

# JIIA Policy Report

## *Resolving the North Korean Nuclear Problem: A Regional Approach and the Role of Japan*

**Project for Northeast Asian Security  
The Japan Institute of International Affairs**

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## **PREFACE**

Following the revelation of North Korea's new uranium enrichment program in October 2002, the first Six Party Talks were convened in August 2003 to actively seek a regional solution to the North Korean nuclear issue. Although the countries concerned have agreed that the Six Party Talks constitute the most effective framework for resolving the North Korean nuclear issue, these talks have arguably been unsuccessful and in the interim North Korea's Foreign Ministry released a statement on February 10, 2005 publicly declaring its possession of nuclear weapons.

Given the urgency and gravity of the situation, the Japan Institute of International Affairs (JIIA) established the Project for Northeast Asian Security in 2003. A group of regional and security specialists has prepared this policy report, "Resolving the North Korean Nuclear Problem: A Regional Approach and the Role of Japan," to provide a multifaceted analysis of the North Korean nuclear issue, its implications for Japan's security, and ways to solve the issue. We strongly hope that this report will become a valuable basis for future policy debate and policymaking not only in Japan but also in other countries.

The project members met regularly for discussions in the course of preparing this policy report, and visited the United States, China and other countries to conduct interviews and discussions on this issue with government officials and specialists. We would like to express our sincere gratitude to those who so kindly offered their comments on earlier drafts of this report.

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- \* The opinions expressed in this Report do not necessarily represent those of the organizations with which the respective Project members are affiliated.

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## EXECUTIVE SUMMARY

The North Korean nuclear problem is a multi-faceted problem with not just global implications for the non-proliferation regime and global war on terrorism, but also regional and local implications for the security of Northeast Asia and the Korean Peninsula. Needless to say, the fundamental obstacle to the resolution of this issue is that North Korea has not fully committed to the complete, verifiable, and irreversible dismantlement (CVID) of its nuclear weapons program. Another problem is that the other five parties---the United States, China, Japan, South Korea and Russia---have not worked out a common definition of CVID or “comprehensive dismantlement.” For the Six Party Talks to be effective, the five parties need to work out a common position with regard to CVID.

The phased dismantling process seen in the Agreed Framework is still the most effective for this nuclear issue. Multilateral security assurance would be another feature of a new agreement. The nations involved in the Six Party Talks have reached a basic agreement on granting North Korea multilateral security assurances to persuade North Korea to abandon its nuclear aspirations. The “Libya model,” which induces a state to abandon its nuclear program without demanding regime change, is a good option for use with North Korea, whose leader is deeply fearful of pressure for regime change. Given the scarcity of economic resources in North Korea, a “North Korea model” would require a larger comprehensive package---security guarantees combined with meaningful economic incentives. The phased approach, security assurances, and economic rewards are out on the table, but we must keep in mind that there are still considerable gaps among the parties not only on a common definition of “complete dismantlement” as a goal and a process, but also on a timeframe for resolution.

Against this backdrop, there are three scenarios with regard to the future of the North Korean nuclear issue. Scenario 1 for a diplomatic resolution would be the most desirable for all, but we cannot exclude other less desirable scenarios of diplomatic stalemate and crisis. In the first scenario, the Six Party Talks result in a multilateral agreement that includes security assurances to North Korea provided by other members of the Six Party Talks. North Korea is given multilateral security assurances in return for coming back to the Treaty on the Non-Proliferation of Nuclear Weapons (NPT). Pyongyang does so, “the continuity of safeguards” between North Korea and

the IAEA stipulated in the Agreed Framework is restored, and North Korea accepts IAEA safeguards in accordance with the IAEA Comprehensive Safeguards Agreement and, ideally, the Additional Protocol. A roadmap is created to lay out a path that begins with a freeze on Pyongyang's nuclear program and ends with its eventual dismantlement.

During and after the process of dismantling North Korea's nuclear facilities, completion verification that Pyongyang does not secretly continue or restart its development of nuclear weapons will be conducted. While the IAEA will, of course, play a major role in verification in North Korea, dismantlement of nuclear weapons, which involves a great deal of sensitive information, would have to be conducted by nuclear-weapon states, particularly the United States and China. In addition, variants of the Cooperative Threat Reduction Program (the Nunn-Lugar Program) and the G8 Global Partnership for the countries of the former Soviet Union to support denuclearization, customized to North Korean needs, may be useful.

Next in this scenario is linking the above process with other regional security concerns, most notably North Korea's medium- to long-range ballistic missiles. When the agreement on nuclear dismantlement is reached, an agreement for a phased reduction and ultimate elimination of North Korea's *No Dong* and *Taepo Dong* missiles should be pursued.

Ideally the process outlined above will produce a basis for the establishment of a peace regime on the local level through resumption of currently suspended high-level military talks between North and South Korea, implementation of confidence-building measures included in the inter-Korean Basic Agreement of 1991, and the reduction and disengagement of conventional forces. Consequently, it will be beneficial if this ties in with a resumption of Four Party Talks that include the United States and China, which can guarantee such agreements.

Finally, as indicated in South Korean President Roh Moo-hyun's speech in November 2004, South Korea recognizes the need to allow North Korea to maintain some level of deterrent capabilities. In this context, South Korea can consider ways to balance its need to better defend itself and North Korea's need to maintain some level of non-nuclear deterrent in order to buttress multilateral security assurances.

In the stalemate scenario, both the United States and North Korea take a half-hearted approach, and the Six Party Talks neither succeed nor break down

completely. The United States will increase pressure on the North Korean regime by bolstering the Proliferation Security Initiative (PSI) on North Korea's arms exports, cracking down on its illicit activities, and encouraging anti-North Korea movements by aggressively using the North Korea Human Rights Act. However, North Korea's nuclear development continues in the interim.

Behind this scenario is the widely held expectation that North Korea will not use nuclear weapons or export them to entities hostile to the United States since such a move would result in U.S. retaliation against the country. The "benign neglect" policy actually works to avoid a dangerous standoff between North Korea and other countries. However, unless the North Korean regime collapses, the "benign neglect" policy will inevitably create a situation where North Korea continues to obtain enough fissile material for two nuclear devices annually, and to miniaturize such devices in order to load them on ballistic missiles. Moreover, the North Koreans may prove to be more risk-taking than generally thought. It may actually export fissile materials and even nuclear devices to foreign nations or non-state actors to put further pressure on the United States and to make money. If the North Korean regime were to become destabilized or collapse, the regime's ability to control nuclear weapons and weapons-grade fissile material might deteriorate. Finally, stalemate might undermine the U.S.-Japan alliance. If the United States continues the "benign neglect" policy and lets a heavily armed nuclear North Korea emerge, it will make it harder for the United States to intervene in regional contingencies for the sake of Japan, casting doubts on the credibility of the U.S.' commitment to the security of Japan and the U.S.' extended deterrence.

In the crisis scenario, the Six Party Talks break down, and collective pressure is brought to bear on North Korea in stages by the United Nations Security Council (UNSC) through the adoption of a presidential statement, a resolution criticizing North Korean actions, and finally a resolution authorizing sanctions. Even if the UNSC were to consider a resolution on sanctions, however, it is conceivable that China would attempt to buy time by getting involved in the process of crafting a resolution, and try to use the time to guide the United States and North Korea into a new agreement. In this case, South Korea may go along. However, such an effort might mislead the North Korean leadership to believe that brazen defiance will be the best way to survive the crisis and obtain the optimal outcome.

At the same time, despite the challenges that a crisis on the Korean Peninsula might pose, we have to remember that a crisis could be an opportunity for a negotiated settlement of the problem. In fact, the Agreed Framework materialized following the crisis in May-June 1994. This was not a mere coincidence. On the one hand, the crisis created the situation where the North Koreans could “sell” their nuclear cards at the highest prices; on the other hand, it enabled the United States to convince its allies and friends that the negotiated settlement was worthwhile despite the political, military, and financial cost that might ensue. In this sense, although it is always good to avoid crises, we must not forget that they can be a catalyst for a diplomatic resolution.

One of the major differences between the 1993-94 crisis and the ongoing crisis regarding North Korea’s nuclear development is the role that Japan plays. Contrary to its passive approach in the past, Japan took a more proactive approach as manifested in Prime Minister Koizumi’s visit to Pyongyang and the Pyongyang Declaration of September 2002 and since then has taken both positive and negative measures to persuade North Korea to abandon its nuclear program. On the positive side, Japan has offered normalization of bilateral relations and provision of economic assistance if North Korea properly addresses nuclear as well as other issues of Japanese concern.

On the negative side, Japan has taken steps to pressure North Korea militarily and economically. Japan can now prevent the flow of money and sensitive technologies to North Korea, unilaterally impose economic sanctions on the country, effectively deal with limited attacks from the country, and support the United States in case of an armed conflict. Taken as a whole, Japan is carrying a bigger stick with a bigger carrot in facing North Korea.

