

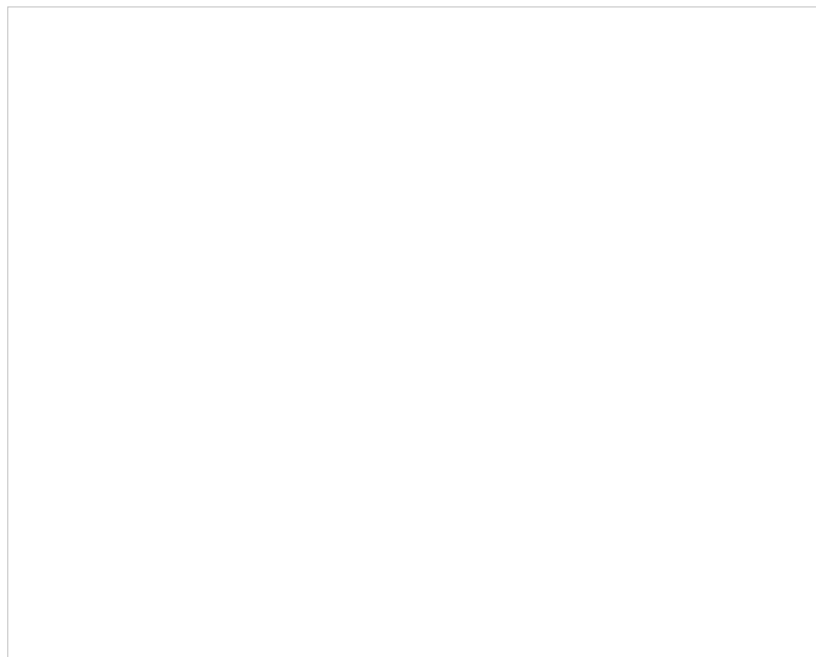


## The Road to Peace in Northeast Asia – Prospects and Pitfalls

Tim Beal

The shutdown of the DPRK plutonium reactor, the New York Times noted angrily recently, shows that 'real nonproliferation diplomacy can produce real results' as long as it is stripped of 'empty, ideological posturing'.<sup>[1]</sup> The target of the Times' fulminations was not, as is usually the case, and as it will probably be again tomorrow, the government in Pyongyang, but that in Washington. Tearing up the agreement it had inherited from the Clinton administration had only produced an 'embarrassing outcome for the hard-line tactics favored by Vice-President Dick Cheney'. The Bush administration, recalled the Times, had 'walked away from Mr. Clinton's deal in 2002, with sensational charges, from which it has since retreated, that North Korea was pursuing a second, secret bomb-making program based on uranium enrichment.' We might recall that the newspaper had itself published an embarrassed mea culpa that the administration's 'sensational charges' about Iraq, subsequently proven fraudulent, had misled it into enthusiastically supported the disastrous invasion. Were the charges against the DPRK equally fraudulent? Probably, but since they cannot be disproved – and there's the rub – the Times is left with nagging doubt, and anger about 'the six bombs' worth of nuclear fuel Pyongyang produced – and the nuclear test - while Washington strutted and postured.'<sup>[2]</sup>

