

Toward a Grand Bargain with North Korea

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The Washington Quarterly, Autumn 2003

The most promising route to resolve the worsening nuclear crisis in Northeast Asia is for Washington, Tokyo, Seoul, and Beijing to pursue a grand bargain with Pyongyang. These governments need to recognize that North Korean economic atrophy, caused largely by North Korea's excessive conventional military force as well as its failed command-economy system, is at the core of the nuclear crisis and that curing the latter can only be done by recognizing the underlying disease. This grand bargain should be big and bold in scope, addressing the underlying problem while providing bigger and better carrots with the actual potential to entice, together with tough demands on North Korea that go well beyond the nuclear issue. In this comprehensive way, policymakers would provide a road map for the vital and ultimate goal of denuclearizing North Korea. Through the stages of implementation, each side would retain leverage over the other as aid would be provided gradually to the Democratic People's Republic of Korea (DPRK) while the DPRK would cut or eliminate its weapons and reform its economy over time, thus reassuring each side that it was not being hoodwinked.

The Benefits of Thinking Big

North Korea is likely to find a broad plan tough and demanding. Such a plan would result in major changes in DPRK security policy as well as its economy and even, to some extent, aspects of domestic policy such as human rights. Yet, such broad road maps are often useful. If the parties lay them out clearly and commit to them early in the process -- even if implementation occurs over time -- they can help countries on both sides focus on the potentially substantial benefits of a fruitful diplomatic process, thus reducing the odds that negotiations get bogged down in pursuit of marginal advantages on specific issues. Specific pledges can also help countries verify each other's commitment to actual results and thus enhance confidence. n1

THE FAILURE OF DIPLOMACY DU JOUR

U.S. policy toward North Korea in the last decade has been, for the most part, narrow and tactical, focusing on the crisis du jour rather than on a broader game plan. The 1994 Agreed Framework on North Korea's nuclear program required that the DPRK cease activities that could have given it a nuclear arsenal of 50 weapons by the decade's end; in exchange, the United States and other countries promised to provide North Korea with alternative energy sources. This deal was beneficial within its limited scope, but it failed to address the underlying problem or lead U.S. policymakers to pursue a broader vision beyond the specific attempt to buy out the North Korean missile program later in the decade. Such a tactical approach was perhaps inevitable in the early 1990s, when the Clinton administration was focused on domestic issues and was inexperienced in its foreign policy, as Somalia, Haiti, and Bosnia had shown. As a result of these distractions and inexperience, the Clinton administration had a difficult time at the highest levels of government focusing

strategically on North Korea and thus failed to develop an integrated approach for dealing with Pyongyang that combined incentives with threats and deterrence. n2

A tactical, nuclear-specific focus that involved incentives to alter one specific type of behavior could have been defended as a reasonable approach in the early 1990s. Indeed, until stopped by the Clinton administration, Israel had reportedly been pursuing a deal to compensate North Korea for not selling missiles to Iran. n3 If it made strategic sense for a security-conscious country such as Israel to consider buying out North Korea's missile program, why did it not make sense for the United States and its regional allies to buy out North Korea's even more dangerous nuclear program?

In addition, after the dissolution of the Soviet bloc, many U.S. policymakers expected that North Korea would no longer enjoy the aid or favorable trading arrangements that it needed to survive and would soon collapse, thus obviating the need for a long-term solution. Other policymakers may have expected that concluding a deal on nuclear weapons would naturally lead to a quick thaw in relations on the peninsula without any need to articulate a broader vision. In any event, even if some had wished to articulate such a vision, domestic politics in the United States and in South Korea, where hawks discouraged dealing with the Stalinist regime to the north, stood in the way. Moreover, a tactical, crisis-driven approach to dealing with North Korea did produce some temporary successes, the most significant being the Agreed Framework.

