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SECURITY AND STABILITY OF THE KOREAN PENINSULA: THE NORTH KOREAN NUCLEAR ISSUE

PART 1. THE CURRENT CRISIS

1.1 Since 1992, North Korea has been under international pressure to relinquish its nuclear weapons programme and to allow international inspection of its facilities. The first crisis (1992-94) almost led to military conflict but was resolved by the Geneva Framework Agreement (GFA) of October 1994. The GFA unwound in late 2002 when North Korean negotiators allegedly informed their US counterparts of the existence of another nuclear weapons programme. The US halted oil delivery supplies agreed under the GFA in December 2002. In response, North Korea declared that it was no longer obligated by the terms of the GFA, and took a series of actions to that effect in early 2003. These included: removal of IAEA (International Atomic Energy Authority) safety seals and inspectors; restarting its nuclear reactor and the reprocessing of spent fuel; announcing its intention to withdraw from the Non Proliferation Treaty; and declaring its right to produce and export weapons of mass destruction.

1.2 To bridge the gap between North Korea and the US, a series of Six Party Talks (SPT) have been held in Beijing since August 2003 (involving the US, North and South Korea, China, Russia and Japan). At the fourth round of talks in September 2005, an agreed statement of principles was issued but implementation of the details and other disagreements led to another standoff between North Korea and the US.

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1.3 The aim of this paper is to explain the nature of the problem, discuss possible solutions and illuminate North Korea's survival strategy in a post-communist world. This submission is based on academic analyses and discussions rather than first hand observation of North Korea. As such, it should be read in conjunction with direct knowledge available from members of the diplomatic and business community based in the country.

PART 2. THE SCALE OF NORTH KOREA'S NUCLEAR WEAPONS PROGRAMME

Direct inspections, estimates and North Korea's own statements all point to the existence of a nuclear weapons programme. Only a weapons test can confirm the existence of weapons.

2.1 An IAEA inspection team which visited North Korea's small reactor (5 megawatt) at Yongbyon in 1992 found a discrepancy between the declared amount of spent nuclear fuel and the estimated amount based on the capacity of the reactor and its length of service. The "missing" amount of spent fuel (plutonium) was believed to have been sufficient for the manufacture of 1-2 nuclear weapons. The declared amount (8,000 fuel rods) was stored and sealed by the IAEA in 1994 under the GFA. The IAEA seals and inspectors were removed by North Korea in January 2003 when the GFA broke down. If processed, North Korea could now have up to six nuclear weapons (on the estimation that it takes 8 kilogrammes of plutonium to make one

weapon). A high level US team from Los Alamos invited by the North Koreans in 2004 mentioned that they observed processes consistent with weapons manufacture, but without measuring equipment, they were unable to verify. Two much larger reactors (of 50 and 200 megawatts) were started in 1984. If completed, they could yield enough plutonium for the production of 4-13 weapons per year. It is also possible that North Korea could also have obtained smuggled plutonium from Russia during the 1990s.

2.2 Apart from the plutonium-based programmes above, North Korea is suspected of having developed a programme based on Highly Enriched Uranium (HEU) located at another site. A US inspection team visited suspect areas in 1999 (in return for food aid) but found nothing. It was North Korea's alleged admission (that North Korea denies making) to the existence of this programme that finally derailed the GFA in October 2002. On the other hand, revelations from the Pakistani nuclear programme indicate that Pakistan exchanged HEU technology for North Korean missile technology. North Korea itself has talked about possessing a "nuclear deterrent" in August 2003, and from September 2004 onwards it started talking about "nuclear weapons". Finally, the production of nuclear weapons is within the capability of a country of North Korea's standard of scientific knowledge.