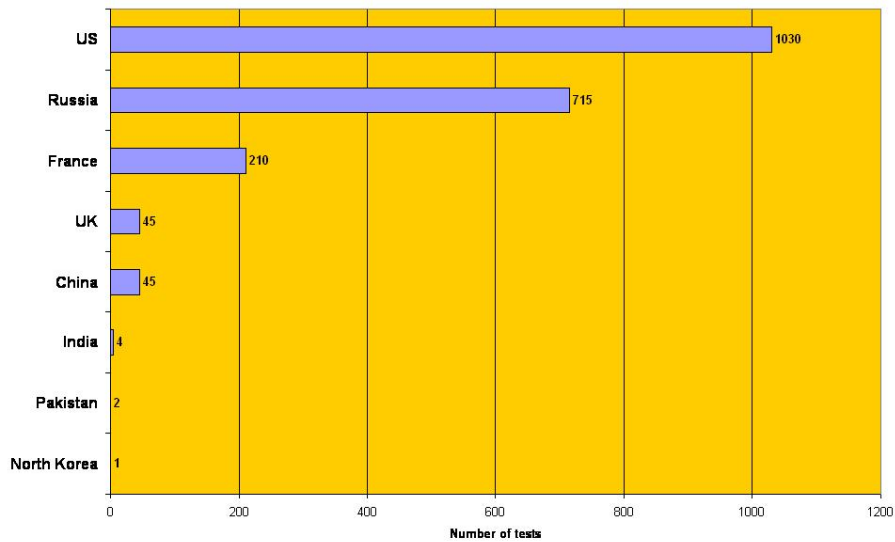
The much-criticised nuclear test of last October was probably the clincher. Former State Department official Jack Pritchard, who resigned from his position as special envoy for North Korea because of his concerns that the administration was refusing to negotiate seriously, hinted back in 2004 that this was based on the assumption that the Koreans would not be able to develop a nuclear weapon.<sup>[3]</sup> The plutonium device tested in October was small, and reportedly not entirely successful, but it was enough to tip the balance.<sup>[4]</sup> As the Irish joke has it, this might have been a small baby, but it was a baby none the less, and a manifest demonstration of what many across the political spectrum could not but recognize as a 'failed policy'.<sup>[5]</sup> Combined with intractable problems in the Middle East, the rise of China, the looming setback in the mid-term elections, it caught President Bush's attention sufficiently for him to be receptive to a memo from Victor Cha, the then Asia specialist on the National Security Council, arguing for real negotiations, that is, bilateral ones with compromises, rather than posturings.<sup>[6]</sup> Cha, the Korean-American known for his hawkish stance on North Korea (his father-in-law was a South Korean general so there was probably little love lost) probably complemented the realist position of Condoleezza Rice who is considered more 'moderate' on Korean policy.<sup>[7]</sup>



Underground nuclear test of the North Korean type

So the administration moved from posturing to bilateral negotiations, something it said it would never do, and infuriated, for quite different reasons, not merely hardline conservatives such as John Bolton, who castigated the move as 'surrender', but also mainstream media such as the New York Times, an erstwhile supporter of the president's North Korea policy, who now agonized over those five lost years.<sup>[8]</sup> Foolishly belated, or naively accommodating, take your pick, the critics seem agreed that there has been a definite shift. Are they right? Do the negotiations leading up to the Agreement of 13 February 2007 really signify a sea change in American policy? That, regrettably, is not so certain.<sup>[9]</sup>

With the Six Party Talks having resumed, and now adjourned until September, with working groups meeting in the interim, it is timely to attempt to ascertain prospects. It makes sense to take the six countries in turn. No country outside that charmed circle can affect the outcome of the talks. With the exception, of course, of the Middle East. The quagmire there, and the prospect of an attack on Iran, according to reports from Washington, is requiring the President and his cabinet to focus and pare down commitments elsewhere, including the Korean peninsula.<sup>[10]</sup> If the US position in the Middle East deteriorates further, then the administration may be more prepared to do a deal on Korea.



#### Who tests nuclear weapons?

Of the six countries themselves, both the DPRK and the US can destroy the peace process, but only the US can make it succeed. North Korea is so much smaller and weaker than America; it can say 'no', but its saying 'yes' is insufficient. North Korea has been pressing the Americans for many years now for peaceful coexistence, cessation of economic warfare, and normalisation of relations. This was embodied in the Agreed Framework but had earlier antecedents. [11] America, so far, has refused to say 'yes', but it is its acquiescence that is crucial to the outcome. The other countries are only supporting players who can assist the principal actors to the talks but not decisively affect the outcome.