It is in the interest of Japan to pursue a peaceful diplomatic resolution of the North Korean nuclear problem through the Six Party Talks in parallel with the Japan-DPRK bilateral channel. Being prepared for other scenarios would also be an essential part of Japan’s strategy, but pursuing a regional diplomatic resolution through the Six Party Talks would be the optimal option.

If North Korea agrees to “comprehensive dismantlement” and returns to the NPT, it will certainly claim its inalienable right to the peaceful use of nuclear energy stipulated in the treaty. In that case, we can decide to suspend these rights for a certain period of time until it is deemed appropriate for North Korea to resume legitimate peaceful nuclear activities while allowing it to retain its rights as a signatory to the NPT.

Tokyo, along with Washington and Seoul, should then propose using the Korean Peninsula Energy Development Organization (KEDO) framework as a means of providing alternative conventional energy such as heavy fuel oil, while keeping the construction of the light-water reactors frozen. In the long run, if North Korea has faithfully fulfilled verification and dismantlement requirements, the construction of light-water reactors could be resumed. In this case, North Korea has to be provided nuclear fuel for its LWRs by, and return spent nuclear fuel from, supplier countries. Such an expectation will serve to give Pyongyang an incentive to remain a responsible actor in the verification and dismantlement process.

Given the current stalemate in Japan-North Korea relations over the abduction issue, adoption of multilateral security assurances at the Six Party Talks would likely become an important starting point for Tokyo and Pyongyang to resume normalization talks. Looking at the matter from the perspective of a potential comprehensive package, it is desirable for a multilateral agreement to explicitly link the beginning of normalization talks with the provision of convincing evidence on abductees' whereabouts and North Korea's pledge to fully satisfy reasonable Japanese demands on the matter. If Tokyo and Pyongyang normalize relations and decide to incorporate phased economic assistance into this process, it will greatly promote North Korean compliance in accepting verification measures and in moving from a freeze on its nuclear facilities to eventual dismantlement.

In addition, Japan should pursue a bilateral agreement to eliminate North Korea's medium- to long-range ballistic missiles. As Japan does not possess offensive ballistic missiles, any agreement will involve Tokyo improving relations with and providing economic aid to North Korea in exchange for Pyongyang eliminating *No Dong* and *Taepo Dong* missiles.

Large amounts of economic aid will not flow into North Korea simply with the establishment of diplomatic relations. Japan's economic assistance to North Korea will be linked with the process of Pyongyang's compliance in a multilateral denuclearization arrangement and with a bilateral Japan-DPRK arrangement to reduce and eventually eliminate North Korea's medium- to long-range ballistic missiles.

While it would not be wise for Japan to unilaterally impose economic sanctions as long as the Six Party Talks continue, Japan should take part in multilateral sanctions if the talks break down and the situation moves into the crisis scenario. Japan must also



be prepared for the most extreme eventuality: collapse of the North Korean regime.

Additionally, the National Defense Program Guidelines released in December 2004 gave great weight to responding to ballistic missile attacks, attacks by special operations forces, and intrusions by armed special-purpose vessels. Japan has adopted the National Protection Law for civil defense, and is going to deploy operational sea-based and ground-based missile defense systems in 2007. These steps will bolster Japan's security in times of crisis while at the same time reducing the effectiveness of North Korea's "military card." As time passes, North Korea's missiles will have less diplomatic value. Thus this sort of pressure will likely lead Pyongyang to the conclusion that reaching a diplomatic solution quickly is in its interests.

The fact that Japan is carrying a bigger stick with a bigger carrot in facing North Korea suggests that we are facing a "high-risk, high-return" situation. Despite the growing tension, a peaceful solution to the nuclear issue is possible. Moreover, there is the potential for more substantial sets of agreements among the concerned countries in a "more-for-more" arrangement. If the abduction, nuclear, missile, and other pending issues are resolved, Japan would be willing to normalize relations with North Korea and provide substantial economic assistance, in accordance with the September 2002 Pyongyang Declaration. In the best-case scenario, Japan as well as the United States will normalize relations with North Korea; North Korea will acquire economic assistance from Japan and use it to rehabilitate its economy, which, if combined with an open-door policy, will facilitate regional economic integration and possibly growth; North and South Korea will establish peaceful coexistence in the political and military arenas and integration in economic terms.

The current situation involves higher risks, however. North Korea has more robust nuclear weapons programs and a much larger ballistic missile arsenal than ten years ago, while its political and socio-economic conditions have become more precarious. If North Korea continues to build up its nuclear arsenal and succeeds in putting nuclear warheads on *No Dong* medium-range ballistic missiles, it will send enormous political and military shock waves. Japan will not be able to accept such a consequence. If North Korea neither returns to the Six Party Talks nor demonstrates willingness to make concessions, Japan, in conjunction with the United States, will have to use a coercive approach. We should first strengthen PSI and bring the matter to the UNSC to discuss imposing economic sanctions on North Korea.

If we are to take such coercive measures, however, it is not clear whether we could secure support from South Korea, China, and Russia. Moreover, if sanctions are actually implemented, North Korea might decide to conduct flight tests of medium- to long-range ballistic missiles and a nuclear explosion test, making the worst scenario come true---an isolated nuclear North Korea.

It is for this reason that Japan and the United States should first use a positive approach to the maximum extent before resorting to negative sanctions. To implement the positive approach, the United States should first agree to hold bilateral talks with North Korea to seriously negotiate agreements. Such bilateral talks must take place within the Six Party framework, but do not have to actually convene when and where the Six Party plenary meetings are held. With the other Six Party members' consent, the United States and North Korea can hold bilateral talks more frequently to negotiate concrete and detailed agreements, which will later be approved by all Six Party members in plenary meetings.

Despite the potential merits of U.S.-DPRK bilateral talks, the Bush Administration has long remained reluctant to fully engage North Korea. In this context, the role of Japan, particularly that of Prime Minister Koizumi's, will be critical. Prime Minister Koizumi has been one of the most trusted allies of President George W. Bush. At this point, Koizumi is the best and only person who can persuade President Bush to have serious negotiations with the North Koreans.

Once Japan and the United States agreed to push ahead, they should carefully coordinate their policies in taking the positive initiative. Only the strong positive incentives, generated by Japan-U.S. joint action and backed by potential use of negative incentives, will convince the North Koreans to respond positively. At the same time, Japan should prepare to resume Japan-DPRK talks to discuss normalization in addition to the abduction, nuclear, and missile issues. Such an action will demonstrate that the regional solution to the nuclear issue is still on the table, and provide North Korea with the final but attractive offer to put an end to its isolation. By first taking these positive measures, we will be able to test North Korea's willingness to come back to the Six Party Talks to have serious negotiations and, if need be, secure support from South Korea, China, and Russia in bringing the matter to the UNSC.

If the United States and North Korea reached an initial agreement for eventual dismantlement of North Korea's nuclear programs, Japan should resume normalization

talks with North Korea and start discussing a comprehensive assistance program for North Korea's socio-economic rehabilitation in conjunction with South Korea, China, Russia, and the United States. Japan's most powerful policy tool is its ability to provide, when Japan-DPRK relations are normalized, substantial economic assistance indispensable to North Korea's socio-economic reform. Phased provision of economic assistance, say, over ten years would play an important role in guaranteeing the successful dismantlement of North Korea's nuclear programs and resolving abduction and other outstanding issues between the two countries.

Avoiding risks will not provide security. Despite risks and dangers, we will have to take calculated risks and adopt the regional approach described above to resolve the North Korean nuclear issue peacefully. Japan has an important role to play in the process.

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## **I. Introduction**

The second North Korean nuclear standoff started in October 2002 with revelations that the Democratic People's Republic of Korea (DPRK) had a clandestine uranium enrichment program in violation of its commitment to the U.S.-DPRK Agreed Framework of 1994 and other international obligations. Moreover, North Korea declared itself a nuclear weapons state in its statement on February 10, 2005.

Instead of a bilateral U.S.-DPRK approach, a multilateral regional approach – the Six Party Talks, including the United States, Japan, China, Russia and the two Koreas – was adopted in August 2003, to deal with the nuclear issue and to work out a peaceful diplomatic resolution. There was much collaborative effort by all parties, minus North Korea, to open the Six Party Talks, and some progress has been made to offer ideas from both sides. After more than a year and a half, three rounds of talks have been held, but no substantial progress toward a realistic resolution has been made thus far. The starting points for serious dialogue were put forth at the third round of talks in June 2004. After a year of stalemate, it has been agreed that the fourth round of talks will be held in July 2005.

The Six Party Talks remain the most realistic option for Japan to deal with and resolve the North Korean nuclear problem. Japan does not desire a military resolution to this issue, but also cannot leave the North Korean nuclear issue unattended. North Korea's nuclear arsenal and missiles are perceived as a direct threat to Japan's security. Japan also needs to address many other issues with North Korea, including the abduction issue.

