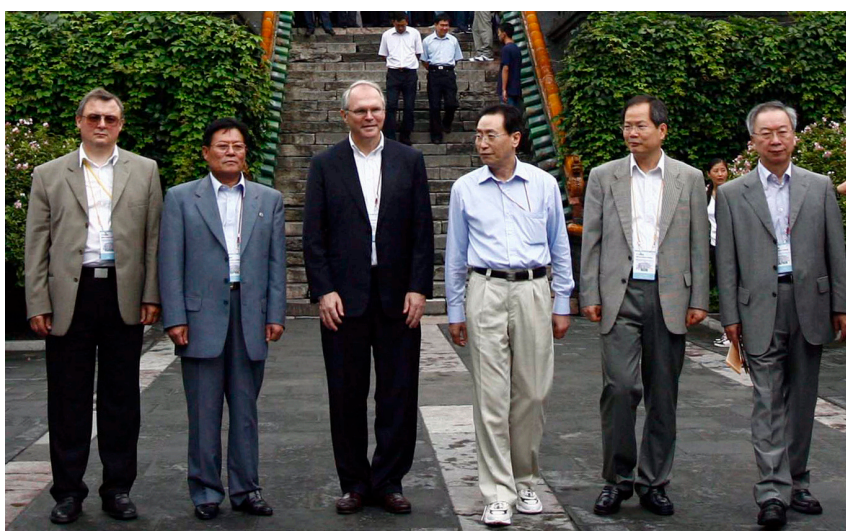


THE KOREAN PENINSULA: ROOM FOR CAUTIOUS OPTIMISM

North Korea's nuclear program is an obstacle to peace on the Peninsula, a threat to stability in Northeast Asia, and a global non-proliferation challenge. The peaceful denuclearization of the Korean Peninsula is still in the balance. There is some room for optimism, as Washington's return to a stronger emphasis on diplomacy and China's growing will to exert leverage on North Korea have created the necessary balance of pressure and dialogue in the Six-Party Talks. However, longer-term security also hinges on the challenge of how to support the internal political and socio-economic transformation of North Korea.



Delegates of the Six-Party Talks, 17 August 2007

Sheng Li / Reuters

In recent months, the crisis concerning the nuclear program of the Democratic People's Republic of Korea (DPRK, North Korea) has been marked by both stark escalation and hopeful signs of a peaceful settlement. On the negative side, the country demonstrated its – previously questioned – nuclear capability when it tested an underground nuclear bomb on 9 October 2006. The strategic significance of this development has been threefold: First, it modified the structure of the conflict between the two Koreas and further complicated the search for stability and peace on the peninsula. The new nuclear asymmetry increased South Korea's dependence on US deterrence and – at least in the short-term – strengthened the authoritarian regime of Kim Jong-Il. Second, it enhanced the possibility of a regional nuclear arms race

that would undermine the present security architecture and balance of power in Northeast Asia. The bilateral security relationships between the US and South Korea and Japan that have been a key factor of stability in the region in the past decades are bound to diminish in relevance should Seoul or Tokyo feel compelled to acquire a nuclear capability too. Third, North Korea's nuclear status constitutes a challenge to global non-proliferation efforts. Although the DPRK pulled out of the Non-Proliferation Treaty (NPT) in 2003, failure of the international community to reverse its nuclearization would deal another severe blow to the already much weakened non-proliferation regime. Moreover, there is the danger that the North Korean regime, which has already made profitable business by selling its missile technology, could

supply its nuclear know-how and materials to other states or even terrorist groups.

On the positive side, there has been some remarkable progress in the international efforts to resolve the nuclear crisis. Most importantly, on 13 February 2007, North Korea accepted an Action Plan that stipulates its nuclear disarmament, the normalization of its relations with the US and Japan, and international energy assistance. In July 2007, the International Atomic Energy Agency (IAEA) verified the closure of the Yongbyon nuclear power plant. Following bilateral talks with the US in Geneva, on 2 September 2007 North Korea agreed to declare and disable all its nuclear facilities by the end of the year. Furthermore, the announcement of an inter-Korean summit to take place in the autumn of 2007 in Pyongyang rekindled hopes of improved relations on the peninsula. Even though the meeting may be partly motivated by domestic election considerations of the ruling party in Seoul, it is of high symbolic value, as it would only be the second of its kind since the Armistice Agreement ended the Korea War in 1953. However, if these steps give room for optimism with regard to resolving the nuclear question, the larger issue of North Korea's future still remains to be addressed.