Despite its reasonable logic, however, this approach is not as promising today. n4 President George W. Bush has made it clear that he is opposed to new deals with North Korea on the nuclear issue that smack of blackmail. North Korea has now demonstrated its disinterest in an incremental, slow process of improving relations. It would not have developed its underground uranium-enrichment program -- a clear and blatant violation of the Agreed Framework, which required North Korean compliance with the Nuclear Non-Proliferation Treaty -- were it content with the benefits of such a patient approach.

In addition, the type of limited engagement pursued over the last decade may have inadvertently encouraged the DPRK to develop a counterproductive habit of using its weapons programs to gain money and diplomatic attention. Whether one views this tendency as extortion or as the desperate actions of a failing regime, the outcome has been the same.

THINKING BIG

Aiming for a big, multifaceted deal might seem counterintuitive when Washington and Pyongyang cannot even sustain a narrow agreement on a specific issue. A recent CSIS report even explicitly argued against making any proposal that included ambitious conventional-arms reductions on the grounds that such broad demands could only be a recipe for stalemate and failure. n5 The 1999 Perry report, drafted by a policy review team led by former secretary of defense William Perry, also took aim at broad proposals, suggesting that they would meet resistance in Pyongyang, which would see any attempt at major reforms as a measure designed to undermine the regime. n6

The current situation is at an impasse, however; a new idea is needed. The Bush administration's proposal, which demands broad concessions from North Korea,

especially on the nuclear weapons front, without offering any concrete incentives in return and which resists bilateral negotiations with Pyongyang, is probably not that new idea. It stands little chance of convincing Pyongyang to change course. Coercion is unlikely to bring about North Korea's collapse or to convince Pyongyang to change its policy quickly enough to prevent a major nuclear crisis in Northeast Asia. Furthermore, this approach elicits little support from key U.S. security partners in the region. South Korea under the Roh government certainly prefers diplomatic engagement over coercion, and although Japan has recently become tougher by stopping North Korean shipping and considering tighter economic sanctions, it still wants to avoid a military crisis that risks war on the Korean peninsula.

Aiming for a larger bargain in which more is offered to North Korea but more is also demanded in return risks little except a bit of money. On the upside, it has the potential to break the current impasse in Northeast Asia, just as broad visions or road maps have guided other recent peace negotiations in the Balkans and the Middle East (with many obvious limitations and setbacks, but some real successes to date as well). The grand bargain approach can benefit both sides. The United States and its allies can reduce the DPRK threat across the board and begin to turn that police state away from a policy of reflexive confrontation and blackmail, while North Korea can gain greater levels of assistance over time and perhaps can begin to reform its economy in the way China did -- and as Pyongyang seems to desire, at least occasionally.

Moreover, studies of North Korean negotiating behaviorⁿ⁷ suggest that broader deals may work better than narrow proposals on specific issues. This seemed to be the pattern in the 1993 -- 1994 negotiations leading to the Agreed Framework. Although these talks progressed slowly for a year or so, they produced an accord once the negotiations were broadened beyond the nuclear weapons issue to include energy, economics, security, and diplomatic incentives. Alas, the promises made in this deal were never realized, as all parties (especially the DPRK) put up roadblocks, but the inclusion of these dimensions of the relationship nonetheless helped produce the initial agreement.

In addition to other advantages, a broader approach would also provide the bold initiative that the Roh government suggested that the United States offer to Pyongyang.ⁿ⁸ Without strong cooperation between Seoul and Washington, no plan for dealing with North Korea can work. Indeed, if Pyongyang senses dissension and discord in the U.S. -- South Korean alliance, the North Korean government will probably revert to its traditional temptation of trying to split the two allies.

Beyond cooperation with South Korea, a grand bargain proposal can make U.S. policy much more palatable to other key regional players -- Japan and China. Collaboration among these four countries in their basic approach to resolving the North Korean problem is essential to prevent Pyongyang from being tempted to play one government off against the others, as it often has done in the past, and to enable these four countries to work together to pursue their common goals.ⁿ⁹ Yet, they will not unite behind a policy that begins with hard-line measures; in particular, South Korea and China will consider taking a tough stance against Pyongyang only after serious diplomatic steps have clearly been attempted and have failed. Uniting the four players is thus the best way both to improve the prospects for diplomacy and a successful coercive strategy, should that diplomacy fail.

