inter-Korea Summit Meeting in October 2007. (EPA)

be to establish a “peace mechanism” to replace the Military Armistice Commission set up to monitor the cease-fire at the end of the Korean War. This peace mechanism could serve as a forum for resolving disputes like the 1996 shooting down of a U.S. reconnaissance helicopter that strayed across the DMZ or incursions by North Korean spy submarines. The peace mechanism would include the United States, South Korea, and North Korea—the three parties with forces on the ground in Korea. China, which would be a signatory to any peace treaty, may want to participate as well.

To avoid a recurrence of inadvertent clashes, the parties could use the new forum to negotiate confidence-building measures (CBM), such as hotlines to link military commands, advance notification of military exercises, and an “open-skies” arrangement to allow reconnaissance flights across the DMZ. These CBMs could also be the subject of subsequent peace agreements. The 2007 North-South summit creatively linked one such measure to the North’s prosperity by agreeing to establish a joint fishing area. Crabbing boats from both Koreas have strayed across the Northern Limit Line, occasionally provoking an exchange of fire between naval patrols. Incidents like those could be averted through cooperation like this joint fishing area agreement with new “rules of the road” and a navy-to-navy hotline that might involve the U.S. Navy as well.

A permanent peace treaty, the last step in the process, will have to address a number of difficult issues, such as establishing permanent borders, territorial waters and possibly reducing conventional force deployments on the peninsula.

IV: STARTING A PRAGMATIC HUMAN RIGHTS DIALOGUE

While Washington’s main priority should remain dealing with pressing security threats, the issue of human rights will be a key element in any negotiating agenda that seeks the normalization of relations with Pyongyang. To say that an improved North Korean record is a ticket into the international community puts the cart before the horse. Its human rights situation will change largely *through* engagement with the international community, not prior to it. If North Korea views this problem only instrumentally, as a price it has to pay, it will never take the issue seriously in any fundamental or institutional sense.

There have been five approaches to addressing North Korea’s human rights situation:

- One has been to “name” the problem and “shame” North Korea into abiding by international standards through the publication of reports on the North’s prison and labor camp system as well as other objectionable activities. While this approach has largely been practiced by NGOs, governments have participated as well. For instance, the U.S. Department of State conducts an annual review of North Korea’s human rights situation.
- Second, governments can take formal action, often through legislation, such as the North Korea Human Rights Act of 2004 (reauthorized in 2008), which established a special envoy for North Korean human rights, funding for NGOs and support for radio stations beaming information into the North.
- Third, activists have worked through the European Union and the U.N. system to produce resolutions and have explored using legal levers to bring a case against the North to the International Criminal Court or to consider intervention under the “responsibility to protect” doctrine.

- Fourth, several NGOs have taken direct action, working with North Korean refugees on the Chinese border, smuggling video cameras and Bibles into the North and sending money or printed materials by balloon.
- Finally, several governments have engaged in “quiet diplomacy” including capacity-building through training courses on law and human rights for North Korean officials and working behind the scenes to relocate refugees in China and elsewhere.

These strategies have had limited success. While “name and shame” efforts have provided a useful picture of the extent of human rights violations, North Korea seems impervious to outside criticism. The governmental strategies appear to have only strengthened the North Korean’s belief that outside forces are bent on destabilizing the regime. Attempts to use international mechanisms have had a similar effect with the added problem of further alienating Pyongyang from the U.N. and other international bodies. Direct action, while demonstrably helping defectors, has likely endangered individuals in North Korea by linking them to outside groups and exposing them to government suspicions. While “quiet diplomacy” may have yielded modest concrete results, it is difficult to evaluate the impact of capacity-building, which by design, is intended to have long-term effects.

The United States should maintain support for the principles that drive its human rights concerns, but greater pragmatism based on a two-tiered approach would have a better chance of making progress and improving conditions on the ground. First, Washington should formulate a “human security” framework for dealing with North Korea. Such an approach would have several advantages. First, the regime understands the “security” language and thinks more in terms of threats than in terms of rights. Second, North Korea views the human rights framework, because of the connection between the Helsinki accords and the eventual collapse of Soviet and East European communism, as inherently incompatible with its political system. Third, the human security framework allows for negotiations on issues of concrete investment in North Korea, such as development. While it may view human rights conventions with disdain or as simply a means to an end—potential sources of aid—discussions on development and investment are both of great interest to Pyongyang and carry less political baggage. Finally, many regional organizations in Asia, such as the Asian Regional Forum (ARF), have explicitly embraced the human security agenda. As a member of that forum, the North has been increasingly exposed to that topic and therefore, may be more predisposed to engage in such discussions.