The Pyongyang Declaration announced during Prime Minister Koizumi's visit to Pyongyang in September 2002 was part of Japan's proactive diplomacy to deal with North Korea in a comprehensive way by committing to normalization and substantial economic assistance if North Korea attends to the security concerns of Japan. The Declaration was also an attempt to deal with the past history of Japan's colonization of Korea and must also be understood in this context. Nevertheless, normalization talks have not progressed due to the abduction issue, while Japan's "dialogue and pressure" approach toward North Korea has been bolstered on the latter with new measures for economic sanctions and the Japan-DPRK talks remain at an impasse.

From Japan's perspective, along with the other parties involved, a peaceful and

viable diplomatic resolution through the Six Party Talks would be most desirable. In this context, the Six Party Talks and the Japan-DPRK talks in combination can be effective in realizing a nuclear-free Korean Peninsula and peace and stability on the Korean Peninsula and in Northeast Asia.

Even if the Six Party Talks are resumed, however, the task of working out a resolution acceptable to all parties remains. If a common position cannot be worked out among the five parties (minus North Korea), the Six Party Talks are doomed to fail, and alternative routes must be considered. If the Six Party Talks and diplomatic resolution remain the optimal option, more serious efforts must be undertaken in order to induce North Korea to make a “strategic decision” to abandon its nuclear program and pave the way for substantially improved relations with its neighbors and the world.

This report addresses the complex nature of the North Korean nuclear issue and the Six Party Talks as well as the issues we are facing at this juncture, and considers the future of the Six Party Talks and the role of Japan in the process. It stresses that the North Korean nuclear issue is not only a global non-proliferation issue but also a regional and local security issue. Therefore, it must be addressed in a comprehensive way in which a regional approach still holds the key. The Six Party Talks is a realistic venue for that approach, and one in which Japan can play a critical role.

## **II. Assessing North Korea’s Nuclear Program**

### **1. The Multi-layered Nature of North Korea’s Nuclear Issue**

The North Korean nuclear problem is a multi-faceted problem with not just global implications for the non-proliferation regime and global war on terrorism, but also regional and local implications for the security of Northeast Asia and the Korean Peninsula. We will discuss its complex nature below.

#### **(1) Global Implications**

In October 2002, it came to light that North Korea was working on a new nuclear program involving uranium enrichment. Since then North Korea has cancelled its

agreement on the “continuity of safeguards,” the minimal connection it had maintained with the International Atomic Energy Agency (IAEA), which included the stationing of two IAEA inspectors at the Nyongbyon nuclear facility. Also, Pyongyang has announced its withdrawal from the Treaty on the Non-Proliferation of Nuclear Weapons (NPT). All these developments meant that the international nuclear nonproliferation regime comprising the IAEA and NPT could not adequately check North Korea’s further development of its nuclear program.

The Agreed Framework signed by North Korea and the United States in October 1994 represented a regional arrangement aimed at bolstering and complementing the global nonproliferation regime already in place. This agreement contained a phrase – “the continuity of safeguards” – that prevented North Korea’s development of nuclear weapons and ensured its continued adherence to the NPT. However, Pyongyang’s actions as described above have disabled this agreement.

The current nuclear situation differs in several ways from the previous one that took place in 1993-94. First, the North Koreans openly declared in April 2003 that they had a right to possess a “nuclear deterrent.” Furthermore, on February 10, 2005, North Korea declared that it had developed nuclear weapons. However, the status of North Korea’s nuclear weapons is not necessarily clear. Nearly two years have passed since the North restarted its nuclear facilities that had been shut down under the terms of the 1994 Agreed Framework. It is not clear whether this time has been used to reprocess some 8,000 fuel rods but, if these rods have been reprocessed, they should yield enough weapons-grade fissile material to boost the North’s nuclear arsenal from the previously projected one or two devices to seven to eight.

It is also evident that Pyongyang has been continuing its efforts to miniaturize these weapons so that they could be loaded on ballistic missiles. In this regard, the ties that existed between North Korea and Pakistan are noteworthy.

Second, North Korea has continued to develop longer-range ballistic missiles such as *Taepo Dong 1* and *Taepo Dong 2*. These medium and intermediate range missiles will have global security implications since they can reach targets well beyond the Northeast Asian theater.

Finally, the September 11 attacks on the United States have heightened concerns that fissile material may make its way from North Korea into the hands of terrorists, connecting North Korea’s nuclear issue with the war on global terrorism. North Korea’s

possession of weapon-grade plutonium may increase global proliferation risks, as it enhances its ability to proliferate this material to third parties.

## **(2) Regional Implications**

The North Korean nuclear issue is not only an issue in the global nonproliferation regime to be dealt with on a global level through United Nations Security Council (UNSC) deliberations but also a regional security issue that the United States has decided to tackle on a regional level through multilateral talks. It is in this context that Washington has tried to bring other Northeast Asian nations into the talks. The North Korean nuclear issue is, in fact, something that primarily threatens the security of the Northeast Asia region.

However, members of the Six Party Talks do not always share the same concerns and priorities when it comes to the problem of North Korea. The fact that Pyongyang has been developing ballistic missiles as well as nuclear weapons has certainly brought about differing perceptions of the threat of the country's actions among the other parties to the talks. South Korea, for instance, does not see North Korea's *No Dong* and *Taepo Dong* ballistic missiles as a major threat since these are medium- to long-range weapons delivery systems. Also, North Korean missiles cannot currently reach all locations in the United States, and the current level of *Taepo Dong* deployment is insignificant compared with that of *No Dong*. For Japan, meanwhile, North Korea's nuclear threat is perceived in sync with the threat of its missiles. If the North achieves miniaturization of nuclear warheads, Japan will have to face directly the threat of nuclear missiles that can strike its territory.

In the process of finding a solution for the nuclear issue, Japan, South Korea, and the United States will have to work out a new, stable, and achievable equilibrium in the security arena acceptable to all parties. In alleviating heightened anti-American sentiments, the U.S.-ROK effort to realign U.S. forces in Korea as a result of the Global Posture Review will certainly come into play in working out a new balance.

Finally, while it is difficult to describe China and Russia as being threatened by North Korea's missiles, these nations are nonetheless quite concerned with its development of nuclear weapons, which has considerable impact on the security of the region as a whole. China sees the Six Party Talks as a valuable opportunity to press for the denuclearization of the Korean Peninsula and the preservation of stability on the



Peninsula and of the North Korean regime. These Six Party deliberations are in fact an extension of the talks between China, North Korea, and the United States held in late April 2003, and Sino-American bilateral relations are a prime factor in the larger grouping, along with the dynamic between Pyongyang and Washington. Furthermore, China believes that if it succeeds in getting North Korea to abandon its pursuit of nuclear weapons it will boost its standing as a valuable strategic partner in regional security in the eyes of the United States. Chinese participation in the Six Party Talks appears to be rooted in these considerations. For these reasons, this report will pay special attention to the role played by China in the ongoing situation.

### **(3) Local Implications**

Why does North Korea seek to develop weapons of mass destruction (WMD)? It is not because they hope to challenge the U.S.-centered unipolar system or to bring down the global nonproliferation regime. Nor, in North Korea's case, is it out of a desire to establish regional dominance in Northeast Asia. Rather, North Korea's motives are rooted in regime survival based on its perception that it has lost in a competition with South Korea for legitimacy as the sole sovereign entity on the Korean Peninsula and that Soviet-type socialism has lost ground in the world community. It is likely, therefore, that the North Korean leadership will try to keep nuclear weapons as an ultimate guarantor of its survival until a situation is created where two different sovereign entities can legally coexist on the peninsula.

North Korea has long attempted to create such a situation by abolishing the 1953 Armistice Agreement and replacing it with a peace treaty with the United States. For example, in October 1993, North Korea contended that the Armistice Agreement was outdated and insisted that it be replaced with a peace treaty. In April 1994, at the midst of the first nuclear crisis, Pyongyang proposed a "new peace arrangement" to be created in conjunction with the United States.

However, what South Korea, the United States, and even China have demanded of North Korea in the Four Party Talks (the two Koreas along with the United States and China) is to establish bilaterally with South Korea such a peace regime, which would be guaranteed and supported by the United States and China. For this reason, the multilateral security assurances discussed in the Six Party Talks should be designed in such a way that they will eventually be translated into a new local peace regime for

peaceful coexistence between the two Koreas. In this context, it may be worth discussing the broader peace issue in a four-party format within the Six Party Talks to help create a viable local peace regime with an expanded regional guarantee and support.

