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## **No Illusions:** *Regaining the Strategic Initiative with North Korea*

By Abraham Denmark and Nirav Patel  
Lindsey Ford, Zachary Hosford, and Michael Zubrow



**Center for a  
New American  
Security**

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Of course, we alone are responsible for any errors or omissions.

COVER IMAGE:  
Kim Il sung statue on Mansu hill, Pyongyang, North Korea.

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By Abraham Denmark and Nirav Patel  
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Pyongyang has spoken: North Korea has chosen a path of confrontation. Over the past three years, North Korea has tested two nuclear weapons, launched several ballistic missiles, proliferated missile and nuclear technologies, and repeatedly issued decrees of war against the United States, its allies, and the international community. North Korea's latest provocations have raised insecurity and uncertainty in Northeast Asia to new heights. With international leverage dwindling and North Korea's dangerous actions threatening to escalate into a broader regional conflict, it is increasingly clear that the status quo is unsustainable and unacceptable.

## INTRODUCTION

Fifteen years of “rinse and repeat” negotiations have failed to prevent North Korea from developing and testing nuclear weapons. The Obama administration has stated firmly that America's long-term objective on the Korean peninsula will not change; the United States will never accept North Korea as a nuclear weapons state.<sup>1</sup> The path to complete and verifiable denuclearization, however, is uncertain.

There should be no illusions: the turbulent cycles of negotiations have negatively impacted American leverage. Yet Washington's repeated willingness to pursue engagement has been driven by the determination that diplomacy provides the best means to achieve North Korea's denuclearization. Military strikes against North Korean facilities would hinder further reprocessing efforts and missile launches, but would not guarantee the elimination of Pyongyang's existing stockpiles. In addition, military strikes would almost certainly provoke a cycle of escalation with devastating consequences for America's allies and the region.

A strategy of externally induced regime change is equally undesirable. Removing the North Korean regime would have several dangerous geopolitical repercussions, and could lead to a humanitarian disaster as well as a reconstruction project that would dwarf East Germany's integration with the West. Although the United States cannot ignore the possibility that the North Korean regime may collapse on its own, Pyongyang's resilience has proven that Washington cannot allow U.S. strategy to hinge on this possibility.

The United States should continue to seek the long-term objective of North Korea's denuclearization through negotiations. But in the short-term, prospects for success are bleak. North Korea's unequivocal rejection of the Six-Party Talks has made clear that Pyongyang has no intention of

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*“The Obama administration therefore faces a stark and undesirable choice between a problem that will be difficult to solve and a status quo it cannot tolerate.”*

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negotiating away its nuclear capabilities any time soon. The Obama administration therefore faces a stark and undesirable choice between a problem that will be difficult to solve and a status quo it cannot tolerate. The United States cannot abandon its long-term objective of denuclearization, but the untenable status quo demands a shift to a more proactive management of immediate threats.

To pursue the long-term objective of denuclearization and the short-term need to regain the strategic initiative, the Obama administration should adopt a *strategic management* approach that enables the United States to reshape the status quo to America’s advantage. To these ends, we identify **four key short- to medium-term objectives:**

- Reinforce U.S. alliances in the region
- Mitigate the threat of proliferation
- Prevent the outbreak of regional conflict
- Compel the DPRK’s return to the negotiating table

To achieve these objectives, the United States should:

- Strengthen allied defenses and reassure Tokyo and Seoul of America’s extended deterrent commitments
- Increase regional security cooperation through the creation of a Five-Party Dialogue
- Implement more robust sanctions and interdiction initiatives
- Provide positive incentives and diplomatic “on-ramps” that will facilitate Pyongyang’s return to negotiations

This approach will provide a bridge between short-term imperatives and long-term objectives, facilitating the eventual denuclearization of the Korean peninsula. It will improve America’s leverage while bolstering U.S. allies’ defenses and encouraging the Democratic People’s Republic of Korea (DPRK) to return to negotiations and, ultimately, to relinquish its nuclear weapons capability. Over time, as coordinated pressure on North Korea increases, and as U.S. alliances in the region strengthen, Washington will find itself in a more advantageous position vis-à-vis Pyongyang.

This paper has three sections. Part One describes the current strategic environment in Northeast Asia and identifies the primary strategic interests the major parties hold regarding the DPRK. Part Two defines and prioritizes key objectives for the Obama administration’s North Korea policy. Part Three details the initiatives that comprise a *strategic management* framework.



The Arirang Mass Games





## PART 1: A CHANGING STRATEGIC ENVIRONMENT

North Korea's latest provocations, while not unprecedented, appear substantially different from its previous actions. Pyongyang's recent actions do not appear merely to be a repeat of previous efforts to renew negotiations on favorable terms, but likely reflect a significant shift in its assessment of the regime's internal and external security environment. Internally, Kim Jong-il is probably attempting to solidify a legacy that will facilitate

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a smooth succession and the continuation of his family's dynastic rule. Critical to this process is a series of successful demonstrations of North Korea's military strength that augments Kim Jong-il's domestic political capital with hard-line senior party and military officials in Pyongyang.