A pragmatic approach would also initially focus on issues that are less politically sensitive and that could serve to build potentially productive discussions with North Korean officials. These discussions would seek to expand Pyongyang’s compliance with international standards, including the provision of resources for capacity-building and forming relationships with potential investors. Groups in Sweden and Japan have worked cooperatively with the North on compliance with the four U.N. conventions it has already signed (on political and civil rights, economic and social rights, women and children). An important objective has been to provide educational training to enable North Korea to meet reporting and implementation requirements. This quiet work has the added benefits of keeping open channels of communication between Pyongyang and the U.N. and training a cadre of lower level officials who may have greater influence on North Korean politics if political circumstances change.

Expanding North Korean adherence to international standards might be possible through seeking its compliance with two additional global agreements:

- ***The U.N. Convention on the Rights of the Disabled:*** Opened for signature in 2007, the

convention has widespread international support, is relatively apolitical, and has an explicit social development emphasis. While the convention is couched in the language of human rights, North Korea has ratified similar agreements covering the rights of women and children. Moreover, Pyongyang has already made important progress in addressing this issue, passing a law in 2003 that ensures equal access for persons with disabilities to public services. Various NGOs are already working with and in North Korea on this issue. For example, Handicap International and the European Union support the Hamhung Physical Rehabilitation Center, the Hamhung Orthopedic Hospital, the Suung Lake Rehabilitation Center and the Wonsan Deaf School. Finally, North Korea created one of its first government-organized non-governmental organizations to interact with international NGOs on the disability issue.

Discussions with North Korea to sign and ratify this convention could take place on two levels. An off-the-record session with government officials on the importance and implications of signing the disability convention could be held, perhaps in Geneva, focusing on capacity-building opportunities for officials, administrators and healthcare workers. The target audience would be North Korean decision-makers as well as top officials in the appropriate line ministries (i.e., public health). A second discussion could take place at the NGO level, addressing the potential for expanding work on the ground to include projects, like infrastructure development, that prioritize access for the disabled and also benefit the larger community (schools, public transportation). The audience would include institutional managers and eventually infrastructure and care providers, such as architects and nurses.

- ***The International Labor Organization:*** North Korea is not a member of the International Labor Organization nor has it ratified core labor standards: freedom of association and the right to collective bargaining; the elimination of forced and compulsory labor; the abolition of child labor; and the elimination of discrimination in the workplace. Membership in the ILO, however, does not require ratification of all those standards. The United States, for instance, has only approved two of the five. Since its system originates in communism, North Korea has placed a special emphasis on the rights of workers. On paper, the North's laws support these rights, though in practice, the government exerts a great deal of control over all essential labor issues. North Korea's labor laws and residual adherence to communist ideology, however, at least allow an opening for a discussion about ILO membership.

The first step in this process would be to determine why North Korea has not joined the ILO. A session with representatives from the North, new members (Maldives, Laos) and others with authoritarian societies (Myanmar, China, Egypt) might address Pyongyang's concerns. For example, the Maldives became a member only after learning that the ILO would not impose new obligations on the country, such as forcing it to respect freedom of religion for expatriate workers. In addition, such a session would provide North Korea with a list of membership benefits, such as access to capacity-building, to technical assistance on labor issues and management development, to the business community and to information about emerging issues. North Korea could also work through the ILO to become part of new programs, such the Gates Foundation initiative on micro-insurance, designed to improve services to the poor in developing countries.

As with the disability issue, North Korea can be drawn into discussions about improving labor its practices through the promise of benefits. It can be explained that bringing North Korean labor laws into greater harmony with international standards will improve the its capital investment climate. While the expansion of the Kaesong Industrial Zone or the creation of a joint shipbuilding site depends on South Korean investment, other industrial zones will

depend on capital from other countries (such as Europe or the Middle East). Participation in the ILO can facilitate such connections for North Korea. Moreover, the ILO began an initiative on export processing zones in 2008 intended to foster effective national policies on decent work standards, investment and trade as well as to promote core labour standards. The advisory services currently being developed by the ILO could help Pyongyang fit the Kaesong Industrial Complex—where 40,000 North Koreans enjoy improved working conditions—into a larger development and human security strategy.

These two issues—disability and labor—are by no means the only strategic opportunities for finding pragmatic connections with North Korea on human security issues. Even more controversial topics, such as mobility and refugee policy, can be addressed in pragmatic terms through, for instance, training on international standards and policies. However, the dialogue should begin with the least controversial topics and move on to more sensitive topics only when a degree of trust has developed.

V: COMBATING ILLICIT ACTIVITIES

North Korea adopts policies that enmesh its institutions, political organizations, and their members in a routine of criminal conduct. Carried out by North Korean officials and dating back at least to the mid-1970s, such activities were handled by other countries as a police matter, not a policy issue. Since the mid-1990s, however, their growing frequency and scope, particularly narcotics trafficking, have made state involvement more difficult to conceal.

