

North Korea's Nuclear Test: The Fallout

I. OVERVIEW

The North Korean nuclear standoff entered an even more troubling phase with Pyongyang's test of a nuclear device on 9 October 2006. Condemnation was nearly universal, and the UN Security Council moved quickly to pass Resolution 1718 unanimously less than a week later. The test stirred China to take an unusually strong line against its ally, joining UN sanctions and dispatching a senior envoy to Pyongyang. On 31 October, after talks in Beijing with the U.S. and China, Pyongyang agreed to return to the six-party talks. The resumption of a diplomatic process is welcome but will likely face the same pitfalls as earlier rounds in which progress was undermined by a lack of clear understandings between North Korea and the U.S. While the six-party talks are a useful forum, resolving the nuclear issue will also require committed bilateral negotiations that address in detail North Korea's security concerns and U.S. demands for complete disarmament and intrusive verification. China's strong response may prove to be a major new factor pressing North Korea to offer more concessions in the talks, but only if the U.S. is prepared to set the table with a far more specific and appetizing menu than it has thus far.

Although the Security Council was quick to impose sanctions on North Korea, differences immediately appeared in the interpretation of the resolution, with China, Russia and South Korea favouring more limited action and the U.S. and Japan pushing for tough enforcement. This exposed the weakness of the six-party structure; each government supposedly arrayed against North Korea has different interests and varying assessments of the urgency of the situation. South Korea and China view North Korea's stability as their paramount concern. The U.S. and Japan worry about nuclear and ballistic missiles as well as nuclear proliferation, human rights and kidnappings. Russia has generally sided with South Korea and China, preferring the issue be resolved between Washington and Pyongyang directly.

North Korea's major security concern is the U.S. Unless this concern, whatever its origins, is addressed, the regime is not likely to give up its nuclear weapons. President George W. Bush has said that bilateral talks with North Korea did not work in his predecessor's

administration. In fact, they achieved a welcome delay of some years in the nuclear program and are a significant tool for dealing with Pyongyang. The six-party talks can provide an essential umbrella for bilateral discussions and a mechanism through which to establish broad international backing for an eventual agreement but they should not be the only channel for dealing with the North Koreans.

The meeting in Beijing that led to the planned resumption of the six-party talks in effect demonstrated the utility of direct talks. It remains to be seen, however, whether the U.S. is prepared to alter its stance significantly so as to demonstrate persuasively to its partners that it is going the extra mile to offer North Korea both a substantive and a face-saving basis for reversing its decision to defy the international community by developing nuclear weapons.

The U.S. should:

- appoint a full-time senior envoy for North Korea, as suggested by Congress, who should be empowered to oversee all issues relating to that country and to negotiate both at the six-party talks and bilaterally;
- agree with the Security Council a timetable to ease sanctions if North Korea meets requirements to freeze its nuclear program and readmit international inspectors;
- focus on the nuclear issue, even if this means postponing other important concerns including human rights, drugs, counterfeiting and missiles, since priority must be placed on the most serious risk;
- provide North Korea with a detailed plan of the steps it must take to end its weapons program and what benefits it will receive in return, including a response to North Korea's basic security and regime preservation concerns; and
- discuss proliferation risks in the region with key powers, especially China, with whom a broad dialogue on nuclear and other security issues is required, and ensure an understanding among them about the implementation of Resolution 1718 sufficient to keep pressure on North Korea,

without causing splits among those involved in the renewed six-party talks.

Without more flexibility from Washington and Pyongyang, a breakthrough is likely to prove elusive whatever forum is used. The North may not be willing to forego nuclear weapons regardless of the incentives and disincentives presented to it. It may be dragging out the talks to have time to develop more and better weapons. However, we will not know unless Washington sits down with the North to address the regime's deep-seated security anxieties. Crisis Group outlined a plan in 2003-2004 containing a series of steps by North Korea to freeze and then dismantle its nuclear program, with each phase followed by increasing security guarantees, diplomatic recognition and financial aid. This remains the best way forward.¹

II. NORTH KOREA'S ACTIONS: FROM MISSILE LAUNCH TO NUCLEAR TEST

North Korea's first nuclear test, on the morning of 9 October 2006, was a long time coming. Pyongyang has taken increasingly provocative measures since it withdrew from the non-proliferation treaty in early 2003. On 5 July 2006 it launched seven missiles into the East Sea, including the long-range Taepodong II which failed to perform properly.² The Security Council responded unanimously with limited sanctions against the North's missile and weapons of mass destruction (WMD) programs. Pyongyang called Resolution 1695 "an unreasonable and brigandish act" and threatened "stronger physical actions".³ The world scrambled to find new ways of engaging the regime, including an ad hoc attempt at "ten-party talks" at the ASEAN Regional Forum in August. The North skipped the talks and on 3 October its foreign ministry announced it would "in the future

conduct a nuclear test".⁴ Despite repeated warnings, it did so six days later.

A. THE DAY THE EARTH SHOOK – A LITTLE

The U.S. Geological Survey reported a seismic event of magnitude 4.2 at 1:35 am GMT on 9 October, approximately 350 km. north east of Pyongyang, near the city of Kilju.⁵ Soon after, the state-run KCNA announced to the world that the North "successfully conducted an underground nuclear test under secure conditions".⁶ The test was at the Punggye nuclear test site, which has been under surveillance by the U.S. for years. The facility is believed to include a horizontal tunnel at the base of Mt. Mantap, a support area, accommodations and a helipad. Analysts suggest it was selected as a nuclear test site long ago, citing ground scarring identified by satellite imagery as far back as 1987.⁷ U.S. officials subsequently confirmed the test, announcing on 16 October that:

Analysis of air samples collected on October 11, 2006 detected radioactive debris which confirms that North Korea conducted an underground nuclear explosion in the vicinity of Punggye on October 9, 2006. The explosion yield was less than a kiloton.⁸

South Korea also confirmed the test after detecting xenon near the Demilitarised Zone on 25 October.⁹ Unnamed intelligence officials told *The New York Times* the explosion "was powered by plutonium that North Korea harvested from its small nuclear reactor".¹⁰ The North has been accumulating plutonium since the late 1980s, though a freeze was in effect from 1994, when it signed the Agreed Framework, to 2003. It maintains a functioning five-megawatt electric reactor at the Yongbyon nuclear site and is in the process of constructing a second 50-megawatt electric reactor at the same site, which if completed could increase plutonium production

¹ See Crisis Group Asia Report N°61, *North Korea: A Phased Negotiation Strategy*, 1 August 2003, and Crisis Group Asia Report N°87, *North Korea: Where Next for the Nuclear Talks*, 15 November 2004.

² See Crisis Group Asia Briefing N°52, *After North Korea's Missile Launch: Are the Nuclear Talks Dead?*, 9 August 2006.

³ "DPRK Foreign Ministry refutes 'resolution of UN Security Council'", Korean Central News Agency (KCNA), 16 July 2006. UN Security Council Resolution 1695 called on UN member states to "prevent missile and missile-related items, materials, goods and technology being transferred to DPRK's missile or WMD programmes"; and "prevent the procurement of missiles or missile related-items, materials, goods and technology from the DPRK, and the transfer of any financial resources in relation to DPRK's missile or WMD programmes". See, <http://daccessdds.un.org/doc/>.

⁴ "DPRK FM issues statement on 'new measure' to bolster 'war deterrent'", KCNA, 3 October 2006.

⁵ "Magnitude 4.2 North Korea", United States Geological Survey, available at http://neic.usgs.gov/neis/bulletin/neic_tqab.html.

⁶ "DPRK Successfully Conducts Underground Nuclear Test", KCNA, 9 October 2006.

⁷ Andrew Koch, "North Korea tests non-proliferation", *Jane's Defence Weekly*, 13 October 2006.

⁸ "Statement by the Office of the Director of National Intelligence on the North Korea Nuclear Test", 16 October 2006.

⁹ "Seoul detects traces of N. Korean nuke test", *Chosun Ilbo*, 26 October 2006.

¹⁰ Thom Shanker and David Sanger, "North Korean fuel identified as plutonium", *The New York Times*, 17 October 2006.

ten-fold. It also maintains a nearby plutonium separation plant called the Radiochemical Laboratory. The Institute for Science and International Security (ISIS) estimates that North Korea had produced between 43 and 61 kg. of plutonium by mid-2006, of which twenty to 53 kg. are separated and ready for weaponisation – enough for four to thirteen weapons depending on the configuration.¹¹

These findings are consistent with the argument that North Korea's test was a "fizzle", a term used by specialists to describe an explosion that releases only a small amount of energy. It appears that less than one kT of energy was released. As a gun-design weapon can only be fuelled by uranium, it is most likely that an implosion device was tested, which, unlike the gun-design, is light enough for missile warhead use.¹² It is also possible that North Korea tested a much more advanced weapon with a low yield but this level of technical sophistication is deemed unlikely.¹³ Furthermore, the reliance on plutonium suggests Pyongyang is not advanced enough to proceed with uranium. Most analysts believe it has only "one nuclear program mature enough to produce weapons".¹⁴

B. WHY NOW?

Most likely, North Korea has had the capability to test a nuclear device since the 1990s. Why did it choose October 2006 to do so? Was it frustrated at the lack of reaction its missile launches had garnered? Was it feeling the effect of the financial crackdown? There is a possibility domestic factors were involved, and several important international events were clustered around the date.

1. The financial crackdown

Several countries have complied with U.S. requests to freeze North Korean bank accounts, a campaign which began just as the 19 September 2005 Joint Statement was being finalised. On 15 September, Macau's Banco Delta Asia, an important source of banking activity for North Korea, was accused by the U.S. of money laundering

for Pyongyang; it froze all North Korean accounts several days later.¹⁵ Officials in Seoul found the timing unusual, given the momentum of that round of six-party talks as well as the fact that the U.S. was aware of the North's counterfeiting activities since the 1990s.¹⁶ U.S. officials have maintained that the announcement was merely the culmination of an ongoing investigation. However, alongside illicit funds, legitimate funds have remained frozen for more than a year, an issue confirmed by Under Secretary of the Treasury Stuart Levey.¹⁷ The U.S. has said that it is not possible to distinguish between these funds. Apparently as part of the understanding reached to return North Korea to the table, however, the U.S. negotiator, Assistant Secretary of State for East Asian and Pacific Affairs Christopher Hill, has said that a "mechanism" can be set up within the six-party talks to explore the issue.¹⁸

The 5 July 2006 missile launch brought additional sanctions on the North. Between the launch and Resolution 1695 ten days later, South Korea suspended humanitarian assistance, and Japan renewed its ban on ferry service and charter flights to Pyongyang.¹⁹ Japan also placed restrictions on the Chosen Soren, an organisation of pro-Pyongyang ethnic Koreans in Japan and increased the number of North Korean businesses on its export control list from 58 to 73.²⁰ Following enactment of Resolution 1695, Australia, Vietnam, Mongolia, Singapore and China also froze North Korean bank accounts.²¹

¹¹ David Albright and Paul Brannan, "The North Korean Plutonium Stock Mid-2006", Institute for Science and International Security, 26 June 2006.