Cycles of escalation and de-escalation

Ever since US intelligence began to detect signs of a North Korean nuclear program in the mid-1980s, there has been much

debate on what to do about it. After the DPRK announced in 1993 for the first time its intention of withdrawing from the NPT, the US negotiated bilaterally the “Agreed Framework” of 21 October 1994. According to this agreement, North Korea pledged to freeze the operation and construction of nuclear reactors suspected of being part of a nuclear weapons program, in exchange for two proliferation-resistant light water reactor power plants and energy supplies. When this agreement unraveled in 2001/02, many analysts saw that development as proof that more pressure, rather than dialogue, was needed to bring about change in the DPRK’s stance. George W. Bush included North Korea in his “axis of evil” state of the union speech in January 2002, and the US accused Pyongyang of illegally starting an enriched uranium weapons program. Based on this, the US stopped its oil shipments. North Korea reacted by leaving the NPT and restarted its program to produce plutonium – the basis for the test of October 2006.

The US shift to a tougher strategy was to some extent shaped by the political climate in Washington since Bush came to office in 2001. There is some evidence that the CIA intelligence that led to the US accusations of 2002 had been misread or overstated, as in the run-up to the invasion of Iraq. The DPRK did indeed secretly acquire 20 centrifuges for uranium enrichment from Pakistan, and it also acquired other equipment necessary to construct a uranium enrichment facility. However, key experts on the issue, such as David Albright, president of the Institute for Science and International Security, argue that the US government may have exaggerated its analysis of how far the North Korean program was advanced at the time.

The Six-Party Talks

In August 2003, China hosted the first of a series of Six-Party Talks (including the two Koreas, the US, China, Russia, and Japan) to resolve the nuclear crisis. The US had learnt from previous experiences in the 1990s that a multilateral setting was favorable to a bilateral one, since it is inconceivable to implement any agreement with North Korea without the support of neighboring countries, particularly China. A breakthrough was achieved in the fourth round of talks on 19 September 2005, when the six parties agreed on a verifiable denuclearization of the Korean Peninsula. The DPRK agreed to abandon all nuclear weapons and nuclear programs and to return to



the NPT as soon as possible, provided that it was allowed to use nuclear energy for peaceful purposes and received US security guarantees that the US would not invade. However, only one day later, the DPRK said it would not give up its nuclear program until it was given a civilian nuclear reactor, thereby partly undermining the joint statement. Accordingly, the Six-Party Talks of November 2005 ended in stalemate.

With US financial measures against North Korea becoming a dominant issue, a new cycle of tensions came about. On 15 September 2005, the US Department of Treasury blacklisted the Banco Delta Asia (BDA) in Macao over money laundering concerns under the “Illicit Activities Initiative” and froze North Korean assets of US\$25 million. While the sum was small, the US Treasury’s move was decisive in cutting off the DPRK’s financial ties to the rest of the world, as international banks suspended ties to North Korea. Pyongyang reacted by discontinuing the Six-Party Talks. Moreover, it escalated the conflict by testing six missiles in July 2006 and performing the above-mentioned nuclear test three months later.

International reaction to the bomb test was surprisingly unified and clear. UN Resolution 1718 was passed unanimously, imposing far-reaching economic sanctions that were targeted particularly at weapons and luxury goods. Significantly, China as Pyongyang’s closest ally and main trading partner became more willing to increase pressure on the DPRK now that the specter of nuclear proliferation in Northeast Asia had become very real. The same holds true for the Republic of Korea (ROK, South Korea), which accepted sanctions against North Korea despite its traditionally more conciliatory approach of seeking peaceful cooperation (“Sunshine Policy”, “Peace and

Prosperity Policy”). The US, for its part, became more focused on diplomacy again. Between 2002 and 2006, Washington had made any substantial dialogue with the DPRK contingent on prior North Korean action to abandon the nuclear weapons programs, and had also perceived the Six-Party Talks more as a crisis management tool than as a mechanism for negotiations. The US decision to abandon this strategy again and even accept bilateral talks about unfreezing North Korea’s assets resulted from the lack of a sound military option concerning North Korea, the decreasing influence of neoconservatives on the foreign policy agenda of the Bush administration, the ongoing difficulties in Iraq, and the mounting proliferation challenge emanating from Iran. It was largely because the Five (i.e., the Six minus North Korea) now jointly pursued a dual strategy of pressure and negotiations that the resumed Six-Party Talks succeeded in bringing about the agreement of 13 February 2007.

Requirements for progress

Above all, breaking the cycles of escalation requires two things: First, it is essential to preserve the new-found consensus among the Five to apply a strategy based on both carrots and sticks. One of the main reasons why the DPRK succeeded time and again in turning the nuclear crisis into a cat-and-mouse game was that the approaches of the Five were one-sided, incoherent, or mutually incompatible. The Macao sanctions were effective in putting pressure on the DPRK, yet they also cornered and isolated it. The North Koreans did not react with compliance, but by escalating the conflict, pulling out of the Six-Party Talks, and testing a nuclear bomb. Dialogue and diplomacy alone, however, did not suffice either, as shown by the slow progress of the Six-Party Talks since 2003. Pressure is therefore

North and South Korea in comparison		
	North Korea	South Korea
Population	23.3 Mio.	49 Mio.
GDP per capita (PPP)	US\$ 1,800 (estimate)	US\$ 24,500
Labor force in agriculture	36 per cent	6.4 per cent
Telephone lines in use	980,000 (2003)	26.86 Mio. (2006)
Active military personnel	1,106,000	687,000

Sources: CIA World Factbook 2007; IISS Military Balance 2007

needed, but it must be coherently applied by the key actors, and has to be coupled with dialogue and flexibility. If consensus between China and the US on such an approach has been decisive in advancing the process lately, the key challenge will be not to allow any potential Chinese-US tensions over other issues, such as Taiwan or trade, to disrupt their cooperation in the Six-Party Talks.