Pyongyang conducts illicit activities in three main areas:

- **Currency:** The North produces and distributes high quality counterfeit currency, the so-called super-notes, which are difficult to distinguish at the retail level from genuine \$100 and \$50 Federal Reserve Notes. Concerns have surfaced that the North is also counterfeiting the currencies of several Asian countries. It is unclear, however, whether such an ambitious program exists since suspect notes have yet to be made available for forensic analysis;
- **Cigarettes:** The North has engaged in the manufacture of cigarettes as well as the packaging and forging of tobacco revenue stamps of various countries through hosting foreign-operated counterfeit ventures. There appear to be ten to twelve active plants with the military and internal security service each operating at least one facility. Earnings may gross between \$520 million and \$720 million annually. “Made in North Korea” counterfeit cigarettes are marketed throughout Asia, especially Taiwan and Indonesia, and in the United States; and
- **Narcotics and Pharmaceuticals:** While the North seems to have originally focused on selling opium and heroin with occasional trafficking in cocaine and marijuana, the bulk of the narcotics trade over the decade ending in 2005 was in methamphetamines, mostly to Japan, but also to Taiwan and the United States. Over the past few years, the North’s narco-trafficking appears to have dried up. However, Pyongyang appears to have begun making counterfeit pharmaceuticals (Viagra, in particular) for foreign distribution instead.

Pyongyang conducts its illicit activities through cooperative ventures with outside criminal organizations and its own smuggling networks. The North has worked with transnational criminal gangs to smuggle and sell drugs and to counterfeit money. For example, the North Korean ship *Pong Su*,

which was seized by Australian authorities, transported several ethnic Chinese gangsters and 150 kilograms of heroin to the Australian coast. Besides supplying and partnering with organized crime, North Korea has also established front companies to assist in smuggling and money-laundering. One such company in Macau, the International Finance and Trade Joint Company, was able to operate undetected for years as a “bank within a bank” until it was exposed during the investigation of Banco Delta Asia. Among other dealings, this company was used to launder nearly \$3 million sent to several North Korean embassies by the Foreign Trade Bank’s surreptitious use of a United Nations Development Program account.



The North Korean cargo ship, *Pong Su*, anchored at the Garden Island naval base in Sydney on April 21, 2003, as Australian federal police search the vessel. Special forces troops boarded the 4,480-ton ship after a five-day sea chase because of suspicions the ship was transporting heroin to Victoria State. (AP/Yonhap)

As illustrated by the involvement of the Foreign Trade Bank in money laundering, North Korea’s criminal businesses routinely make use of many of the nation’s key organizations, including government ministries, party organizations, security and intelligence service units, state-owned banks, and business conglomerates. For example, much of the North’s narcotics trafficking, counterfeiting, and gun-running are probably run by intelligence services. The Operations Department head, General O Kuk-ryol, the manager of the North’s counterfeit currency program, was recently named Vice Chairman of the National Defense Commission. As a result, these activities have helped create a “criminal class” comprised of the families of the elites, many of whom have been dispatched overseas with the task of raising sizeable sums of money for the regime.

Revenues from illicit activities and sales of weapons are estimated to cover a large portion of the DPRK’s large annual trade deficit. Authorization to undertake illicit foreign-currency-earning activity is prized by cash-strapped North Korean organizations and businesses. Despite apparent substitutability between dollars earned from selling counterfeit cigarettes and those received from exporting DPRK-banded smokes, there is an important distinction between selling contraband and legitimate goods. Contraband profits are not taxed as part of the national budget process and may provide a larger residual payoff to those involved, particularly if part of the hard currency earnings can be banked abroad and put to work. Kim Jong-il can use proceeds funneled to his coffers to further work on nuclear and other WMD projects, and supplement funds available to the security services that shore up his regime. Crime provides less tangible payoffs as well. The regime, especially the military, can tap into well-developed criminal connections to help it acquire advanced technologies for WMD programs, assist in covert transportation of proliferation-related materials, and influence foreign government officials.

There are a number of avenues available to crackdown on the North’s illicit activities. Law enforcement efforts can be effective but must have an international scope and unambiguous, top-level political support to gain the full cooperation of foreign governments, police and judicial authorities. The shrinking North Korean involvement in narco-trafficking indicates sensitivity to exposure that could be exploited to induce its leaders to suspend or withdraw from other ventures, such as counterfeiting and insurance fraud. On the other hand, increased exposure could prove of less value in convincing the North to halt its counterfeiting of cigarettes and pharmaceuticals since the stigma and penalties of conviction are low compared with the profits that can be earned.

