

North Korean Nuclear Crisis: Prospects and Policy Directions

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INTRODUCTION

Since its shocking nuclear revelation of October 2002, North Korea has taken the world on an emotional roller coaster of heightened tensions followed by lulls—and confrontations followed by dialogues. North Korea, at the threat of the Washington's preemptive strike after the war on Iraq, reinforced its notorious brinkmanship with a statement on April 25 on its nuclear stockpile and again on July 8 on the completed nuclear fuel rod reprocessing. In the meantime, Pyongyang's spokesperson has expressed its readiness to accept multilateral talks, saying "if the U.S. gives up its hostile policy toward North Korea, Pyongyang would not be too scrupulous about the format of dialogue." The North has not only participated in the recent trilateral talks but also is about to attend six-way talks scheduled in late August, making a huge concession from its original demand of one-on-one talks with the U.S. government. The U.S. has adhered to its position that desires peaceful solution through dialogue, but at the same time, at the consecutive summit talks in

May and June with South Korean President Roh Mu-hyun and Japanese Prime Minister Junichiro Koizumi, it kept the possibility of “further steps” and “tougher measures” open in case the North escalated the nuclear standoff. Backed by a solid military force and economic influence, the U.S. has enlisted support, not only from its allies but also from China and Russia in the stance against Pyongyang.

However, agreement on the opening of six-party nuclear talks seemed to inject new possibilities into the stifling confrontation. The U.S., moreover, has shown flexibility by indicating its intention to give North Korea a security guarantee in writing. The fact that participants to the agreed six-nation talks have already started discussions either through bilateral or trilateral channels has been enough to raise expectations for a better outcome.

This paper examines the global response to the nuclear issue, how it has affected and will continue to affect the relations and economic cooperation that the two Koreas have carefully developed, and finally, how South Korea should handle this issue. Even now, only a few days before the agreed six-way talks, North Korea is demanding that the U.S. cease its hostility toward the North and sign a non-aggression treaty. Such last-minute objections dampen the outcome of the talks and the prospect of when and how the overall nuclear issue will be resolved. A general perception is that the nuclear issue is highly important for both North Korea and the U.S.: On one hand, the North knows it is the last card in its hand which will sustain the regime, and on the other hand, the U.S. sees the issue as an integral part of its war on terror. Many also agree that the intertwined political, military and economic interests of the U.S., North Korea and many other neighboring countries mean a lengthy resolution process. South Korea’s Foreign Affairs and Trade Minister Yoon Young-gwan’s statement during a press briefing on August 20, 2003 provided a glimpse of how challenging the process would be. According to the minister, “Setting up an unreasonable objective at the beginning of the talks may place unnecessary pressure on the

overall process. Our objective for now should just be to achieve agreement on the next meeting.”

THE SIGNIFICANCE AND PROSPECT OF A PROLONGED NUCLEAR ISSUE

Armed conflict over the nuclear issue is unlikely. Instead, the issue may be undesirably prolonged with alternating heightened tensions and momentary lulls, followed by Washington’s “designed neglect.”¹⁾ Prolongation signifies that a resolution may not come before the next U.S. presidential election and that it is highly unlikely that there will be an armed conflict in the meantime. In other words, during the latter half of this year, tensions may rise with Washington’s heightened pressure on the North through multilateral channels, countered by the North’s stubborn resistance. However, when election season rolls around next year, the U.S. will pursue a policy of “designed neglect” on the issue, and this could offer a period of tranquility in the tensions. Any theories on armed conflict are unrealistic for the following reasons: (1) the Bush administration is under pressure to prioritize economic issues in order to win the upcoming presidential election; (2) anti-war and anti-American sentiment has been spreading quickly and war fatigue has worn down the U.S.; (3) the Korean peninsula, unlike Iraq, possesses a geo-economic, political and military uniqueness. And last, the effectiveness of economic sanctions on the North is doubtful.²⁾

1) At a Senate Foreign Relations Committee in February 2003, Senator Barbara Boxer (D-Calif.) termed the Bush administration’s foreign policy as “designed neglect.” Although Secretary of State Colin Powell bristled at the term, it shows the tendency of the U.S. North Korea policy for the time being.