## **2. Achieving a Multilateral Regional Solution**

As discussed above, the North Korean nuclear issue is a complex problem with global, regional and local implications. Thus, it cannot be resolved bilaterally by the United States and North Korea, and must be dealt with in a comprehensive and multilateral way. The Six Party Talks, therefore, are an appropriate venue for the solution. The parties in the Six Party Talks, including North Korea, have already agreed that the common goal is a nuclear-free Korean Peninsula. The problem, though, is that they fail to agree on specifics.

After three rounds of talks, the parties involved in the Six Party Talks have reached a certain level of agreement, as seen in the Chinese Chairman's host country summary, with respect to the direction they want to take toward resolution of the problem. However, there are still gaps among the parties' understanding. What are the points of agreement so far in the Six Party Talks? What are the tasks and the gaps to fill?

### **(1) A Nuclear-Free Korea as the Common Goal**

The common goal of the talks is a nuclear-free Korea. Compared to the Agreed Framework of 1994, however, the scope of dismantlement must be more comprehensive. The Bush Administration introduced the concept of the complete, verifiable, and irreversible dismantlement (CVID) of North Korea's nuclear weapons program as a goal at the Six Party Talks, and the participants in principle, more or less, support this idea. The North Koreans objected to this expression, so the United States revised the phrase to "comprehensive dismantlement" at the third round of the Six Party Talks. Whatever the term we use, however, CVID will remain a basic principle.<sup>1</sup>

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<sup>1</sup> For the detailed discussion of CVID, see Scott Snyder, Ralph A. Cossa, Brad Glosserman, "Six-Party Talks: Possible Futures and Requirements for Implementation," Pacific Forum CSIS report (unpublished), courtesy of Mr. Scott Snyder.

Needless to say, the fundamental obstacle to the resolution of this issue is that North Korea has not fully committed to the comprehensive dismantlement. Another problem is that the other five parties---the United States, China, Japan, South Korea and Russia---have not worked out a common definition of CVID or “comprehensive dismantlement.” For the Six Party Talks to be effective, the five parties need to work out a common position with regard to CVID.

What does CVID mean? The “C” or “complete” means that both plutonium-based and uranium-based nuclear programs must be acknowledged and included in the comprehensive dismantlement package. Regarding the plutonium program, it would include pre-1994 and post-2003 activities at Nyongbyon and other related facilities.

The “V” or “verifiable” means a cooperative verification and inspection regime. This could include inspectors from not only the IAEA but also the United States and other concerned parties. Whether it should include adherence to the Additional Protocols must also be debated.

The “I” or “irreversible” means that a system should be put in place so that it will be practically impossible for North Korea to resume nuclear activities. In principle, it would mean denying North Korea any nuclear activities, including peaceful ones, and limit North Korea to conventional energy. When an agreement is reached, there will be substantial assistance for building conventional power plants in return. An equivalent of the Cooperative Threat Reduction (CTR), widely known as the Nunn-Lugar program, for the former Soviet Union countries can also be applied here to insure this. Denying North Korea the right to peaceful use of energy as articulated in Article 4 of the NPT would be the maximalist position. However, if North Korea accepts CVID and rejoins the NPT, and desires the right to peaceful use of nuclear energy, conditions can be negotiated in the agreement so that the North could exercise its right as a NPT signatory at some point in the future. In this case, North Korea has to be provided nuclear fuel for its LWRs by, and return spent nuclear fuel from, supplier countries.

The “D” or “dismantlement” means not only a freeze but also dismantlement of the plutonium and uranium enrichment programs. This can be done in a “step-by-step” or phased process. One of the limits of the Agreed Framework was that the dismantlement of the Nyongbyon sites was delayed until the very end of the process. In a new agreement, in order to build trust, dismantlement would need to

come at an earlier stage.

These issues need to be discussed in order to work out a common consensus on what constitutes CVID. CVID as a “goal” should be made clear, but some level of flexibility in CVID as a “process” will also be necessary, in order for it to be successfully and effectively implemented.

## **(2) The Relevancy of a Phased Approach**

The goal of the talks is to achieve a nuclear-free Korea through “comprehensive dismantlement” of North Korea’s nuclear program. However, this cannot be achieved overnight. In an environment where there is basically no trust or confidence, this has to be done in a step-by-step or phased approach, building confidence as we go along in the process. The Agreed Framework took this approach. The Bush Administration has come to understand this and has modified its early approach of “no reward until dismantlement is complete.” Any resolution should be based on a phased approach.

If North Korea is indeed pursuing a nuclear arsenal out of a sense that its present regime is in danger, it does not necessarily mean that the nation views this nuclear development as mutually exclusive with improving its relations with the United States and Japan to create an international environment more conducive to its continued survival. From this perspective, it was quite conceivable for North Korea to try to keep the potential for nuclear development open even as it attempted to improve relations with Washington in the Agreed Framework. In 1994 the North Koreans agreed to participate in “asymmetrical” bargaining, dismantling step by step their nuclear capabilities while achieving gradual improvement in their relations with the United States. Both the moves to improve the Pyongyang-Washington relationship and to develop nuclear weapons, however, arise from the same desire to maintain the North Korean polity in its present form.

Furthermore, the North insisted on a phased approach in the dismantling process because the Agreed Framework alone was not enough to dispel its distrust of the United States. By retaining the ability to resume its nuclear program at any time, North Korea prepared for the possibility that the United States would turn its back on the Agreed Framework at some point. As long as Pyongyang takes this sort of tactics in its dealings with the United States, it is unlikely to give up its nuclear ambitions all at once based solely on verbal or written security assurances. The phased dismantling

process seen in the Agreed Framework is still the most effective for this nuclear issue. Although the Agreed Framework itself may no longer be in effect, its lessons are relevant in guiding dealings with North Korea.

### **(3) Multilateral Security Assurances and the Higher Cost of Non-Compliance**

Multilateral security assurances would be another feature of a new agreement. Under the terms of the Agreed Framework between North Korea and the United States, Pyongyang pledged to adhere to the NPT even while it claimed that it enjoyed “unique status” in relation to this treaty. Now, however, the North is stating that it has withdrawn completely from the NPT. The Clinton Administration presented North Korea with bilateral security assurances in the form of negative security assurance (NSA), a fundamental norm of the NPT, in exchange for pledges that the North would freeze operations at its nuclear facilities and eventually dismantle them. The George W. Bush administration, however, has not entirely excluded the use of nuclear weapons against non-nuclear-weapon states in its counter-proliferation policy, and North Korea feels that the bilateral NSA included in the Agreed Framework are no longer valid. Security assurances offered by the United States to North Korea, if adopted, would eliminate North Korea from the target list in the U.S. counter-proliferation strategy.

On the multilateral front, meanwhile, the nations involved in the Six Party Talks have reached a basic agreement on granting North Korea multilateral security assurances to persuade North Korea to abandon its nuclear aspirations. Even if these assurances are given first by the United States, the other parties will also endorse them. If the North persists in its nuclear development programs despite these moves, taking actions that infringe upon this multilateral agreement, the cost could in the end be greater than for violation of the bilateral Agreed Framework. By presenting security assurances to North Korea in a multilaterally endorsed format, the other nations can give North Korea a good reason to choose adherence to the rules over violations of them.

### **(4) A Comprehensive Package: The Libya Model or Libya-plus?**

Many compare the North Korea case with the “Libya model.” The Bush administration has called for North Korean leader Kim Jong Il to make the “strategic decision” that Libyan leader Col. Muammar Al Qadhafi took to voluntarily give up his program, in a

verifiable way, for improved and normalized relations. This model, which induces a state to abandon its nuclear program without demanding regime change, is a workable option for use with North Korea, whose leader is deeply fearful of pressure for regime change.

Asymmetric bargaining was conducted with Libya, in which rewards, namely political and economic benefits, were exchanged for abandonment of their nuclear weapons program. The same scheme would be applied to North Korea. However, very different dynamics are involved when it comes to the security assurances that can be offered. Although Libya ascribes to the NPT and to the IAEA's Additional Protocols, North Korea has declared its withdrawal from the NPT and has refused to accept the IAEA safeguards. In addition, North Korea's weapons development program is much farther along than Libya's, and thus the North Koreans have more to lose.

Given the scarcity of economic resources in North Korea, a "North Korea model" would require a larger comprehensive package---security guarantees combined with meaningful economic incentives---i.e., a "Libya-plus" model in terms of incentives. In the Six Party Talks held so far, North Korea has sought not only security assurances but also energy and economic assistance. It is clear that a comprehensive package is necessary in the resolution of this issue.

#### **(5) Timeframe for Resolution**

The phased approach, security assurances, and economic rewards are out on the table, but we must keep in mind that there are still considerable gaps among the parties not only on the common definition of a "complete dismantlement" as a goal and a process, but also on a timeframe for resolution. China, in particular, appears content to take more time to resolve the issues than the other nations involved.