Russia's involvement with the talks has been strengthened with its assistance in transferring DPRK funds from the Banco Delta Asia (BDA) in Macau. Deputy Foreign Minister Aleksandr Losyukov, Russia's negotiator at the talks, seems to have been a vigorous participant and he has been the one who has given the bluntest appraisals. Back in March, when the State Department was trying to find a way around Treasury's blocking of the funds it was he who pointed out that "The American side promised to resolve the financial question, and this promise was not fulfilled". [12] Russia can play a significant role in the upgrading of the North Korea railway network, something which could assume major importance if the rejoining of Northern and Southern railways is really taken beyond the technical stage. [13] There have been rumours of a resolution of North Korea's reportedly \$8 billion debt to Russia inherited from the Soviet Union and a rail upgrading could resuscitate trade between the two. [14] Nevertheless, for reasons of geography as well as power, Russia carries less weight in the talks than the other countries.



#### A private Russian bank received the North Korean funds

China's role as the host of the talks gives it a central position as a conciliator and facilitator. It is North Korea's main trade partner and investor and, after Canada, America's main trade partner. This makes it very important to both North Korea and America to a degree that no other country approaches. Japan, for all its economic importance is basically politically and militarily a client state of the US, and is seen by Washington not as an independent player but an auxiliary to be used to support US policy objectives in the Middle East, in the sea lanes eastwards, and to contain China. [15] It is the rise of China which, apart from the Middle East, is increasingly dominating US strategic thinking and is arguably the driver behind its Korea policy. China is very cautious in dealing with the US and anxious not to offer any provocation or excuse to the hawks in Washington. It attempts to ease Washington into a negotiated settlement with Pyongyang that will preserve the status quo in Northeast Asia, and defuse tension. [16]

A prime beneficiary of that tension, and a major driver of it, has been Prime Minister Abe Shinzo who came to power by establishing a position as a tough critic of North Korea and who has used the North Korea threat to fuel his call for constitutional revision and a remilitarized and probably nuclear-armed Japan. Abe is resisting strong pressure to step down after the Liberal Democratic Party defeat in the Upper House elections on 29 July. [17] Whether he stays or goes will probably not make much difference in the short run. The LDP has had its mandate dented, but that is not because Korea-bashing is not popular, but because its appeal was insufficient to overcome other deficits. A potential Abe successor, Foreign Minister Aso Taro, is just as hawkish and will almost certainly play the North Korea card with the same gusto, and for the same reasons. [18] While Seoul has indicated frustration at Abe's deceitful exploitation of the 'abductee issue' at the talks, Pyongyang has expressed outrage and warned that 'full implementation' of the February agreements depends on Japan as well as the US. [19] However, it is difficult to see what more damage Japan can do. It has cut off trade and the flow of remittances to the DPRK and cracked down on the pro-Pyongyang Korean organisation in Japan. Its ability to have an autonomous effect on the agreement is circumscribed by the US, and here the signals are mixed. During Abe's visit to Washington in April Bush appeared to agree that the DPRK could not be removed from the Terrorism List until Japan was satisfied that the abductee issue had been resolved. [20] Rice, realising that this meant giving Abe a veto over the negotiation process, which he would wield, reportedly stepped in and categorically said that the abduction issue was irrelevant because it did not involve US citizens. [21]



Bush and Abe in Washington

The US government is legally obliged to employ sanctions against countries on the Terrorism List and being taken off of the list has been a major DPRK demand. In the February agreement Washington promised to 'begin the process of removing the designation of the DPRK as a state-sponsor of terrorism and advance the process of terminating the application of the Trading with the Enemy Act with respect to the DPRK.' [22] The DPRK has warned that it would not move beyond mothballing its programme unless that promise was honoured. [23]