Making It Work

For the grand bargain to work, both carrots and sticks are needed -- incentives as well as resolute deterrence and even threats if need be. Beyond the nuclear issue, such a grand bargain must also address the broader problems on the Korean peninsula -- most notably North Korea's oversized military and undersized economy, as well as a horrible human rights record that is repressive even by Communist standards.

BALANCING CARROTS AND STICKS

A policy that uses carrots and sticks is not necessarily a contradictory one. Although the world should not give Pyongyang substantial aid and other benefits simply to appease a dangerous leader or to solve an immediate security crisis, the United States and its allies can and should be generous if North Korea is prepared to eliminate its nuclear weapons programs, transform the broader security situation on the peninsula, reform its economy, and even begin to change its society. Doing so would not show weakness but rather provide a way to solve -- not postpone -- an important security problem by changing the fundamental nature of the adversary.

Moreover, depending on the particular circumstances surrounding negotiations, the grand bargain's strategic use of carrots can help retain the threat of a military strike against Yongbyon as a last resort. Although Washington has been unable to convince Seoul of the need for such a threat today, that situation could change. A committed, initial attempt at diplomacy, including the offer of numerous inducements for North Korea, would give the United States a better chance of getting its regional allies to support a military threat as a last resort. By providing more carrots, the U.S. government might thus gain greater support for the possible, subsequent use of a stick. n10

Any military strike at North Korea's nuclear reactors and plutonium reprocessing facilities at its Yongbyon site north of Pyongyang would be extremely risky in light of the possibility that a larger war would result. Furthermore, a military strike would probably fail to destroy or render unusable many of North Korea's spent fuel rods, meaning that the DPRK might still manufacture one or more weapons even after an attack. (Although some may be concerned about direct radioactive fallout, studies conducted by the Pentagon in the early 1990s concluded that radioactive release would probably be quite limited, unless an operational nuclear reactor with heavily irradiated fuel was struck.)

Nevertheless, the preemption option would arguably be preferable to an unchecked, large-scale DPRK nuclear program, if someday that was the only alternative. Such a threat was credible when the Clinton administration made it in 1994 because South Korea did not fundamentally object. The Bush administration can probably make it credible again by pursuing better diplomacy and better co-ordination with Seoul, Tokyo, and Beijing. A military strike is, of course, not likely to destroy either the DPRK's hidden uranium-enrichment program or the bomb or two that North Korea might have already, nor would military action destroy any additional plutonium moved from Yongbyon prior to the attack. Nevertheless, a strike could destroy the DPRK's nuclear reactors at the site, entomb the associated plutonium, and destroy the reprocessing facility -- all with limited risk of radioactive fallout, according to former secretary of defense Perry and former assistant secretary Ashton Carter. n11

North Korea's true hard-liners may fear the Bush administration to such an extent that they argue against giving up their nuclear program at present -- which also may have been the case during the Clinton administration. n12 The grand bargain proposal may be able to convince the DPRK to abandon its nuclear programs gradually, however, through a combination of reassurances and inducements. n13 Kim Jong Il has demonstrated sufficient interest in engaging with the outside world as well as in exploring economic reforms -- evidenced by the creation of special economic zones, the recent liberalization of prices, and other tentative but real steps to try some of what China and Vietnam have successfully attempted in recent decades. The United States and other countries should seriously test his willingness to go further.

Moreover, Kim Jong Il's position within North Korea now appears strong. He has used purges and promotions to produce a top officer corps loyal to him, and the likelihood that military commanders think that they have a solution of their own to solve North Korea's economic problems is slim. If a proposed package deal were to address the country's core security concerns while providing a real opportunity for recovery and greater international engagement, North Korea may very well take the idea seriously. n14 A grand bargain that allowed North Korea to surrender its nuclear capabilities gradually while allowing it to keep some fraction of its conventional weaponry near the demilitarized zone (DMZ) just might persuade Pyongyang to get on board.