¹² Joseph Cirincione, Jon Wolfsthal and Miriam Rajkumar, *Deadly Arsenals: Nuclear, Biological, and Chemical Threat*, (Washington, DC, 2005), p.37.

¹³ Anthony Cordesman, "The Meaning of the North Korean Nuclear Weapons Test", Center for Strategic and International Studies, 9 October 2006, available at http://www.csis.org/media/csis/pubs/061009_cordesman_commentary.pdf.

¹⁴ Thom Shanker and David Sanger, "North Korean fuel identified as plutonium", *The New York Times*, 17 October 2006.

¹⁵ "Macau bank drops N Korean clients", BBC News, 16 February 2006; "Treasury Designates Banco Delta Asia as Primary Money Laundering Concern under USA Patriot Act", U.S. Department of the Treasury, 15 September 2006, available at <http://www.ustreas.gov/press/releases/js2720.htm>.

¹⁶ Crisis Group Briefing, *After North Korea's Missile Launch*, op. cit.

¹⁷ Crisis group interviews, Seoul and via e-mail, July 2006. See Crisis Group Briefing, *After North Korea's Missile Launch*, op. cit.

¹⁸ "North Korea's bomb: Talking again", *The Economist*, 4 November 2006, p.62.

¹⁹ Humanitarian assistance by the South has resumed, but through civic groups and the South Korean Red Cross.

²⁰ "North Korea: Economic Sanctions and U.S. Department of Treasury Actions 1955-September 2006", The National Committee on North Korea, 18 October 2006, available at <http://www.ncnk.org/resolvuid/a2393726d40e0cb4ade17e8d8c40e46>.

²¹ "Bank of China freezes N. Korean accounts", *Chosun Ilbo*, 24 July 2006; "N. Korea kept millions in dollar, euro accounts at Vietnam Bank" *Kyodo News*, 24 August 2006; "Australia and Japan put penalties on North Korea," *International Herald Tribune*, 19 September 2006.

2. External factors: careful timing?

Political events in countries considered threatening by the North Korean regime may have played a factor in the timing. Abe Shinzo, who rose to prominence largely because of his advocacy on behalf of Japanese citizens kidnapped by the North, became prime minister of Japan on 26 September. The test occurred as the new leader's plane was to land in Seoul for a meeting with President Roh Moo-hyun, following a meeting with Chinese leader Hu Jintao. Some media have speculated that the ascendancy of a leader in Japan taking a hard-line stance toward the North – as well as the string of meetings between North East Asian countries – could have factored into the choice of a date for making a bold statement.²² The test also fell on the day the Security Council approved the nomination of South Korean Foreign Minister Ban Ki-moon as the next UN Secretary-General. Both *Jane's Defence Weekly* and Marcus Noland, a North Korea expert at the Institute for International Economics, have suggested a connection,²³ perhaps an effort to show the North's disapproval, or even its further reaction to Resolution 1695.

Knowing that U.S. forces are stretched thin in Iraq may have given Pyongyang confidence there was low risk of a military response. Pakistan and India's success in outlasting sanctions for their nuclear testing and Iran's defiance of international pressure over its uranium enrichment program without so far suffering major penalties has given Pyongyang the sense that it could ignore international warnings with impunity.

3. Domestic drivers: succession and internal divisions

Public announcements of the regime's "military first" policy initially appeared around August 1998 when North Korea launched a long-range missile over Japan.²⁴ It has maintained this rhetoric, prompting some to speculate that internal divisions led Kim Jong-il to try to solidify his position in the eyes of his million-man army.

On the eve of the test, the North's *Rodong Sinmun* announced: "Our dear leader has exerted his extraordinary foreknowledge and superior political talent to bring the

all-out development of our unique style of socialism. Our people's army, the core of our wholehearted unity, is the top death-defying corps that upholds and implements the ideas and routes of our leader".²⁵ The day after the test was the 61st anniversary of the founding of the North Korean Workers Party. The 3 October announcement of an imminent test came on the eve of one of the most important Korean holidays, as well as the 57th anniversary of the establishment of diplomatic ties with China. Such timing suggests Kim may have used the nuclear test to rally public support and nationalistic sentiment.

III. INTERNATIONAL RESPONSES

A. THE SECURITY COUNCIL

With Washington and Tokyo taking the lead, the Security Council unanimously adopted Resolution 1718 on 14 October 2006. Invoking Chapter VII of the Charter, it demands that the North not conduct any further nuclear tests or ballistic missile launches, abandon all ballistic missile programs and terminate all nuclear programs in a "complete, verifiable and irreversible manner".²⁶ Member states are required to "prevent the direct or indirect supply, sale or transfer to the DPRK, through their territories or by their nationals, or using their flag vessels or aircraft, and whether or not originating in their territories", of any weapons, military craft or related parts, as well as nuclear programs or weapons-related items, other weapons of mass destruction and related items, and "luxury goods".²⁷ Member states were also asked to comply with the inspection of all North Korean vessels regardless of their port of origin. The resolution called for freezing any funds related to the manufacture or distribution of weapons of mass destruction or to persons involved with such activities, but not funds determined "necessary for basic expenses."

Resolution 1718 formed a committee consisting of all fifteen Council members to report every 90 days on implementation and called for every member state to report to the Council within 30 days on steps taken "with a

²² "Brazen North Korea", *China Newsweek*, 11 October 2006 (in Chinese). For more on the kidnapping issue, see Crisis Group Asia Report N°100, *Japan and North Korea: Bones of Contention*, 27 June 2005.

²³ "North Korea escalates nuclear tension", *Jane's Defence Weekly*, 10 October 2006; "Seven questions: testing North Korea's will", Foreign Policy Online, October 2006, available at <http://www.foreignpolicy.com>.

²⁴ Crisis Group Report, *Japan and North Korea*, op. cit.

²⁵ "N. Korea keeps mum on nuclear test plan on leader's anniversary", *Yonhap News*, 8 October 2006.

²⁶ UN Security Council Resolution 1718, 14 October 2006.

²⁷ "Luxury goods" were not defined but are believed to include such items as expensive foreign automobiles which the regime distributes, for example, to reward and maintain loyalty of senior officials and military personnel. The provision was insisted upon by U.S. Ambassador John Bolton. See, Jim Yardley, "Sanctions don't dent N. Korea-China trade", *The New York Times*, 27 October 2006.

view to implementing effectively” the provisions it sets forth. The resolution left room for “strengthening, modification, suspension or lifting of the measures” as seen fit.

1. Overcoming division

As with Resolution 1695 and the 6 October Security Council Presidential Statement urging the North not to test, the U.S. and Japan led the push for sanctions, with China and Russia urging restraint. The division between the parties has narrowed, most notably with China's decision to support sanctions. This time Chapter VII was invoked, something Washington and Tokyo failed to get in July. China and Russia insisted that Article 41 of the Charter, which precludes military means to enforce the resolution, be included. Given the ramifications of what military measures could entail, Washington and Tokyo would likely face strong opposition to such a move. Chinese Ambassador to the UN Wang Guangya stated: “The Chinese side would like to reiterate here that sanctions itself is not the end”.²⁸

Notably, Council deliberations lasted only six days, not the eleven required after the missile test, indicating greater consensus and a hardening mood toward the North. One participant in the discussions said the resolution was easier to negotiate because all parties accepted the need for sanctions, and there was outrage at the North's defiance of earlier warnings.²⁹ The North responded even before the Council had adjourned, calling the resolution “gangster-like”, and its sanctions tantamount to a declaration of war. The North Korean Ambassador then walked out.

Choi Young-jin, South Korea's ambassador to the UN, called the test a grave threat to peace on the Korean Peninsula and all North East Asia as well as a failure to implement the Joint Statement of September 2005 (an agreement on the basic parameters for future negotiations made at the six-party talks).³⁰ However, South Korea continues to walk a difficult line, knowing that any talk of harsher sanctions would call into question its inter-Korean cooperation projects, including the Kaesong

(Gaeseong, Open Castle) Industrial Complex just across the Demilitarised Zone in the North, and Hyundai-Asan's Mt. Kumgang (Geumgang, Diamond) tours.³¹

2. What do sanctions mean?

The U.S. National Committee on North Korea, a group of scholars, analysts and former officials seeking to raise public awareness on North Korea, calls Resolution 1718 the strongest UN action against that country since the outbreak of the Korean War in 1950.³² It is as strong a measure as the Security Council can take without invoking Chapter VII's Article 42, which calls for military enforcement. It adds to Resolution 1695 travel bans, cargo inspections and a monitoring committee. If enforced, it could impose serious restrictions on North Korean commerce. The targeting of “luxury goods” is clearly designed to make life more difficult for the North's elites. While the U.S. and Japan have already proven willing to follow through with strong measures, the sanctions' effectiveness will depend on the North's largest trade partners, China and South Korea.

B. SOUTH KOREA

Even though there is growing recognition that efforts to engage the North have failed, the Roh administration is reluctant to get tough for fear of deepening the crisis and raising tensions on the Korean Peninsula. Roh is under fire at home and abroad (especially from Washington) for continuing to provide cash to the North through the special economic zone in Kaesong and the Mt. Kumgang tours, the pillars of North-South cooperation.

1. The Blue House

South Korea's engagement policy has drawn increasing criticism since the July missile tests. After announcing plans to re-examine the policy, President Roh backed down and returned to business as usual with the North. The Blue House has also signalled interest in a summit meeting with Kim Jong-il.³³

Roh is under pressure from the Bush administration to participate in its Proliferation Security Initiative, which former Secretary Donald Rumsfeld raised at the Security

²⁸ Wang Guangya, “Explanatory Remarks by Ambassador Wang Guangya at the Security Council After Taking Vote On Draft Resolution on DPRK Nuclear Test”, Permanent Mission of the People's Republic of China to the UN, 14 October 2006, available at <http://www.china-un.org/eng/smhwj/2006/t276121.htm>.

²⁹ Crisis Group interview, New York, October 2006.