2) Most experts have shared a view that economic sanctions on North Korea will have little significant effect unless China agrees and cooperates. Without China’s cooperation, such actions may represent, at best, symbolic political pressure on the North. See Kim Seok-Jin, “Are Economic Sanctions on North Korea Effective? (in

As the nuclear standoff and tension between Pyongyang and Washington continues during the latter half of 2003, the U.S. will tighten sanctions against North Korea while the North tries to manipulate the situation using diplomatic brinkmanship.

This may be explained by the differences in the U.S. and North Korean perspectives on the nuclear issue. North Korea is pursuing nuclear ambitions not just to secure nuclear capabilities, but as a way to guarantee the survival of the regime, something that will not only bring greater internal solidarity but also act as a powerful negotiating chip in dealing with the outside world. Sanctions, on the other hand, will have only a limited impact on the North's leadership and prove incapable of taming the North.

As for the U.S., anti-war and anti-American sentiment after the war on Iraq, ensuing war fatigue, inability to secure solid evidence to back up the Iraqi War, and rumors flying about the Bush administration's manipulation and exaggeration of war information may cripple the U.S. in its efforts to launch a new war for a considerable period of time. Indeed, while the U.S. proved its military capabilities by garnering victory against Iraq sooner than expected, post-war reconstruction and anti-American guerrilla activities in Iraq have placed a heavy burden on the superpower. The monthly expense of stationing the military in Iraq alone is 4.4 billion dollars. In addition, the Defense Department forecasts that it would cost 100 billion dollars to reconstruct power lines, sewage and other infrastructure there. The private sector says that the figure may be five or even six times higher than the official estimation.³⁾ The U.S. is also spending 12 billion dollars per year to sustain the Karzai regime

Korean)," *LG Economic Weekly*, Issue 730 (June 4, 2003); Hong Ik-Pyo, "Effectiveness of International Economic Sanctions on North Korea," *KIEP Global Economy*, International Economic Policy Research Institute (July 2003), pp. 39-52. But sanctions also weaken the ability of the private sector to finance the opposition, tend to cut off the domestic opposition from international sources of support. Jeffrey D. Sachs, "Ineffective Sanctions Toward Dictatorship," *Chosun Ilbo*, August 19, 2003, p. 31.

in Afghanistan, which has worsened the U.S. fiscal deficit, to over 400 billion dollars. Surveys show support for President George W. Bush have steadily dropped from 70 percent in May, to 58 percent in June and to 53 percent in July. Most respondents answered that the economy should take priority, indicating that financial woes are affecting the popularity of the President.

Barring a dangerous move by the North, the U.S. will try to take the middle road between dialogue and pressure, gauging the North's response, at least until the presidential election is over. Washington's preference for multilateral talks is multi-faceted. Learning from the failure of the Agreed Framework, bilateral efforts to curb the North's nuclear ambition, the U.S. now wants to utilize international surveillance to increase pressure on the North. By engaging more countries in the process, the U.S. can reduce the financial obligation that a resolution of the current standoff will invariably entail. The U.S. seems to expect a prolonged process since coordination of perspectives and information among multiple countries will certainly take more time.

In 2004, the Bush administration will gear up for the presidential election and in doing so, may pursue a "designed neglect" policy on the North Korean nuclear issue. While the issue is important, it will not determine who wins the election. And since it requires a lot of work for scarce results, President Bush is likely to be more focused on economic recovery and the peace process in the Middle East.

North Korea, however, may make a bold move and try to strike a deal with the Bush administration if a Republican victory looks certain. The North could suggest that it comply with the nuclear non-proliferation treaty, announce to abandon its nuclear program, or accept UN inspections on its nuclear facilities. Such suggestions will certainly work favorably for President Bush, increasing the prospects of some sort of agreement. Another scenario, in which

3) Lee Mi-Sook, "The U.S. in Debate: The Cost of a North Korean Regime Shift," *Munhwa Ilbo*, August 15, 2003.