Externally, nuclear weapons provide Pyongyang with a deterrent against what Kim likely perceives as a hostile strategic environment. There is an emerging consensus among North Korea specialists in the United States and South Korea

that Pyongyang is determined to retain its existing nuclear stockpile out of its assessment that nuclear weapons are central to the regime's security, its international prestige, and its ability to extract resources from the international community. Recent statements in North Korea's official media support this contention, noting that North Korea "can live without normalizing the relations with the United States but not without a nuclear deterrent."<sup>2</sup>

North Korea's aggression has contributed to a growing sense of pessimism in the region and shifting strategic calculations within Tokyo, Seoul, Beijing, Moscow, and Washington.<sup>3</sup> These evolving perceptions of regional powers present both challenges and opportunities for U.S. policymakers. In the past, differing strategic priorities among the United States and its regional partners have hindered multilateral progress in nuclear negotiations. Pyongyang's 2006 nuclear test, however, served as a catalyst for greater unity between the United States and its regional partners. There are early indications that the most recent nuclear test may also solidify support for a more robust and integrated international response. Troublingly, Pyongyang's ongoing belligerence combined with America's strategic focus on Iraq and Afghanistan has heightened anxiety in the region about Washington's ability and will to robustly defend its Asian allies.

To understand the strategic environment in Northeast Asia, it is essential to understand each country's interests and perspectives regarding North Korea.

### **Tokyo**

Japan seeks North Korea's complete and verifiable denuclearization and a resolution of the long-standing abductee issue.<sup>4</sup> North Korea is a direct military threat to Japan, having previously launched numerous ballistic missiles over Japanese territory. Despite the growing influence of conservative perspectives, the Japanese government is

unlikely to support a risky regime transformation strategy. Japanese officials acutely understand the risks of escalation in the region, and the significant costs associated with post-unification reconstruction. In the short-term, Tokyo seeks to ensure its national security by pursuing a host of containment strategies, while further aligning itself with the United States and South Korea.

Japan's role is complicated by a delicate and politically explosive domestic debate about the nature of Japan's self-defense forces and the potential "normalization" of Japan's military. Compounding these challenges is the hot-button political issue of North Korea's abduction of Japanese citizens. Japan's domestic leadership remains embroiled in a difficult battle between the ruling Liberal Democratic Party (LDP) and the surging, but divided, Democratic Party of Japan (DPJ). Although relations between the United States and the LDP have been strong, the DPJ has made an effort to assert greater foreign policy independence from the United States. It is not clear how a potential change in Japan's leadership would impact the U.S.-Japan alliance or the future of the Six-Party Talks. On the one hand, a DPJ victory would most probably rely on a grand coalition with pacifist parties and would be less likely to undertake fundamental revisions of Japan's constitution that would upset the delicate balance of power in the region. On the other hand, the DPJ's desire to assert its independence from the United States could limit the cohesiveness of the alliance, which will be essential in ongoing nuclear talks and for the maintenance of broader regional stability.

### **Seoul**

While most South Koreans view reunification of the Korean peninsula as a desirable goal, many recognize the tremendous economic costs associated with a rapid regime transition. Progressive political groups seek reconciliation through a variety of engagement strategies meant to liberalize North-South relations. Meanwhile, conservative

political forces remain preoccupied with defending the Republic of Korea (ROK) from what they perceive to be an existential threat emanating from Pyongyang. Groups sympathetic to this analysis emphasize strong relations with the United States, increased military budgets, and conditional engagement with the DPRK using a mix of positive and negative incentives. The domestic tug of war between these two camps has historically been one of the greatest challenges to closer coordination between the United States and the ROK and has at times strained the U.S.-ROK alliance. However, President Lee Myung-bak's willingness to pursue a tougher stance toward North Korea has created an opportunity to better align American and South Korean interests.



*The "Statue of Brothers" from the War Memorial in South Korea underscores a desire for eventual reunification.*

Hard-line elements in Seoul continue to argue for greater unilateral military capabilities, including an indigenous nuclear deterrent. While a tougher approach from South Korea has definite advantages for U.S. policymakers, it also risks tipping the fragile nuclear balance in Northeast Asia. Such aspirations could trigger a new wave of proliferation in Asia as some countries reassess their dependence on the U.S. nuclear umbrella and others hedge against a more assertive ROK. Additionally, South Korea's concern over North Korea's militaristic behavior, especially its concerns about the ability of the alliance to protect its interests, threaten to hinder the necessary shift in the structure of the U.S. military presence on the Korean peninsula. The United States and South Korea are on schedule to complete a long process of strategic realignment in South Korea that will transfer operational control (OPCON) of Korean forces back to South Korea in 2012. However, influential conservatives in Seoul (including the head of the ruling Grand National Party) are openly calling for a delay or termination of the OPCON transfer in the wake of Pyongyang's second nuclear test. The Obama administration should resist such calls in a way that reassures the ROK of America's alliance commitments.