³⁰ “Security Council Condemns Nuclear Test by Democratic People's Republic of Korea, Unanimously Adopting Resolution 1718 (2006)”, UN Security Council Department of Public Information, 14 October 2006, available at <http://www.un.org/News/Press/docs/2006/sc8853.doc.htm>.

³¹ For detailed descriptions of these projects, see Crisis Group Asia Report N°96, *North Korea: Can the Iron Fist Accept the Invisible Hand?*, 25 April 2005; and Crisis Group Briefing, *After North Korea's Missile Launch*, op. cit.

³² “North Korea: Economic Sanctions and U.S. Department of Treasury Actions”, op. cit.

³³ “South-North summit meeting under examination”, *Chosun Ilbo*, 11 Oct 2006 (in Korean).

Consultative Meeting on 20 October even though it was not on the agenda.³⁴ When Condoleezza Rice suggested participation during her October visit, Roh said that it is not possible now for fear of an armed clash with North Korea.³⁵ According to senior Blue House advisers, he is worried about further aggravating relations with Pyongyang.³⁶

The Roh administration is deeply split. The ministries of foreign affairs and trade and of defence want to get tougher, while the Blue House and the ministry of unification (MoU) remain committed to engagement.³⁷ There have been casualties on both sides. Defence Minister Yoon Kwang-ung resigned on 23 October after returning from the Korea-U.S. Security Consultative Meeting, and Minister for Unification Lee Jong-seok followed suit on 25 October.³⁸ Kim Seung-kyu, head of the National Intelligence Service, announced his resignation on 27 October. An MoU official told Crisis Group that the industrial complex and tourism projects were non-negotiable.³⁹ The Blue House and MoU insist they are unrelated to the UN resolution.⁴⁰

Initially, Roh did not specify to Rice any concrete measures with regard to Resolution 1718.⁴¹ However, on 25 October officials announced they had “started drawing up a report on...punitive measures against North Korea to be submitted the UN Security Council sanctions committee”,⁴² and soon after that they would “enforce UN travel restrictions on North Korean officials, and...that the government would vet all financial transactions related to inter-Korean trade”.⁴³ They did so, and the largely symbolic travel ban was imposed on 26 October. On 31 October, President Roh appointed as foreign minister Song Min-soon, a former South Korean negotiator at the six-party talks, who has been seen as

critical of U.S. policy. The appointment has been interpreted as signalling Roh's determination to maintain his course.

Seoul is in the unenviable position of reconciling the Roh administration's “engagement policy” with the North, a continuation of Kim Dae-jung's “Sunshine Policy”, with the Security Council sanctions. At his 19 October press conference with Rice, Foreign Minister Ban told reporters he had “explained the ‘positive aspects’ of the industrial park at Kaesong and also had described how the tourism zone around Mt. Kumgang was ‘a very symbolic project’ for reconciliation between the two Koreas”.⁴⁴

In Seoul, on the eve of Rice's arrival, Assistant Secretary of State Hill said the Mt. Kumgang project “seems to be designed to give money to the North Korean authorities”, but in contrast the joint Kaesong industrial park project seems aimed at tackling the issue of long-term economic reform.⁴⁵ Hill added: “The South Korean government is looking at all the North-South projects, and I'm sure they are going to evaluate them all in terms of what's in the interest of South Korea and what would be an appropriate response”.⁴⁶ But at a hearing of the parliament's committee on national defence, then chief presidential adviser for security Song Min-soon said of Kaesong and Mt. Kumgang: “We are not discussing the problem right now...if North Korea tests a second nuclear bomb, the situation will be different, and we should cope differently”.⁴⁷

On 19 October Seoul announced it would maintain both programs, concluding that the projects did not violate the Security Council resolution. Furthermore, while South Korea holds “observer” status during interdiction exercises by participating nations of the U.S.-led Proliferation Security Initiative (PSI), the South has shown no indication of joining the PSI in a meaningful way.⁴⁸ Humanitarian aid is even less likely to be affected. After the July missile tests and Resolution 1695, the government said it was ending food aid but the South Korean Red Cross attempted to continue humanitarian shipments. Pyongyang briefly rejected them but devastating summer floods prompted it to accept aid shipments from small civic groups and eventually the Red Cross. The South Korean government also contributed such supplies through local civic groups. On 26 October, South Korea

³⁴ “Rumsfeld: Strong request for South Korean participation in PSI”, *Chosun Ilbo*, 23 October 2006 (in Korean).

³⁵ “U.S. asks South Korea to expand its participation in PSI”, *JoongAng Ilbo*, 20 October 2006 (in Korean).

³⁶ “Why is Roh keeping silent? Only 20 days to decide on PSI participation”, *JoongAng Ilbo*, 24 Oct 2006.

³⁷ “Seoul split over nuke test response”, *Dong-A Ilbo*, 16 October 2006 (in Korean).

³⁸ “Defense minister throws in the towel”, *Chosun Ilbo*, 25 October 2006; “Leading dove on North says he's resigning”, *JoongAng Ilbo*, 26 October 2006.

³⁹ Crisis Group interview, Seoul, 18 October 2006.

⁴⁰ “Never-changing government”, *Chosun Ilbo*, 16 October 2006 (in Korean).

⁴¹ “Roh-Rice meeting...an hour and twenty minutes of tension”, *Hankyoreh*, 20 October 2006 (in Korean).

⁴² “S. Korea begins work to implement U.N. resolution on N. Korea”, *Yonhap*, 25 October 2006.

⁴³ “S Korea lists steps against North”, BBC, 26 October 2006.

⁴⁴ Thom Shanker and Martin Fackler, “Seoul to keep ventures in North”, *International Herald Tribune*, 19 October 2006.

⁴⁵ Lee Chi-dong, “U.S. envoy criticizes inter-Korean tourism project”, *Yonhap*, 17 October 2006.

⁴⁶ *Ibid.*

⁴⁷ “Gov't decides to keep Geumgang, Kaesong”, *Hankyoreh Shinmun*, 20 October 2006 (in Korean).

⁴⁸ “North Korea rocks Asia's status quo”, *Christian Science Monitor*, 10 October 2006.

began its largely symbolic travel ban on North Korean officials involved with the North's weapons programs.

2. The parties

South Korean politicians have both inter- and intra-party divisions over the nuclear test. Decisions in the next weeks will reshape the landscape for the 2007 presidential election. Koh Won of Seoul National University said "North Korea's nuclear problem is a matter on which politicians will show their clear ideological stance. Given the matter's nature, North Korea's nuclear test will be a catalyst for a political reshape".⁴⁹

The Grand National Party insists the government beef-up the U.S. alliance by active participation in PSI, which Kim Keun-tae, the chairman of the ruling Uri Party, stubbornly opposes.⁵⁰ Despite harsh criticism that engagement produced nuclear crisis, Uri still upholds the goal of peaceful unification through talks and cooperation. It expressed strong discontent when Roh said the Sunshine Policy was to be reviewed.⁵¹ On 1 November, Kim Keun-Tae criticised the U.S. ambassador in Seoul for pushing too hard on the imposition of sanctions, warning that they might aggravate the situation. Former president Kim Dae-jung also defended the policy, blaming North Korea and the Bush administration for setbacks and urging the U.S. to hold direct talks with the North.⁵²

Divisions within each party are also forming. Kim Keun-tae visited Kaesong on 20 October, despite strong opposition from his party. Senior lawmakers Kim Bo-kyum and Chong Jang-sun said "it was inappropriate for the leader of South Korea's governing party to go to the North at this time, considering public sentiment".⁵³ Photographs of him dancing and smiling with North Korean women during his trip fanned the flames.⁵⁴ 77 Uri members declared opposition to participation in PSI, while twelve "issued strong warnings against North Korea should it conduct a second nuclear test".⁵⁵

The GNP has not been spared division over how far to go against the North either. Kong Seong-jin and Song Young-seon called on the government to prepare for "sporadic outbreaks of conflict", Won Hee-ryong criticised such strong language and strayed still farther from the party when he complained of "non-productive arguments" on halting economic cooperation projects and argued South Korea should limit its support of PSI.⁵⁶

3. Public responses

Although worried, citizens are not generally panicked. South Koreans are used to threatening rhetoric from the North, but the test, coming on the heels of Korea's most important holiday, caught them off guard and shook confidence. Friends exchanged text messages asking: "Will it be okay?"⁵⁷ Young men completing compulsory military service texted: "I'm worried now".⁵⁸ Some considered emigration to the U.S. or elsewhere in the West.⁵⁹ The test also triggered a brief financial downturn and a spike in condom sales, perhaps a reflection of anxieties about the future.⁶⁰

The initial shock has settled and most citizens have returned to their routines, but debate persists. They are divided over economic cooperation projects with the North⁶¹ but roughly half the scheduled tours at Mt. Kumgang were cancelled the week after the test.⁶² Surveys show a majority favours stopping humanitarian aid.⁶³

A poll of 800 South Koreans revealed generational and geographical fault lines.⁶⁴ Those who held the Bush administration responsible for the test were most likely members of the 386 Generation – those in their 30s who graduated from college in the 1980s, and were born in the 1960s – or from Kim Dae-jung's provincial stronghold, Honam. They exceeded the overall average of those

⁴⁹ "Parties see internal splits after North's test", *Hankyoreh Shinmun*, 20 October 2006.

⁵⁰ "Why is Roh keeping silent?", op. cit.

⁵¹ "Roh speaks of reexamining Sunshine Policy, receives even more opposition", *Chosun Ilbo*, 11 October 2006 (in Korean)

⁵² Kim Dae-jung, "Don't give up Sunshine Policy", *JoongAng Ilbo*, 12 Oct 2006.

⁵³ "Uri leader plans to visit Kaesong, bucking party", *JoongAng Ilbo*, 19 October 2006.

⁵⁴ "Kim can't dance around Kaesong trip controversy", *Hankyoreh Shinmun*, 23 October 2006.

⁵⁵ "Parties see internal splits after North's test", *Hankyoreh Shinmun*, 20 October 2006.

⁵⁶ Ibid.

⁵⁷ "Shock, anger in South at news of N. Korea nuke test", *Chosun Ilbo*, 9 October 2006.

⁵⁸ Crisis Group interview, 9 October 2006.

⁵⁹ Crisis Group interviews, residents of Incheon and Bundang, Seoul, 19 October 2006.

⁶⁰ "Motel bookings, condom sales surge post nuke test", *Chosun Ilbo*, 26 October 2006 (in Korean).