Behind these divergent views of the appropriate timeframe lie differences in perception of the urgency of the North Korean nuclear situation. Basically, China understands that, in order to reach a final resolution of the issue, there will have to be a preliminary stage during which North Korea is in temporary possession of nuclear arms. The Chinese view is that so long as this does not result in Japan, South Korea, and particularly Taiwan also obtaining such weapons, this preliminary period can be allowed to go on for a relatively long stretch of time. We must also note that China cannot completely control the actions of the North Koreans; nor can Japan, South Korea,

or even the United States hope to control China's stance toward Pyongyang. Without a proper recognition of these facts we are likely to see growing unhappiness with China among the latter three nations, a development that could throw the entire resolution process into disarray.

### **III. Prospects of the Six Party Talks**

Despite agreement on resuming the talks, the prospects of the Six Party Talks remain precarious. The Six Party Talks have made some progress, to the point that a starting point for talks has been laid out, but the parties have yet to engage in serious negotiations. The fourth round of talks will be held in July, but even if it were resumed, there are still many obstacles and tasks ahead to reach a negotiated solution.

In this section, we will discuss three scenarios with regard to the future of the North Korean nuclear issue. Scenario 1 for a diplomatic resolution would be most desirable for all but, considering the circumstances, we cannot exclude other less desirable scenarios of diplomatic stalemate and crisis.

#### **Scenario 1: Diplomatic Resolution**

##### **(1) A Multilateral Agreement and the Reinstatement of the International Nuclear Nonproliferation Regime**

In this scenario, the Six Party Talks results in a multilateral agreement that includes security assurances to North Korea provided by other members of the Six Party Talks. North Korea is given multilateral security assurances in addition to collective NSA, in return for coming back to the NPT. Pyongyang does so, "the continuity of safeguards" between North Korea and the IAEA stipulated in the Agreed Framework is restored, and North Korea accepts IAEA safeguards in accordance with the IAEA Comprehensive Safeguards Agreement and, ideally, the Additional Protocol. A roadmap is created to lay out a path that begins with a freeze on Pyongyang's nuclear program and ends with its eventual dismantlement. The steps that need to be taken for this scenario to become a reality follow.

**(a) North Korea's Commitment to "Comprehensive Dismantlement":** In reinstating the international nuclear nonproliferation regime, the starting point for any resolution is that Pyongyang commits to "comprehensive dismantlement" as unanimously accepted by all parties. It is a process that at a minimum would include the following elements: dismantlement of nuclear explosive devices, its 5-megawatt experimental reactor, the 50- and 200-megawatt reactors under construction, reprocessing facilities, and uranium-enrichment facilities; and disposition of weapons-grade fissile material so that it cannot be used in weapons.

**(b) Verification Measures:** During the process of dismantling North Korea's nuclear facilities and after its completion, verification that Pyongyang does not secretly continue or restart its development of nuclear weapons will be conducted.

When South Africa gave up its nuclear weapons program, some two years were required to verify that it no longer had nuclear weapons or fissile material for nuclear weapons. Even if North Korea proved exceedingly cooperative with regard to inspections, it would likely take two to three years to reach a conclusion as to whether it had given up all its nuclear weapons and had no undeclared fissile material or clandestine nuclear activities. While such a conclusion would not have 100% certainty, North Korea's attitude toward inspections and the degree to which it cooperates will be an indicator of its will to give up its nuclear program. North Korea's cooperation will be measured by the level of access it provides to documents, data, scientists to be interviewed, and nuclear-related facilities. While the IAEA will, of course, play a major role in verification in North Korea, dismantlement of nuclear weapons, which involves a great deal of sensitive information, would have to be conducted by nuclear-weapon states, particularly the United States and China, given North Korea's desire to draw U.S. attention and the special relationship that North Korea has with China.

The British government has recently studied techniques and technologies with potential applications to the verification of any future arrangement for the control, reduction and ultimate elimination of nuclear weapon stockpiles, and reported its findings to the 2005 NPT Review Conference. The study has identified four major elements of the nuclear weapons dismantlement process: authentication of warheads and components; dismantlement of warheads and their components; disposition of the fissile material coming from dismantled nuclear weapons; and monitoring nuclear



weapons complexes. In negotiating an agreement on the dismantlement of North Korea's nuclear weapons, we have to bear these findings in mind and attempt to clarify how these major works should proceed in step with other military and diplomatic moves.

A stringent verification regime, however, brings with it the possibility of greatly reducing the ambiguity that North Korea has relied upon for its military and diplomatic leverage. Even after North Korea declares that it will give up its nuclear program, it is thus quite conceivable that it will hesitate to reveal its capabilities, and possibly sabotage the inspection process in order to maintain its leverage. For this reason, a mechanism must be built into the agreement with which North Korea will benefit by compliance and lose by non-compliance.

**(c) Assistance in Denuclearization:** Because of the technical difficulties inherent in the verification and dismantlement process, various forms of support and assistance should supplement it. In this regard, variants of the Cooperative Threat Reduction Program (the Nunn-Lugar Program) and the G8 Global Partnership for the former Soviet Union countries to support denuclearization, customized to North Korean needs, may be useful. In order to prevent nuclear weapons and fissile material from being diverted to third countries or non-state actors, these weapons and materials will be disposed of quickly under tight control with support from major nations, including the United States and Japan. North Korean scientists and engineers involved in the nuclear program will be encouraged to engage in peaceful scientific activities in medical and other areas.

## **(2) Multilateral Security Assurances Linked with Regional Security**

Next in this scenario is linking the above process with other regional security concerns, most notably North Korea's medium- to long-range ballistic missiles. Currently, more than 100 *No Dong* missiles capable of reaching Japan are reportedly fielded. If the North achieves miniaturization of nuclear warheads, North Korea could launch nuclear strikes against Japan. At present, however, there is no international framework in place to discuss the problem of these missiles. It was partly why Japan has decided to take part in the Six Party Talks, and to focus on having North Korea abandon its nuclear development program before addressing the missile issue. However, when the

agreement on nuclear dismantlement is reached, an agreement for a phased reduction and ultimate elimination of North Korea's *No Dong* and *Taepo Dong* missiles should be pursued to address regional security concerns. The Intermediate-Range Nuclear Forces (INF) Treaty reached by the United States and the Soviet Union in 1987 successfully eliminated 846 U.S. and 1,846 Soviet intermediate-range missiles and other related systems within four years. We can learn lessons from this example.

### **(3) Reviving Local Arrangements**

Ideally the process outlined above will produce a basis for the establishment of a peace regime through the resumption of currently suspended high-level military talks between North and South Korea, the implementation of confidence-building measures included in the inter-Korean Basic Agreement of 1991, and the reduction and disengagement of conventional forces. Consequently, it will be beneficial if this ties in with a resumption of the Four Party Talks.<sup>2</sup> By combining the four-party process with the Six Party process, Japan and Russia can also become guarantors of this peace regime to further strengthen the credibility of multilateral security assurances agreed in the Six Party Talks.

It is worth noting that this will not prevent U.S. Forces Korea (USFK) from ancillary participation in negotiations on arms control on the Korean Peninsula. Based on the policy of "cooperative self-reliant national defense," South Korea will play a larger role in guaranteeing its own security. In particular, by taking on a greater role in terms of providing counter-fire capability to deal with North Korea's long-range artillery as well as multiple rocket launchers and countering North Korean special operations forces, South Korea will be able to contribute to reducing the sense of burden on the United States.

Finally, as indicated in South Korean President Roh Moo-hyun's speech in November 2004, South Korea recognizes the need to allow North Korea to maintain some level of deterrent capabilities.<sup>3</sup> In this context, South Korea can consider ways to

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<sup>2</sup> The "peace regime" mentioned here is what is expressed in the Basic Agreement between North and South Korea, not the "new peace arrangement" advocated by North Korea, which refers to a peace treaty between Pyongyang and Washington.

<sup>3</sup> President Roh said that there was an element of truth in the North Korean argument that their nuclear and missile forces were a deterrent to protect themselves from external threats.

balance its need to better defend itself and North Korea's need to maintain some level of deterrent in future formal or informal confidence-building and possibly arms control arrangements. After peaceful settlement of the nuclear issue, North Korea's deterrent must be based on non-nuclear conventional forces such as long-range artillery, multiple rocket launchers, and short-range ballistic missiles. Combined with multilateral security assurances, such arrangements would encourage North Korea to forgo its nuclear programs. In addition, North Korea's chemical and biological capabilities must be reduced and eliminated over time through inter-Korean or multilateral agreements, but it will take a long time in any case. As North Korea's nuclear and other WMD programs are dismantled, a new military equilibrium should be established to keep the local and regional security environment stable.

