

Responding to North Korea's Surprises

By John Feffer

For a supposedly changeless, monolithic state, North Korea shakes up the staid world of diplomacy with surprising frequency. In the past four months, Pyongyang has initiated dramatic economic changes, stunned Japan with its confession of abductions, appointed a Chinese-born tycoon to oversee its newest free-trade zone, and sent its first-ever boatload of athletes, musicians, and cheerleaders to South Korea to participate in the 2002 Asian games. In the latest stunner, North Korea revealed in early October to a visiting U.S. delegation that it has violated international agreements with a secret uranium enrichment program.

So often on the receiving end of carrot-and-stick policies, North Korea has been trying its own alternation of sweet and sour. The summer began on a sour note. At the end of June, in what has become a semi-annual clash during the lucrative crab harvesting season, North and South Korean boats exchanged fire in a disputed area of the West Sea, leaving four ROK sailors and an estimated thirty DPRK sailors dead. Planned negotiations with the United States immediately evaporated. With North Korea refusing to acknowledge dispatching a spy boat sunk by Self Defense Forces in December 2001, relations with Japan were also at an impasse.

By the end of the summer, however, North Korea added some sweetener to its foreign policy. Japanese Prime Minister Junichiro Koizumi's visit to Pyongyang in September prompted North Korean leader Kim Jong Il to make the dramatic admission that his country had abducted thirteen Japanese nationals in the 1970s and 1980s to advance its espionage efforts. This burst of glasnost, followed by the visit of five surviving abductees to their Japanese families, represented a painful but necessary step forward in the normalization of relations between the two countries.

Meanwhile, after North Korea expressed its regret for the naval clash, exchanges between North and South accelerated, capped by the joint procession of athletes at the opening ceremony of the Asian Games in Pusan. Work resumed in the fall on the stalled inter-Korean railroad. Inter-Korean trade is up 11% over last year, helped by a surge in commercial trade. South Korean firms are pouring money into telecommunications and software development in the North.

These promising developments are now in jeopardy after Pyongyang's admission that its nuclear program is not frozen as promised in the 1994 Agreed Framework. North Korea has apparently been trying to produce fissionable material for several years—opting for a centrifuge to refine uranium rather than a nuclear reactor to accumulate plutonium—though it will take several more years before such a process yields a nuclear deterrent. In response, the United States, South Korea, and Japan have all agreed to pursue a diplomatic solution to the problem. But in the meantime, Washington is threatening to suspend fuel shipments to Pyongyang, Japan is backing away from a plan to provide the North \$1 billion a year for a decade as part of a normalization package, and South Korea's engagement policy faces perhaps its greatest political threat as Kim Dae Jung nears the end of his term and the conservatives pull ahead in the polls for the December presidential elections.

The nuclear revelations—and Pyongyang's diplomatic oscillations between confrontation and conciliation—have displaced news of more consistent and potentially dramatic changes in North Korea's economy and society, the perestroika that accompanies the headline-catching glasnost. Capitalism has been slowly taking root in North Korea, a transformation long insisted upon by the United States. Yet the Bush admin-



istration maintained an inscrutable silence in the face of these changes. Pyongyang tried several other means of attracting U.S. attention—extending a moratorium on missile tests, signing international accords on terrorism, floating a proposal to reduce its troops at the Demilitarized Zone (DMZ) by up to 50,000. The most recent confession of prevarication may well have been a carefully administered but ultimately desperate shock to push relations forward with the United States.

Problems with Current U.S. Policy

The Bush administration signaled early on that it considered the Clinton approach of engaging North Korea tantamount to appeasement. In 2001, Bush snubbed Kim Dae Jung and his policy of engaging the North and put the breaks on the progress the Clinton administration had made on negotiating an end to North Korea's missile program. Confounding the notion that Bush's inclusion of North Korea in the "axis of evil" speech was only to preemptively counter charges of anti-Islamicism, uber-hawk John Bolton reiterated the administration's approach in Seoul in August 2002. "The 38th Parallel serves as a dividing line between freedom and oppression, between right and wrong," the under secretary for arms control and international security stated. It was this hard line that Assistant Secretary of State James Kelly brought to Pyongyang in early October.