⁶¹ "S.K. divided over halting inter-Korean projects", *Hankyoreh Shinmun*, 16 October 2006.

⁶² Chun, Jong-hui and Chun Jin-shik, "Citizens calm despite nuclear test: Mature understanding of the North or indifferent to security issues?", *Hankyoreh Shinmun*, 12 October 2006 (in Korean).

⁶³ "Civic groups divided over reaction to North's test", *Hankyoreh Shinmun*, 20 October 2006.

⁶⁴ "Survey on Responsibility for North Korea's Nuclear Test", Hangil Research, October 2006.

favouring dialogue (67 per cent) by almost fifteen points. Thirty per cent of respondents backed sanctions, with men over 50 most likely to be in this category. Over 70 per cent of those surveyed saw the need to revise the engagement policy, although only 15 per cent wanted to abandon it.

Civic groups cover both ends of the spectrum. Conservatives are divided over how severely President Roh, whose approval ratings were as low as 14 per cent before the test,⁶⁵ should be punished for the crisis, with some demanding his resignation.⁶⁶ The question of how to punish the North raises another debate. Even as some groups call for redeployment of U.S. tactical nuclear weapons, others doubt Washington's commitment and want the South to have its own nuclear weapons. On the other side, Solidarity for Reunification holds the U.S. "fundamentally responsible" for cornering the North into testing.⁶⁷ Another group referred to the demonstration of the North's nuclear capabilities as an "opportunity to escape Imperialist America".⁶⁸ Closer to the centre, groups such as Civil Network for a Peaceful Korea and the People's Solidarity for Participatory Democracy recognise that engagement may have reached its limits but are reluctant to endorse PSI or a full halt to tourism.

4. Policy goals: peace first

The government considers peace and prosperity on the Korean Peninsula and reconciliation with the North higher priorities than resolving the nuclear standoff. For Seoul, the stakes could not be higher: a second Korean War could produce over a million casualties and devastate the world's eleventh largest economy. Even a further spike in tensions could lead to a crisis of confidence in the economy, something almost no Korean is prepared to risk. Despite increased international and domestic pressure to get tough, the Roh administration is committed to engagement with the North. Few South Koreans feel ready to take on the burdens of an unstable or collapsed North Korea. An implosion would probably lead to a flood of refugees. Humanitarian aid will likely increase if the North has a famine this winter. Even if one of the more conservative presidential candidates is elected in December 2007, policy is unlikely to change significantly, though engagement would become more conditional.

⁶⁵ "President's Approval Rating 14%", *Chosun Ilbo*, 1 September 2006 (in Korean).

⁶⁶ "Civic groups divided", op. cit.

⁶⁷ Ibid.

⁶⁸ "Some left wing groups: 'N.K. nuclear weapons are the way to save from U.S. empire'", *Chosun Ilbo*, 11 October 2006 (in Korean).

5. Nuclear weapons and missile defence

Seoul started to pursue a nuclear weapons program in the 1970s, but was pressured to abandon the program by the U.S. before any fissile material was produced. The South signed the Non-Proliferation Treaty (NPT) in April 1975. In November 1991 President Roh Tae-woo declared it would not "manufacture, possess, store, deploy, or use nuclear weapons".⁶⁹ The following month, the U.S. pulled its tactical nuclear weapons off the peninsula.⁷⁰ One month after that, the two Koreas signed the "Joint Declaration on the Denuclearisation of The Korean Peninsula", but never implemented its provision for a bilateral inspection regime.⁷¹

In the late 1990s, after being repeatedly blocked from conducting full inspections and reportedly given false stories, the IAEA began to suspect South Korea was in violation of the NPT.⁷² Investigations, revealed in 2004, showed that engineers had produced five depleted uranium test rods that were irradiated between July and December 1981. The spent rods were removed soon after, and scientists were able to extract 0.3 grams of plutonium. In April 2004, the National Assembly ratified the Additional Protocol subjecting South Korean nuclear facilities to more detailed inspections. The following summer, however, yet another program was uncovered. Scientists had conducted laser isotope separation experiments to enrich approximately 0.2 grams of uranium.⁷³ South Korea has since been cooperating with the IAEA. It has nineteen nuclear power reactors in use and one under construction.⁷⁴

In the wake of North Korea's test, a nuclear debate began in the South. "Some conservatives claimed the government should redeploy tactical nuclear weapons on the Korean Peninsula rather than seek to take back wartime operational control of South Korean troops from the U.S."⁷⁵ Knowing the regional ramifications, this is an option that the U.S. will forego. The Roh administration has been cagey about disclosing its

⁶⁹ "South Korea Profile: Nuclear", Nuclear Threat Initiative, February 2006, available at http://www.nti.org/e_research/profiles/SKorea/index.html.

⁷⁰ "Command History for 1991", U.S. Commander-in-Chief, Pacific (USCINCPAC), Vol.I, pp.90-93, available at <http://nautilus.org/archives/nukestrat/Korea/koreawithdrawal.PDF>.

⁷¹ "Joint Declaration on the Denuclearisation of The Korean Peninsula", 20 January 1992, available at <http://www.nti.org/db/china/engdocs/snkdenuc.htm>.

⁷² Dafna Linzer, "S. Korea nuclear project detailed", *The Washington Post*, 12 September 2004.

⁷³ "South Korea Profile", op. cit.

⁷⁴ Ibid.

⁷⁵ Sohn Suk-joo, "S. Korea divided over redeployment of U.S. tactical nuclear weapons", *Yonhap*, 19 October 2006.

position. Song Min-soon, then chief presidential adviser for security, said only that it was discussing options internally but that the issue was too sensitive to discuss with the public at this time.⁷⁶ The former chairman of the conservative Grand National Party (GNP), Lee Hoi-chang, insists South Korea will consider a nuclear option if circumstances in the North worsen. He predicts the U.S.-South Korea alliance will weaken, and that others in the region, such as Japan, will consider going nuclear. In the face of these challenges, he argues, developing nuclear weapons in the long-run would be in the South's best interest.⁷⁷ The U.S. has provided reassurance by renewing its nuclear umbrella commitment annually since 1978, a promise that is now to be included in a joint statement.⁷⁸ However, the tipping point for South Korea seems to be Japan's decision. Government officials confide that South Korea would feel pressed to balance a nuclear Japan.⁷⁹

Seoul has been considering its defence posture and the role of the U.S. Forces Korea (USFK) for some time. The debate over missile defence is a critical piece of a larger one which includes operational control during wartime. Many military analysts feel the "pro-independence" group in Seoul has been too aggressive and that without the U.S. presence, the country would have inadequate missile protection.⁸⁰ An official at the Defence Acquisition Program Agency (DAPA) stated that in the face of the new North Korean threat, the South's plans for missile defence are insufficient, and more Patriot Advanced Capability-3 (PAC-3) missiles should be acquired: "The PAC-3s that the U.S. have are their own, protecting their own interests. We do not have that defence, and we need to acquire it for our interests".⁸¹ Earlier in 2006, South Korea announced its "Defence Reform 2020" plan to spend \$150 billion for advanced systems such as surface-to-air missiles, air-to-air refuelling aircraft, larger transport ships, and submarines.⁸²

⁷⁶ "Q&A on the 21st Century Northeast Asia Future Forum", *Joongang Ilbo*, 19 October 2006 (in Korean).

⁷⁷ Lee Seung-woo, "Lee Hoi-chang, 'We need to consider developing nuclear weapons'", *Joongang Ilbo*, 19 October 2006 (in Korean).

⁷⁸ "U.S. agrees on concrete nuclear umbrella for S. Korea", *Chosun Ilbo*, 19 October 2006 (in Korean).

⁷⁹ Kang Tae-ho and Park Joong-eon, "If Japan arms itself with nuclear weapons, South Korea will too", *Hankyoreh Shinmun*, 19 October 2006 (in Korean).

⁸⁰ Crisis Group Briefing, *After North Korea's Missile Launch*, op. cit.

⁸¹ Jon Grevatt, "DAPA brands ROK missile defence inadequate", *Jane's Defence Industry*, 12 October 2006.

⁸² Ibid. Figures denoted in dollars (\$) in this report refer to U.S. dollars.

C. CHINA

Although China knew of the nuclear test twenty minutes before the rest of the world, it still came as a shock.⁸³ Two weeks earlier, a Chinese diplomat said North Korea had been surprised by Beijing's support for Resolution 1695 and would remain quiet after its missile test.⁸⁴ China's relations with the North have languished for years, but the test seems to have created a deep, possibly permanent rift. People's University professor Shi Yinhong calls the test "a challenge to the security of East Asia that threatens the fundamental interests of its countries, China included".⁸⁵

1. The government

After the North's announcement it would test, Beijing gathered policy advisers and nuclear experts to formulate a new policy. Speculation over how far the government was willing to go was rampant in and outside China. Officials came down hard on the announcement, as "the move not only forced China into a difficult diplomatic position once again but also posed China with a real security crisis".⁸⁶ Ambassador Wang Guangya at the UN said the North would face "serious consequences" and would not be protected by Beijing if it tested a weapon. Some Chinese felt the announcement was a bargaining chip and that the North would not test; others felt that as long as the U.S. kept a hard line, the North would test.⁸⁷

After the North tested, the Chinese position hardened even further. Two hours after the test, the government issued a statement for the first time characterising the North's behaviour as "brazen," a term normally reserved for adversaries.⁸⁸ Little is known for certain about the discussion of policy options that followed but it may have included consideration of removing the automatic military intervention clause in the 1961 Friendship Treaty.⁸⁹ Publicly, China called for a diplomatic solution

⁸³ "U.S. Congressman thanks China for informing U.S. of DPRK nuclear test", *Xinhua*, 10 October 2006.

⁸⁴ Crisis Group interview, Chinese official, September 2006.

⁸⁵ "Brazen North Korea", op. cit.

⁸⁶ Han Yonghong, "China's severe warning: if North Korea conducts a nuclear test it will not get any protection", *Zaobao*, 6 October 2006 (in Chinese).

⁸⁷ Qiu Zhenhai, "China must be tougher on North Korea", *Zaobao*, 6 October 2006 (in Chinese).

⁸⁸ "Brazen North Korea", op. cit.