President Bush's reelection is a clear possibility and South Korea, China and the international community somehow agree to slash humanitarian aid to the North, amplifying the impact of economic sanctions, the North may move even quicker to strike a deal with the U.S. In this case, however, the likelihood of striking a deal is not as high as the first scenario because there might exist a huge gap of interests between the two countries. Since the U.S. has little confidence in the so-called "simultaneous implementation" proposed by North Korea, it will dig in deeper and demand that the North scrap its nuclear program before any deal is struck. As for Pyongyang, further concessions are possible other than the current multilateral framework unless the U.S. offers a guarantee for the regime.

THE POSITION OF MAJOR COUNTRIES TOWARD NORTH KOREA'S NUCLEAR DEVELOPMENT

The United States

The hard-liner U.S. understands the North Korea issue in the context of maintaining its world hegemony, fighting terrorism, and ensuring non-proliferation of weapons of mass destruction (WMD). Based on its principle of "nuclear renunciation first, negotiations later," the U.S. has shifted from the carrot to the stick since the Iraqi war, implementing a stricter and more detailed policy toward North Korea.

The Bush administration's policy toward North Korea and the world clearly indicates how it plans to resolve the nuclear issue. The neo-conservatives including Donald Rumsfeld and Paul Wolfowitz, believe in world leadership based on power. Their aggressive security policy includes the possibility of launching preemptive strikes, and their fundamentalist views divide the world into dichotomies of friend or foe and good or evil, as symbolized in the

recent Iraqi War. In this context, they are calling for a halt to all support for North Korea as a means to further pressure the communist country and eventually, to a regime change.

Moreover, the September 11 terrorist attacks served as a turning point in how the U.S. perceived the North Korean nuclear issue. Treating the nuclear crisis in the context of fighting terrorism, the U.S. now focuses not only on deterring Pyongyang's nuclear capability, but also on stopping its export of WMDs and related components as well as preventing arms race and nuclear possession in Northeast Asia. In this regard, the foreign policy of the Bush administration can be summarized as a punitive "counter-proliferation" rather than "non-proliferation" policy of the Clinton administration.

However, concerned that its hard-line stance may prove to be ineffective, and could even trigger negative side-effects, the U.S. also recognizes the possibilities of dialogue—on the principle of "dialogue without negotiations."⁴ In a carrot-and-stick policy, the U.S. is willing to make a "bold approach" if North Korea scraps its nuclear plan in a "complete, verifiable and irreversible way" but otherwise, it will resort to "tailored containment." Indeed the U.S. declared after the Iraqi War that while it honors the basic principle of peaceful, diplomatic resolution of the nuclear issue, it may take "further steps" and "tougher measures" against Pyongyang if the rogue state aggravates the situation. "Further steps" include tailored containment measures such as economic sanctions, sea blockades, a halt to financial assistance, seizure of weapons-exporting ships or planes, as well as a change in the North Korean regime or preemptive strikes (such as a surgical strike on the WMD production facilities or the North Korean leadership).

For now, the U.S. has chosen a selective interdiction over full

4) President Bush, in a press briefing after holding a summit with South Korean President Kim Dae-jung on March 7, 2001, stated that "instead of negotiations, we will talk, we will have dialogue."

blockade, to which South Korea and China disagree, or other measures that require a UN resolution or legal approval of the international community. The selective interdiction allows neighboring countries to impose economic sanctions on North Korea based on their domestic laws. In addition, the U.S. is expanding the multilateral network, i.e., Proliferation Security Initiative (PSI) talks, so as to enhance effectiveness of its North Korea policy and to gain global support.

North Korea

With a heavier focus on securing guaranteed survival of its regime and more economic assistance, North Korea has become more flexible and active about inviting the U.S. to the negotiating table. It has recently accepted the idea of multi-lateral dialogues and agreed to take part in the six-party talks, for example.

