

U.S. Policy Toward North Korea: Next Steps

Chair: Morton I. Abramowitz

Chair: Michael J. Green

Project Director: James T. Laney

CONTENTS

Foreword

Executive Summary

Introduction

New Developments

Next Steps for U.S. Policy

Dissenting and Additional Views

Members and Observers of the Task Force

The Korean peninsula remains one of the world's most dangerous places. North Korea has an army of 1.2 million troops, and holds metropolitan Seoul hostage with its missiles and artillery. But Pyongyang is in desperate straits after a decade of economic decline, food shortages, and diplomatic isolation. This situation has led South Korea to embark on a new policy of engagement to draw the North out of isolation and begin reducing tensions on the peninsula. The South's approach has been paralleled by former Secretary of Defense William Perry's offer to Pyongyang of a comprehensive package to reduce the North's threat in exchange for greater economic interaction with South Korea, Japan, and the United States.

The North's immediate response to the Perry proposal last summer was mixed. Pyongyang did not reject the idea of a comprehensive package, but did proceed with preparations in the summer of 1999 for a long-range missile launch that would have sunk any near-term chance of progress in North-South or U.S.-DPRK talks. It was at the critical juncture that the Independent Task Force on Korea, sponsored by the Council on Foreign Relations, issued this report.

The report argues that in spite of tensions the United States should continue to support South Korea's engagement policy and keep the comprehensive Perry proposal on the table. The Task Force recommends that North Korea might be further opened by certain symbolic changes in U.S. economic sanctions policy. However, the Task Force also warns that while diplomacy with the North should not be cut off because of another missile launch, the United States and its allies would be forced by a launch to take a new approach to Pyongyang. This would include: enhancing U.S.-Japan and South Korean deterrence against a different North Korean threat; suspension of new South Korean investment in North Korea; and new Japanese restrictions on financial transfers to the North. At the same time, the Korean Peninsula Energy Development Organization (KEDO) should continue on course. It is still the best single lever, in the Task Force's view, to curtail Pyongyang's nuclear program.

In mid-September, North Korea gave informal assurances that there would not be a missile test. In exchange the Clinton administration indicated that it might lift certain economic sanctions on the North. This arrangement has not ended the North's missile program or clarified Pyongyang's attitude toward the Perry proposal, but it does suggest the possibility of gradually reducing the danger on the peninsula along the lines recommended in this report.

Foreword

Since the publication in 1998 of the Council-sponsored Independent Task Force Report on Managing Change on the Korean Peninsula, North-South relations have deteriorated further, and economic desperation and starvation have plagued North Korea. High-level defections, naval altercations, and espionage scandals have raised the stakes in Korean diplomacy. No development, however, has made more urgent a reevaluation of Northeast Asian security policy than the looming threat of further long-range missile tests by the North. These serious developments on the Korean peninsula led the Task Force to produce a new report in July 1999. It analyzes the current situation and makes recommendations for U.S. policy responses to a potential North Korean missile launch.

The Task Force continues to be co-chaired by James T. Laney, former U.S. ambassador to the Republic of Korea, and Morton Abramowitz, former president of the Carnegie Endowment for International Peace and senior fellow at the Council, and directed by Michael Green, senior fellow for Asia security studies at the Council. The Task Force on Korea Policy was established in 1997 and previously produced two reports that have had a significant impact on U.S. policy toward the peninsula. The 35 Task Force members include leading experts on Northeast Asia.

In the opinion of the Task Force, the North's economic stagnation still could lead Pyongyang toward greater contact and accommodation with the outside world. Accordingly, Task Force members argue, the United States, Japan, and South Korea should continue to engage Pyongyang on all fronts while taking steps to deter a second ballistic missile launch. Should a launch take place nevertheless, the Task Force recommends that diplomatic and economic contacts with North Korea be downgraded.