⁸⁹ "North Korean nuclear test puts China in a bind", *International Herald Tribune*, 10 October 2006. Wang Yiwei, of Fudan University wrote that the Hong Kong press had reported China verbally informed North Korea that the automatic military intervention clause of the treaty was now

and return to the six-party talks and ruled out military action.⁹⁰

State Councillor Tang Jiaxuan, fresh from a trip to Washington, went to Pyongyang as President Hu Jintao's special envoy on 19 October. He met with Kim Jong-il and delivered a message from Hu. The contents have not been released. KCNA described the meeting as friendly,⁹¹ while *The New York Times* reported that "Chinese officials described the meeting as 'positive' and 'greatly significant', but declined to provide details of what Mr. Kim had said".⁹² The fact that the meeting happened at all may have some significance. After the July missile tests, Kim did not meet with a similar Chinese envoy.⁹³

Korean media initially reported that Kim apologised for the test, promised not to conduct any more and, under certain conditions, would return to six-party talks. Chinese Foreign Ministry Spokesperson Liu Jianchao eventually clarified that Kim did not apologise but affirmed his intention to use the six-party talks to denuclearise the Korean Peninsula. Kim also said that he had not conducted a second nuclear test but if "outside forces continued to unfairly pressure North Korea, it would take even further measures".⁹⁴ After Tang departed, KCNA reported that "more than 100,000 service persons and citizens from all walks of life at a Pyongyang city army-people rally held at Kim Il-sung Square Friday hailed the historic successful nuclear test".⁹⁵

Following the passage of the Security Council resolution, Ambassador Wang Guangya indicated Chinese hesitation about full implementation. He told the press: "Inspections yes, but inspections are different from interception and interdiction....I think different countries will do it in

different ways".⁹⁶ Secretary of State Condoleezza Rice responded at a press conference that the U.S. was "not concerned that the Chinese are going to turn their backs on their obligations. I don't think they would have voted for a resolution if they did not intend to carry through on it".⁹⁷ Indeed, reports from businessmen began to filter in from a key cross-border city, Dandong, that Chinese authorities had begun to inspect truck cargo over the Yalu River to and from North Korea.⁹⁸ Moreover, Chinese banks suspended cash transfers to and from North Korea,⁹⁹ and China Southern Airlines, the only foreign carrier to Pyongyang, suspended its flights. These moves suggest China is losing patience with the North.¹⁰⁰

2. Public responses

Many Chinese are divided over North Korea, although especially tight media restrictions in the wake of the nuclear test make judgements difficult. Those who have come down hard on North Korea seem to be somewhat over-represented in the media, while those who critiqued China's foreign policy choices are under-represented and in some cases have been silenced. On the conservative side, the general view is that "North Korea has obviously driven China beyond the limits of patience".¹⁰¹ Wang Xiangsui of the Beijing Aeronautics and Astronautics University stated that although China was slow to respond initially, it will become more severe and not rule out reducing aid.¹⁰² Some Chinese government advisers and scholars said that even cutting energy supplies was under consideration if North Korea refused to return to negotiations or tested again.¹⁰³

Statistics from the Chinese customs administration show that China did cut its oil to North Korea in September 2006, however it is not clear if this is actually a policy

invalid. This allegedly had not been made public because the vagueness still created a deterrent against the U.S. and Japan. Wang Yiwei, "North Korea's nuclear test is the heart's desire of the American and Japanese right wing", *Zaobao*, 13 October 2006 (in Chinese).

⁹⁰ "China rules out military action against DPRK", *Renmen Ribao*, 11 October 2006.

⁹¹ "Kim Jong Il receives special envoy of Chinese president", KCNA, 19 October 2006.

⁹² Thom Shanker and Joseph Kahn, "U.S. and China call for North Korea to rejoin talks", *The New York Times*, 21 October 2006.

⁹³ Xie Pengfei, "Tang Jiaxuan meets with Kim Jong-il in Pyongyang", *Zaobao*, 20 October 2006 (in Chinese).

⁹⁴ Liu Jianchao, "24 October 2006 Foreign Ministry Spokesman Liu Jianchao Answers Journalists' Questions (Standard Press Briefing)", Chinese Foreign Ministry, 24 October 2006, available at <http://www.fmprc.gov.cn/chn/xwfw/fyrth/t277291.htm> (in Chinese).

⁹⁵ "Servicepersons and Pyongyangites hail successful nuclear test", KCNA, 20 October 2006.

⁹⁶ "US confirms N. Korea nuclear test", BBC News, 16 October 2006.

⁹⁷ Thom Shanker and David Sanger, "North Korean fuel identified as plutonium", *The New York Times*, 17 October 2006.

⁹⁸ "Along border, China's cash transfers to N.K. suspended", *Hankyoreh Shinmun*, 17 October 2006 (in Korean).

⁹⁹ "As North celebrates holiday, businessmen feel pinch", *Hankyoreh Shinmun*, 18 October 2006 (in Korean); "Chinese investors feel the pinch in DPRK", *Remin Ribao*, 20 October 2006; Liu Jianchao, "17 October 2006 Foreign Ministry Spokesman Liu Jianchao Answers Journalists' Questions (Standard Press Briefing)", Chinese Foreign Ministry, 17 October 2006, available at <http://www.fmprc.gov.cn/chn/xwfw/fyrth/t276496.htm> (in Chinese).

¹⁰⁰ "Chinese airline company to suspend North Korean flight: NHK", *Yonhap*, 18 October 2006.

¹⁰¹ Han Yonghong, "China's severe warning", op. cit.

¹⁰² Ibid.

¹⁰³ Joseph Kahn, "China may press North Koreans", *The New York Times*, 20 October 2006.

shift.¹⁰⁴ China has had technical difficulties in delivering oil to its neighbor in the past, and it is also possible that the North simply did not require oil that month. However, the official line, expressed by the foreign ministry spokesperson, Liu Jianchao, is that “with regard to the question of providing assistance to North Korea, China has reiterated many times that in order to improve the people of North Korea’s living standards, and help it overcome economic difficulties, China has provided assistance over the years. We think this is a correct policy”.¹⁰⁵ Secretary Rice told the U.S. media, when asked whether China might halt oil supplies, that Beijing had told her it would “consider a whole host of measures”.¹⁰⁶

Some academics have opposed sanctions. Tsinghua University professor Chen Qi argued that China used to moderate between the extreme positions of North Korea and the U.S. but had now seemingly joined the scuffle. Agreement to shut down North Korean accounts in Macao had tipped the delicate diplomatic balance and caused a genuine sense of crisis, resulting in the loss of both the North’s trust and the mediator role.¹⁰⁷ He further argued that a nuclear North Korea was not necessarily a threat to China but one treated as an enemy would be.¹⁰⁸

3. Policy goals: stability

One of China’s top priorities is to prevent the collapse of North Korea and the influx of refugees.¹⁰⁹ During the North’s massive famine in the mid-1990s an estimated 100,000-300,000 Koreans streamed across the porous, loosely guarded border.¹¹⁰ Almost every Chinese academic who has published on the nuclear test has mentioned, at least in passing, the potential trauma for China, not to mention the struggling post-industrial reform economies of the north east provinces of Jilin, Heilongjiang and Liaoning.

Much has been made of the recent construction of a barbed wire fence along the Yalu, near Dandong. After

several days of international speculation over its meaning, Liu Jianchao told the press China has been building such fences since the 1990s to improve border management and control, and there was no connection with the nuclear issue.¹¹¹ The latest work is in an area not known for refugee crossings or black market trade.

Although Sino-Japanese ties have received a boost from recent cooperation over the Korean Peninsula, they still suffer from suspicion and differences in strategic perspective. The Chinese are deeply concerned over the prospect of a Japanese military nuclear program or amendment of the Peace Constitution. Hong Kong Commentator Qiu Zhenhai has described a general presumption that if North Korea becomes nuclear, Japan will follow immediately, making the security situation in North East Asia in general and for China in particular very complex.¹¹² There has been little official comment on this, however. Most likely Prime Minister Abe Shinzo’s promise to forego nuclear weapons is being taken at face value, at least for now. In response to a press question, Liu Jianchao said only that China hopes “as a signatory to the Non-Proliferation Treaty, Japan will strictly implement its obligations and abide by its three nuclear-free principles: not to make, possess, or import nuclear weapons. Japan should take a responsible attitude in the maintenance of regional peace and stability”.¹¹³

D. JAPAN

North Korea’s nuclear test was announced less than two weeks after Abe Shinzo became prime minister. Given its vulnerable position, the country’s reaction was unified and predictable, although the outcome of the debate over whether the test constitutes an “emergency situation” could have broader consequences for its self-defence strategy. In particular, there is growing controversy over how actively to participate in the PSI. The more Japan takes part in interdicting and inspecting North Korean ships, the greater the chances of a clash with Pyongyang on the high seas.¹¹⁴

¹⁰⁴ Joseph Khan, “China May Be Using Oil to Press North Korea”, *The New York Times*, 31 October 2006.

¹⁰⁵ Liu Jianchao, “19 October 2006 Foreign Ministry Spokesman Liu Jianchao answers journalists’ questions (Standard Press Briefing)”, Chinese Foreign Ministry, 19 October 2006, available at <http://www.fmprc.gov.cn/chn/xwfw/fyrth/t276826.htm> (in Chinese).

¹⁰⁶ Shanker and Kahn, “U.S. and China”, op. cit.

¹⁰⁷ Chen Qi, “Sanctioning North Korea harms China”, *Zaobao*, 17 October 2006 (in Chinese).

¹⁰⁸ Ibid.

¹⁰⁹ For more information on North Korea’s Refugee Crisis, see Crisis Group Asia Report N°122, *Perilous Journeys: The Plight of North Koreans in China and Beyond*, 26 October 2006.

¹¹⁰ Norimitsu Onishi, “Tension, desperation: the China-North Korean border”, *The New York Times*, 22 October 2006.

¹¹¹ Liu Jianchao, “17 October 2006 Foreign Ministry Spokesman Liu Jianchao answers journalists’ questions (Standard Press Briefing)”, Chinese Foreign Ministry, 17 October 2006, available at <http://www.fmprc.gov.cn/chn/xwfw/fyrth/t276496.htm> (in Chinese).

¹¹² Qiu Zhenhai, “China must be tougher”, op. cit.

¹¹³ Liu Jianchao, “17 October 2006”, op. cit.

¹¹⁴ See also Crisis Group Report, *Japan and North Korea*, op. cit.