2.3 North Korea possesses various short and medium range missiles capable of striking South Korea and Japan. These include old Soviet Scud B/Cs (3-600 km), Nodong (1,300 km). In August 1998, it test-fired a long-range missile, the Taepodong-1 (2,500 km). Although the test was somewhat unsuccessful (the satellite failed to achieve orbit), the fact that it flew over Japan caused consternation there, and renewed US security concerns. In 1999, North Korea announced a moratorium on missile testing (see below). Although North Korea is still years away from developing an inter-continental ballistic missile (15,000 km), it possesses the capability to make further progress in this area. The export of missiles (mainly ageing Scuds) to the Middle East earns around \$500 million per annum.

2.4 These estimates come with reservations. The subject is not one that is open to direct research, and for North Korea in particular, information sources are limited. Most of the information used by academics, policy think-tanks, and even the IAEA emanate from two sources, namely the US Central Intelligence Agency and South Korea's National Intelligence Service. In terms of total military capability, North Korea is minuscule compared with South Korea (its total GDP is only 3% of South Korea's). North Korea is militarily far inferior to South Korea, even without including the US. North Korea's 1961 defence treaties with the USSR/Russia and China have lapsed, whereas South Korea's treaty with the US remains active.

PART 3. FROM FIRST TO SECOND NUCLEAR CRISIS 1992 TO 2002

The current situation represents the latest of a series of crises linked to North Korea's emergence as a potential nuclear power in the early 1990s.

3.1 The first crisis arose from North Korea's refusal to permit thorough IAEA inspection of its nuclear facility at Yongbyon (60 miles north of Pyongyang) and withdrawal from the Non Proliferation Treaty (NPT) it had signed in 1985. Military conflict was narrowly averted by former US President Jimmy Carter's informal

diplomatic visit to Pyongyang in June 1994. Carter brokered a deal which eventually became the Geneva Framework Agreement of 17 October 1994. The central features of the GFA were:

- North Korea would allow inspectors to return and suspend operation of its 5 mw reactor and reprocessing activities at Yongbyon. But special inspections would be postponed until the completion of two replacement light water reactors.
- North Korea would halt the construction (began 1984) of two larger reactors at Yongbyon (50 mw) and Taechon (200 mw).
- North Korea would receive two light water reactors (LWRs) (capable of generating 2,000 mw of electricity but less suitable for military use) to be built at Sinpo. The project would be financed by the Korean Peninsula Energy Development Corporation (KEDO), an international consortium consisting of the US, South Korea, Japan and the EU to the tune of US\$4-5 billion (funded 70% by South Korea). The consortium would compensate North Korea for lost transmission capacity with 500,000 metric tons of heavy oil a year (from the US) until the completion of the LWRs by the target date of 2003 (which in 1997 was changed to 2007).
- North Korea and the US would open liaison offices in each other's capital as initial steps towards full normalisation.
- US economic sanctions towards would be selectively relaxed.
- North Korea would implement the December 1991 North-South Denuclearisation Accord with the South and resume inter-Korean dialogue.

3.2 The GFA left a number of loopholes. The plutonium North Korea was suspected to have removed from the Yongbyon reactor before the introduction of the IAEA seals in 1994 (sufficient for 1-2 nuclear weapons) was never accounted for. The two more powerful reactors under construction were frozen rather than dismantled. The GFA provided for the storage rather than removal of the 8,000 spent fuel rods. There was also suspicion that secret programmes existed at other sites. The cost of dismantling the 5 mw, 50 mw and 200 mw reactors was another consideration. The latter two would cost \$500 million, the 5 mw one even more. Besides these technical problems, the principle of "special inspection" (ie intrusive inspection) was unacceptable to North Korea. North Korea interpreted the GFA narrowly as applying specifically to the programmes mentioned. The US view was that other programmes not specifically covered under the GFA would still be bound by IAEA principles (violation of which would invalidate the GFA).