Perhaps it was by coincidence, or perhaps not, that the incident which caused the DPRK to be put on the list in the first place has just resurfaced in Seoul. In 1987, just as South Korea was preparing for presidential elections, Korean Airlines flight KAL858 was blown up in mid-air, killing all 115 people on board. The atrocity was blamed on North Korea, which denied involvement. There have been doubts about responsibility ever since, which have been kept alive by relatives of the victims. One reason for suspicion was that the incident benefited not the North, nor the South Korean left, but the military's candidate, Roh Tae-woo, creating by one calculation 2 million extra votes and allowing him to transit from a general to a president. It has been alleged that agents of Roh's mentor, Chun Doo-hwan, the retiring dictator, were behind the bombing. An inconclusive investigation by the National Intelligence Service (successor organisation to the one suspected of the bombing) in 2005 left the relatives unsatisfied and the case has just been reopened by the Truth and Reconciliation Commission. [24]

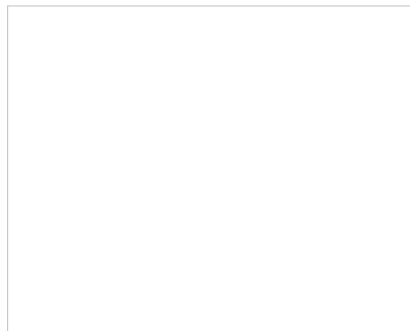
If the commission clears the DPRK and indicts the Chun regime, or even if it casts doubt on the verdict, this could facilitate de-listing and the removal of this barrier to moving the agreement forward. However, the Terrorism List is clearly primarily a matter of Washington politics, rather than realities, else the United States would itself be on it. [25] So a decision favouring the DPRK would not be conclusive. Nevertheless it would have an impact on public opinion in South Korea in this election year. The opposition Grand National Party (GNP), presumably calculating that peace was on its way and that election prospects would be imperilled if they adhered to a confrontational North Korea policy when Washington was coming to terms with Pyongyang, has recast its policy to one not dissimilar to that of the ruling party. Engagement is in the air, as exemplified by the forthcoming Roh-Kim summit, and the reluctant acquiescence to it by the conservatives. [26] Whether the GNP is correct in its assumption about Washington is a moot point, but it cannot ignore the popular mood back home.

Pyongyang, for its part, has moved with alacrity to implement its promise, under this stage of the agreement, to suspend its nuclear programme and to invite in the International Atomic Energy Agency (IAEA) as soon as it judged the BDA affair 'resolved'. Indeed, it made that declaration even though it would appear that de facto financial sanctions were still there. As Timothy Savage noted,

In the end, the Russian bank that accepted the cash did so only after receiving a written guarantee that it would not run afoul of U.S. law. In the future as well, no bank will risk losing access to the U.S. banking system for the sake of handling the relatively small amount of cash in North Korean accounts. Treasury thus has effectively intimidated the international banking community from dealing with North Korea at all.

If Pyongyang's goal in the six-party talks is to normalize relations with the United States and pull itself out of isolation -- as most well-informed observers believe -- then Chris Hill's job has not gotten any easier. It's hard to see how North Korea can join the international community if it cannot access hard currency even for legitimate business, such as sales of gold and other minerals. Somehow, the U.S. will have to offer North Korea a way out of this dilemma if it expects Pyongyang to ultimately fulfill its commitment to denuclearization. [27]

It is a curious business. It appears that in the January talks in Berlin Hill agreed to the lifting of sanctions and it was reported by the Washington Post that there was an unpublished 'side agreement' to the public one in which "the United States promised to resolve within 30 days a Treasury Department case that had frozen North Korean funds at a bank in Macau suspected of distributing dollars counterfeited in North Korea"; that is the BDA. [28] In April the DPRK Foreign Ministry reiterated that they would move to implement the February Agreement "only when lifting of financial sanction proved to be reality." [29]



Chinese Vice Foreign Minister Wu Dawei joins hands with North Korean negotiator Kim Gye Gwan and his US counterpart Christopher Hill