### **Beijing**

China's primary strategic interests are to maintain internal and external stability. The prospect of a North Korean collapse, which would send millions of malnourished refugees into China and undermine its internal stability, has to date made Beijing hesitant to enforce strict international sanctions against Pyongyang. Furthermore, North Korea has long functioned as a buffer against U.S. allies in the region. Should there be a change of regime in North Korea, Beijing would face a unified, democratic American ally along its border and at the doorstep of the strategically important Bohai gulf.

Regime collapse in Pyongyang, and/or the potential unification of the Korean peninsula, would

*“Regime collapse in Pyongyang, and the potential unification of the Korean peninsula, would have overwhelming economic, political, and military implications for Beijing.”*

have overwhelming economic, political, and military implications for Beijing. However, there are growing positive indications that Beijing is coming to realize that Pyongyang’s provocations threaten China’s interests on several fronts. North Korea’s aggressive actions have the potential to escalate into a destabilizing regional confrontation, which Beijing certainly seeks to avoid. A more immediate concern for Beijing, however, is the damage its relationship with Pyongyang could have on its relationship with Washington. China’s Deputy Chief of the General Staff, Lieutenant General Ma Xiaotian, told participants at the May 2009 Shangri-La Dialogue that China is now more seriously weighing the regional repercussions of North Korea’s actions. Ma noted the negative consequences of North Korea’s recent nuclear test and stated, “All countries, big or small, rich or poor, strong or weak, have the responsibility and obligation to safeguard regional stability and security.”<sup>5</sup> A June 2 editorial in China’s state-run *Global Times* echoed the importance of limiting regional tensions, complaining that North Korea “did not respect China’s advice and put the Chinese government in an awkward position by producing a series of security crises in East Asia.”<sup>6</sup>

Over the past decade, as its global presence and financial heft have grown, China has emerged as a more assertive and confident leader in the region. Channeling China’s growing influence will be an important aspect of the *strategic management* approach to North Korea.

### **Moscow**

Russia fears that destabilization of the DPRK could pose both strategic and economic challenges for Moscow. While Russia supports North Korean denuclearization, it is reluctant to exert decisive pressure on the regime for fear of triggering instability. The Kremlin worries, for example, that a conflict could lead to an enlarged American military presence in East Asia, or in North Korea itself.<sup>7</sup> Also, while Russia lacks a volume of trade with North Korea comparable to China, or even Thailand,<sup>8</sup> Moscow has invested significant capital in large-scale infrastructure projects in the Far East, including oil and gas pipelines and the Trans-Korean and Trans-Siberian railroads, all of which could suffer in the event of destabilization.<sup>9</sup>

Despite Moscow’s interest in denuclearization, Russia to date has played only a minor role in the Six-Party process. There are indications of Russia’s renewed interest in playing a substantive role in future denuclearization efforts. Notwithstanding Russia’s close relationship with Kim Jong-il, Russian President Dmitri Medvedev has described North Korea’s actions as “measures that disrupt international security” and declared that “a widening of the nuclear club... is absolutely unacceptable.”<sup>10</sup>

As with China, Russia has a major role to play in the international community’s approach to the DPRK. The Obama administration has a unique window of opportunity to engage Russia and utilize Moscow’s influence with North Korea to encourage a cessation of provocative behavior and a return to negotiations.

## Washington, D.C.

America's primary long-term goal vis-à-vis North Korea is the complete and verifiable denuclearization of the Korean peninsula. Concerns over proliferation and regional escalation make the prospect of a nuclear North Korea unacceptable to Washington. Yet, the Obama administration faces few good policy options to break the troubled 15-year cycle of negotiations. America's ongoing commitments around the world, in particular Iraq, Afghanistan, and Pakistan, compound this dilemma.

The U.S. approach to Northeast Asia is rooted in a long-standing network of bilateral alliances. This approach is bolstered by several regional partnerships, a reinvigorated effort to engage Asia's many multilateral organizations, and a growing and deepening partnership with China. However, Washington is also aware of growing (though unfounded) anxieties in the region regarding its staying-power and commitment, and perceptions of potential strategic drift in Northeast Asia. Although calls within Japan and South Korea for an indigenous deterrent capability are not yet widespread, there is significant potential for these calls to balloon as a result of internal and external political developments.

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## PART 2: U.S. STRATEGIC OBJECTIVES IN THE SHORT- TO MEDIUM-TERM

While North Korea's denuclearization must remain the United States' primary long-term objective, achieving this goal in the short- to medium-term will be difficult. Any future indications that Pyongyang may be willing to return to the negotiating table should not raise expectations absent a marked change in the regime's internal calculations or in its willingness to truly denuclearize. Past experiences with the DPRK demonstrate that resuming negotiations (and even signing agreements) is merely a first step forward on the long road to achieving denuclearization. The implementation and verification stage has been the largest barrier to progress. Noting these challenges, as well as recent changes in the strategic environment, this section identifies four objectives that the United States should pursue in parallel with and in support of its long-term objective of denuclearization through negotiations.