3.3 North Korea's test firing of a ballistic missile in 1998 prompted US Congressional hearings into North Korea chaired by former Defence Secretary William Perry in 1999. The Perry Report of 1999 recommended a strategy "comprehensive engagement" whereby North Korean security threats would be eliminated through a series of reciprocal actions, Perry also provided for (but did not spell out the details of) the use of coercive sanctions if incentives failed. The first tangible effect was the Berlin Agreement of 1999, under which North Korea agreed to suspend ballistic missile testing (which was very costly anyway). It opened the way for reciprocal visits by Vice Marshal Cho Myong-Rok and Secretary of State Madeleine Albright in 2000. Coinciding with the heads of state summit between the two Koreas in June 2000, this represented the high point of the engagement strategy.

3.4 Influential officials of the new Bush administration regarded the GFA and South Korean engagement diplomacy (Sunshine Policy) as rewards for North Korean blackmail. Others thought the GFA helped limit if not eliminate plutonium production. In June 2001, under the guidance of the Armitage Report, the US declared that it would continue to abide by the GFA as long as North Korea did the same. But the Armitage Report also called for a "broad agenda" of discussion to include improved implementation of GFA, tighter verification ("complete, verifiable and irreversible disarmament" or CVID) of North Korean missile development, and conventional military reductions. The US was vague about what North Korea would receive in return. North Korea viewed the Bush administration as demanding more without offering anything in return. On the other hand, the US viewed North Korea to be intrinsically untrustworthy owing to the nature of its regime, a view intensified after September 11, and reflected in President Bush's Axis of Evil speech of February 2002.

PART 4. SIGNIFICANCE OF THE NORTH KOREAN NUCLEAR PROGRAMME (NKNP)

The NKNP is a critical issue for the international politics of the region and beyond.

4.1 The NKNP tests the credibility of the 1968 NPT and its inspection regime. Thus far, three states have openly defied the NPT by "weaponisation" (India, Pakistan) or by not signing the agreement (Israel). North Korean nuclearisation would further weaken the NPT regime by sending out encouraging signals to other would-be violators. North Korea is a particularly important case given its geo-political position located between nuclear weapons powers (US, Russia, China) and advanced industrial powers with nuclear capabilities (Japan, South Korea, Taiwan). It could encourage new nuclear weapons states in a region with active historical and territorial disputes.

4.2 The danger of nuclear weapons also emanates from the nature of the possessor. North Korea represents an example of a crisis state, mired in a deep economic crisis and governed by a very harsh and distinctive communist autocracy. This link between domestic repression and international untrustworthiness is central to the thinking of the Bush administration. The North Korean regime is guided by a theory legitimising the use of military force. It has a proven record of using military provocations, terrorism, kidnapping and assassination in its conflict with South Korea. It also relies on smuggling, counterfeiting and arms transfers to unstable regions as sources of foreign exchange. The possession of nuclear weapons by such a lawless and desperate regime is viewed by the Bush administration as an unacceptable threat to the security of the region and beyond.

4.3 The fact that North Korea has not started any major conflict since the 1953 Korean War armistice, however, indicates that the South Korean-US military alliance is an adequate deterrent to direct aggression. It is indicative that the leaders of North Korea are rationally calculating. Pessimists, however, argue that the possession of nuclear weapons will make it *rational* for North Korea to consider certain aggressive options:

4.3.1 The diminishing prospects for the North Korean regime means that it may well be tempted to become more aggressive militarily because the status quo is highly unsatisfactory, with little hope of reversal (just as diminishing

horizons made Japan attack the US against the odds in 1941). This represents the "preventive war" scenario.

4.3.2 North Korea could also use nuclear weapons as part of a strategy of "coercive bargaining". Instead of waging war, the North Korean regime provokes crises and incidents that antagonise the US and South Korea, but which they are unwilling to punish for fear of escalation into full-blown war. The result is that a new round of crisis resolution talks begins, enabling North Korea to gain new economic concessions. The launching of a medium range missile in 1998 can be interpreted in this light, as can the revelation of the HEU programme in 2002.