Carefully targeted financial sanctions offer another promising tool. North Korea is vulnerable to such measures. It is a poor country which has become the subject of international law enforcement investigations that leverage open otherwise protected financial information and put a crimp in illicit earnings. When first adopted in 2005, financial sanctions seemed to have caught the North by surprise, but it was still able to circumvent them. Since then, Pyongyang has likely begun to adapt to such measures by changing the names and nationalities used to hold accounts, searching out localities and banks that are lax about enforcing anti-money laundering regulations and making more use of cash couriers instead of transferring funds via banking channels. Nevertheless, North Korea has not been able to regain the degree of access to the international financial system it enjoyed prior to the action against Banco Delta Asia that made bankers aware of the reputational risks of doing business with Pyongyang.

As for the future, the North's fragile economic condition, the uncertain outcome of a looming leadership transition, and the possibility that its control of criminal activity might lessen or be lost, gives urgency to making strong efforts to push back and counter Pyongyang's illicit activities. Moreover, international efforts to improve anti-money laundering cooperation and to encourage countries to adopt more rigorous banking and financial standards that follow recommendations made by the International Monetary Fund (IMF) are on a strong upwards trend, independent of what happens with North Korea. Consequently, Pyongyang faces a more difficult environment for carrying out business as usual every year. Likewise, each year the risk that leadership assets hidden abroad will be uncovered continues to rise.

Combining measures to crack down on illicit activities with others that coax the North to become a law-abiding member of the international community might prove to be an effective strategy. For example, there is room to do more with targeted financial sanctions through enhanced international communication and sharing of information that would make it harder for the North to traffic in contraband. The adoption of stronger financial sanctions against North Korea, however, must proceed from a realization that the power of this tool derives from an ongoing transition in the international financial environment to rules-based behavior. It is proper to use financial sanctions to help enforce U.N. Security Council resolutions and discourage DPRK proliferation and illicit activities. But, it would be unhelpful to view all financial sanctions that target the DPRK as ways to pressure the regime or to calibrate enforcement to progress, or lack of it, in nuclear negotiations.

At the same time, governments and private industry can formulate approaches designed to coax the North back into the mainstream of international economic behavior. In the cases of cigarette and pharmaceutical counterfeiting, for example, companies in those industries might attempt to strike deals with Pyongyang that would swap beachhead investments for halting counterfeit manufacturing operations. In another area of illicit activity, super-note counterfeiting, the U.S. might undertake to gradually restore the access of North Korean institutions to the international financial system in exchange for the surrender of the wherewithal for counterfeiting and the adoption of strict regulations that would prevent a reoccurrence.

7

BRINGING THE ALLIES ALONG

Continued support for U.S. policy in handling North Korea is essential for maintaining close alliance ties and enlisting Seoul and Tokyo in the implementation of any new agreements. The Obama administration's moves to work closely with both countries in response to the North's recent tests as well as its new overtures to resume dialogue have created a united front for now. But differences will resurface over time. The difficulty of trilateral coordination is compounded by the fact that the policies of all three countries are seldom politically in sync. The challenge posed by Pyongyang is also more salient in Seoul and Tokyo than in Washington. This sensitivity will only be magnified by any progress made by the North towards a functional nuclear arsenal.

Moving down the diplomatic path towards renewed U.S.-North Korean negotiations might be accepted in Seoul and Tokyo, but it would be a mistake to believe that restarting talks, whether bilateral or multilateral, will head off potential problems with the allies. In fact, such a move could trigger a new set of difficulties, as both scramble to readjust their policies towards the North, seek to secure their own priorities (which often differ from those of the United States) and attempt to exercise tight control over Washington's new approach. Close consultation will be essential as always. But the United States should keep in mind one lesson of the past, namely it will have to lead rather than be led if the nuclear challenge is to be resolved.

SOUTH KOREA

President Lee Myung-bak came to power convinced that his two predecessors, Kim Dae-jung and Roh Moo-hyun, had been too accommodating towards the North and proceeded to condition engagement and assistance—even food aid—on an improvement in inter-Korean relations, denuclearization, opening and reform. In winning the presidency, President Lee had to overcome not only a center-left candidate, but also a right-wing opponent whose single-issue campaign of getting tough with North Korea made his stance of reciprocal engagement seem moderate by comparison. The South Korean leader also had the advantage of taking office at a time when economic growth was the priority and the Bush administration had moved to a less confrontational course with Pyongyang, which reduced the political salience of the North Korea issue as well as the risks of confrontation.