### **Strengthen U.S. commitment to Northeast Asian allies**

It is crucial to U.S. interests and regional stability that Japan and South Korea feel secure in the reliability and efficacy of the U.S. extended deterrent. Japan and South Korea not only form the core of the U.S. alliance system in Asia – they are also the two countries most directly threatened by North Korean aggression. Thus, the United States must assure its allies of its continued commitment to their security, allaying concerns that have been spurred by the rise of China and intensified recently by American efforts to negotiate further nuclear reduction agreements with Russia. Critical to this affirmation process will be continued clear declaratory statements from the Obama administration that the United States will not accept North Korea as a nuclear weapons state. Without assuring its allies of their security, the United States will be hard-pressed to maintain the strength of its relationships with Tokyo and Seoul or to prevent either

ally from seeking an indigenous nuclear deterrent, which would potentially spark a regional nuclear arms race.

The United States should assure its allies of America's continuing conventional and nuclear commitments to their defense, deploy theater defenses against DPRK missiles, and support South Korean efforts to harden its population centers. The United States should also initiate a Five-Party Dialogue to discuss and coordinate policy towards North Korea with regional actors, leveraging collective power and enhancing America's leadership role in Asia.

### **Dissuade, deter, and restrain proliferation**

As both Presidents Bush and Obama have declared publicly, the threat of nuclear weapons proliferation to state and non-state actors presents one of the gravest threats to national and international security. The transfer of nuclear weapons and/or associated technologies, whether in the form of material, warheads, or delivery systems, will unacceptably endanger not only the United States, but also threaten American regional allies and the international community. To combat this threat, the United States and its allies should more aggressively interdict and inspect North Korean ships in compliance with UN Security Council (UNSC) resolutions and a bolstered Proliferation Security Initiative (PSI).

### **Prevent provocations from escalating into regional conflict**

While North Korea's most recent aggression has not yet led to violent outbreaks in the region, such clashes are a distinct possibility in the near future. In fact, North Korea's well-documented history of intentionally inciting small-scale violence makes escalation more likely.

Preventing Pyongyang's provocations from escalating into a broader conflict will require close consultation within a Five-Party framework to

alleviate concerns about North Korea's actions and coordinate an international response. Additionally, the U.S. conventional and nuclear deterrent will play a significant role in dissuading Pyongyang from instigating a large-scale conflict.

### **Compel the DPRK's return to the negotiating table**

Finally, the United States should compel North Korea's return to negotiations. While only a means to achieve the end of a denuclearized peninsula, negotiations provide the best possible method for peacefully attaining that end. Without further negotiations, the United States and its allies would be faced with the challenge of trying to destroy the DPRK's nuclear weapons capability through risky, costly, and uncertain means. Neither military action nor induced regime collapse would ensure the destruction or capture of all nuclear material. Negotiations, therefore, remain the best opportunity for permanent North Korean denuclearization.

To make meaningful negotiations a reality, the United States must create a series of diplomatic "on-ramps" that will provide an essential opportunity to test North Korea's willingness to resume negotiations and establish positive incentives to move Pyongyang back to the negotiating table. These incentives should work in tandem with, rather than in opposition to, coercion. In fact, the removal of existing disincentives, like targeted sanctions, can potentially serve as a valuable reward for improved behavior.

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### PART 3: A FRAMEWORK FOR STRATEGIC MANAGEMENT

To accomplish the strategic objectives outlined in the previous section, the Obama administration should adopt the following series of parallel and mutually supporting initiatives. This *strategic management* framework recognizes that North Korea's recent actions require a greater focus on reducing the threat of regional conflict and proliferation. At the same time, the strategy acknowledges that negative coercion alone is not likely to drive North Korea back to negotiations. Therefore, *strategic management* includes a series of diplomatic on-ramps that exist and operate in tandem with the more coercive aspects of the strategy. The net effect of this approach will be to develop

a new status quo that strengthens U.S. leverage in eventual negotiations.

#### **Build a Unified Front with Allies**

America's alliances with Japan and South Korea must be the foundation of any U.S. strategy to manage North Korea. They are the primary target of the North Korean military threat, and their civilian populations will face significant consequences in the event of North Korean belligerence. President Obama's recent reiteration of America's commitment to Japan and South Korea was a valuable first step.<sup>11</sup> The United States should therefore continue to strengthen its alliance relationships.

First, America should take visible steps to reassure South Korea and Japan about America's commitment to their defense. President Obama's



*U.S. Secretary of Defense Robert M. Gates shakes hands with Japanese Defense Minister Yasukazu Hamada, left, and South Korean Defense Minister Lee Sang-Hee as they prepare for their trilateral meeting on the sidelines of the Shangri-La Dialogue Asia security summit in Singapore, May 30, 2009. DoD photo by Air Force Master Sgt. Jerry Morrison.*



objective to achieve a nuclear weapons free world has increased regional anxiety that this approach will weaken the nuclear umbrella, which is the foundation of American security guarantees in East Asia. The challenge for American policymakers is managing these perceptions and assuring allies that the U.S. extended deterrent is credible, thereby undercutting conservative voices demanding an independent nuclear deterrent. Continued high-level engagement from the White House and the Departments of State and Defense on the role of America's extended deterrent will be vital to prevent the further escalation of tensions in Northeast Asia.