PART 5. SOLUTIONS

5.1 All the governments of the region support the denuclearisation of the Korean Peninsula but differ over the means. It is for the purpose of reaching a consensus on the means that four rounds of the Six Party Talks (involving North and South Korea, US, China, Russia and Japan) have been held in Beijing since August 2003. In spite of the difficulties (see below), multilateral engagement represents the surest diplomatic path to progress in the resolution of the North Korean nuclear issue. Peaceful resolution of the North Korean case also has relevance for strategies of coping with other potential nuclear states such as Iran.

5.2 Unilateralism does not work for either North Korea or the US, the two main protagonists in the crisis. North Korea cannot guarantee its own security unilaterally through developing nuclear weapons. The programme makes the possibility of some form of sanction more likely since the other five parties all oppose the nuclearisation of Korea. It also slows down the economic integration that North Korea desperately needs to arrest its economic decline. Unilateralism does not work for the US either given the impracticality of military or economic sanctions without multilateral support from North Korea's neighbours. North Korea thus poses a serious problem for the unilateralist Bush Doctrine (which asserts that it is both strategically and morally right for the US to take pre-emptive military actions against potentially threatening non-liberal-democratic states).

5.3 Bilateral engagement will not work at the present time. The background of hostility and blame (who "cheated" on the GFA) makes direct, two party negotiations between North Korea and the US impossible (especially for the US). For North Korea, bilateral talks means superpower acceptance of their status, the very signal the US wants to avoid sending (to be seen rewarding cheating and brinkmanship).

5.4 Multilateral engagement in the form of the SPT represents the most practical diplomatic pathway to an eventual solution:

— It satisfies both liberal and hawkish strands of thinking in the US. For the liberals, it would be a chance to demonstrate their optimism that North Korea responds to incentives, that it can be steered towards denuclearisation and gradual reform. For hardliners, the North Korean regime is intrinsically aggressive but multilateral engagement will allow its true nature to be revealed. By exhausting the diplomatic channels first, such "hawk engagement" would enable the US to build a coalition for sanctions. In fact the twin track approach

of engagement first, but sanctions if engagement fails, is common to both the late Clinton and early Bush administrations (Perry Report 1999, Armitage Report 2001).

— Since it resents being "represented" by powers such as China or Russia, North Korea's preference is for bilateral talks with the US. A multilateral forum allows for such direct talks without being labelled as such given US sensitivities.

— The interests of the other regional stakeholders are represented. These stakeholders share a common interest in avoiding the two extremes of North Korean possession of nuclear weapons and US coercive action. Thus they exert a moderating influence.

5.5 At the fourth round of SPT talks, an agreed six-point declaration was announced (19 September 2005). The declaration consisted of the following main points:

— North Korea accepted the principle of verifiable denuclearisation.

— The US would refrain from attacking North Korea or reintroducing nuclear weapons to South Korea.

— North Korea affirmed that it has the right to use nuclear energy peacefully.

— North Korea and US and Japan should seek to normalise diplomatic relations.

— The five powers would provide energy assistance to North Korea;

— The international provision of a substitute LWR to North Korea would be the subject of further discussions.

5.6 Implementation of the agreed points would be based on the reciprocal principles of "commitment for commitment, action for action". The implementation of the declaration soon ran into problems. On the very next day, North Korea insisted upon the delivery of a LWR as the condition of any denuclearisation. Alleged North Korean money laundering activities also brought a tightening of US economic sanctions. Talks have not resumed as a result.

PART 6. UNDERLYING PROBLEMS

6.1 The current standoff reveals the presence of deep obstacles to the resolution of the North Korean nuclear issue. The core dilemma is whether North Korea trusts the US to allow its regime to survive after denuclearisation, and whether the US administration is prepared to recognise (thereby guarantee the survival of) a regime that it genuinely considers "evil" (and by extension, dangerous).

6.2 If it is to be consistent with the logic of "hawk engagement", the US should take the initiative of offering security and other incentives to test North Korea's sincerity. But the changed context after 9-11 makes this a difficult course. First, it portrays the US as weak and provides encouragement to other would-be nuclear proliferators. Second, opinion within the administration does not favour compromise with "evil".