In mid-September, North Korea gave informal assurances that there would not be a missile test. In exchange the Clinton administration indicated that it might lift certain economic sanctions on the North. This arrangement has not ended the North's missile program or clarified Pyongyang's attitude toward the Perry proposal, but it does suggest the possibility of gradually reducing the danger on the peninsula along the lines recommended in this report.

The issue of long-term reconciliation on the Korean peninsula was addressed by the Task Force's 1998 report, and the Task Force believes its principal findings still apply; namely, that threat reduction can be achieved by expanding contact with the North and offering larger packages of reciprocal moves. The indispensable foundation of such changes must remain close cooperation between the United States and the Republic of Korea. This report builds upon these earlier conclusions and urges the United States to take a strong role in promoting a new era of stable North-South relations on the Korean peninsula.

My thanks to Morton Abramowitz, James T. Laney, and Michael Green and to all the Task Force members for their useful work. Special thanks also go to the Korea Foundation and the Rockefeller Brothers Fund for their generous support for the Task Force and its work.

Leslie H. Gelb
President

EXECUTIVE SUMMARY

In May 1999, former Secretary of Defense William Perry traveled to North Korea with a comprehensive proposal to increase outside assistance for its isolated and declining Stalinist regime in exchange for steps by the North to reduce its threatening military posture. The Perry proposal was designed to test North Korea's intentions not only to abide by the 1994 Agreed Framework, which aimed to cap Pyongyang's nuclear ambitions, but also to stop further missile tests and military provocations.

It is unlikely that North Korea will respond positively. The regime has survived for five decades only by maintaining a belligerent stance. Pyongyang has rebuffed South Korean President Kim Dae Jung's unprecedented efforts to improve North-South relations and has continued to produce military tensions, even in the wake of the Perry visit.

But it is too soon to give up on a comprehensive package to reduce tensions with North Korea. Despite the illusion of self-sufficiency, or *juche*, the North is increasingly dependent on outside help to sustain itself. It is possible that over time Pyongyang will find no alternative to greater interaction with the outside world. Barring an increase in threatening North Korean actions, the United States should keep the Perry proposal on the table and continue to support Kim Dae Jung's policy of engagement.

A second Taepodong missile test by North Korea would not violate any existing North Korean commitments, but it would significantly change the situation in Northeast Asia. We should make every effort to deter a launch, but if one takes place, the United States, Japan, and South Korea will have to examine ways to enhance defense against a different North Korean threat. South Korea should suspend new investment in North Korea, and Japan should impose new sanctions and consider restrictions on financial transfers to the North. The United States should lower its diplomatic activity toward Pyongyang, keeping channels open, but forcing North Korea to provide incentives for greater dialogue. A missile launch should not end our attempts at diplomacy or _cause us to forget that North Korea's relative military capabilities are in decline. However, if a test is conducted business cannot continue as usual.

Although a North Korean missile launch would do great damage to political support for the Korean Peninsula Energy Development Organization (KEDO) in the United States, Japan, and South Korea, it should not be a reason for us to abandon our commitments under the Agreed Framework. The Agreed Framework stands as the major bulwark against a return to the kind of calamitous military steps the United States was forced to consider in 1994 to stop North Korea's nuclear program. Inspections of suspicious underground facilities at Kumchangri in May revealed no North Korean violation of the Agreed Framework. Although we cannot assume from this that Pyongyang has forsaken its nuclear ambitions, we do know that implementation of the Agreed Framework remains the best approach to preventing nuclear weapons development in the North.

In the end, there is no easy solution to the intractable North Korean problem. Efforts to reduce tensions and build North-South reconciliation have yielded little. We are strong enough to test inducements for change in the North, but our policy must be based on robust deterrence and close defense cooperation with our allies.