Once in office, however, President Lee moved to slow down U.S.-North Korean reconciliation. He

sided with Tokyo in insisting that the North's removal from the U.S. list of state sponsors of international terrorism and later energy aid be withheld until Pyongyang provided a written protocol on verification. Hardliners in his administration were especially uneasy about the newly-elected American President's expressed willingness to meet with Kim Jong-il. When relations with the United States took a turn for the worse, those same hardliners were ebullient. As one Blue House official told the *Chosun Ilbo*, if the U.S. and North Korea speed up too much in bilateral talks, Japan could play a role in "slamming on the brakes."⁴

While President Lee's campaign to "go global" was intended to enhance South Korea's stature on the world stage and disassociate it from the struggle on the peninsula, the 2009 crisis has once again put the spotlight on North-South relations. The President cannot move too far to accommodate the North because he needs right-wing votes in the upcoming National Assembly as well as provincial and municipal elections in order to avoid becoming a lame duck leader. But a further deterioration in North-South relations could alienate his more centrist and business supporters. It might also provoke broader domestic backlash against his administration. Under these circumstances, President Lee has to move cautiously in trying to improve North-South relations rather than risk an open breach.

The need for caution explains the South Korean response to recent conciliatory moves by the North. President Lee's first meeting with senior North Korean officials on the occasion of Kim Dae-jung's funeral, following Pyongyang's agreement with Hyundai to resume tourism to Mount Kumgang and ease travel restrictions to the Kaesong Industrial Zone, as well as North-South Red Cross talks on holding another round of family reunions, has provided an opening to reengage the North. While authorizing the resumption of private food aid by Korean NGOs to the North, the President is continuing, however, to withhold government-to-government assistance, conditioning it on North Korea's "willingness to change." Officials in his administration have dismissed the North's moves as a "smile offensive" and at least publicly linked progress in relations to a resumption of the Six Party Talks. In short, the tentative improvement in bilateral relations may prove fragile and fitful.



South Korean trucks headed to the Kaesong Industrial Complex.

JAPAN

While the political situation in Japan is far more antagonistic to Pyongyang, the rout of the Liberal Democratic Party in the August elections could open the way to change. The Bush administration thought that tensions with Pyongyang and Beijing would compel Tokyo to close ranks, but far from strengthening pro-American figures like Prime Minister Koizumi, it undercut them.

Japanese policy circles fall into five schools of thought:

- **Americanists** want to bind Japan more tightly to the United States, partly to hedge against

⁴ *Chosun Ilbo*, "Japan 'Could Become Seoul Ally in N. Korea Issues,'" March 24, 2009.

China, but mostly to block alternative courses. Americanists are a force in the Foreign Ministry and dominate the Japan Defense Agency.

- **Internationalists** are allied with the first group and want Japan to be freer to engage in collective security under a U.N. mandate. They are found in the Liberal Democratic Party and in the Democratic Party of Japan (Ichiro Ozawa is a prominent example) as well as in the Foreign Ministry.
- **Asia-firsters** view Japan's future as tied to Asia and favor the development of regional institutions to bind a rising China into a web of cooperation. A significant force in the DPJ, they see Japan in a triangular relationship with the United States and China. While not rejecting close ties with Washington, they want better relations with Beijing also and worry that U.S. aggressiveness towards North Korea could entrap Japan in an unwanted confrontation with Beijing. Key Asia-firsters include Japan's new Deputy Prime Minister Naoto Kan and Foreign Minister Katsuya Okada.
- **Gaullists** distrust U.S. reliability and judgment and exploit American demands for Tokyo to take a more active role in defense matters in order to enhance Japan's capacity for independent political and military action. Former Prime Minister Shinzo Abe reflects this viewpoint.
- **Neo-nationalists**, like Tokyo's governor Shintaro Ishihara and many younger politicians and bureaucrats, want Japan to look after its own security. Unbound by the alliance with Washington, neo-nationalists favor scrapping the constitution, which they see as a symbol of U.S. domination imposed on a defeated Japan after the war.



Prime Minister Yukio Hatoyama, Leader of Japan's new ruling Democratic Party of Japan (Reuters/Yuriko Nakao)

Recent governments in Tokyo have wavered between pressing Washington to negotiate with the North and doing their utmost to impede talks. Convinced that the only way to resolve the nuclear and abduction issues was diplomatic give-and-take, Prime Minister Koizumi, an Americanist, publicly embraced President Bush and tightened cooperation with Washington in an effort to deflect the United States from open confrontation with Pyongyang or Beijing, actions that would trigger a fatal breach in his party and government. He held two summit meetings with Kim Jong-il and urged President Bush to negotiate in earnest with the North—to no avail.