The DPRK might prefer to have both aid and nuclear weapons, but the United States should try to force North Korea to choose between the two. n15 This is in fact the crux of the logic behind the grand bargain approach: that North Korea can be forced to choose and that it can probably be induced to make the right, peaceful choice.

The allies would not let down their military guard at any point during the proposed process nor would a failed experiment cause any other irrevocable harm. Even a failed effort to negotiate a grand bargain would at least temporarily ice the larger, visible part of the DPRK's nuclear program because no negotiations would proceed unless Pyongyang allowed monitoring of its program and froze it as well. Further, because the aid would be provided mostly in kind, not in cash, it would by itself do little to prop up a desperate regime with the hard currency it so desperately craves.

Going Beyond the Nuclear Issue

By not fixating on just the nuclear program, ironically, a grand bargain is more likely ultimately to denuclearize North Korea and, most importantly, prevent any further development of North Korea's nuclear inventory. The proposed plan would begin by rapidly restoring fuel oil shipments and promising no immediate use of U.S. force if North Korea agreed to freeze its nuclear activities, particularly plutonium production and reprocessing at Yongbyon, while negotiations are under way. These steps would simply ensure that neither party had to negotiate under duress.

As for its main substance, the approach would then seek to strike a deal on nuclear weapons. The proposal would replace North Korea's nuclear facilities at Yongbyon with conventional power sources and include rigorous monitoring of North Korea's nuclear-related sites as well as short-notice challenge inspections at places where outside intelligence suspected nuclear-related activity.

Given North Korea's concerns about the Bush administration's doctrine of preemption and the success of military operations against Iraq, convincing the DPRK to give up all its nuclear capabilities immediately might not be feasible. ⁿ¹⁶ In fact, it might take several years, perhaps even until the end of the decade, to reach that final goal. The United States could accept any deal, however, that could immediately freeze the DPRK's nuclear activities verifiably and then quickly begin to get fuel rods out of North Korea.

Beyond nuclear issues, both sides would cut the overall number of conventional forces as well as accompany those cuts with a commitment by South Korea, China, Japan, and the United States to help North Korea gradually restructure its economy. Cuts of 50 percent or more in conventional weaponry would reduce the threat that North Korea's artillery and rocket forces currently pose to South Korea, particularly to nearby Seoul. Unlike some proposals, the grand bargain would not entail the North Korean withdrawal of all its conventional capabilities from the DMZ. North Korea almost surely considers its forward-deployed forces necessary to deter South Korea and the United States. Hence, the DPRK cannot realistically be expected to surrender both its weapons of mass destruction (WMD) and its conventional deterrent.

The principal purpose of these conventional reductions actually would be as much economic as military. Offering aid tied to cuts in conventional arms makes more economic sense than buying out nuclear and missile programs. Secretary of Defense Donald Rumsfeld recently convincingly argued that the real solution to North Korea's problems is for the country to move toward a market economy, because that approach has worked for other Communist states in East Asia, notably China and Vietnam. ⁿ¹⁷ North Korea may actually be planning secretly to make cuts in its conventional forces anyway. ⁿ¹⁸ A combination of cuts in DPRK forces and economic reforms in the country stands the best chance of producing stabilizing and desirable results.

If Pyongyang agreed to such reductions, North Korea's economy would benefit twice: by a reduction in the size and cost of its military and by obtaining greater technical and economic aid from Japan, South Korea, the United States, and perhaps China (as well as the lifting of U.S. trade sanctions). Specifically, such a deal should reduce North Korea's military expenditures substantially, helping reform the country's economy and increasing the likelihood that aid is used productively. North Korea's conventional military forces comprise one million individuals and are backed up by large reserve forces as well as a large arms industry. This situation suggests that the lion's share of North Korea's defense budget, which represents 20 -- 30 percent of its gross domestic product, is consumed by conventional forces; therefore, reducing them should be a main focus of any reform proposal. External aid can help in that process.