One of the most effective means of signaling America's commitment to its allies' defense is to bolster the development and deployment of theater missile defenses, such as the Aegis Ballistic Missile Defense, a midcourse phase system, and Terminal High Altitude Area Defense (THAAD) and PATRIOT Advanced Capability 3 (PAC-3) terminal phase systems. These systems represent the most cost-effective missile defense systems available. More importantly, these systems are far more mature and reliable than the more contentious Ground Based Missile Defense system. As Secretary Gates recently noted, the only immediate threat from North Korea's missile program falls on America's Asian allies and not the U.S. homeland. As a result, the U.S. priority for the near-term should be bolstering theater missile defense necessary to support these alliances.

The United States must also reduce the conventional military threat North Korea poses to America's Asian allies. Central to North Korea's conventional threat is its ability to range Seoul with its long-range artillery from behind the DMZ; in 2005 North Korea possessed an estimated 10,400 artillery pieces.<sup>12</sup> The United States and the ROK should therefore invest in technologies that have the potential to defend against the threat of North Korean artillery fire. The Tactical High-Energy

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Laser (THEL), and its mobile variant (MTHEL), represent a promising technology that has demonstrated the capability to intercept and destroy in flight artillery and mortar rounds. In addition to providing technologies to harden Seoul's defenses, the United States should continue to support and assist South Korean efforts to harden their population centers, especially Seoul, against a potential North Korean attack.<sup>13</sup>

### **Initiate a Five-Party Dialogue**

North Korea's departure from the Six-Party Talks should not be allowed to derail the positive benefits of engaging in regional security discussions in Northeast Asia. The U.S. government should therefore continue to engage with its regional partners through the development of a Five-Party Dialogue. In order to clearly differentiate the Five-Party process from the existing Six-Party framework, the group should consider meeting in a new location outside of the immediate region, such as in Europe or Southeast Asia.

The creation of a Five-Party Dialogue provides two key benefits for U.S. policymakers. First, this approach ensures that an essential forum for greater regional stability and cooperation will continue to exist in Northeast Asia. Second, this forum will signal clearly that American strategy will not be held captive to North Korean gamesmanship.

#### COORDINATING A COMMON APPROACH

The Five Parties should demonstrate regularly and publicly their opposition to a nuclear North Korea and its aggressive and provocative actions. To that end, a Five-Party framework would create a useful forum for issuing strong regional statements opposing North Korea's ongoing behavior. The Five-Party framework would also provide an important coordinating body to help discuss and shape a more robust international sanctions regime and provide space for side-channel discussions between the various partners on specific issues of regional concern, such as Japan's abductee issue.

To highlight the unity of this new regional forum, the Five Parties should issue a joint declaration stating they will never accept North Korea as a nuclear weapons state, the parties reaffirm their commitment to the peaceful denuclearization of the Korean peninsula, and also condemn North Korea's recent belligerence. This statement would provide a clear regional voice calling on North Korea to halt its irresponsible behavior and would send an important message that the Five Parties will no longer allow North Korea to play them off against each other. Individual cabinet and ministerial level statements, from all five member countries, supporting the necessity of a Five-Party framework would also shore up confidence in the group.

#### MANAGING REGIONAL TENSIONS

The Five-Party framework also provides a necessary forum to manage the complex and turbulent security environment in the region. Northeast Asia is riddled with both historical animosities and numerous security flashpoints. The combination of these two factors undermines trust between the various regional powers and increases the potential for small misunderstandings to devolve in a downward insecurity spiral. In addition, volatile domestic politics and dangerous nationalist movements further increase the likelihood of misunderstanding and tension. One of the

most important elements of the Six-Party process was the opportunity for candid exchanges and confidence-building between the various regional participants. The Five-Party architecture would continue to provide a necessary forum to help reduce animosities and resolve irritations among member states.

#### Impose a Stronger Sanction and Interdiction Regime

Proliferation to non-state actors and other irresponsible regimes is the most dangerous threat North Korea's nuclear weapons program poses to the United States and the international community. As North Korea's refusal to return to negotiations further isolates the regime, it is increasingly likely that North Korea will seek to transfer its nuclear technology or know-how.

Through the establishment of a stronger sanctions and interdiction regime, the United States should move robustly to mitigate the potential for proliferation. Sanctions and interdiction serve two mutually-reinforcing roles. Both activities seek to pressure Pyongyang to change its behavior, while also impeding proliferation activities themselves. In so doing, Washington should decide how to balance effective unilateral sanctions (joined by select allies and partners) with broadly supported multilateral sanctions approved by the international community. Previously, China and Russia have proven either unable or unwilling to strictly enforce international sanctions on the DPRK, even when they have approved these measures in the UNSC. Although China and Russia's support will increase the effectiveness of any sanctions effort, the United States should not make its strategy entirely contingent on their cooperation. This strategy therefore recommends more strictly enforced sanctions through the United Nations, as well as continuing U.S.-led initiatives.