Once Koizumi's balancing act failed, the beneficiaries of U.S. policy towards North Korea were not those who would bind Japan more tightly to the United States but Asia-firsters and nationalists who wanted looser ties. His successor, Shinzo Abe, rode to power on his uncompromising stance on the abductions issue—only to have President Bush turn around and begin serious talks with the North. He failed to dissuade the U.S. from delisting the North as a “state sponsor of terrorism” before Japan made progress on the abductions. Having seen first-hand U.S. intransigence as chief cabinet secretary under Koizumi, Prime Minister Yasuo Fukuda tried to resume direct talks on the abductions with Pyongyang, but an agreement on first steps fell apart when he resigned abruptly. Having done his best to use the abduction issue, delisting of North Korea as a “state sponsor of terrorism” and later verification issues in the Six Party Talks to impede U.S.-North Korea rapprochement, his successor, Taro Aso fanned fears of the rocket launch to arouse nationalism and boost his fast-waning popularity. His resounding defeat opened the way to renewed dialogue with the North.

KICK-STARTING ALLIED DIPLOMACY

Under these circumstances, it may be possible to coax South Korea and Japan down a negotiating path with North Korea. Whatever the allies' misgivings about Washington's diplomatic give-and-take with Pyongyang, and even if the three countries take steps to tighten their security relationships or to impose sanctions on Pyongyang, letting North Korea's nuclear and missile programs run free will only aggravate relations. Direct talks with the North, combined with prudent steps to bolster ties with each other, remain the best way to satisfy each country's security and other interests, if not necessarily their leaders' domestic political needs.

In Japan, national elections have brought the Democratic Party of Japan to power, possibly opening new options for Washington. The DPJ, while probably wary of domestic opposition fanned by the conservative press, will nonetheless be less beholden to its own right-wingers. Since many in the party, including the new power behind the throne, Ichiro Ozawa, would like to improve relations with China, the DPJ cannot afford to pick a fight with Beijing over its unwillingness to tighten sanctions or to bind Japan more tightly to Washington, which he would have to do if tensions with North Korea mount. That is why Ozawa and others in the party have emphasized collective security under U.N. auspices, in contrast to the LDP emphasis on collective self-defense through tighter integration with Washington. It is also why Tokyo may no longer want to impede direct talks between Washington and Pyongyang.

With a full plate of domestic issues, the new government in Tokyo may be content to let Washington take the lead in diplomatic give-and-take for now, but sooner or later the DPJ will want to address its issues of concern directly with Pyongyang. For its part, Pyongyang has hinted that it still cares about improved relations with Tokyo, so it may be possible to coax Japan and North Korea to reopen bilateral discussions, particularly if Washington begins bilateral talks with Pyongyang. That was the strategy of Ozawa's close friend, Yasuo Fukuda, during his brief term as prime minister. In bilateral talks, Japan promised to end some sanctions imposed on Pyongyang, including conditionally lifting a ban on North Korean ships entering Japanese ports. In return, the North would reopen its investigation of what had happened to the abductees and allow Japanese authorities to review documents and interview people who had had contact with them. Prime Minister Fukuda, however, was forced by opponents in the LDP to back away from the deal and his government fell apart before carrying it out. A renewal of that approach is favored by small, but influential groups of senior bureaucrats who have used back-channel contacts with Pyongyang in the past to move engagement forward.

For Japan to make headway, it would have to negotiate reciprocal step-by-step implementation of the Pyongyang Declaration. Among the items that Japan sought in the declaration were: 1) an accounting for the abductions; 2) an end to missile tests; 3) an end to intrusions by North Korean spy ships; 4) direct talks on these and other security issues with the North; and 6) a six-party dialogue on regional security. At the time, the North only agreed "it is important to have a framework in place in order for the regional countries to promote confidence-building as the relationships among these countries are normalized."

Among the items Pyongyang sought in the declaration were the resumption of Japan-North Korea normalization talks and an "early normalization of relations;" as well as discussions on: 1) the status of Korean residents in Japan; 2) economic aid "after normalization," including grant aid, long-term loans with low interest rates and humanitarian assistance through international organizations; and 3) loans and credits for private economic activity through such financial institutions as the Japan Bank for International Cooperation. North Korea's willingness to continue bilateral talks with Japan

could depend on progress made in U.S.-North Korea talks.

Making progress in North-South negotiations may prove just as challenging. A resumption of talks between Washington and Pyongyang would generate significant domestic political pressures in the South Korean government to open discussions of its own with North Korea. Once talks begin in earnest, the North may insist on some gesture by Seoul, such as resumption of government food aid, in order to make progress. That seems to have been the point of working-level talks under way over the Kaesong Industrial Complex earlier this year, in which the North demanded average wage raises to \$300 from the current \$70-80 a month, and similarly confiscatory rent hikes.