Despite rhetoric to the contrary, a chief Bush administration goal has been to isolate Pyongyang. The traditionally hermetic North Korea has been pushing hard for engagement for some time, discretely sending its intelligentsia abroad for training and

exposure to foreign ideas. In an updated version of the Meiji-era Japanese attempt to borrow technology from the West without transforming prevailing ideology—"Western machines, Eastern thought"—North Korea is trying to modernize according to its own rules.

Although admitting a trickle of North Korean visitors, the Bush administration set up road blocks to North Korea's larger engagement with the world, claiming that North Korea still represents a terrorist threat even though the State Department acknowledges that the country hasn't engaged in international terrorism in fifteen years. As such, the administration has opposed an inter-Korean joint venture that would develop a mobile phone system in the North and has blocked South Korea's initiative to invite the North to a meeting of the Asian Development Bank. The United States has consistently prevented North Korea from approaching the International Monetary Fund (IMF) even as it urges the country to embrace capitalism.

Economic reform, whether supported by the United States or not, will likely open up North Korea just as surely as the market has transformed China. In the late 1990s, Pyongyang began laying the legal groundwork for a Chinese-style transition, changing the constitution, looking the other way at a burgeoning black market, and permitting such experiments as a revolving loan fund and joint ventures with the South. After visiting Shanghai in January 2001, Kim Jong Il began talking about the importance of introducing "profit-oriented" economic management. According to conventional wisdom, North Korea would permit these market changes only in special zones, such as the latest free-trade zone in Sinuiju where

North Korea recently appointed a Chinese-born Dutch citizen as governor of (his subsequent arrest by Chinese authorities will necessarily delay plans).

Instead of being restricted to liberalized cantons, however, economic change is spreading more generally throughout North Korea. In a pilot program begun over the summer in one northeast province, portions of collective farms have been turned into individual plots. According to a new accounting act, certain state enterprises such as Kim Chaek Steel Company and the Soon Chun Cement Company have become reorganized as corporations. In July, in perhaps the most unexpected departure from orthodoxy, the government removed price supports and raised wages. Small private enterprises, like ice cream vendors in Pyongyang, are moving into the official sphere. Financial reform is expected to follow soon. Last year the economy grew by 3.7%, the third straight year in the black.

The logic of reform presents North Korea with an unavoidable dilemma. Prompted by an internal calculus or dictated by the international financial institutions that it wants to join, North Korea has to shift resources from the military to the economic sector in order to boost industrial and agricultural capacity. It has done this in part by transforming large sections of the army into the equivalent of the U.S. Army Corps of Engineers to maintain sagging infrastructure. Kim Jong Il has extended the moratorium on missile development in a bid to win a package deal from the West. North Korea has sent its officials abroad for training in disarmament and sent representatives for the first time in October to the multilateral security forum, the Northeast Asia

Cooperation Dialogue. The Bush administration did not pursue any of these tantalizing openings.

North Korea does not likely feel secure enough to risk a massive conversion effort, particularly in the face of the Bush administration's insistence on regime change—not only in Iraq but as a general principle of statesmanship. Additionally, the Bush administration's new nuclear doctrine, unveiled at the end of 2001, explicitly lists North Korea as one of seven countries that might warrant nuclear attack. As Bolton pointed out in Seoul, "Change in the North's diplomatic, economic, and security posture is necessary, but not sufficient." In the Bush administration's lexicon, "sufficient" for a member of the "axis of evil" boils down to a single option: self-destruction.