The basic tools and structures needed to develop a strong multilateral response to the North

Korean proliferation threat are codified in UNSC Resolution (UNSCR) 1718.<sup>14</sup> This resolution allows for the interdiction of cargo going to and from North Korea for weapons of mass destruction (WMD) or associated items, bans the import and export of certain weapons systems and luxury goods, calls on UN member states to freeze the overseas assets of individuals and companies involved with the DPRK's weapons programs, and places a travel ban on program employees and their families. Since the North has brazenly violated all tenets of 1718, the United States should push for mandatory interdiction and inspection of cargo shipments going to and from the DPRK for WMD and associated items (1718 makes this action voluntary). The participation of China and Russia in these activities could go a long way in limiting Pyongyang's aggressive proliferation.

Yet, Washington should not rely on multilateral action alone. The United States has two important models of U.S.-led actions that jump-started multilateral coalitions: its sanctions against Banco Delta Asia (BDA), and the Proliferation Security Initiative (PSI). In 2005, Washington severely restricted North Korea's international financial activities when it accused BDA of laundering money and handling other illicit transactions for the regime. The dispute stalled the Six-Party Talks until 2007, when Washington unfroze \$25 million in North Korean assets in return for progress in the Talks. BDA remains designated as a "primary money laundering concern." American actions deterred other banks around the world from doing business with Pyongyang. Going forward, the United States, in cooperation with various international actors, should identify North Korea's key financial nodes that support the regime's leadership.

The Proliferation Security Initiative grew from a Washington-led effort into a 90-nation coalition to interdict shipments of WMD. As a result of North Korea's second nuclear test, the Republic

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*“The United States should lead an international effort to expand the freeze on overseas assets related to North Korea’s diplomatic and financial activities.”*

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of Korea (ROK) quickly announced its intention to join PSI. Moving forward, the United States should engage with China to adopt PSI's principles and initiatives, even if Beijing remains unwilling to sign on formally. Furthermore, Washington should take a more proactive approach to monitor and inspect DPRK shipments on the high seas, as well as encourage the PRC to inspect cargo being transferred over air and land. However, Washington should also neutralize prospects for PSI interdictions to unintentionally escalate into broader conflict. The United States can minimize the risk of escalating crises by engaging the key actors in the Five-Party framework, and promoting the establishment of direct “hotlines” between the South and North Korean military and political leadership.

The United States should lead an international effort to expand the freeze on overseas assets related to North Korea's diplomatic and financial activities. These “effects-based” sanctions constrain the regime's ability to operate freely in the international economic and political system. By implementing these sanctions and encouraging U.S. allies and the international community to do the same, Washington could significantly restrict North Korea's ability to receive hard currency that supports the leading elite's imperial lifestyle and the regime's operations. During a period of

leadership succession, the ruling elite may be especially vulnerable to effects-based sanctions. This is particularly true in a system in which bribery plays a central role in securing favors and political position. Additionally, the United States should strengthen international efforts to target North Korean counterfeit rings and drug smuggling operations.

While threats of significant sanctions may have a limited impact on Pyongyang's decision-making, sanctions could serve to dissuade other countries from seeking out North Korean services in the first place. Moreover, while international efforts to monitor North Korean proliferation activities (especially its transfer of knowledge) will be imperfect, strengthening the existing non-proliferation regime will necessarily improve the international community's ability to detect and interdict illicit trafficking.

### **Maintaining On-Ramps for Negotiations**

The *strategic management* approach recognizes that the best path toward the long-term objective of North Korean denuclearization will be an eventual return to negotiations. Other initiatives recommended in this strategy should run in parallel with negotiations, reinforcing American leverage in eventual talks and providing incentives that can be traded for North Korean movement toward denuclearization. A vital part of this strategy will therefore be to develop and maintain "on-ramps" for the DPRK to return to negotiations. Periodic engagement will allow American policymakers to continually test their assumptions about Pyongyang in order to properly ascertain the North's intentions and desires.

Two important lessons about North Korea's negotiating history underscore this approach. First, U.S. negotiators should not assume that it will be immediately evident if and when North Korea is willing to resume negotiations. In fact, Pyongyang is fond

of releasing diatribes that are both provocative and ambiguous, threatening to "take thousand-fold revenge" while also suggesting that North Korea is "fully prepared for both dialogue and war."<sup>15</sup> If and when Pyongyang does reengage, it will be vital to carefully consider what the North values. The benefits they seek may not be the ones the United States expects.<sup>16</sup>

Second, a historical review of negotiations with North Korea demonstrates that negative coercion alone has been highly ineffective in bringing Pyongyang back to the negotiating table.<sup>17</sup> Washington has been most effective when negative coercion has been combined with positive incentives that provide the North with face-saving opportunities to move away from escalating tensions and resume negotiations.<sup>18</sup> Pyongyang will not be willing to return to negotiations unless it can do so in a face-saving manner. In the past, Pyongyang has manufactured crises in order to create *punuigi* (a favorable external environment for North Korea). This approach allows North Korea to maximize its advantage and dictate the timing of crisis-based diplomacy.

