



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 last 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 its latest stunner, North Korea revealed in early October to a visiting U.S. delegation that it has violated international agreements by pursuing 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 Republic of Korea (ROK—South Korea) sailors and an estimated thirty Democratic Peoples' Republic of Korea (DPRK—North Korea) sailors dead. Planned negotiations with the U.S. immediately evaporated. Given North Korea's refusal to acknowledge dispatching a spy boat sunk by Japanese self-defense forces in December

the fall, work resumed on the stalled inter-Korean railroad. A permanent center for reunions of families divided by the Korean War is being negotiated, and inter-Korean trade is up 11% over last year. South Korean firms are pouring money into telecommunications and software development in the North, and plans for a joint economic zone in the North Korean border town of Kaesong have nearly been finalized.

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. With the help of Pakistan, 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 arsenal.

Although South Korea and Japan have continued to talk with North Korea, the Bush administration wants North Korea to suspend its nuclear program before the U.S. offers to resume direct negotiations. Washington has also suspended fuel shipments to Pyongyang and is contemplating additional economic sanctions. Japan, meanwhile, is considering making any economic aid to North Korea—including a possible normalization package of \$1 billion a year for a decade—contingent on North Korean military reductions. And Tokyo is expressing greater interest in U.S. missile defense schemes. Although discussions with the North have continued, South Korea's engagement policy faces perhaps its greatest political threat, as Kim Dae Jung nears the end of his term, and the conservatives are pushing to take over in 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 administration has maintained an inscrutable silence in the face of this metamorphosis. Pyongyang tried several other means of attracting U.S. attention: extending a moratorium on missile tests, signing international accords on terrorism, and floating a proposal to reduce its troops in 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 effort to nudge relations forward with the United States.

Key Points

- North Korea has been trying both carrots and sticks to win deals from its neighbors and the United States.
- The recent admission that it has continued to develop a nuclear weapons program is most likely North Korea's attempt to win a package deal from the United States.
- Although South Korea and Japan have continued to talk with North Korea, the Bush administration wants North Korea to suspend its nuclear program before Washington resumes direct negotiations.

2001, relations with Japan also reached 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 13 Japanese nationals in the 1970s and 1980s in order 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. In

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's policy of engaging the North and put the brakes on the progress the Clinton administration had made in negotiating an end to North Korea's missile program. Disproving the notion that Bush's inclusion of North Korea in his Axis of Evil speech was only to preemptively counter charges of anti-Islamicism, the State Department's Arms Control Undersecretary 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," Bolton 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, discreetly 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.

While admitting a trickle of North Korean visitors to the U.S., the Bush administration has erected roadblocks to North Korea's larger engagement with the world, claiming that Pyongyang still represents a terrorist threat, even though the State Department acknowledges that the country has not 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 U.S. has consistently prevented North Korea from approaching the International Monetary Fund (IMF), even as it urges the country to embrace capitalism.

Economic reform, whether encouraged by the U.S. or not, will likely open up North Korea just as surely as the global 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 will permit these market changes only in special zones such as Rajin-Sanbong, Sinuiju, and Kaesong.

But instead of being restricted to liberalized cantons, economic change is already 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. Whether 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 its army into the equivalent of the U.S. Army Corps of Engineers in order to buttress the country's sagging infrastructure. Kim Jong Il has also extended the moratorium on missile development in a bid to win a package deal from the West. Moreover, North Korea has sent its officials abroad for training in disarmament and this October even sent representatives for the first time 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 military conversion effort, particularly in light of the Bush administration's insistence on regime change not only in Iraq but as a general principle of statesmanship. Specifically, the Bush administration's new nuclear doctrine, unveiled at the end of 2001, lists North Korea as one of seven countries that might warrant a U.S. nuclear attack.

Since regime change is popular with neither the Japanese nor the South Koreans, both of whom are still operating within an engagement-containment continuum, the Bush administration has chosen to multiply the hoops that Pyongyang must jump through in order to emerge on the world stage. Unlike the Clinton administration, which focused on halting North Korea's nuclear program and then its missile program, the Bush administration seeks to regulate all weapons of mass destruction, determine troop concentrations, and even induce internal changes within North Korea. The administration's "hawk engagement," which has turned out to be all hawk and no engagement, has expanded the prerequisites for 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* (to more easily leap forward). Carrots didn't work with the Bush administration, Pyongyang has reasoned, so perhaps sticks will.

Key Problems

- Despite rhetoric to the contrary, a chief Bush administration goal has been to isolate North Korea.
 - The U.S. has largely failed to recognize or encourage the dramatic economic transformation occurring in North Korea.
 - The Bush administration preference for regime change has hardened the U.S. negotiating position with North Korea.
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Toward a New Foreign Policy

Pyongyang has long recognized that nuclear weapons are one of the few deterrents that the U.S. 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 must reveal the extent of its nuclear program. A diplomatic solution requires international inspections and a suspension of North Korea's nuclear program.

Key Recommendations

- In order to stop North Korea's nuclear program, the Agreed Framework needs to be salvaged and improved upon.
- The U.S. must provide assurance that it will not launch a preemptive attack on Pyongyang.
- The Bush administration must develop a more nuanced understanding of what is happening on the ground in North Korea, so the U.S. can take part in future regional economic development.

The first step, then, must be a renegotiation of the Agreed Framework, which was always supposed to be about more than simply constructing two nuclear power plants in North Korea. North Korea expected the agreement to lead to a normalization of relations; the U.S. architects of the agreement expected North Korea to collapse before the plants were built. An agreement premised on such contrary expectations cannot last long. The current crisis represents an opportunity to craft a better agreement that would provide greater security

guarantees for the U.S. and its allies and a more sustainable energy future for North Korea.

Second, the U.S. 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 a suspension of military exercises or troop reductions should accompany verbal promises.

Finally, and most fundamentally, the U.S. must develop a more nuanced understanding of what is happening 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 last four months have been just such a burst.

Granted, North Korea as a changeless, evil society figures prominently in the structure of U.S. security doctrine,

and it might be naïve to expect the Bush administration to understand Pyongyang's punctuated evolution. To do so, however, is not simply of academic interest. There are important benefits to engagement that the Bush administration has thus far 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 would be able to form a free trade area, Europe and Asia would be able to connect by railroad and would greatly expand trade, and the natural resources of the Russian Far East would be more easily tapped for Asian development. Russia, China, South Korea, and Japan all recognize this potential. Only the U.S., because of Bush's apparent unwillingness to explore diplomatic solutions, remains aloof from 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, however, a large infusion of capital into the country is required. The only likely source for such capital, apart from Japan, is the international financial sphere. The IMF has extended an invitation for North Korea to participate in its 2003 meeting in Dubai and has offered technical assistance even before membership. Yet, market reforms and involvement with international financial institutions represent 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, the basic clash 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 codependency on the Korean Peninsula, and the U.S. and North Korea must agree quickly and equitably on a new framework to detoxify their relations.

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