6.3 The representation of North Korea as "evil" can be self-fulfilling. By treating North Korea in accordance with this image, the US administration fuels confrontational North Korean behaviour, which is then used to justify the initial representation. North Korea is also trapped in a mentality that fuels confrontation and

stalemate (believing that the US only responds to threats). Those who emphasise this dimension therefore attribute blame to both sides in the making of the crisis.

6.4 North Korea does not have the facilitating advantages enjoyed by Libya and Ukraine, both recent examples of successful denuclearisation. Libya demonstrates how an authoritarian family-dominated regime can give up its nuclear ambitions and improve relations with the US. Unlike North Korea, however, Libya possessed a nuclear *programme* rather than suspected nuclear weapons. Even though the US bombed Libya in 1986, there is no parallel with the history of mutual animosity and military build up (including US nuclear deployments in South Korea, 1957-91) characteristic of US-North Korean relations. The prospect of access to Libyan oil by US companies also facilitated reconciliation. Ukraine had hundreds of weapons, which it dismantled in return for a three-power security guarantee. Having experienced a transition from communism and embarked on the path of economic reform, weapon possession was not an instrument of regime survival for Ukraine as for North Korea.

PART 7. THE ROLE OF THE EU

The EU does not have geographical proximity to, or military presence on the Korean Peninsula. Neither does it have deep historical-cultural roots with Korea (as it does with say, Cuba). The EU's role in affecting the nuclear issue can only be indirect. Through diplomatic exchange, investment, humanitarian and development assistance, the EU can ease human suffering and help to reduce North Korea's diplomatic isolation. The EU's political and economic role in North Korea is *useful* (alleviating North Korea's plight) but not *central* like that of China or South Korea (ensuring survival). North Korea favours EU aid and investment but the EU is not central to resolving their dual dilemmas of insecurity and foreign exchange shortage. As such the EU does not possess any serious levers of influence with North Korea. Iraq has shown that the EU cannot restrain the US either. Since the onset of the current crisis, the EU has followed the US position (in calling for CVID etc). The EU is not in any position to participate in the SPT or other direct negotiations regarding the nuclear issue. North Korea (accurately) perceives the solution to its chronic security and economic problems to depend on recognition by the US. North Korea will look to the EU to diversify its future sources of foreign investment, but this will only be *after* the difficult task of reconciliation with the US has been accomplished.

PART 8. THE NORTH KOREAN REGIME AND ITS RESILIENCE

8.1 The features that make North Korea so anomalous to the outside observer (family-centred leadership, and centralisation of economics and power) are not so anomalous when viewed from a Korean historical perspective. Familial networks pervade in all walks of South Korean life as well. The monarchical status of the ruler and the dynastic transfer of power in North Korea are fully consistent with the pre-communist forms of political authority (Japanese emperor system 1910-45, Korean dynasties before 1910). The centralised war economy emphasising heavy industry also characterised Japanese-ruled Korea. Thus many "Stalinist" features of North Korea owe their origin as much to the militarised Japanese empire (with which Kim Il-Song was highly familiar) as to Soviet or Chinese communism. From this historical

perspective, the populace is capable of enduring enormous privation in the face of perceived external threat.

8.2 The resilience of the regime is bolstered by other organisational and geo-political factors:

8.2.1 Famine from 1995 led to the collapse of the public food distribution system that had been a pillar of governmental control. In response to the emergency (including mass foraging for food), the authority and prestige of the military were enhanced. Since 1995, the regime's motto has been "*songun chongchi*" ("military-first politics") and the leader Kim Jong-Il is known formally by the title of Chairman of the National Defence Commission. So long as the military's standing is high and it remains adequately resourced, it can be counted on to defend the regime. Here, the North Korean leaders have learned from the contrasting experiences of China (loyal military) and Eastern Europe (indifferent military) in 1989.