On 23 June, after Chris Hill had completed his two-day visit to Pyongyang, the Foreign Ministry said "At the meeting and the talks both sides discussed the ways of completely settling the issue of the de-frozen funds just as they had agreed in Berlin in January last and boosting cooperation in the field of financial transaction in the future." [30] This implies that the North Koreans were quite aware that there was unfinished business in respect of financial sanctions. Yet two days later the Foreign Ministry announced "The funds frozen at the above-said bank were finally wired as demanded by the DPRK side, thus settling the controversial issue of the frozen funds. ... Now that the issue of de-freezing the funds has been settled, the DPRK, too, will start implementing the February 13 agreement on the principle of 'action for action'." [31] However, as Savage points out, there was every indication that the matter was far from being resolved. It looks as if the Koreans rather than insist on the letter of the Berlin agreement, as they earlier insisted, chose to break the log jam and, accepting that Hill was acting in good

faith, were willing to give him time to work on the issue. Hill's personal good intentions are only part of the equation. There is also the question of how much power he has, and his ability to fight the case in Washington. Presumably there was a calculation in Pyongyang that although Hill have not been able to deliver on the promises he had made in Berlin, in full and on time, this was not because of ill will or deception on his part, but on the strength of the forces, exemplified by Treasury, aligned against him. It seems that Pyongyang decided that he remained the best hope for complete lifting of financial sanctions and reacceptance into the international banking network and that it would have been counterproductive to hold out for more at this stage. [32]

Whatever the calculations behind the scenes, Pyongyang very publicly started to move quickly, and before it was required – inviting in the International Atomic Energy Agency (IAEA) inspectors one day after resolution of the BDA issue:

"After the settlement of the issue of the remittance of the funds frozen in the Banco Delta Asia in Macao, the DPRK is implementing its commitments under the agreement much earlier than the promised time and order. It was agreed at the six-party talks that the DPRK would suspend the operation of its nuclear facilities within 30 days after the lifting of the financial sanction against it." [33]

The DPRK Foreign Ministry statement continued that it would start to shut down the Yongbyon reactor ahead of schedule, when the first consignment of the 50,000 tons of oil promised as the initial tranche of the one million tons oil under the agreement arrived, rather than waiting, as entitled, for the full 50,000 tons. [34]

However, North Korea has frequently reiterated that the agreement specifies that the process is a mutually sequential one – 'action for action' – and has warned that it will not carry out the subsequent stages unless the US (and Japan) honour commitments under preceding ones. It has been flexible over the lifting of financial sanctions but it may be less so over the removal from the Terrorism List. More difficult still, and less fixed in sequence, is the issue of Light Water Reactors (LWRs) which the Chinese-drafted Joint Statement of September 2005 had deliberately left vague. [35] On this last, and crucial, issue there has been no sign of a change in the US position.

It is ominous that US negotiator Chris Hill has brushed aside the comments by the DPRK's Kim Kye Gwan that they would not fully disable their reactors until they got the LWRs they had long claimed, and had been promised under the Agreed Framework. [36] Hill, with great chutzpah, said that the US would 'discuss' the provision of LWRs 'when North Korea gets out of this dirty nuclear business that they've been in and returns to the Nuclear Nonproliferation Treaty'. [37] When, one wonders, will the US honour its commitment under the NPT and get out of this same dirty nuclear business by moving to phase out and then eliminate its own nuclear stockpile?

It seems highly unlikely that Pyongyang will irreversibly disable its nuclear programme on the hope that Washington will accede to its requests when it has no bargaining chips left, hence its reiteration of the mantra "action for action". which is embedded in both the Agreement of February 2007 and the preceding Joint Statement of 19 September 2005. [38] This issue alone could send the process into limbo. There are others, notably the issue of uranium enrichment. It will be difficult, probably impossible, for North Korea to do anything which will satisfy American critics of the agreement, just as it will be impossible for the US to prove that it has no nuclear weapons in South Korea as it claims, but North Korea alleges. [39]