## **Scenario 2: Stalemate**

### **(1) Stalemated Six Party Talks and the Rise of Nuclear North Korea**

In this scenario, both the United States and North Korea take a half-hearted approach, and the Six Party Talks neither succeed nor break down completely. The United States will increase pressure on the North Korean regime by bolstering the Proliferation Security Initiative (PSI) on North Korea's arms exports, cracking down on its illicit activities, and encouraging anti-North Korea movements by aggressively using the North Korea Human Rights Act. Nevertheless, North Korea's nuclear development continues in the interim. It may operate its 5-megawatt nuclear reactor and extract greater quantities of plutonium, miniaturize nuclear warheads, and start preparing for a nuclear explosion test, or it may launch ballistic missiles. North Korea may also undertake small-scale military provocations in its neighborhood.

In this case, the Six Party Talks will lose momentum and the parties will debate whether to refer the matter to the UNSC. It is quite possible, however, that such an idea will meet with resistance from China and Russia, and that the UNSC will fail to function properly. South Korea may also object, fearing that it will become a target for North Korean military retaliation. The United States might then look for a "coalition of the willing" to impose economic sanctions on North Korea, and start interdicting ships and aircraft coming to and from the country. Again, however, it would be difficult for the United States to organize such a coalition by mobilizing non-Six Party member

countries and, even if the coalition is organized, it might not be too effective.

## **(2) Growing Potential Threat**

Behind this scenario is the widely held expectation that North Korea will not use nuclear weapons or export them to entities hostile to the United States since such a move would result in U.S. retaliation against the country. The “benign neglect” policy actually works to avoid a dangerous standoff between North Korea and other countries. It also enables North Korea to maintain the current regime relatively easily and other members of the Six Party Talks not to choose between accepting North Korea as a nuclear state and risking a major crisis by pressuring the country. In addition, being isolated, Kim Jong Il’s regime may start crumbling, and the eventual collapse of the regime may put an end to the North Korean nuclear issue.

However, unless the North Korean regime collapses, the “benign neglect” policy will inevitably create a situation where North Korea continues to obtain enough fissile material for two nuclear devices annually, and to miniaturize such devices in order to load them on ballistic missiles. North Korea may also increase the number and range of its ballistic missiles. With improved nuclear and missile capabilities, North Korea will be in a better position to exercise military-diplomatic coercion on its neighbors. As long as nuclear and missile capabilities are concerned, the longer the “benign neglect” policy continues, the stronger North Korea’s bargaining position will become.

Moreover, the North Koreans may prove to be more risk-taking than generally thought. It may actually export fissile materials and even nuclear devices to foreign nations or non-state actors to put further pressure on the United States and to make money. They may think that such a move will actually strengthen their leverage without necessarily provoking strong retaliatory actions. With the “benign neglect” policy, they may prove to be right.

If the North Korean regime became destabilized or collapsed, the regime’s ability to control nuclear weapons and weapons-grade fissile material might deteriorate. This would increase the likelihood of their outflow from North Korea---which will spur nuclear proliferation---and of the unauthorized use of North Korea’s nuclear weapons and missiles.

Finally, the stalemate might undermine the U.S.-Japan alliance. While the U.S.-Japan security relationship remains strong, the stalemate might start undermining

it at some point. If the United States continues the “benign neglect” policy and allows a heavily armed nuclear North Korea to emerge, it will make it harder for the United States to intervene in regional contingencies for the sake of Japan. If that happens, it would cast doubts on the credibility of the U.S. commitment to the security of Japan and the U.S.’ extended deterrence. A less robust U.S.-Japan alliance would, in turn, make it even harder to solve the already difficult nuclear issue.

The “benign neglect” policy will work to avoid a crisis in the short run, but it will also result in acquiescence of the growing potential threat, make it harder to resolve the issue. It may eventually convince North Korea to concede and make the “strategic decision,” or instigate an internal political change within North Korea. Nonetheless, it may not do so while North Korea continues to build up its nuclear and missile capabilities.

### **Scenario 3: Crisis**

#### **(1) Pressure and Response: Missile Launch, Nuclear Test, and Transfers of Nuclear Materials**

In this scenario, the Six Party Talks breaks down, and collective pressure is brought to bear on North Korea in stages by the UNSC through the adoption of a presidential statement, a resolution criticizing North Korean actions, and finally a resolution authorizing sanctions.

When the matter is brought to the UNSC, China will likely object to strong punitive actions in consideration of its relationship with North Korea. It is quite possible, however, that Beijing may later shift to a position of abstaining from any vote, thus tacitly accepting this pressure tactic. During the 1994 crisis, when the IAEA referred the North Korea nuclear issue to the UNSC, China contended that this referral would complicate the situation and would not lead to a solution, but hinted that it might simply abstain from voting if a draft resolution on sanctions were formally presented. Behind this course of action lay the calculation that it could benefit most by maintaining good relationships with both the United States and North Korea.

China may take a similar approach this time. Even if the UNSC were to consider a resolution on sanctions, it is conceivable that China would attempt to buy time by getting involved in the process of crafting a resolution, and try to use the time to guide

the United States and North Korea into a new agreement. In this case, South Korea would probably go along. However, such an effort might mislead the North Korean leadership into believing that brazen defiance will be the best way to survive the crisis and get a good deal out of it.

## **(2) North Korea's Risk Diversion Tactics**

Faced with Beijing's pressure, it is also possible that North Korea might suddenly take bold steps to resolve the abduction issue in a way that satisfies Japan, and/or to substantially improve inter-Korean relations by bolstering economic and social interactions with South Korea, thus trying to drive a wedge into the U.S.-Japan-South Korea relationship.

Also, we can expect to see anti-American and anti-war demonstrations not just in North Korea, but also in parts of South Korea if the United States starts talking about imposing sanctions against North Korea. If military tension seriously rises, South Korea's stock market will stumble, foreign capital will flee, and domestic assets will be sent overseas. In short, South Korea's economy might plunge into chaos, and the South Korean government and people may look on Washington as the instigator rather than Pyongyang. North Korea may foresee this development and propose to South Korea's Roh Moo-hyun administration that the two Koreas hold a summit. It is not clear whether the Roh administration would be able to decline the offer.

## **(3) Crisis as an Opportunity**

Despite the challenges that a crisis on the Korean Peninsula might pose, we have to remember that we are not always successful in avoiding crises, and that a crisis can be an opportunity for a negotiated settlement of the problem. In fact, the Agreed Framework materialized following the crisis in May-June 1994. This was not a mere coincidence. On the one hand, the crisis created the situation where the North Koreans could "sell" their nuclear cards at the highest prices; on the other hand, it enabled the United States to convince its allies and friends that the negotiated settlement was worthwhile despite the political, military, and financial cost that might ensue.

In this sense, the current U.S. policy not to react to North Korea's provocative actions and not to casually define the situation as a "crisis" has prevented, as U.S. policymakers had correctly anticipated, North Korea from playing a tactical

“cat-and-mouse” game. The Bush Administration’s approach is that of trying to convince the North Koreans that it should make a strategic, rather than tactical, decision to give up its nuclear programs and to suggest that such a decision would be rewarded with substantial political and economic benefits.

If North Korea takes major provocative actions combined with a diplomatic offensive, it might mean that North Korea is ready to make a strategic decision, but wants to up the ante before actually selling off its cards. Also, North Korea can, as it has done in the past, deliberately create a crisis first, and then deflate it to give the world the impression that it is time to reach an agreement. In this sense, although it is always good to avoid crises, we must not forget that they can be catalysts for a diplomatic resolution.

#### **IV. Japan’s Response: Reviving the Regional Approach**

One of the major differences between the 1993-94 crisis and the present standoff regarding North Korea’s nuclear development is the role that Japan plays. When North Korea declared its withdrawal from the NPT in March 1993, it was four months after Japan-DPRK normalization talks broke down. When North Korea did the same in January 2003, it was four months after the Japan-DPRK Summit meeting was held. Ten years ago, the U.S.-DPRK bilateral talks led the process to solve North Korea’s nuclear issue. Now, it is the Six Party Talks, featuring the United States, North Korea, China, Japan, South Korea, and Russia, that are leading the process. In other words, Japanese involvement in the efforts to resolve North Korea’s nuclear issue is much more substantial now than ten years ago.

Contrary to its passive approach in the past, Japan’s current approach is much more proactive, taking both positive and negative measures to persuade North Korea to abandon its nuclear program.

On the positive side, Japan offered normalization of bilateral relations and provision of economic assistance in the September 2002 Pyongyang Declaration if North Korea properly addresses nuclear as well as other issues of Japanese concern. Given the economic reform that North Korea embarked on in 2002, sizable economic assistance from Japan must be quite attractive.

On the negative side, Japan has taken steps to pressure North Korea militarily and economically. Japan can now prevent the flow of money and sensitive technologies to North Korea, unilaterally impose economic sanctions on the country, effectively deal with limited attacks by North Korea, and support the United States in case of an armed conflict. Taken as a whole, Japan is carrying a bigger stick with a bigger carrot in facing North Korea.