INTRODUCTION

In June 1998 this Task Force produced a report with recommendations for U.S. policy toward the Korean peninsula.[1] Noting that the new government of South Korean (ROK) President Kim Dae Jung had taken steps to open North Korea to broader contacts with the outside, the Task Force recommended a parallel and supportive approach for U.S. policy. This approach would be premised both on robust military deterrence of North Korea and on an acknowledgment that the United States does not seek the destruction of the North. Based on this formula, the Task Force recommended that the United States also expand contacts with the North and join with Seoul in offering a larger package of moves that might induce the North to make reciprocal changes in its policy. This included initial unilateral steps to lift certain U.S. sanctions in order to establish long-term intentions with North Korea. The Task Force also recommended that expanded assistance be denied to the North if Pyongyang rejected the opportunity to moderate military tensions and begin efforts at reconciliation with the South.

In the year after the Task Force Report was published, the situation on the Korean peninsula has deteriorated in many respects. The August 1998 disclosure of a suspected underground nuclear facility in Kumchangri, North Korea, led to charges that Pyongyang was violating the 1994 Agreed Framework with the United States, which was supposed to have capped the North's nuclear development program. North Korean commando incursions into South Korea that same month presented the first major challenge to President Kim Dae Jung's new "Sunshine," or engagement, policy. Then Pyongyang's test of the three-stage Taepodong missile over Japanese airspace highlighted the new potential for North Korea to strike Japanese or even U.S. territory with weapons of mass destruction.

These developments called into question the assumptions behind U.S. policy, threatening to undermine domestic political support for the Agreed Framework in Japan and the United States. The Task Force members recognized that a decision by the Japanese Diet or the U.S. Congress to halt financial support for the Korean Peninsula Energy Development Organization (KEDO) could return North Korea to the overt path of nuclear weapons development and reignite the military confrontation that was barely defused in 1994. Members of the Task Force therefore sent a letter to President Clinton reasserting both their support for the Agreed Framework and their conviction that the nuclear accord would be difficult to maintain without a broader effort to reduce the North Korean missile threat and tensions on the peninsula. The Task Force urged the administration to undertake a careful examination of U.S. policy under the direction of senior outside persons; to present the conclusions to Pyongyang; to complete inspections of the suspected site at Kumchangri before delivery of fuel oil promised to North Korea under the Agreed Framework; and to consider steps to reduce barriers to economic relations with the North, if Pyongyang's adherence to the Agreed Framework were reaffirmed and relations improved.

Congress forced the administration to act along similar lines in legislation authorizing KEDO funding in October. Based on that mandate, former Secretary of Defense William Perry began a six-month review that culminated in his mission to Pyongyang to present a comprehensive package for improving relations in May 1999. The North received the Perry delegation politely but reasserted its right to test a second Taepodong missile. Several weeks later the North provoked a naval confrontation in disputed waters in the Yellow Sea and reneged on a promise to reopen talks with

South Korea on divided families. Pyongyang has not yet responded to the contents of the Perry proposal, but it is clear that even under the best of circumstances, diplomacy with Pyongyang will be tense and frustrating.

In the wake of the Perry mission to Pyongyang, the Task Force sent a fact-finding mission to Seoul, Tokyo, and Beijing and held meetings to deliberate on U.S. policy options. This report summarizes its findings. It begins with an assessment of developments on the peninsula and concludes with recommendations for next steps.

NEW DEVELOPMENTS

Although the dangers on the Korean peninsula have not been reduced since the Task Force issued its first report in June 1998, important events have changed the dynamics of diplomacy on the peninsula.

The Evolution of South Korean Policy

From the beginning the Task Force has urged support for President Kim Dae Jung's policy of engagement toward North Korea. Kim's policy has been based on five principles: gradualism, change in the North, the separation of economic and political relations, reciprocity, and solidarity with allied and friendly nations. After a difficult 18 months, Seoul has carefully recalibrated and toughened its policy.