In reality, both these allegations are peripheral but significant nevertheless. It was the plutonium programme which produced the North Korean nuclear device, not the supposed uranium one which the Bush administration had used as a pretext to break the Agreed Framework. [40] Moreover, as the New York Times noted, US negotiators are now playing down the uranium allegation. [41] Needless to say, such back-peddling cuts no ice with John Bolton and fellow hardliners. [42] Long-standing North Korean allegations that the US still had nuclear weapons in South Korea were corroborated in 2004 by Japanese reports that 'newly declassified [US] documents also showed the U.S. kept nuclear weaponry in South Korea until at least 1998, despite officially claiming it had withdrawn all nuclear warheads in 1991'. [43] If to 1998, why not since then? However, the overwhelming US nuclear threat to North Korea comes not from forces in South Korea itself but from weapons that could be launched from outside the peninsula, either sea-based or land-based, from US or Japanese territory. It is not the substance of the allegations that is important so much as the fact that they cannot be disproved. The North Korean charge about American weapons in South Korea is probably a negotiating ploy which can be dropped as appropriate, but the uranium enrichment issue is another matter because it links directly to the open fissures amongst the American policy elite.

There is one slight possibility that a way around this may be found. The South Korean press has reported that a North Korean diplomat has suggested that the matter be resolved "in the style of Kumchang-ri". [44] This is an allusion to the site which the US alleged in 1999 had nuclear facilities in violation of the Agreed Framework. The US handed over a considerable amount of food aid in order to be allowed to make an inspection, which disproved the allegations. [45] A similar arrangement would only work this time, however, if the US were to specify a site, but American reports on claims to have knowledge of an uranium enrichment facility are contradictory. [46] Hill may well regret that his predecessor, Jim Kelly, raised the uranium enrichment, at least so loudly. Had there been real concerns, and real evidence, then the US could have used that to achieve leverage in negotiations, rather than break the Agreed Framework and set North Korea on the road to its nuclear test. However, the clock cannot be turned back and Hill must somehow deal with the issue, and under the scrutiny of many hostile critics. [47] Whether he will achieve that remains to be seen.

Beyond the negotiating issues which could scuttle the agreement lies the fundamental disunity and incoherence of the Bush administration. Indicative of this was the allegation in January, just when Hill was negotiating with Kim in Berlin the deal that was to lead to the February agreement, that the DPRK was misappropriating 'tens of millions of dollars' from the United Nations Development Programme (UNDP). The charges, laid by Mark Wallace, a protégé of John Bolton at the UN, were orchestrated in concert with articles and editorials in the Wall Street Journal and programmes on Foxnews. [48]

The allegations were inherently duplicitous, often revolving around local procedures differing from ones standard elsewhere, with the differences being transformed into unsubstantiated 'revelations' of large-scale malfeasance. For instance, it was complained that UNDP was paying local workers in hard currency (euros) and not in local currency which is what the UNDP usually did elsewhere. By some strange logic this use of hard currency was proffered as evidence that 'tens of millions of dollars in hard currency were funneled to dictator Kim Jong Il.' [49] The UNDP Administrator, Kemal Dervis pointed out that there were no formal requirements for UNDP country offices to use local currency, and that in any case 'either we pay our local staff and contractors in Euros or we exchange Euros for North Korean Won via the central bank'. [50]

The allegations were easily refuted by the UNDP, and an external audit ordered by Ban Ki-moon, the former South Korean Foreign Minister who had recently been appointed UN Secretary General, basically cleared them. [51] Undeterred, Bolton's successor at the UN, Zalmay Khalilzad (assisted by the Wall Street Journal) returned to the attack. [52] There were more blatantly vexatious complaints, including one that the UNDP had supplied books for a study programme of the Institute for Peace and Disarmament in Pyongyang, including one on the psychology of nuclear proliferation written by an American academic and published by Cambridge University Press for £19.95. [53]

The campaign against UNDP, which is still going on and is as much about US attempts to discipline the United Nations to stop it straying too far from American policy as it is about North Korea specifically, parallels the DBA affair. [54] The action against the Macau bank, a case of use of the Patriot Act to enforce US hegemony in international finance and banking, has been well dissected in a series of articles by John McGlynn in Japan Focus. [55]

That these 'rogue actions' are allowed to go on while Under-Secretary Hill is conducting delicate negotiations with the DPRK says a lot about dissension within the Bush administration and the lack of strategic leadership. [56] It is this absence of discipline and coherence, in a lame duck administration on the verge of panic because of spiralling problems, especially but not exclusively in the Middle East, which casts the greatest pall over the Six Party Talks.