1. The prime minister

A conservative politician with a strong family tradition in politics, Abe took office on 26 September with promises to revise Japan's Peace Constitution. The first prime minister born after World War II, he also hoped to improve soured relations with China and South Korea. Notwithstanding the tradition of new prime ministers visiting the U.S. first, he travelled to Beijing and Seoul on 8 and 9 October. News of the nuclear test came just before he landed in Seoul, posing a major challenge to the new administration. Abe and his cabinet responded with sharp criticism, calling the test "a serious challenge to Japan's security and a serious threat to the peace and security of the international community".¹¹⁵ The next day, before verification of the test, Abe announced Japan would proceed with additional sanctions.¹¹⁶ Within days, the government prohibited entry of North Korean nationals and vessels into Japan and imposed a six-month ban on all North Korean imports.¹¹⁷

Abe has simultaneously stressed the need for international cooperation and unity. He insisted on a diplomatic, not military, response to the confrontation: a strict Security Council resolution based on Chapter VII.¹¹⁸ Consulting closely with Washington, Japan has reaffirmed the bilateral military alliance and also sought to improve relations with Seoul and Beijing. Despite applying unilateral sanctions, Abe maintains he will work with the international community to avoid escalating the confrontation.¹¹⁹

2. The parties

While there has been no talk since the nuclear test of amending the Peace Constitution, politicians are debating a special measures law to authorise assistance in enforcing the ship inspections stipulated in Resolution 1718. If adopted, Japan could provide services and fuel for countries inspecting vessels in international waters. Under the current law, Japan's Maritime Self Defence

Force can only inspect vessels in an "emergency" and with the consent of the other vessel.¹²⁰ The desire to punish North Korea has led some politicians to lean towards declaring an "emergency" and passing the special measures law. Abe and his Liberal Democratic Party are leaning this way. Powerful LDP members, including Foreign Minister Aso Taro and Policy Research Council Chairman Nakagawa Shoichi, have said the current situation could qualify as an emergency situation¹²¹ but the opposition Democratic Party of Japan (DPJ) rejects this.¹²²

The party divide became apparent during the first debate in the Diet on 18 October, when DPJ leader Ozawa Ichiro criticised Abe for supporting the special measures law hastily and without just cause.¹²³ According to Shizuoka University Professor Nakamoto Yoshihiko, passage of the law would reflect a shift in Japan's "national purpose from being an economic (or civilian) power to becoming a political (and military) power".¹²⁴

3. Public responses

Due to the kidnapping issue and July's missile launch, sentiment towards North Korea was already negative, and the public reacted to the nuclear test with fear, uncertainty, and a desire for appropriate action. According to a survey on 10 October, 62 per cent preferred sanctions over negotiations, 83 per cent supported toughening sanctions, and 92 per cent felt threatened by North Korea.¹²⁵ There was only a handful of small public protests: The pro-South Korean Association of Korean Residents in Japan gathered in front of the offices of the Association of North Korean Residents in Japan, and 50

¹¹⁵ "Summary of Prime Minister Abe's statements", *Kyodo News*, 10 October 2006 (in Japanese).

¹¹⁶ "Prime Minister supports additional sanctions before confirmation of North Korea's nuclear test", *Kyodo News*, 10 October 2006 (in Japanese).

¹¹⁷ "Japan's Reaction to North Korea's Nuclear Test", Prime Minister's Office, 11 October 2006, available at http://www.kantei.go.jp/jp/tyoukanpress/rireki/2006/10/11_p.html (in Japanese); "Additional sanctions passed in Diet on October 13: North Korean vessels prohibited entry in all Japanese ports", *Kyodo News*, 11 October 2006 (in Japanese).

¹¹⁸ "Prime Minister demands termination of nuclear weapons development", *Kyodo News*, 11 October 2006 (in Japanese).

¹¹⁹ "Abe calls for quick decision on additional sanctions", *Kyodo News*, 16 October 2006 (in Japanese).

¹²⁰ The military emergency law was created to enable Japan's Self Defence Forces (SDF) to provide support for the U.S. military near Japanese territory in times of emergency.

¹²¹ "Government recognises emergency situation in North Korean sanctions meeting", *Sankei News*, 16 October 2006.

¹²² "Japan tightening the squeeze on N. Korea", *Asahi Shimbun*, 14 October 2006. "Leaders agree that nuclear test alone does not create emergency situation", Democratic Party of Japan, 17 October 2006, available at <http://www.dpj.or.jp/news/dpjnews.cgi?indication=dp&num=9094> (in Japanese); "Democratic Party of Japan opposes declaring North Korea's nuclear test an emergency situation", *Sankei News*, 17 October 2006 (in Japanese).

¹²³ "Abe participates in first debate in Diet", Liberal Democratic Party, 18 October 2006, available at http://www.jimin.jp/jimin/daily/06_10/18/181018c.shtml (in Japanese).

¹²⁴ Crisis Group email interview, Yoshihiko Nakamoto, Shizuoka University, 22 October 2006.

¹²⁵ "Asahi Shimbun survey: 62% prefer sanctions over discussions", *Asahi Shimbun*, 10 October 2006 (in Japanese); "Telephone survey: 83% support additional sanctions", *Kyodo News*, 10 October 2006 (in Japanese).

people attended a sit-in at Nagasaki Peace Park.¹²⁶ NGOs and the cities of Hiroshima and Nagasaki issued statements denouncing North Korea's actions.¹²⁷

4. Policy goals

As a new administration facing a challenge with serious domestic and international consequences, Abe and his cabinet seek to use the North Korean nuclear test to gain credibility and support. Abe wants to distinguish himself from his predecessor, Koizumi Junichiro, whose repeated visits to the Yasukuni Shrine chilled relations with China and South Korea. The nuclear test has created an opportunity to work with both towards shared goals of peace and nuclear disarmament.

Abe has yet to mention revising the Peace Constitution in the wake of the test, though the special measures law would address some of the same issues of national security and collective self defence. Abe publicly committed on entering office to address the abduction of Japanese citizens by North Korea but has not yet raised the issue in connection with the present crisis.

5. Nuclear weapons and missile defence

Having experienced the devastation of nuclear weapons in 1945, Japan has maintained a peaceful nuclear program with strong commitments to non-proliferation and disarmament. Despite a brief debate during the 1970s over keeping the nuclear option open, Japan signed the NPT in 1976 and the Comprehensive Test Ban Treaty in 1997. Domestically, it renounced nuclear weapons under the 1955 Atomic Energy Basic Law and the Three Non-Nuclear Principles, which ban possession, production, and import of nuclear arms. However, specialists agree that Japan "has the technical capability to produce basic nuclear weapons and missiles in a relatively short time".¹²⁸ It began operating its first commercial nuclear reactor in 1966 and currently has 52 nuclear installations and plans to commission thirteen

more by 2010.¹²⁹ It also runs a Fast Breeder Reactor, which recycles spent nuclear fuel to produce large amounts of plutonium.¹³⁰ In 2001, Japan had over 30 tons of spent fuel stored overseas and five to six tons domestically, which "could provide Japan with a latent nuclear weapons capability".¹³¹ Although the nuclear program is based on reactor grade plutonium, a U.S. test in 1962 demonstrated that such plutonium is sufficient for nuclear weapons production.

The U.S. nuclear umbrella and historic aversion to nuclear weapons ensure that for now, Japan is unlikely to go nuclear. Prime Minister Abe has repeatedly emphasised that Japan should remain non-nuclear by adhering to the Three Non-Nuclear Principles.¹³² Some hawkish Liberal Democratic Party (LDP) politicians, notably Policy Research Council Chairman Nakagawa Shoichi and Foreign Minister Aso, have advocated "discussing" whether Japan should go nuclear.¹³³ While Abe acknowledges that he cannot restrict freedom of speech, he maintains that there will be no official discussions about this in his government.¹³⁴ Such discussions have also been renounced by both opposition parties and the LDP. Following Rice's assurance on 18 October that "the United States has the will and the capability to meet the full range – and I underscore full range – of its deterrent and security commitments to Japan",¹³⁵ Foreign Minister Aso officially announced that "the government of Japan has no position to develop new nuclear weapons".¹³⁶ Japan is unlikely to develop nuclear arms, but the debate can be expected to continue.

¹²⁶ "Korean association protests nuclear tests in front of North Korean association", *Asahi Shimbun*, 18 October 2006 (in Japanese); "50 people protest against North Korea's nuclear test at Nagasaki Peace Park", *Nagasaki News*, 16 October 2006 (in Japanese).

¹²⁷ "Document Protesting the Announcement of North Korea's Nuclear Test", City of Hiroshima, 10 October 2006, City of Hiroshima Website, available at <http://www.city.hiroshima.jp/www/contents/00000000000000/1160464275794/index.html> (in Japanese); "Protest Against North Korea's Nuclear Test", City of Nagasaki, 9 October 2006, City of Nagasaki Website, available at http://www1.city.nagasaki.nagasaki.jp/abm/kougi/nkorea_j.html (in Japanese).

¹²⁸ "Japan Profile: Nuclear", Nuclear Threat Initiative, August 2006, available at http://www.nti.org/e_research/profiles/Japan/.

¹²⁹ "Nuclear Power in Japan", World Nuclear Association, September 2006, available at <http://www.world-nuclear.org/info/inf79.htm>; "Convention on Nuclear Safety: National Report of Japan for the Third Review Meeting", IAEA, August 2004, available at http://www-ns.iaea.org/downloads/ni/safety_convention/japan_report_041227.PDF.

¹³⁰ "Japan Profile", op. cit.

¹³¹ Ibid.

¹³² "LDP Policy Research Council Chairman Nakagawa calls discussions on nuclear armament necessary", *Kyodo News*, 15 October 2006 (in Japanese).

¹³³ Ibid; "Foreign Minister Aso argues against restricting discussion over going nuclear", *Asahi Shimbun*, 19 October 2006 (in Japanese); David Pilling, "Abe fails to quell allies' calls for debate on going nuclear", *Financial Times*, 9 November 2006.

¹³⁴ "Prime Minister Abe says he cannot restrict discussion on nuclear arms," *Asahi Shimbun*, 27 October 2006 (in Japanese).

¹³⁵ "Remarks with Japanese Foreign Minister Taro Aso after their meeting", U.S. Department of State, 18 October 2006, available at <http://www.state.gov/secretary/rm/2006/74669.htm>.

¹³⁶ "Joint news conference: U.S. Secretary of State and Japan Foreign Minister", Japanese Ministry of Foreign Affairs, 19 October 2006, available at http://www.mofa.go.jp/mofaj/area/usa/visit/rice_0610/kaiken_gai.html (in Japanese).