One way forward would be a new willingness on the part of President Lee to discuss implementing provisions in the 2007 North-South summit accord agreed to by his predecessor. That might include offers to:

- Expand the Kaesong talks to discuss the proposed joint fishing area, which could allow crabbing south of Northern Limit Line linked to naval CBMs. The North would benefit economically from such an arrangement while the South could claim advantages from lowered tensions and the reduced risk of a naval clash;
- Resume further development of the Kaesong Industrial Zone, perhaps starting with infrastructure projects, allowing the North to back down from its demand for exorbitant wage and rent hikes and recognizing the current global economic climate which might make it unlikely for more South Korean enterprises to commit to locating new production facilities in the zone;
- Revive the Joint Committee for Inter-Korean Economic Development as a positive signal to Pyongyang that Seoul is ready to resume cooperation with financial costs;
- Begin discussion of establishing a new joint economic zone in Haeju and vicinity or cooperative shipbuilding complexes in Anbyeon and Nampo; and
- Reaffirm the commitment made during the last summit “not to interfere in the internal of affairs” as well as the commitment in the first summit accord not to slander each other.

7

THE LIMITS OF CHINESE COOPERATION

China is furious at North Korea for disregarding its warnings not to detonate a nuclear device in 2009 and for walking away from the Six Party Talks. It is concerned about the implications of Pyongyang's insistence on maintaining nuclear weapons for decisions to be made in Tokyo, Seoul and Taipei. It is prepared not only to join in resolutions of condemnation but to take more steps than ever before to penalize the North for its actions and to coordinate those steps with the United States and others. And it has come to the conclusion that China would be well served if North Korea simply disappeared, never to return.

At the same time, because it worries about the potential unintended consequences of sanctions that Beijing endorsed at the United Nations, China is not prepared to support—vocally or with action—some of the more extreme measures that the United States and others have advocated. Beijing reasons not only that such steps will fail to produce the necessary disincentives to cause Pyongyang to reverse course, but that they will be counterproductive, risking instability in the North and provoking Pyongyang to take ever more dangerous steps in an escalatory cycle that could get out of hand. Moreover, tighter sanctions would adversely affect China's strategy of long-term economic engagement with its neighbor designed to bring about gradual change on the ground. Thus, while China condemns what the North has done, and makes clear that the previous "lips and teeth" relationship—or any "special" relationship—no longer exists; it is acting with great caution on measures that could push the North into a corner.

That relationship may have died out even before Kim Il-sung's demise in 1994 and faded into nothingness in the years following. But the fact that the North Korean state provided a physical buffer against an American military presence right up against China's northeastern border retained considerable value in an era when, despite dramatically improving Sino-American relations, strategic suspicions between Washington and Beijing remained a salient driver of policy. As the U.S. went about strengthening ties with countries around China's periphery—forming a wall of containment, at least as perceived from Beijing—the PRC proceeded to mend its fences with those neighbors, seeking to undercut any possibility that the U.S. could work with and through them either to contain China or to confront it, especially in a Taiwan contingency.

Although that pattern of behavior continues on both sides, other considerations have intervened to change China's calculation with respect to the Korean Peninsula. In the first place, Beijing has developed, if not a warm and fuzzy relationship with Seoul, at the very least, a workable one. While future

South Korean presidents may not be as outspoken as Roh Moo-hyun in making clear that ROK bases will not be available for the United States to use against China, the likelihood that the South will take the same position as Japan as a “reliable rear area” for any such contingency is very low. So is the probability that Seoul would countenance a permanent American military presence north of the 38th parallel, even if North Korea collapsed. Thus, although the recent U.S.-ROK “vision statement” was replete with heartfelt pledges of cooperation and mutual support, the fact remains that Tokyo, for all of its reticence, does play a role in the American *regional* security strategy that South Korea does not and is not likely to play.

All of this relieves some of the pressure on China to maintain the fiction of not only a “lips and teeth” relationship with the North, but even of an alliance. When the Chinese foreign ministry spokesperson was asked in mid-June 2009 about the Chinese Government’s “attitude” towards the DPRK, he responded, “China and the DPRK have normal state-to-state relations. On the basis of the Five Principles of Peaceful Co-existence, China develops its relationship with the DPRK *as with any other country around the world.*”⁵

Statements such as these, and the reported decision not to dispatch a number of senior officials to Pyongyang after Pyongyang’s recent tests as previously scheduled, reflect China’s reevaluation of the situation on the ground and its unwillingness to be seen as sympathetic to the North. At the same time, China’s caution in either cutting symbolic ties or in backing the North in a corner, may come in important measure from a reevaluation of its own past actions. In July 2006, China reacted strongly to the DPRK missile test, also in the guise of a satellite launch, and supported a U.N. Security Council Resolution condemning it. Three months later, Pyongyang conducted its first nuclear test. Beijing might have felt that its support of only a U.N. Security Council presidential statement in April 2009 after the Unha-2 launch preserved the apparent Chinese commitment not to allow a condemnatory “resolution” and would help avoid a repeat of 2006. The net result, however, was that the North ignored the difference and used the statement to justify its second nuclear test in June.