This policy would reduce the core threat that has existed in Korea for half a century, while offering at least some hope that economic reform in the DPRK might begin to succeed. Given this economic logic and rationale, it would only make sense to keep giving aid so long as North Korea continued down the path of economic reform. China could provide technical help, in light of its experiences over the last 25 years in gradually introducing entrepreneurial activity into a Communist economy.

China's experience could also offer reassurance -- surely important to North Korean leaders -- that it is possible to reform a command economy without losing political

power in the process. Even though most Americans would surely prefer to see North Korea's corrupt and ruthless government fall, pursuing a policy that would achieve that outcome does not seem realistic without incurring huge security risks and exacting an enormous humanitarian toll on the North Korean people -- nor would China and South Korea likely support it under current circumstances. Moreover, by accepting this grand bargain proposal, North Korea would be agreeing to at least a gradual and soft, or "velvet," form of regime change, even if Kim Jong Il were to retain power throughout the process.

Additional elements of the grand bargain would include North Korean commitments to:

- * continue to refrain from terrorism;
- * permanently return all kidnapping victims to Japan;
- * participate in a human rights dialogue, similar to China in recent years;
- * end DPRK counterfeiting and drug smuggling activities;
- * sign and implement its obligations under the chemical weapons and biological weapons conventions; and
- * stop exports and production of ballistic missiles.

For its part of the grand bargain, the United States would offer numerous benefits beyond economic and energy assistance, none of which would require a change in the U.S. government's fundamental regional policies. The White House would:

- * commence diplomatic ties with North Korea;
- * end economic sanctions;
- * remove North Korea's name from the list of state sponsors of terrorism;
- * give a binding promise not to be the first to use WMD;
- * provide a nonaggression pledge -- a promise not to attack North Korea first with any types of weaponry for any purpose (and perhaps even an active security guarantee if North Korea wished, akin to what the United States provides to its allies); and
- * sign a formal peace treaty ending the Korean War.

Breaking the Stalemate

After a decade of issue-by-issue and initially fruitful negotiations, a broad vision is now needed to resolve the impasse on the Korean peninsula. This idea must address the underlying cause of the problem -- North Korea's economic and societal collapse, together with its failed experiment in communism and its *juche* system of self-reliance -- as well as the immediate nuclear symptoms of that disease.

Although couched in broad and ambitious terms, the proposed road map could be put into effect gradually. Intrusive nuclear inspections typically take months or longer, reductions in conventional forces take at least a couple of years, and development programs take even longer. Thus, the concept is grand in its intent and scope, but implementation of the policy need not be rushed. In fact, the need for gradual implementation would provide each side with leverage over the other.

The United States and its partners would continue to provide aid and economic support only if North Korea upheld its end of the bargain. Similarly, security guarantees would be contingent on complete compliance with denuclearization demands as well as other elements of the proposal. For its part, North Korea would not have to give up all its nuclear potential until it gained a number of concrete benefits, and the government would not have to keep reducing conventional forces unless outside powers continued to provide assistance.

Although reductions in conventional forces are the linchpin of the grand bargain's success, numerous additional key elements are involved, the most important of which is a broad approach to economic reform in North Korea. There is reason to believe that the economic reform model that worked in China starting about a quarter century ago can work in Korea today, although each case is distinct. If that is the case, a grand bargain could do much more than address an acute nuclear security problem; the approach could begin to transform what has been one of the world's most troubled and dangerous regions for decades.