Tokyo has also showed a surge of interest in missile defence. Prime Minister Abe stated it would accelerate missile defence development in cooperation with the U.S. on 12 October 2006.¹³⁷ Defence Minister Kyuma Fumio added that he hopes to increase the budget for missile defence technology.¹³⁸ The Japanese Defence Agency (JDA) said on 10 October that “the response to a ballistic missile – which could carry a nuclear weapon – is an important and imminent issue in terms of our [Japan’s] national defence policy”.¹³⁹ Two weeks earlier, the government requested permission to purchase sixteen PAC-3 missiles from the U.S. for approximately \$144 million.¹⁴⁰

E. THE UNITED STATES

“We are not going to live with a nuclear North Korea”, Assistant Secretary of State Hill announced after the North’s declaration that it would test a nuclear device. “It can have a future or it can have these weapons. It cannot have both”.¹⁴¹ However, the reality is that the U.S. has been living with a nuclear North Korea at least since the North declared having such weapons. The test may have removed ambiguity about their existence but it has done little to change the perception that the administration’s words are far stronger than its actions.

1. The White House

Washington’s reaction to the test was fairly muted, confined largely to rhetorical flourishes in the press rather than a clear articulation of red lines or the concrete consequences of crossing those lines, much less action. Ambassador to the UN John Bolton told the Security Council that Resolution 1718 is “sending a strong and clear message to North Korea and other would-be proliferators that there will be serious repercussions in continuing to pursue weapons of mass destruction”.¹⁴² The resolution was also an NPT salvage attempt, designed to discourage other potential proliferators, notably Iran. Mindful of the possibility of a nuclear “ripple

effect” throughout Asia, President Bush used his weekly radio address to say: “In response to North Korea’s provocation, we will seek to increase our defence cooperation with our allies, including cooperation on ballistic missile defence to protect against North Korean aggression...”¹⁴³

The main thrust of U.S. policy has been to use Resolution 1718 to pressure North Korea to return to the six-party talks.¹⁴⁴ Statements from the White House have emphasised a diplomatic solution, and the president said on 14 October: “...there is a better way forward for North Korea. There’s a better way forward for the people of North Korea. If the leader of North Korea were to verifiably end his weapons programs, the United States and other nations would be willing to help the nation recover economically”.¹⁴⁵ President Bush also maintained his commitment to a multilateral solution and opposition to pursuing bilateral channels:

My point was bilateral negotiations didn't work. I appreciate the efforts of previous administrations. It just didn't work. And therefore, I thought it was important to change how we approached the problem so that we could solve it diplomatically. And I firmly believe that with North Korea and with Iran that it is best to deal with these regimes with more than one voice.¹⁴⁶

2. The parties

Attention centred on not only the direct security implications but also on a new round of finger-pointing over which president bore responsibility for the nuclear crisis: Bush or Clinton. While not an election issue per se, the debate became more charged in the context of the recent Congressional mid-terms. Democrats accused Bush of neglecting the issue and out-sourcing the responsibility to deal with it to China. Bill Richardson, the Democratic governor of New Mexico, who has negotiated with North Korea, called for direct talks.¹⁴⁷ There is a growing chorus of Republicans who also started to criticise the

¹³⁷ Minutes from National Diet House of Councilors Budget Committee Meeting, 12 October 2006, House of Councilors Website, available at <http://www.sangiin.go.jp/japanese/joho1/kaigirok/daily/select0114/main.html> (in Japanese).

¹³⁸ Ibid.

¹³⁹ “Japan considers missile-defence options in face of potential North Korean threat”, *Jane’s Defence Industry*, 10 October 2006.

¹⁴⁰ Ibid.

¹⁴¹ David E. Danger and Jim Yardley, “U.S. warns North Koreans about nuclear-weapon test”, *The New York Times*, 5 October 2006.

¹⁴² John R. Bolton, “The Adoption of United Nations Security Council Resolution 1718”, 14 October 2006, available at <http://www.state.gov/p/eap/rls/ot/74013.htm>,

¹⁴³ George W. Bush, “President’s Radio Address”, 14 October 2006, available at <http://www.whitehouse.gov/news/releases/2006/10/20061014.html>.

¹⁴⁴ Crisis Group interview, U.S. official, Washington, DC, 18 October 2006.

¹⁴⁵ George W. Bush, “President Bush’s Remarks on United Nations Security Council Resolution on North Korea”, 14 October 2006, available at <http://www.state.gov/p/eap/rls/ot/74016.htm>.

¹⁴⁶ George W. Bush, “Press Conference by the President”, 11 October 2006, available at <http://www.whitehouse.gov/news/releases/2006/10/20061011-5.html>.

¹⁴⁷ “Top Democrat Calls for Talks with North Korea”, Associated Press, 10 October 2006.

administration for not talking to its opponents. "You don't give away anything, but in my view, it is not appeasement to talk to your enemies", said former Secretary of State James Baker in what was seen as a criticism of policy towards Iran and Syria as well as North Korea.¹⁴⁸ Former Republican presidential candidate Pat Buchanan wrote: "We should engage in direct negotiations with the North".¹⁴⁹ Several Republican members of Congress also argued for bilateral talks.

3. Policy goals

The U.S. believes North Korea does not yet have the missile technology to strike its territory with a nuclear weapon. It is deeply concerned, however, that a North Korean weapon could find its way into the hands of another state or non-state actor. In an address to the IAEA in March 2005, former Senator Sam Nunn, co-chairman of the Nuclear Threat Initiative, highlighted three nightmare scenarios: first, a terrorist attack with a nuclear weapon; second, a terrorist attack with a dirty bomb; and third:

North Korea continues to turn its spent nuclear fuel into bomb grade plutonium and manufacture nuclear weapons, and then suddenly tests a weapon, as India and Pakistan did in 1998. Nationalists in Japan and South Korea push their governments to develop nuclear weapons. China, in response, expands its own nuclear weapons arsenal and joins the USA and the Russian Federation by putting its weapons on a hair-trigger state of readiness. Iran continues playing cat and mouse, until it has developed enough high enriched uranium to build several nuclear weapons...¹⁵⁰

Now that the first step of this third scenario has been taken, the U.S. wants to do everything it can to prevent the completion of any of the scenarios. In November 2001, President Bush stated that "our highest priority is to keep terrorists from acquiring weapons of mass destruction".¹⁵¹ He followed up with a similar statement

after North Korea's nuclear test, saying, "the transfer of nuclear weapons or material by North Korea to states or non-state entities would be considered a grave threat to the United States, and we would hold North Korea fully accountable of the consequences of such action".¹⁵² North Korea claims to prohibit nuclear transfers but it has a worrying record of illicit activities.¹⁵³ Graham Allison calls Pyongyang, "the most promiscuous weapons proliferator on earth", noting that it has already sold missiles and missile technology to Iraq, Iran, Pakistan and Saudi Arabia.¹⁵⁴

The Iraq situation has tempered pressure from some in the administration to pursue regime change in Pyongyang aggressively. Unilateral efforts have focused on financial measures, in particular warning banks against dealing with North Korea, which have cut Pyongyang's access to international financial markets. Follow-up to passage of the North Korean Human Rights Act has been limited, with little of the \$24 million approved having been being disbursed. In the months surrounding the missile launch and the nuclear test the administration has repeatedly insisted that it is not seeking to topple Kim Jong-il's government, although privately some still hope sanctions will do the trick.¹⁵⁵

4. Missile defence

Lt. General Joseph Inge, deputy commander of U.S. Northern Command, said the U.S. put its Ground-based Midcourse Defense (GMD) system on full alert as of 6 June 2006 after activity was picked up at North Korea's Taepodong II launch site and that crews at Fort Greely, Alaska, one of two interceptor sites, had coordinated with senior leaders including then-Defence Secretary Rumsfeld to rehearse a possible response. According to Inge, on the day of the Taepodong II test, U.S. command authorities were in place to respond but because the launch failed within 40 seconds, there was no need.¹⁵⁶ Although only indirectly linked to North Korea's activities,

¹⁴⁸ "This Week with George Stephanopoulos", American Broadcasting Corporation, 8 October 2006, available at <http://abcnews.go.com/ThisWeek/story?id=2542039&page=1>.

¹⁴⁹ Patrick Buchanan, "Is the Bush doctrine dead?", *Creators Syndicate*, 16 October 2006.

¹⁵⁰ Sam Nunn, "The Race between Cooperation and Catastrophe", keynote address, "Nuclear Security: Global Directions for the Future", London, 16-18 March 2005, available at http://www-pub.iaea.org/MTCD/publications/PDF/Pub1232_web.pdf.

¹⁵¹ George W. Bush, "President Announces Reduction in Nuclear Arsenal", press conference by George W. Bush and

Vladimir Putin, 13 November 2001, available at <http://www.whitehouse.gov/news/releases/2001/11/20011113-3.html>.

¹⁵² George W. Bush, "President Bush's Statement on North Korea Nuclear Test", 9 October 2006, available at <http://www.whitehouse.gov/news/releases/2006/10/20061009.html>.

¹⁵³ "DPRK FM issues statement on 'new measure' to bolster 'war deterrent'", *KCNA*, 3 October 2006.

¹⁵⁴ Graham Allison, "How to Stop Nuclear Terror", *Foreign Affairs*, January/February 2004.

¹⁵⁵ Mark Mazzetti, "'Collapse' theory tilted U.S. policy on N. Korea", *International Herald Tribune*, 27 October, 2006.

¹⁵⁶ Nathan Hodge, "US missile defence 'remains on alert'", *Jane's Defence Weekly*, 13 October 2006.

Russia and NATO have been discussing the coverage of Europe's missile defence system.¹⁵⁷

IV. NEXT STEPS

A. FURTHER PROVOCATIONS?

1. How would the world respond to a second test?

Should the North test again, the Security Council would likely pass a new resolution with more sweeping sanctions and perhaps language authorising enforcement by military means. In the meantime, as the U.S. seeks to expand PSI, North Korea's neighbours face difficult choices. Even the most enthusiastic participant to date, Japan, may not be prepared, legally, for the consequences of interdicting North Korean ships on the high seas. The most critical countries, China and South Korea, seem unlikely to participate in any meaningful way in the foreseeable future. Thus, PSI is likely to remain a fairly modest tool for halting the North's nuclear activities.

Given the limited impact PSI and even increased sanctions are likely to have on the North, some in the Bush administration are quietly discussing a naval blockade as a response to a second test.¹⁵⁸ A pre-emptive strike is even less of an option than when it was dismissed by Vice President Cheney in the wake of the North's missile demonstration in July. It is not clear whether the locations of the North's nuclear devices and material are known, and any military action would risk a cataclysm on the Korean Peninsula, where Seoul is in range of the North's formidable conventional weaponry.