The long-rumoured summit between Roh Moo-hyun and Kim Jong Il has now been confirmed for 28-30 August. [57] If this is as successful as the one in 2000, it will do much to help the peace process. It will help set a new climate of opinion in South Korea, where engagement has become the common currency of political parties, to the dismay of former generals, and presumably serving ones as well. [58] The conservative Grand National Party fears that the summit will adversely impact on its chances in the forthcoming presidential election. [59] Washington is also concerned that a further North-South rapprochement will diminish its

It is likely that the joint US-ROK military exercise Ulji Focus Lens scheduled for 20-31 August will be put on hold. The South Korean and US military hold two joint exercises, involving amphibious landings, each year. Apart from the fun of it (boys with toys), and the usefulness of practice manoeuvres, these seem to have two functions. One is to persuade the South Korean public that there is really a threat from the north, and the other is to put pressure on the northern military. They have high symbolic value and incur regular protests from North Korea and from progressive groups in South Korea.[61] The government in Pyongyang has traditionally regarded Seoul as an appendage of Washington, much to the chagrin of South Korea, so if the exercises go ahead Roh Moo-hyun's credibility as a president of the Republic of Korea, independent of America and in command of his own military, would be seriously compromised.[62]



Anti-war, anti-military exercise protest in Seoul on March 12, 2003

The other big issue in South Korea, rivalling the summit, is the kidnapping of the Korean missionaries in Afghanistan. This has already led to an upsurge of anti-American feeling. If a disaster befalls the remaining missionaries this could have a serious impact on South Korean feeling about the American relationship.[63] A combination of a triumph in Pyongyang and a disaster in Afghanistan could recast public opinion in South Korea. None of these outcomes are certain, and the situation in Afghanistan will hopefully be resolved peacefully, perhaps by a promise to accelerate the withdrawal of ROK forces.[64]

In the North, the call of Korean People's Army for direct talks with the US military in Korea can be interpreted as a reminder to its government how important it is, and how it cannot be sidelined.[65] Certainly Kim Jong Il, long assiduous in courting the military, and developing a nuclear deterrent, the 'military-first' policy, while pursuing a strategy of political engagement with the United States, has been particularly active in visiting military units, though he has not neglected hospitals, factories and the like.[66] However, there is no indication of any breaking of the ranks at this stage. If there is a suspension of the DPRK denuclearisation process it will not be because of open opposition amongst the North Korean elite, but because Kim Jong Il has judged that the United States is not moving seriously towards abandoning its 'policy of hostility', already six decades long.[67]

However, in the final analysis, Koreans, north or south, have only a limited ability to bring about peace in Northeast Asia. It is what happens in Washington, or what impinges on Washington - the Middle East in particular - that is ultimately decisive. Scarcely talked about and less likely, but more important, than President Roh's meeting with Chairman Kim, would be a visit by Secretary Rice to Pyongyang.[68] If that were to happen, and were as successful as Albright's in 2000, it could give a crucial impetus to the negotiations. It would help bind her personally to a negotiated settlement. That means a lot, because the really important negotiations are not taking place in Pyongyang, Seoul, or even Beijing, but in Washington. There is a lot of opposition within the US political elite and media to a settlement involving peaceful coexistence, the only settlement Pyongyang will accept. It runs from Vice President Cheney downwards and has many supporters, in and out of office. Rice has been successful in overcoming opposition to de facto bilateral negotiations with Pyongyang.[69] But negotiations are ultimately about compromise to achieve outcomes. In the long run that will involve normalisation of relations and the provision of Light Water Reactors. If Rice decides that peaceful coexistence with North Korea - the ending of the Korean war in effect - is acceptable and necessary, given in particular the situation in the Middle East, and fights for it, she might just conceivably bring it off.

## Notes

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