Notes

1. Richard N. Haass and Meghan L. O'Sullivan, "Terms of Engagement: Alternatives to Punitive Policies," *Survival* 42, no. 2 (summer 2000): 120 -- 121.
2. Leon V. Sigal, *Disarming Strangers: Nuclear Diplomacy with North Korea* (Princeton, N.J.: Princeton University Press, 1998), pp. 52 -- 65.
3. *Ibid.*, pp. 66 -- 67.
4. See Morton I. Abramowitz and James T. Laney, *Testing North Korea: The Next Stage in U.S. and ROK Policy* (New York: Council on Foreign Relations, 2001), www.cfr.org/pdf/Korea_TaskForce2.pdf (accessed June 19, 2003). For more recent arguments along similar lines, see Brent Scowcroft and Daniel Poneman, "Korea Can't Wait," *Washington Post*, February 16, 2003; Samuel R. Berger and Robert L. Gallucci, "Two Crises, No Back Burner," *Washington Post*, December 31, 2002; William S. Cohen, "Huffing and Puffing Won't Do," *Washington Post*, January 7, 2003; Ashton B. Carter, "Alternatives to Letting North Korea Go Nuclear," testimony before the Senate Committee on Foreign Relations, Washington, D.C., March 6, 2003; Sonni Efron, "Experts Call for N. Korea Dialogue," *Los Angeles Times*, March 7, 2003 (citing testimony by Robert Einhorn); Morton Abramowitz and James Laney, "A Letter from the Independent Task Force on Korea to the Administration," November 26, 2002, www.cfr.org/publication.php?id=5304 (accessed June 18, 2003); "Turning Point in Korea: New Dangers and New Opportunities for the United States," February 2003, www.ciponline.org/asia/taskforce.pdf (accessed June 18, 2003) (report of the Task Force on U.S. Korea policy).
5. CSIS International Security Program Working Group, "Conventional Arms Control on the Korean Peninsula," Washington, D.C., August 2002,

www.csis.org/isp/conv_armscontrol.pdf (accessed June 18, 2003). See Alan D. Romberg and Michael D. Swaine, "The North Korea Nuclear Crisis: A Strategy for Negotiation," *Arms Control Today* 33, no. 4 (May 2003): 4 -- 7.

6. William J. Perry, "Review of United States Policy Toward North Korea: Findings and Recommendations," Washington, D.C., October 12, 1999, www.state.gov/www/regions/eap/991012_northkorea_rpt.html (accessed June 18, 2003).

7. Scott Snyder, *Negotiating on the Edge* (Washington, D.C.: U.S. Institute of Peace, 1999), pp. 58 -- 60, 143 -- 153; Sigal, *Disarming Strangers*, pp. 52 -- 65, 78.

8. See "S. Korea Urges U.S. Initiative for North," *Washington Post*, March 29, 2003.

9. See Snyder, *Negotiating on the Edge*, pp. 149 -- 150.

10. Gary Samore, "The Korean Nuclear Crisis," *Survival* 45, no. 1 (spring 2003): 19 - 22.

11. See Ashton B. Carter and William J. Perry, "Back to the Brink," *Washington Post*, October 20, 2002.

12. See Philip W. Yun, "The Devil We Know in N. Korea May Be Better Than the Ones We Don't," *Los Angeles Times*, May 7, 2003.

13. See Michael Armacost, Daniel I. Okimoto, and Gi-Wook Shin, "Addressing the North Korea Nuclear Challenge," Asia/Pacific Research Center, Institute for International Studies, Stanford University, April 15, 2003, www.asck.org/reports/APARC_Brief_1_2003.pdf (accessed June 18, 2003).

14. See Kongdan Oh and Ralph C. Hassig, *North Korea Through the Looking Glass* (Washington, D.C.: Brookings Institution, 2000), pp. 114 -- 124.

15. For a similar argument, see Joseph S. Nye, "Bush Faces a Tougher Test in N. Korea," *Boston Globe*, May 7, 2003.

16. See Doug Struck, "Citing Iraq, N. Korea Signals Hard Line on Weapons Issues," *Washington Post*, March 30, 2003; James Brooke, "North Korea Watches War and Wonders What's Next," *New York Times*, March 31, 2003.

17. Bill Sammon, "N. Korea 'Solution' a Market Economy," *Washington Times*, May 14, 2003.

18. The North Korean statement of June 9, 2003, that justified its nuclear weapons programs as a way to compensate for reductions in conventional military forces suggests such an inference. David Sanger, "North Korea Says It Seeks to Develop Nuclear Arms," *New York Times*, June 10, 2003, p. A9.