2. North Korea: hold 'em or fold 'em?

Many North Korea watchers assumed a nuclear test was the North's ultimate trump card which it would not play unless it expected to gain significant benefits. So far it has less than nothing to show for its test but Pyongyang appears to feel it holds more cards. The first and most likely of these, of course, is another test. A second card might be to rely on an art form perfected by the regime: war threats. During the 1994 nuclear crisis, it threatened to turn Seoul into a "sea of fire".¹⁵⁹ That is a difficult

standard to surpass but the North is nothing if not creative in this area. A third card might relate to the UN, from which the North could withdraw on its journey to return to being the "Hermit Kingdom". One of Seoul's biggest fears is that the North could try to keep the world's attention by provocative military behaviour, if not in the DMZ, then in the Yellow Sea, the site of past clashes.

Finally, the North could sell (or threaten to sell) nuclear material to a third country or non-state entity. It has pledged not to do this, and President Bush has threatened consequences if it does.¹⁶⁰ However, given the North's proclivity for playing with fire and need for new sources of foreign currency, this remains a risky card left in the regime's hand. The problem with the North's brinkmanship game is that the longer it is played, the greater the risk of a deadly miscalculation, particularly when the other side refuses to give in to the pressure.

B. DIPLOMACY

Crisis Group said in its August 2006 policy briefing, *After North Korea's Missile Launch: Are the Nuclear Talks Dead?*, that the six-party talks had been reduced to "dead man walking" status.¹⁶¹ They can be reinvigorated but will be no substitute for direct contacts between the U.S. and North Korea. The last round of talks in September 2005 concluded with a provisional agreement to end the nuclear program but almost immediately differing interpretations of the document emerged. Shortly afterwards the imposition of U.S. financial sanctions led to North Korea refusing to attend further rounds.

To avoid future pitfalls, the U.S. government should appoint a special envoy for North Korean issues with command of all aspects of the relationship. Assistant Secretary of State Christopher Hill would be an excellent choice for this role: he has done an outstanding job – within the constraints of his limited negotiating brief – in his present role but the position of special envoy needs to be a full-time one, unencumbered by other duties. The envoy should be mandated to negotiate directly with Pyongyang as well as lead the U.S. team at the six-party talks. In June 2006, the U.S. Senate passed the National Defense Authorization Act (NDAA), Section 1211 of which calls for the appointment of just such an envoy.¹⁶² Unfortunately, this provision has yet to be implemented, despite the urgings of Democratic Senators Harry Reid,

¹⁵⁷ "Russia, NATO to hold joint missile defence exercise", *International Herald Tribune*, 14 October 2006; "Russia asks whether it will be included in European missile defence system", *International Herald Tribune*, 16 October 2006.

¹⁵⁸ Crisis Group interview, U.S. official, October 2006.

¹⁵⁹ "U.S. Backs Maneuvers In S. Korea", *The Washington Post*, 20 March 1994.

¹⁶⁰ "DPRK FM issues statement", op. cit.

¹⁶¹ See Crisis Group Briefing, *After North Korea's Missile Launch*, op. cit.

¹⁶² "S.AMDT.4307", U.S. Library of Congress (THOMAS), passed 22 June 2006.

Carl Levin and Joe Biden in a recent letter to President Bush.¹⁶³ In an election year, it was not anticipated that Republicans would confront the President as directly in a public letter but private concerns have been registered by Republicans.

Once an envoy is appointed he or she should be allowed to visit North Korea for informal bilateral discussions under the auspices of the six-party talks. There the U.S. should fully map a phased strategy whereby, in exchange for the complete, verifiable and irreversible elimination of North Korea's nuclear program, the U.S. would provide a timetable for security guarantees, normalisation of relations, acceptance of the Kim Jong-il regime and economic assistance.¹⁶⁴ More immediately, the U.S. should offer to adjust its financial stranglehold on the North so as to free-up North Korean assets tied to legitimate business activities. Crisis Group interviews indicate that at least \$6 million of the \$24 million in frozen assets can be accounted for as legitimate.¹⁶⁵ The apparent new willingness of the U.S. to create a mechanism to address the issue within the framework of the resumed six-party talks is an encouraging sign.¹⁶⁶

It will also be essential to reach an understanding among the key players about the implementation of Resolution 1718 and related matters. A central element of this effort should be to establish a high-level dialogue with China on nuclear and security issues in North East Asia in an attempt to reach a broader understanding on the need to control any spread of weapons and to develop a long-term plan to promote economic change in North Korea.

The U.S. announced on 2 November that Under Secretary of State for Political Affairs Nicholas Burns would lead a delegation to China, South Korea and Japan "to discuss the six-party talks and implementation of Security Council Resolution 1718."¹⁶⁷ The Security Council agreed sanctions unanimously but the resolution is vague about some aspects. Each party in the six-party talks should be allowed to interpret them as they see fit; excessive efforts to extend their effect will only lead to a poisonous atmosphere for the talks and break consensus among those arrayed against North Korea, especially during the immediate sensitive period while Pyongyang's intentions

on announcing its return to the negotiating table need to be explored.

The U.S. needs to recognise that demanding North Korea abandon its nuclear program before it has seen details of incentives is unrealistic and that what is needed is a timetable in which the North gains certain benefits after it has taken key steps. Benefits could be reversed and sanctions reimposed if the North cheated on any agreement. The U.S. should focus first on North Korea's plutonium weapons program before tackling any less advanced plans it has to enrich uranium.

In order to provide more details on the prospects of assistance in the future, the World Bank should be authorised to open preliminary discussions with the North Korean government and begin fuller research into possible economic reforms. One of the problems in the implementation of the 1994 Agreed Framework was a lack of knowledge of the limits of North Korea's capacity to absorb aid and energy assistance. More research and planning will be necessary to avoid similar problems.

As to the details of the proposal, the U.S. should present to North Korea what steps it now expects Pyongyang to take to dismantle its military nuclear program and what economic benefits and security guarantees will be offered if it does. Crisis Group's report, *North Korea: Where Next for the Nuclear Talks?*, laid out in 2004 the elements of the reciprocal steps required, along the following lines:¹⁶⁸

- ❑ for verified freeze of Pyongyang's plutonium production and a nuclear test ban: U.S. security guarantees;
- ❑ for disclosures about the nuclear program: planning on energy guarantees;
- ❑ for access to nuclear sites: provision of energy;
- ❑ for agreement on dismantlement of the military nuclear program: provision of assistance for humanitarian relief and rehabilitation of conventional power plants;
- ❑ for dismantlement of the military nuclear program: provision of economic aid;
- ❑ for declarations of nuclear weapons: reparations and further assistance from Japan;
- ❑ for commitments to reveal the extent of uranium enrichment: preparation to exchange diplomatic

¹⁶³ Harry Reid, Carl Levin and Joe Biden, "Letter to President Bush Re: implementation of section 1211 of the fiscal year 2007 National Defense Authorization Act", 20 October 2006.

¹⁶⁴ See Crisis Group Report, *North Korea: A Phased Negotiation Strategy*, op. cit.

¹⁶⁵ See Crisis Group Briefing, *After North Korea's Missile Launch*, op. cit. Crisis Group e-mail correspondence with Nigel Cowie, Daedong Bank (Pyongyang), 28 July 2006.

¹⁶⁶ See Section II A(1) and fn. 18 above.

¹⁶⁷ U.S. Department of State, office of the spokesman, 2 November 2006.

¹⁶⁸ For more detail on this proposal, see Crisis Group Report, *Where Next for the Nuclear Talks*, op. cit., especially pp. 25-28.

liaison offices and to provide international financial institution assistance; and

- for conclusive verification of all aspects of the nuclear program: exchange of liaison offices and provision of IFI aid.

The U.S. should be prepared itself to provide, at the appropriate times, the following components of any such deal:

- a conditional security guarantee (along with Russia, China, South Korea and Japan);
- support for delivery to North Korea of fuel by South Korea and Japan;
- participation in a multilateral energy survey of North Korea, including preparations for the rehabilitation of power plants;
- agreement to technical assistance from the World Bank and others;
- relaxation of travel restrictions on North Korean diplomats and the exchange of liaison offices; and
- review of North Korea's inclusion on the list of state sponsors of terrorism.

V. CONCLUSION

The former negotiator with North Korea, Robert Gallucci, said on 20 October 2006: "We did a deal with North Korea that bottled up that nuclear program for eight years. No plutonium produced. We handed off a much better situation than we received. And I think the agreement was, by and large, a success. It is no more. And now we have to figure out where we go from here...I do believe that the only way to find out whether the North Koreans will actually give up their program, sell it rather than simply rent it, is to do a negotiation, do a deal, and then monitor it, as we did the last one. They did cheat last time. We caught them. We...at least ought to be back at the negotiating table".¹⁶⁹

There are no good options for resolving this crisis, but the least bad option remains a negotiated settlement. To achieve this, the U.S. and others will need to present a long-term view of economic change in North Korea while offering what amounts to a guarantee not to overthrow the Pyongyang regime. The undertaking will

involve a considerable investment of diplomatic energy and financial resources and should be matched by a ramped-up effort to ensure that North Korea cannot proliferate nuclear weapons or missiles. But it provides the only prospect for peaceful and gradual change on the Korean peninsula.

Sanctions without sustained, direct diplomacy would only mean escalation. The Bush administration has operated under the flawed assumption that direct negotiations with its foe are a concession, when this may be the only way of moving forward. With Washington, Tokyo, Seoul and Pyongyang all locked into policies which are likely to change little until new leaders emerge, however, Beijing's is the government to watch. China does not want the North to implode, will try to moderate its behaviour and likely twist its arm to stay at the negotiating table in 2007. As in 2003, when the nuclear standoff began to spiral downward, it will make every effort to ensure that cooler heads prevail, though not necessarily that a durable solution is reached. Ultimately, greater creativity and flexibility is required than Washington and Pyongyang have shown. China can mediate, but it will take concessions by Washington if the North's seriousness about denuclearising under the right conditions is to be tested: the direct negotiations and phased implementation of a deal that Crisis Group has long advocated.¹⁷⁰

Seoul/Brussels, 13 November 2006

¹⁶⁹ CNN News Room. Interview with Robert Gallucci. 20 October 2006. Transcript available at <http://transcripts.cnn.com/TRANSCRIPTS/0610/20/cnr.03.html>.

¹⁷⁰ See Crisis Group Report, *North Korea: Where Next for the Nuclear Talks?*, op. cit.; and Crisis Group Briefing, *After North Korea's Missile Launch*, op. cit.

APPENDIX A

MAP OF NORTH KOREA



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