Although Beijing joined in the drafting of UNSC Resolution 1874 condemning that nuclear test, it softened some of the provisions the U.S. and others were seeking. Moreover, and of significance, even though this was the second test, and arguably angered China even more than the first test three years earlier, Beijing refrained from using the exceptionally harsh language—either in its unilateral statements or in the resolution—that it used after the 2006 nuclear detonation. The point is that, as it approaches the future handling of North Korea, China may feel it let its anger get the best of it in 2006 and that the results were not in Beijing’s interest. The Chinese may also judge that the more restrained approach they thought they were taking in April 2009 was still used by the North as an excuse to behave as it wished and also led to no useful outcome.

Nonetheless, Beijing has now given up any realistic hope that Pyongyang will agree to eliminate its nuclear weapons in the near-term. Although it says it has not given up on diplomacy—indeed it sees dialogue as the only way forward—China appears to have dropped its plaintive calls for the resumption of the Six Party Talks, recognizing that Pyongyang has turned its back on them. Some in China say that the only way to effect a change in that policy is to change the North Korean regime, but there is no hint that the authorities will at this point condone any effort—including draconian sanctions—that might lead in that direction. Furthermore, China reasons that, before it got to that point, such steps could first lead to North Korean actions that endangered Chinese security interests more

⁵ Quote by Qin Gang during China’s Foreign Ministry’s regular press conference on June 2, 2009. (<http://www.fmprc.gov.cn/eng/xwfw/s2510/2511/t565945.htm>)

directly and quickly than if the North were allowed to hold onto a nuclear arsenal for awhile.

In theory, China could enact a variety of subtle measures to squeeze the North. Some might involve making China's banking facilities less and less convenient to North Koreans; adopting measures to slow transactions at the border, including customs inspections; and interrupting the flow of oil for a very limited period of time—or slow it considerably for a longer period of time. There are unconfirmed reports that Beijing has already slowed deliveries to North Korea since the nuclear test. Theoretically, it could even cut back on food supplies crossing the border. China could also cooperate, as American officials believe it is committed to do, in inspecting the North's planes and ships in Chinese ports and airports that are suspected of carrying prohibited equipment and materiel. China has, after all proclaimed itself as in agreement with the non-proliferation goals of the Proliferation Security Initiative, only expressing reservations about certain actions of questionable legal validity, such as high-seas interdiction.



Chinese President Hu Jintao's special envoy Dai Bingguo (left) met with Kim Jong-il in Pyongyang on September 18, 2009. (AP/Xinhua, Zhang Binyang)

What might cause China to change its mind and adopt a more activist approach in squeezing the North? Beijing remains concerned about the implications of the North's retaining a nuclear weapons capability for proliferation in the region. But that concern is less intense than it was in 2006, when Shinzo Abe, then-Prime Minister of Japan, was heading in the direction of removing constitutional constraints and promoting an independent strategic capability. Today, the Japanese leadership is in disarray and there is no public outcry to move in the direction of nuclear weapons. Moreover, China seems to believe that the United States has a reasonably firm grip on any proliferation tendencies not only in Japan, but also in South Korea and Taiwan, where Washington has stopped programs before these assertions.

If possible risks are not sufficient to move Beijing, are there inducements or reassurances that might cause China to feel it could adopt a more assertive stance towards sanctions or other pressures on the North? Given that China's concerns are really focused on Pyongyang's behavior, it is hard to see what those would be. One area of potential cooperation that addresses a different set of concerns—what steps the United States and China might take if chaos descends on the North—might have a spillover effect in facilitating greater trust in handling the sanctions issue now. It would seem logical that an in-depth bilateral dialogue about such a contingency—and the provision of mutual assurances that neither nation seeks to gain strategic advantage, including a long-term military presence in the North—could contribute to a modicum of trust that would facilitate cooperative, or at least coordinated, efforts. The issue for China at this point, however, is not to counter U.S. strategic advantage, but to protect strategic interests in its immediate neighborhood. So far, at least, Beijing's conviction remains that pushing Pyongyang to the wall is counter-productive and could bring about chaos or that war would trump any putative benefit from going along with what it sees as a potentially risky U.S. policy.

While Beijing may have doubts that the North is willing to eliminate its nuclear weapons program, 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 the expectations of some, 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 with the North alone. They would, however, insist upon full prior coordination and a refusal to deal with Pyongyang on any basis that conveys upon it the status of a nuclear weapons state or that allows the North to keep its weapons forever regardless of its legal designation as a non-nuclear state under the Nuclear Non-Proliferation Treaty (NPT).