Second, a sustainable solution to the nuclear crisis can only come about if the core interests of all parties involved are taken into account. Apart from the shared aim of the Five of a nuclear-free Korean Peninsula, these interests can be summarized as follows:

DPRK: North Korea is primarily concerned that the international community may seek to change its regime coercively. The DPRK's existential fear of the American superpower roots in the memory of the Korean War, and today relates as much to US military capabilities and security arrangements in South Korea and Japan as to "axis of evil" rhetoric and the invasion of Iraq. Many analysts believe that the US counter-proliferation policy after 11 September 2001 paradoxically accelerated the North Korean nuclear program, as Pyongyang came to see nuclear weapons as the best defense against a US attack. US security guarantees not to invade are thus a key objective of the regime of Kim Jong-Il. Economic assistance is a second important goal, as North Korea's "Songun" ("military-first") strategy and its ideology of "Juche", which places a priority on self-reliance, have resulted in a disastrous economic situation and an ongoing humanitarian crisis. Moreover, North Korea would want Japan to acknowledge, and pay compensation for, the Korean "comfort women" who were sexually abused by Japanese soldiers during World War II.

ROK: Seoul's underlying interest is to seek peaceful coexistence with its northern neighbor. While reunification remains a vi-

sion, the potential economic burden on South Korea means that it would seek reunification only over a very long-term period, after North Korea has developed substantially. South Korea will be tough on the nuclear issue only as long as international measures do not imply the risk of a sudden collapse of the North Korean regime.

China: Beijing's main interest is regional stability and economic development in Northeast Asia. Avoiding a collapse of the DPRK regime is decisive, as China – besides South Korea – would be the country to suffer the most from the negative impacts. China's preferred scenario for the long-term status for the peninsula might be summarized as a denuclearized "two-Koreas status quo", with an economically reformed DPRK friendly to China.

Russia: Moscow no longer plays a primary role with regard to North Korea. While it is interested in developing economic ties with both Koreas, the peninsula is not a prominent issue on its foreign policy agenda these days. Still, Russia still wants to be recognized as a great power in Northeast Asia, and it took on an important role in the transfer of the unfrozen Macao DPRK assets to North Korea in the summer of 2007.

Japan: Japan is perhaps the country that is most threatened by North Korea's nuclear weapons programs, and it has long been the most critical of an engagement policy. The issue of the abduction of some 13 Japanese citizens by North Korean spies in the 1970s and 1980s is of great importance to Japan, whose leaders have in fact linked the funding of energy assistance to the DPRK to the settlement of this matter.

US: Washington's two main interests are to preserve regional stability as well as its role as the predominant security actor in Northeast Asia, and to prevent nuclear proliferation from North Korea to both state and non-state actors. Even though the DPRK is not known to have been involved

in any terrorist act since the bombing of a Korean Airlines flight in 1987, it has long figured on the US list of state sponsors of terrorism. The US will want to make sure that the denuclearization of North Korea can be fully verified by the IAEA.

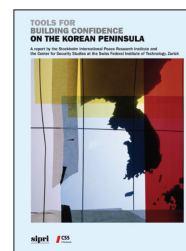
The broader issue: North Korea's future

Even if it may be possible to resolve the nuclear issue eventually, the broader issue of internal developments within North Korea and the future of inter-Korean relations remains a formidable challenge that needs to be addressed. In the mid 1990s, up to 2.5 million North Koreans died of famine (about 3–5 per cent of the population), following the end of aid after the demise of the Soviet Union and the lacking capacity of the DPRK economic system. Food shortage is still chronic today. China and South Korea provide extensive aid, yet food and energy shortages and the resulting humanitarian crisis are ongoing challenges. It is unclear how far the current DPRK regime prefers "managed instability", as a means of preserving its authoritarian rule, over reforms that might lead to economic development. North Korea has been shut off from the rest of the world for more than five decades. The combination of pressure and engagement will have to be even more delicately balanced when it comes to its domestic development than has been the case with its nuclear ambitions.

Recommended Reading

Tools for Building Confidence on the Korean Peninsula

Stockholm International Peace Research Institute (SIPRI) and Center for Security Studies (CSS)



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