### **THE ROAD TO DIPLOMACY**

By combining proactive efforts to test Pyongyang's interest in negotiations with calibrated incentives that create momentum for negotiations, a *strategic management* approach seeks to change the pattern of engagement between the United States and the DPRK. This approach allows U.S. policymakers to establish a positive long-term incentive structure that will help change the dynamics on the peninsula through a combination of increased pressure, diplomatic flexibility, and patience.

To maintain possible paths to negotiations, Washington should ensure that official and unofficial interlocutors are able to maintain regular contact with North Korea, continually testing North Korea's interest in unconditional engagement and offering Pyongyang face-saving avenues

to express its willingness to negotiate. The United States should develop a clear portfolio of symbolic and reversible “first steps” designed to encourage North Korea to return to negotiations. These incentives combined with the pressure-raising initiatives of *strategic management* aim to renew diplomacy from a stronger American position.

Diplomatic initiatives, both official and unofficial, will continue to play an important role in both testing Pyongyang’s intentions and tempering North Korean provocations. Unofficial engagement has historically provided a low-cost means for U.S. policymakers to “test the waters” for engagement at times when it might be politically untenable to engage in an official capacity. President Jimmy Carter’s 1994 visit to Pyongyang in the midst of a rapidly-worsening nuclear crisis highlights the utility of providing an “escape hatch” to defuse escalating tensions.

Official engagement can also provide opportunities for renewed negotiations. In the past, U.S. policymakers have often been able to use unrelated issues or crises as a “back door” to renewed nuclear negotiations. The key to this approach is that any official engagement must be decoupled from nuclear negotiations. The 1994 negotiations over a downed U.S. helicopter pilot behind the DMZ provide an instructive example of this approach. The delicate negotiations conducted by lead negotiator Tom Hubbard were specifically designed to address only the topic of the helicopter pilot’s status, enabling Washington to avoid the impression that it was capitulating on the ongoing nuclear issue. However, the presence of an official U.S. envoy provided Pyongyang with a new way to express its willingness to resume nuclear negotiations. Similar opportunities will undoubtedly arise in the future.

In the past, America’s willingness to provide positive incentives has been criticized by some as little more than capitulation to North Korean blackmail. However, problems with previous efforts

have been more a function of timing than a larger indictment of the utility of positive incentives. To prevent the perception of capitulation, “on-ramps” must be carefully timed and calibrated to work in tandem with, rather than against, America’s broader strategy. By offering incentives in response to Pyongyang’s signaled interest in diplomacy rather than in response to a manufactured crisis, Washington can signal that only good behavior will merit international attention. Incentives should also be low-cost, high-gain: no incentive should directly interfere with America’s larger strategic objectives on the peninsula or the region. Finally, any potential offer should be reversible if North Korea resumes a less cooperative stance.

### **China’s Role**

A greater degree of U.S. leadership will be a key difference between the Five-Party and Six-Party dialogues. In recent years China’s supposed influence over Pyongyang and its leadership in the Six-Party Talks has been treated as something of a panacea for North Korea’s belligerence.<sup>19</sup>

Indeed, the extent of Beijing’s economic leverage over Pyongyang is striking. In many ways, Kim Jong-il’s regime has been propped up by Chinese aid. Chinese exports to North Korea in 2008, much of which should be regarded as aid to North Korea (as Pyongyang is largely unable to pay the bill), amounted to 75 percent of North Korea’s total foreign trade.<sup>20</sup> A prominent U.S. economist has estimated that Beijing’s support to Pyongyang has in effect quadrupled since 2004.<sup>21</sup>

American policymaking cannot be held captive to Beijing’s internal decision-making. However, Washington should welcome and encourage Beijing’s increased support for more stringent sanctions and nonproliferation measures against North Korea, and we must acknowledge that the effectiveness of these efforts will be decreased without Beijing’s participation. This will mean working with China to support and enforce international

sanctions and programs, such as economic sanctions and cargo inspections. Furthermore, initiating a package of unilateral and multilateral sanctions and inspections should curtail North Korea's proliferation activities and compel its return to negotiations.

It is important to recognize that PSI alone cannot eliminate the threat of proliferation emanating from North Korea. China's enforcement of its land and air borders will also be an integral component of preventing North Korean proliferation to other states or non-state actors. While the United States cannot force China to more strictly enforce international sanctions, it should make clear that China's relationship with the United States, and its international reputation, will be harmed by a discovery that North Korea utilized China as part

of its proliferation activities. The Obama administration should clearly encourage China to take a proactive role in holding North Korea accountable for its actions.

The United States should welcome China's growing awareness of the dangerous potential for regional instability posed by North Korea's actions, and encourage China to more strongly implement punitive responses that will compel North Korea to desist and return to negotiations. However, American strategy should not wait on Beijing or make itself dependent upon China's decision-making. The *strategic management* approach outlined above will be strengthened by Beijing's cooperation, but it will also place the United States in an improved strategic position even if Beijing



*President Barack Obama and China's Foreign Minister Yang Jiechi meet in the Oval Office, March 12, 2009.  
White House Photo/Pete Souza.*

is unable, or unwilling, to hold North Korea accountable for its actions.