Since regime change is not popular with the Japanese or the South Koreans, both of whom are still operating within an engagement-containment continuum, the Bush administration has contented itself with multiplying the number of hoops that Pyongyang must jump through in order to emerge onto the world stage. While the Clinton administration focused on halting North Korea's nuclear program and then its missile program, the Bush administration widened the focus to include all weapons of mass destruction, troop concentrations, and even internal changes within North Korea. The administration's "hawk engagement," which has turned out to be all hawk and no engagement, widened the terms of negotiations and challenged the viability of the Agreed Framework. With its nuclear revelation, Pyongyang has defiantly challenged the terms of engagement and put the nuclear issue back at the center. North Korea's strategy appears to

be a step backward *pour mieux sauter*. Carrots didn't work with the Bush administration, Pyongyang has reasoned, so perhaps sticks will.

Toward a New Foreign Policy

Pyongyang has long recognized that nuclear weapons are one of the few deterrents that United States takes seriously when contemplating regime change. "We won't be next," they are telling a U.S. government bent on replacing Saddam Hussein. At the same time, to improve relations with the larger world, North Korea has to reveal the extent of its nuclear program. A diplomatic solution requires international inspections and a suspension of North Korea's nuclear program.

The first step, then, must be a renegotiation of the Agreed Framework. This agreement has been, as analyst Peter Hayes notes, more a means "to conduct diplomacy and to push forward on issues of concern to both sides" than a specific deal on building two nuclear power plants in North Korea. North Korea expected the agreement to lead to normalization of relations; the U.S. architects of the agreement expected North Korea to collapse before the plants were built. An agreement built on such contrary expectations cannot last long. The current crisis represents an opportunity to build a better agreement that would provide greater security guarantees for the United States and its allies and a more sustainable energy future for North Korea.

Second, the United States must provide assurance that it will not launch a preemptive attack on Pyongyang. A government under constant threat of attack will seek out all deterrents within reach. As part of a package deal, security guarantees such as sus-

pension of exercises or troop reductions should accompany verbal promises.

Finally, and most fundamentally, the United States must develop a more nuanced understanding of what is happening on the ground in North Korea. The Bush administration portrays North Korea as a totalitarian society frozen in time and adamant in philosophy. To the extent that an impoverished country can do so in a globalized age, North Korea has insisted on determining its own pace of change. To borrow from the language of science, North Korea is engaged in a form of punctuated evolution—not a smooth transition from Confucian communism to market socialism but a process characterized by sudden bursts of diplomatic and economic activity. The past four months have been just such a burst.

Granted, a changeless, evil society figures prominently in the very structure of U.S. security doctrine, and it might be naïve to expect the Bush administration to understand North Korea's punctuated evolution. To do so, however, is not simply of academic importance. There are important benefits to engagement that so far the Bush administration has ignored.

The benefits can't be expressed in trade figures. Although North Korea has key natural resources—gold, magnesite, even newly discovered offshore oil—it remains a poor investment. The country, however, plays a pivotal role in the region. With North Korea more resolutely embarked on market reforms, East Asia will be able to form a free trade area, Europe and Asia will be able to connect by railroad and greatly expand trade, and the natural resources of the Russian Far East will be more easily tapped for Asian development. Russia, China, South Korea,

and Japan all recognize this potential. Only the United States, because of Bush's almost pathological distaste for diplomacy, remains on the outside of what promises to be one of the more remarkable economic shifts in the coming decade.

For any of the grander economic schemes involving North Korea to materialize, a large infusion of capital into the country is required. The only likely sources for such capital are the international financial institutions. The International Monetary Fund has extended an invitation for North Korea to participate in its 2003 meeting

in Dubai and has offered technical assistance even before membership. Market reforms and engagement with international financial institutions are a two-edged sword. This kind of engagement brings North Korea into the world, and thus reduces the risk of war, particularly with the United States. But it also creates debt dependency and accentuates what are already strong class divisions within North Korea.

Before North Korea confronts these difficult choices, however, the essential confrontation between the Bush administration's preference for regime

change and North Korea's preference for nuclear deterrence must be resolved. These two destabilizing strategies have developed a toxic co-dependency on the Korean peninsula, and the United States and North Korea must agree quickly and equitably on a new framework to detoxify their relations.

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