8.2.2 Since the defeat of the pro-Chinese and pro-Soviet factions in the mid-1950s by Kim Il-Song's national communist faction, Juche (autonomy) has been the legitimising principle of the North Korean regime. Juche means the elimination of foreign influences from North Korea's domestic politics. Practically this means national sovereignty and the continuation of the rule of the Kim family. This ideology of resisting foreign encroachment and sacrifice for the leader has been deeply embedded in the psyche of military and the society at large for the past 50 years. The nuclear standoff with the US since 2002 reinforces the sense of siege and national pride (at being able to defy the world's sole superpower). The famine and economic hardships of the 1990 are described in as an "arduous march" in pursuit of military objectives.

8.2.3 Interests of North Korea's neighbours are best served by regime modification rather than regime change. Driven by concerns about refugees, civil war and even a general war, China and South Korea, have provided considerable amounts of aid since the start of the North Korean famine. Up to 80% of North Korea's energy needs are supplied by China. This sensitivity helps to account for Chinese and South Korean reluctance to support US calls for punitive sanctions. Like the US, these neighbours also favour denuclearisation but not at the price of regime collapse. There are also other forces at work here. The Chinese government views the US as partially responsible for the crisis and finds US-led interventions threatening. Democratic South Korea has seen the rise of a new generation that is more critical of the US and less dedicated to reunification, a combination advantageous to a North Korean regime desperate just to survive.

8.2.4 Economic liberalisation and political authoritarianism can be compatible. China and Vietnam shows how once tightly controlled communist regimes can soften their control over society without democratising. China also shows how an authoritarian regime may accommodate new social forces generated by market reform without the ruling party losing its leading role. Modernisation, nationalism and Asian values have become the new justifications for the regime. Since 1999, the North Korean economy has ceased to contract and cautious economic reforms have been implemented. These reforms are also accompanied by slogans about nationalism. The principle of "military-first politics" may well be used to justify very painful

reform measures once considered impossible under socialism (such as the shutdown of failing plants). North Korea has expressed admiration for the military dictatorships that transformed South Korea between 1961 and 1987.

PART 9. CONCLUSION AND RECOMMENDATIONS

9.1 Initially developed to compensate for security fears raised by the first Gulf War and by the loss of the Soviet military guarantee, the North Korean regime has wielded the nuclear weapons programme as a bargaining counter that will only be relinquished in exchange for comprehensive guarantees of security and access to international economic opportunities. The nuclear weapons programme is the North Korean leadership's trump card in its quest for survival. It will not be given up lightly.

9.2 *The best option for resolution lies in a negotiated deal consisting of reciprocal actions that achieve denuclearisation by assuaging North Korean security and economic concerns.* It represents the superior option (in the sense of alleviating human misery, maximising economic development in North Korea, while contributing to arms control in the region) compared with the alternatives of coercive sanctions (military, economic) and deliberate neglect. Intrinsic resilience and Chinese aid means that the North Korean regime will not implode (as in Romania). If ignored, North Korea will continue to force the nuclear issue onto the international agenda.

9.3 The perpetuation of the North Korean regime in the exchange envisaged above presents dilemmas for western governments.

- Can North Korea be trusted? North Korea did not develop nuclear weapons during the era of Soviet military guarantee. Thus credible multilateral security guarantees can offset North Korea's need for nuclear weapons.
- Is guarantee of such a regime morally acceptable? A negotiated solution provides the best opportunity for lifting the North Korean population out of desperate poverty and for war avoidance. In the long term, trade, investment and cultural exchange will provide the conditions for the emergence of a more liberal society, even if this is not the intention of the regime. China, Vietnam and Cuba are indicative of how economic integration precipitates unintended change within deeply entrenched communist regimes. The dramatic transition in US-North Korean between the Carter and Albright visits (1994-2000) demonstrates the potential for reconciliation between the two adversaries.

Note. This evidence draws from many published sources. These have not been cited for reasons of space but can be made available on request.

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