### **1. Staying the Course: Japan's Unwavering Policy Objectives**

Despite the twists and turns in Japan-North Korea relations since the September 2002 summit meeting, Japan's policy objectives regarding North Korea -- resolving bilateral issues such as the abduction issue, getting rid of the military threat that North Korea poses to the region, and turning North Korea into a responsible actor in the international community -- and the broad steps to be taken to achieve those objectives remain unchanged. In order to achieve those goals, Japan is taking a three-step approach. The first step is to resolve pending issues such as the abduction and nuclear issues to pave the way for normalization of Japan-DPRK relations. The second step is to normalize bilateral relations, which would enable Japan to provide economic assistance to North Korea while addressing the missile issue. The final step is to fully engage North Korea politically, economically, and militarily to make the country a responsible member of the international community and create a more peaceful and stable Northeast Asia.

In the Japan-DPRK Summit meeting in September 2002, Koizumi identified five bilateral issues and three other issues to be addressed in the first phase. The bilateral issues included abductions, nuclear development, missiles, special-purpose vessels, and security dialogue. The other three were further dialogue between the two Koreas as well as between North Korea and the United States, and a multilateral confidence-building forum such as Six Party talks. Although this Six Party process is not exactly the same as the Chinese-sponsored Six Party Talks that started in August 2003, it is noteworthy that Japan had been calling for such a forum since 1998 when Prime Minister Keizo Obuchi espoused the idea.



## 2. Preparing Carrots and Sticks: Policy of “Dialogue and Pressure”

While Japan’s policy objectives have not changed, its strategy has. “Dialogue and pressure” has been key since 1998 when Prime Minister Keizo Obuchi was in office. The emphasis has been on “dialogue” and Prime Minister Koizumi has carried on that line. In May 2003, however, in response to the impasse in bilateral talks, Prime Minister Koizumi started to put greater emphasis on “pressure,” indicating that Japan would use not only carrots but also sticks to induce positive behavior on the part of North Korea.

Japan offered big carrots in September 2002 when Koizumi visited Pyongyang to meet with Kim Jong Il. The two leaders agreed that Japan would provide economic assistance to North Korea after normalization, and that they would discuss the specific scale and nature of the economic assistance in the normalization talks. It is noteworthy that Koizumi made this pledge despite his knowledge about the fate of some of the Japanese abductees and the existence of North Korea’s secret uranium enrichment program. The Japan-DPRK Pyongyang Declaration specified that the economic assistance would include “grant aid, long-term loans with low interest rates and such assistance as humanitarian assistance through international organizations, over a period of time deemed appropriate by both sides, and providing other loans and credits through such financial institutions as the Japan Bank for International Co-operation with a view to supporting private economic activities.” The total amount is expected to be several billion dollars.

In July 2002, North Korea started to take a series of measures to improve its economic management. If economic reform were to gather momentum, North Korea would need a larger amount of foreign capital goods and funds. However, few foreign businesses are interested in investing in North Korea under the current circumstances. Moreover, if North Korea really hopes to rehabilitate its economy, including its infrastructure, full-fledged economic assistance from Japan will be indispensable.

In this context, it is noteworthy that, in the first session of the Six Party Talks, North Korea proposed a “package solution to the nuclear issue” in which it demanded that the United States “guarantee the [sic] economic cooperation between the DPRK and Japan and between the north and the south of Korea.” In other words, North Korea implicitly demanded that the United States make sure that Japan and South Korea

would provide economic aid to the North when the nuclear issue is resolved.

For this reason, the Pyongyang Declaration, developed in a Japan-DPRK bilateral context and signed before the current nuclear standoff arose, has become a critical element in the Six Party process. Japan's economic assistance to North Korea, laid out in the Declaration, will play a critical role in convincing North Korea to abandon its nuclear programs and embark on major economic rehabilitation programs instead. In addition, Japan and South Korea can jointly provide North Korea with human and technical assistance in such a case.

On the negative side, Japan has taken steps to pressure North Korea militarily and economically. The Japanese government has started to crack down on North Korea's illegal activities, including drug trafficking, counterfeiting, and trading in sensitive machinery by enforcing existing laws more strictly than in the past. Japan has become an active player in the PSI. A patrol vessel and a special security team of the Japan Coast Guard and observers from the Japan Defense Agency participated in a maritime interdiction exercise for PSI held off Australia in September 2003. Japan played a central role in that exercise. It also hosted the "Team Samurai" exercise off the coast of Sagami Bay and outside the port of Yokosuka in October 2004. In addition, Japan has introduced stricter export control measures, decided to procure ballistic missile defense (BMD) systems, and made preparations to better deal with possible contingencies on the Korean Peninsula and with limited attacks against Japan. These measures have put Japan in a better position than ten years ago to deal effectively with North Korea. Taken as a whole, Japan is carrying a bigger stick with a bigger carrot in facing North Korea.

### **3. Pursuing a Regional Solution**

It is in the interest of Japan to pursue a peaceful diplomatic resolution of the North Korean nuclear problem through the Six Party Talks in parallel with the Japan-DPRK bilateral channel. Being prepared for other scenarios would also be an essential part of Japan's strategy, but pursuing a regional diplomatic resolution through the Six Party Talks would be the optimal option.

Working with the United States, Japan should actively cooperate with China, South Korea, and Russia and make an effort to strengthen the regional approach. For

the time being, as Japan's hands are tied with the abduction issue, Japan should support U.S.- and China-led regional initiatives in the Six Party format, and should support Beijing's active intermediary diplomatic efforts and assist in the creation of an interim or preliminary agreement. It will otherwise be impossible for Tokyo to resolve the abduction issue and to proceed with normalization talks. It would also be appropriate to consider hosting the Six Party Talks in Tokyo, in time, perhaps after the conclusion of a preliminary agreement with North Korea.

If North Korea agrees to “comprehensive dismantlement” and returns to the NPT, it will certainly claim its inalienable right to the peaceful use of nuclear energy stipulated in Article IV of the treaty. However, with the United States insisting on CVID, it is difficult to imagine that a settlement of the nuclear issue would involve an immediate resumption of the construction of light-water reactors under the Korean Peninsula Energy Development Organization (KEDO). In that case, we can decide to suspend these rights for a certain period of time until it is deemed appropriate for North Korea to resume legitimate peaceful nuclear activities while allowing it to retain its rights as a signatory to the NPT. Tokyo, along with Washington and Seoul, should then propose using the KEDO framework as a means of providing alternative conventional energy such as heavy fuel oil, while keeping the construction of the light-water reactors frozen. In this context, it is worth pointing out that Japan expressed its intention to join with South Korea, China, and Russia to collectively provide energy assistance to North Korea in the third round of the Six Party Talks.

In the long run, if North Korea faithfully fulfills the verification and dismantlement requirements, the construction of light-water reactors could be resumed. Such an expectation will serve to give Pyongyang an incentive to remain a responsible actor in the verification and dismantlement process.

#### **4. Resolution of Abduction, Nuclear, and Missile Issues**

Given the current stalemate in Japan-North Korea relations over the abduction issue, adoption of multilateral security assurances at the Six Party Talks would likely become an important starting point for Tokyo and Pyongyang to resume normalization talks. Looking at the matter from the perspective of a potential comprehensive package, it is desirable for a multilateral agreement to explicitly link the beginning of normalization

talks with provision of convincing evidence on abductees' whereabouts and North Korea's pledge to fully satisfy reasonable Japanese demands on the matter.

Even if a multilateral agreement provides a roadmap toward a solution, it is not a solution in and of itself. It therefore follows that, even if a multilateral agreement is reached and Pyongyang agrees to move in stages from a freeze on its nuclear facilities to dismantlement, there is no guarantee that North Korea will not go back on its word, and suspicions about its nuclear program will persist in the interim. Even if the CVID principle is accepted and North Korea's abandonment of its nuclear program remains verifiable, there will still be a time lag between the time of agreement and the time when the abandonment is actually verified. It may take longer than in the case in South Africa mentioned above, meaning that acceptance of CVID by North Korea is the beginning of a long process, not the end. If Tokyo and Pyongyang normalize relations and decide to incorporate phased economic assistance into this process, however, it will greatly promote North Korean compliance in accepting verification measures and in moving from a freeze on its nuclear facilities to eventual dismantlement.

In addition, Japan should pursue a bilateral agreement to eliminate North Korea's medium- to long-range ballistic missiles. As Japan does not possess offensive ballistic missiles, the contents of a Japan-DPRK agreement on missiles will be asymmetrical in nature. In other words, Japan and North Korea will not swap missiles; any agreement will involve Tokyo improving relations with and providing economic aid to North Korea in exchange for Pyongyang eliminating *No Dong* and *Taepo Dong* missiles. For this purpose, a framework for the elimination of medium- to long-range ballistic missiles should be created to fit the process of normalization of Japan-DPRK relations and Japan's provision of economic assistance to the North.