### **Preparing for North Korea's Response**

It is possible, even likely, that North Korea will lash out against the more robust interdiction programs and sanctions included in *strategic management*. Pyongyang has a track-record of issuing threatening statements and executing risky acts meant to frighten the international community into removing pressure and reducing active containment of the DPRK. The most worrisome tools at North Korea's disposal are its belligerent military operations and its illegal proliferation activities. The *strategic management* approach articulated in this report provides a road-map to minimize these potential contingencies.

Faced with increasing international pressure, North Korea may lash out by striking Japan, South Korea, or U.S. assets in the region. The strategy described in this paper is designed to dissuade Pyongyang from considering aggressive military operations by tipping the cost-benefit scales against the regime. To deal with these contingencies the strategic management approach seeks to improve active defenses in Northeast Asia and deter Pyongyang with explicit assurances that the United States will uphold its alliance commitments.

The effects of a large-scale conflict would be devastating: Department of Defense war games involving a conflict on the Korean peninsula have reportedly estimated that the first 90 days of fighting could result in 300,000 to 500,000



*Kim Jong-il acknowledging North Korean troops.*

American and South Korean military casualties and hundreds of thousands of civilian deaths.<sup>22</sup> Because the consequences of any large-scale conflict would be so destructive for the United States and South Korea, American policymakers must state unequivocally terms that any large-scale conflict would inevitably result in the destruction of the North Korean military and the regime in Pyongyang. Maintaining the ability to punish Pyongyang, and the will to defend America's allies, will be a central bulwark to any future approach to the DPRK.

Given these dangers, Washington must play an important role in managing the wider threat to regional stability. Preventing a flare-up from becoming a war will require greater engagement, consultation and coordination between Washington and its Northeast Asian allies and friends. The Five Party Framework will provide the ideal setting for developing a common response that maintains regional stability.

North Korea's potential for proliferation poses an even more serious and challenging problem for the international community. It should be noted that North Korea's past proliferation activities were not a response to international pressure per se, but rather a way to generate revenue. This suggests that financial considerations will likely remain the determining factor in Pyongyang's willingness to sell its nuclear and missile technology.

To minimize the risk of proliferation, a broader and stronger interdiction effort should build on current programs such as the PSI. Vigorous interdiction efforts will help mitigate the risks associated with clandestine proliferation by ensuring continued surveillance and tracking of North Korean vessels and international activities. A successful program would create a more robust framework to inspect planes entering and exiting North Korea, as well as the smuggling of goods through the Chinese border. Monitoring

and freezing the North Korean military's financial assets could also prevent the regime from purchasing technology that can enable it to expand its nuclear and ballistic missile programs.

North Korea will attempt to use threats and provocations to prevent and diminish sanctions and interdiction initiatives. The international community has several tools at its disposal for resisting Pyongyang's demands, including cutting off aid, temporarily barring North Korea from the United Nations, and (*in extremis*) invoking Article 42 of Chapter 7 of the UN Charter, which would allow for military action deemed "necessary to maintain or restore international peace and security."

Should North Korea temper its aggressive actions and decide to return to talks, it is likely that negotiations would take place in fits and starts as Pyongyang tests out the cohesiveness of the Five Parties and Washington's determination and persistence. The net effect of a *strategic management* approach is that U.S. leverage will increase over time. The parallel and mutually supporting carrots and sticks offered in this strategy allow negotiations to fail without fundamentally damaging the U.S. position. This should both ensure the consistency of a new approach and increase Pyongyang's interest in making a deal sooner rather than later.



## CONCLUSION

In the months ahead, the Obama administration should regain the strategic initiative and prevent North Korean provocations from escalating into a broader conflict.

Achieving a denuclearized North Korea through diplomacy must remain the long-term goal of the United States. Yet realizing this goal in the short-term is unlikely. Thus, in order to improve America's position immediately, while preparing for the day when denuclearization becomes a tangible possibility, this report articulates a *strategic management* approach, characterized by:

- reinforced America's alliances;
- acts to mitigate the threat of North Korean proliferation;
- more robust sanctions and interdiction initiatives;
- a Five-Party Dialogue;
- enhanced regional security cooperation; and
- positive incentives and diplomatic "on-ramps" that will facilitate Pyongyang's return to negotiations.

Regaining the strategic initiative carries both regional and global consequences. The success or failure of U.S. policy toward North Korea will reverberate for years to come. Aspiring nuclear powers will closely observe the American strategy toward North Korea and Pyongyang's efforts to evade pressure. The United States and its allies must therefore demonstrate all the sustained pressure and vigorous diplomacy that they can collectively bring to bear. By taking the strategic initiative, the Obama administration can break the destructive cycle of past negotiations, striking a balance between the short-term challenge of restraining North Korea's aggression and the long term objective of a denuclearized Korean peninsula.

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