The objective of Pyongyang's development of nuclear weapons may be double-sided: military and economic. However, considering the wide economic gap between itself and South Korea and the strong ROK-U.S. defense alliance, the more realistic purpose of North Korea's nuclear program is using it as a bargaining chip for resolving hostility with the U.S. while earning more economic assistance from the world power. The reasons behind Pyongyang's change of attitude are fear (Bush's reference to the "axis of evil" and the rumor that "North Korea is the next target after Iraq"), the request for a "non-aggression treaty" with the U.S., and economic relief for success of the economic plan of July 1, 2002.

Internally, the North Korean regime appears to be seeking economic recovery and social unity, while propagating a "brazen confrontation between Kim Jong-il and the U.S." Externally, it aims to demonstrate compliance with the Geneva Agreed Framework by accepting new guidelines on nuclear development, while lobbying for an internationally-binding non-aggression treaty that goes beyond the Geneva agreement, which is of a declaratory nature.

Table 1. Different Perspectives on the 6-Party Talks

Country	Priority Agenda	Resolution	Bargaining Chip
South Korea	Set frame for peaceful resolution and prosperity on the peninsula.	Stage-by-stage and comprehensive solution	Economic support to NK
North Korea	Guarantee the regime and establish diplomacy with the U.S. and Japan.	Stage-by-stage and comprehensive solution on the condition that the U.S. guarantees the NK regime.	Scrap nuclear weapons and missile
United States	Complete, verifiable, and irrevocable scrapping of nuclear weapons.	Comprehensive solution on the condition that NK scraps nuclear weapons.	Guarantee NK regime
China	Non-proliferation and continued influence on the peninsula.	Active mediation between NK and U.S. and actively call for guarantee of the NK regime.	Economic support
Japan	Scrap NK missiles and resolve abductions	Comprehensive solution via U.S.-Japan collaboration.	Diplomacy, economic support
Russia	Scrap NK nuclear weapons and promote stability in NE Asia.	Neutral mediation.	Buffer diplomacy

Source: *The Seoul Economic Daily*, August 22, 2003.

However, despite strong protests against the specific hard-line policies of the U.S., North Korea made a “bold suggestion” in the recent three-party talks with China and the U.S.; specifically, resolving all issues stage by stage with conditions attached for the U.S. In addition, its discussion on accepting expanded multilateral talks shows North Korea’s sense of urgency amid dwindling assistance from the international community since the nuclear crisis.

China

In a word, China has been a mediator. It agrees with neither

Pyongyang's development of nuclear weapons nor the collapse of the North Korean regime. By expanding economic exchanges with South Korea since the end of the Cold War, China has maintained equal distance between the two Koreas and has kept a low profile regarding North Korean issues. However, China is now concerned that its communist friend's development of nuclear weapons might stimulate Japan's militarization and trigger a nuclear build-up in Taiwan, which may undermine its "One China" policy. On the other hand, the possible collapse of the North Korean regime might entail political and economic repercussions: the absence of a buffer zone with the U.S. and a massive inflow of North Korean refugees, which would threaten its security, economy and the open-door policy that has finally reached maturation.

For the above reasons, some in the Chinese government suggest that they use economic measures if a diplomatic solution is not feasible. In fact, China finds it increasingly difficult to counter world opinion, which has turned against North Korea after its nuclear announcement. Moreover, it enjoys an annual 100-billion-dollar trade surplus with the U.S. Taking advantage of such factors, the U.S. is utilizing China's role as a mediator in pursuing multilateral talks to resolve the North Korean issue.

Some are skeptical about the hidden intentions of the U.S.—that it is exaggerating North Korea's nuclear threat as an excuse to maintain a military presence in Northeast Asia and to justify its missile defense system. For these reasons, China is against any excessive pressure or sanctions on North Korea or the adoption of a UN Security Council resolution.

RESOLUTION OF NORTH KOREAN ISSUE AND ROLES

As the resolution of the issue is expected to be relatively lengthy, the involved parties are likely to use economic/diplomatic means,

rather than military confrontation, in order to claim both the cause and the practical benefits. Of the three likely scenarios—peaceful resolution, delayed resolution due to economic/political pressure, and military conflict—a combination of the first and second is the most plausible. In other words, the U.S. is expected to use a two-track approach (carrot and stick) until it secures final verification of North Korea's nuclear reprocessing, while Pyongyang is expected to build tensions with its brinkmanship and “muddling through” strategies.