Large amounts of economic aid will not flow into North Korea simply with the establishment of diplomatic relations. As was the case when Japan normalized relations with South Korea, economic assistance will be provided on a project basis. Japan's economic assistance to North Korea will be linked with the process of Pyongyang's compliance in a multilateral denuclearization arrangement and with a bilateral Japan-DPRK arrangement to reduce and eventually eliminate North Korea's medium- to long-range ballistic missiles. If this approach produces positive results, it will become a historic success story for one of the major tenets of Japanese foreign policy---non-proliferation and disarmament.

## 5. Military Preparedness

The above arguments are not intended to deny the importance of being prepared to deal with a crisis. While it would not be wise for Japan to unilaterally impose economic sanctions as long as the Six Party Talks continue, Japan should take part in multilateral sanctions if the talks break down and the situation moves into the crisis scenario. If multilateral sanctions are called for to deal with nuclear proliferation, Japan must take part. Japan must also be prepared for the most extreme eventuality: collapse of the North Korean regime.

Additionally, the National Defense Program Guidelines released in December 2004 gave great weight to responding to ballistic missile attacks, attacks by special operations forces, and intrusions by armed special-purpose vessels. Japan has adopted the National Protection Law for civil defense, and will be deploying operational sea-based and ground-based missile defense systems in 2007. These steps will bolster Japan's security in times of crisis while at the same time reducing the effectiveness of North Korea's "military card." As time passes, North Korea's missiles will have less diplomatic value. Thus this sort of pressure will likely lead Pyongyang to the conclusion that reaching a diplomatic solution quickly is in its interests.

Finally, the *Council on Security and Defense Capabilities Report: Japan's Visions for Future Security and Defense Capabilities* released in October 2004---widely known as the Araki Report---suggested that when there is no alternative, Japan should address the question of whether it is appropriate to possess offensive capabilities against enemy missile bases as a last resort. If North Korea's nuclear and missile capabilities become a clear and present danger, Japan might be forced to consider such an option.

## 6. Abduction Issue and the Debate over Economic Sanctions

At present, the Japan-DPRK bilateral channel is paralyzed due to the abduction issue, and the idea of imposing economic sanctions on North Korea is being debated in some quarters. This idea attracts support in the public and among lawmakers in the Diet. It is difficult to imagine that the unilateral imposition of economic sanctions on Japan's part would lead to a quick concession on the abduction issue by North Korea, however. On

the contrary, if sanctions were not used judiciously, the more likely result would be to further prolong the problem.

To begin with, in the third round of the Six Party Talks, Japan expressed its willingness to join with South Korea, China, and Russia and collectively provide energy assistance to North Korea. The unilateral imposition of economic sanctions would run counter to the tone of the talks and would thus fail to gain the support of any of the other participants. In line with the Six Party Talks process, Japan should pursue a resolution to the abduction issue by reopening bilateral negotiations with Pyongyang. Since the abduction issue has become a major political issue, though, it is not likely that the Japanese government would resume normalization talks with North Korea without a satisfactory solution of the issue.

## **V. Conclusions**

The fact that Japan is carrying a bigger stick with a bigger carrot in facing North Korea suggests that we are facing a “high-risk, high-return” situation. Despite the growing tension, a peaceful solution to the nuclear issue is possible. Moreover, there is the potential for more substantial sets of agreements among the concerned countries in a “more-for-more” arrangement. North Korea has more to offer now than ten years ago, while Japan has already offered more compared to ten years ago. If the abduction, nuclear, missile, and other pending issues are resolved, Japan would be willing to normalize relations with North Korea and provide substantial economic assistance, in accordance with the September 2002 Pyongyang Declaration. In the best-case scenario, Japan as well as the United States will normalize relations with North Korea; North Korea will acquire economic assistance from Japan and use it to rehabilitate its economy, which, if combined with an open-door policy, will facilitate regional economic integration and possibly growth; North and South Korea will establish peaceful coexistence in the political and military arenas and integration in economic terms.

The current situation involves higher risks, however. North Korea has more robust nuclear weapons programs and a much larger ballistic missile arsenal than ten years ago, while its political and socio-economic conditions have become more

precarious. In addition, if the North Koreans are to raise the value of their bargaining chips by scaring the international community, which has experienced the North Korean nuclear game once already, they might have to bring the situation much closer to the brink than before. Even after returning to the Six Party Talks, North Korea may well attempt to open a new chapter in its nuclear diplomacy by defining itself as a “nuclear–weapon state. If Japan and the international community are to prevent North Korea from cheating again, they might have to get tougher than before.

Moreover, even if we choose not to take risks, the risks will grow as North Korea continues to improve its WMD capabilities, and Japan will be the first to be adversely affected by the continuation of the stalemate. If North Korea continues to build up its nuclear arsenal and succeeds in putting nuclear warheads on *No Dong* medium-range ballistic missiles, it will send enormous political and military shock waves. Japan will not be able to accept such a consequence.

In order to attain security, we will have to take calculated risks. However, calculated risks do involve dangers, of which two stand out. On the one hand, we might end up “appeasing” North Korea by giving in to its brinkmanship diplomacy. On the other hand, we might inadvertently provoke a war by pushing North Korea off the brink. Achieving the complete dismantlement of North Korea’s nuclear arsenal while avoiding these dangers will not be easy, particularly when the situation in Iraq remains unstable and the Iranian nuclear issue looms large.

If North Korea does not engage in serious negotiations in the Six Party Talks nor demonstrate willingness to make concessions, Japan, in conjunction with the United States, will have to use a coercive approach. We should first strengthen PSI and bring the matter to the UNSC to discuss imposing economic sanctions on North Korea. When we actually impose economic sanctions, we should keep the Six Party framework intact so that the coercion would bring North Korea back to the negotiating table. We should not forget that coercion is a means to an end. Coercive measures should not be designed to exacerbate tension but to bring about desired political results.

If we are to take such coercive measures, however, it is not clear whether we could secure support from South Korea, China, and Russia. Moreover, if sanctions are actually implemented, North Korea might decide to conduct flight tests of medium- to long-range ballistic missiles and a nuclear explosion test, making the worst scenario come true---an isolated nuclear North Korea. If North Korea chooses to respond to the

international pressure by further intensifying its brinkmanship strategy, the situation might get out of control.

It is for this reason that Japan and the United States should first use a positive approach to the maximum extent before resorting to negative sanctions. To implement the positive approach, the United States should first agree to hold bilateral talks with North Korea to seriously negotiate agreements. Such bilateral talks must take place within the Six Party framework, but do not have to actually convene when and where the Six Party plenary meetings are held. With the other Six Party members' consent, the United States and North Korea can hold bilateral talks more frequently to negotiate concrete and detailed agreements, which will later be approved by all Six Party members in plenary meetings.

Despite the potential merits of U.S.-DPRK bilateral talks, the Bush Administration has long remained reluctant to fully engage North Korea. In this context, the role of Japan, particularly that of Prime Minister Koizumi's, will be critical. Prime Minister Koizumi has been one of the most trusted allies of President George W. Bush. At this point, Koizumi is the best and only person who can persuade President Bush to have serious negotiations with the North Koreans.

Once Japan and the United States agreed to push ahead, they should carefully coordinate their policies in taking the positive initiative. Only the strong positive incentives, generated by Japan-U.S. joint action and backed by potential use of negative incentives, will convince the North Koreans to respond positively. At the same time, Japan should prepare to resume Japan-DPRK talks to discuss normalization in addition to the abduction, nuclear, and missile issues. Such an action will demonstrate that the regional solution to the nuclear issue is still on the table, and provide North Korea with the final but attractive offer to put an end to its isolation. In addition, to bolster multilateral regional initiative, Japan can propose that the Six Party Talks be held in capital cities of the member countries, including Tokyo and Pyongyang. By first taking these positive measures, we will be able to test North Korea's willingness to come back to the Six Party Talks to have serious negotiations and, if need be, secure support from South Korea, China, and Russia in bringing the matter to the UNSC.

If the United States and North Korea reached an initial agreement for eventual dismantlement of North Korea's nuclear programs, Japan should resume normalization talks with North Korea and start discussing a comprehensive assistance program for



North Korea's socio-economic rehabilitation in conjunction with South Korea, China, Russia, and the United States. Japan's most powerful policy tool is its ability to provide, when Japan-DPRK relations are normalized, substantial economic assistance indispensable to North Korea's socio-economic reform. Phased provision of economic assistance, say, over ten years would play an important role in guaranteeing the successful dismantlement of North Korea's nuclear programs and resolving abduction and other outstanding issues between the two countries.

Avoiding risks will not provide security. Despite risks and dangers, we will have to take calculated risks and adopt the regional approach described above to resolve the North Korean nuclear issue peacefully. Japan has an important role to play in the process.