Along with pursuing the adoption of a UN Security Council resolution and further engaging the international community, the U.S. will no doubt urge neighboring countries to stop economic assistance and trade with the communist state. As part of its tailored containment policy, it will also block sea routes by fortifying ship searches to root out trade in drugs and counterfeit money; seize ships or planes exporting WMDs including missiles; and block the inflow of currency into the North.

North Korea, while fearing the U.S. military capabilities showcased in the Iraqi war, has decided that the best way to safeguard its regime is to have its own nuclear capability and to strengthen the ideological foundation. In this regard, it is expected to take full advantage of the unique characteristics of the Korean peninsula (i.e., buffer zone between the U.S. and China, automatic military support from China in an emergency) and the upcoming U.S. presidential election. Pyongyang is not expected to push the situation to the limit of military confrontation, that is a preemptive strike by the U.S. or a missile launch by North Korea.

Meanwhile, the most likely method of resolution is a combination of U.S.-North Korea bilateral talks and the U.S.-led multilateral talks, with agreement upon a stage-by-stage resolution of the issue with numerous conditions. For instance, having direct dialogue with the U.S. in a multilateral setting such as the Beijing talks, North Korea may declare “conditional and gradual” renunciation of its nuclear programs and the U.S. may guarantee

safety of the regime and financial assistance along with neighboring countries or the international community in the so-called “two plus alpha” (U.S., North Korea and other countries) framework. The possibility of such a scenario is supported by the recent talks in Beijing.

A guarantee of the North Korean regime may not refer to the signing of a non-aggression treaty, which requires U.S. Congressional approval, but rather a simple document or joint-declaration promising that the U.S. has no intention to strike North Korea, guaranteed by neighboring countries or the international community in the form of a multilateral security body. In fact, North Korea recently mentioned a “non-aggression oath,” which is a looser form of the non-aggression treaty (July 11). Such a compromise will be a win-win strategy for all countries involved—the U.S. winning the cause by encouraging North Korea to give up its nuclear programs through a multilateral system; North Korea gaining economic assistance and a guarantee for safety of its regime; China and Russia enjoying larger influence on the Korean peninsula based on their roles of mediators and guardians; and South Korea and Japan leading the KEDO project for peace on the Korean peninsula.

PROSPECTS FOR AN INTER-KOREAN RELATIONSHIP AND ECONOMIC COOPERATION

The top priority for the South Korean government has been establishing a framework for dialogue with North Korea and resolving the nuclear issue peacefully and through cooperation with the neighboring countries. Seoul’s three major principles with regard to Pyongyang are (1) no toleration of North Korean nuclear programs, (2) peaceful resolution of the nuclear crisis, and (3) a leading role in resolving the issue. As peace and stability on the peninsula is a precondition for South Korea’s major aim to become an economic hub in Northeast Asia, Seoul is putting special

emphasis on improving inter-Korean ties and stimulating inter-Korean economic cooperation.

Due to the mid-to-long term nature of the North Korean nuclear issue, the inter-Korean relationship is not expected to show any rapid progress for the time being. Though the speed of the resolution may depend on Pyongyang's actions, the big picture shows the U.S. and Japan "pressuring" North Korea while South Korea emphasizes "dialogue." The three countries will continue humanitarian aid to the communist state, but the amount will inevitably decrease with the further prolongation of the issue.

Under the above scenario, North Korea is expected to maintain ties with the South through economic cooperation and social/cultural exchanges rather than political or military measures. However, the South Korean government with the opposition party taking up majority of the National Assembly is projected to face considerable setbacks in responding to North Korea's nuclear announcements, lobbying to prevent preemptive strikes by the U.S., and consistently pursuing the engagement policy.

Meanwhile, North Korea's nuclear threat, though no significant influence on the inter-Korean economic cooperation on the short-term basis, will be a burden heavy enough to limit new investments. Economic sanctions against the communist state will certainly strain inter-Korean relations and negatively impact the inter-Korean economic cooperation. For instance, sluggish investment or the lack thereof, and consumption in South Korea will directly contract trade with, and investment in North Korea. In particular, heightened tensions between North Korea and the U.S. will have a significant impact on existing and new investments as well as on non-transaction trade with North Korea. However, the inter-Korean economic cooperation project will remain unaffected if the situation does not aggravate. In fact, the recent groundbreaking at the Kaesong Industrial Complex and completion of four major agreements concerning the inter-Korean economic cooperation herald more institutional and stable projects in the future.

POLICY DIRECTION FOR SOUTH KOREA

Overall Direction

It is important for the South Korean government to maintain a balance between global and national approaches to the North Korean issue, as well as to sustain consistency in its policy. South Korea must form close cooperative ties with neighboring countries while keeping the dialogue channels open at all times, especially when the tension peaks between the United States and North Korea.

The South Korean government has appeared to say one thing during the summit talks with the U.S. and Japan, and say something else in domestic settings. Such behavior certainly leaves an impression of unreliability. If it continues, Seoul could even be excluded from the resolution process, meaning that the U.S. would have sole control. Such possibility will not disappear even if Seoul takes part in the six-party talks. In this regard, it is essential for South Korea to exercise flexible diplomacy between “national collaboration” and “ROK-U.S. alliance” and at times, Seoul may even have to resort to “strategic ambiguity”

At the same time, South Korea should convey to North Korea that non-proliferation, peace and stability on the Korean peninsula can only be achieved when there is genuine national collaboration, direct engagement involved parties on the peninsula, and full implementation of the June 15 joint declaration. In addition, Seoul must remember to convey that it can put pressure on Pyongyang through a multilateral framework despite its basic principle of peace.

Direction of North Korean Policy

Above all else, the South should dissuade the North from further escalating nuclear tensions. Such requires regularization of the inter-Korean talks, expansion of inter-Korean cooperation to include

military issues, politics and diplomacy, and early organization of inter-Korean defense ministers' talks for military confidence-building.

As Kim Jong-il's visit to Seoul is not expected to be easy, given the rumors of a U.S. preemptive strike and collapse of the Pyongyang regime, South Korea can consider a bold approach of suggesting a summit meeting in Pyongyang. Of course, it would necessitate some coordination in advance via special envoys, for example, another joint declaration of denuclearization on the Korean peninsula and establishment of a North Korea economic recovery program.

Direction of Diplomacy

Along with close cooperation with its neighbors, South Korea must understand fully that hasty resolution of the North Korea issue and excessive pressure on the regime may prolong or even further aggravate the confrontation. After all, it would be difficult to completely halt humanitarian aid to North Korea despite the nuclear crisis and economic sanctions would be ineffective without active cooperation from China. In this regard, South Korea must convince those countries that excessive pressure may only entrench national identity in North Korea and further delay resolution of the issue.

The fundamental objective for all parties involved is to promote peace and stability on the Korean peninsula and to that end, the U.S. and other neighboring countries must set up detailed military and economic measure that will encourage the North to take part in multilateral talks and renounce its nuclear programs. Particularly, as directly involved parties, South and North Korea need to devise a staged nuclear renunciation plan, and exert diplomatic efforts to persuade the global community and secure guarantees on the plan.

Direction for Domestic Policy

For stronger bargaining power with North Korea and the U.S., the South Korean government must build a social consensus and

national support for its policy toward North Korea. In this regard, one of the top priorities for Seoul is to enhance transparency of policy decision-making, to build national consensus, and to secure bi-partisan support.

The North Korea issue must not be party politics. Since it is a national issue, both the government and the opposition party must regard one another as partners in building a future of national peace and prosperity. Closed deals and unilateral decisions must be done away with. Of course, there may be issues that cannot be publicized: politically or militarily sensitive issues or specific agenda under discussion with Pyongyang. Those can be labeled confidential and be subject to discussion and consultation among related government departments and congressmen. For instance, a special sub-committee on improving inter-Korean relations would be one such idea.