- **Gradualism:** The South Korean government is correct to warn that results from the engagement policy will not be instant. The challenge will be for the Kim government to retain political support without overselling short-term results to the public. South Korean officials have shown too much exuberance over signs of change in the North when the general public knows that there has been little threat reduction or reconciliation since the policy began. In addition, although Kim's policy is a strong departure from past South Korean approaches because of its long-term view, it does not posit alternate policies in the event of failure. It would not undermine the long-term sustainability of an engagement policy if the government were to acknowledge the possibility that-however sensible an approach-engagement can fail due to North Korean intransigence.
- **Change in the North:** The longer-term goal of Kim's engagement policy is to encourage North Korean reform and opening. The South hopes that increased economic contacts between North and South will expose the North to outside influences and create economic ties to the South that shift the focus from security to economic issues. The South points to some statistics to demonstrate that its strategy is working. More than 3,300 South Koreans have traveled to the North since the policy began and another 86,000 have traveled as tourists to isolated Mt. Kumgang on Hyundai cruise ships. Pyongyang has condemned Kim's hidden intention to transform its regime, however; it is using the South Korean contacts to earn much-needed foreign exchange while insulating its population in those areas of South Korean investment and tourism. The engagement policy can probably affect the situation within North Korea, but it will be a hard row to hoe.
- **Separation of economic and political relations:** The Kim administration has advanced the principle of separating political and economic relations with the North primarily as cover to permit interaction within a framework that is acceptable to Pyongyang. This formula will work as long as Seoul's strategy recognizes that a linkage remains. Private industry groups (chaebol) such as Hyundai are establishing connections with the North that will help facilitate

political dialogue and interaction if economic investment continues to expand. Although there is no evidence that the South Korean government is directly subsidizing Hyundai, the government does provide implicit guarantees for Hyundai's effort and controls the throttle of economic relations with the North.

- **Reciprocity:** The Kim government is increasingly demanding reciprocity in its engagement policy. In April 1998, delegates of the South Korean government walked out of talks with the North in Beijing because the North Korean delegation refused to link dialogue on the reunion of families divided by the Korean War with the issue of South Korean assistance (200,000 tons of fertilizer). The South's demand for reciprocity began to slip in early 1999, however, when senior ROK cabinet officials began speaking of the need for "flexible" reciprocity. In an effort to start a second round of talks on reuniting divided families this spring, the South tried giving Pyongyang 100,000 tons of fertilizer with another 100,000 tons to be delivered on completion of the talks. The North took the initial 100,000 tons and then demanded an apology from the South for the Yellow Sea naval clash before it would begin discussions on the families issue. After walking out of the negotiations, Seoul is now reestablishing strict reciprocity in negotiations with the North. This principle will have to be maintained for Kim to sustain support at home for the engagement policy.

- **Solidarity with allied and friendly nations:** One of the most important departures in President Kim's new approach to North Korea was to encourage other nations to engage Pyongyang while also winning support from Pyongyang's erstwhile friends for Seoul's policies. This has been one of his greatest successes. In his first eighteen months in office, Kim held successful summit meetings with all the major powers of Northeast Asia. Although Tokyo has not yet resumed food assistance to the North and Washington has not yet lifted economic sanctions as the Kim administration had hoped, the U.S. and Japanese governments have endorsed the engagement policy, as have Russia and China. This has reduced Pyongyang's ability to divide its neighbors, and it has given the policy of engagement an important boost within South Korea.

Events have not changed the assessment of the Task Force that South Korea's engagement policy is still the right policy for the United States to support. If the policy has downsides, they are primarily in the difficulty of dealing with an intractable and opaque North Korean regime that has the capacity to do great damage. If Seoul maintains the principles originally articulated for the engagement policy, its approach offers some possibility of reducing tensions on the peninsula without any real danger to the alliance. But Seoul must also be able to adapt if the North continues to be inflexible.

THE AGREED FRAMEWORK

In its June 1998 recommendations, the Task Force urged adherence to the Agreed Framework by all parties and support for KEDO by the U.S. Congress. Intelligence disclosures in the summer of 1998 that North Korea was working on an underground site at Kumchangri designed to hold a plutonium reprocessing reactor led the Task Force to recommend that U.S. provision of heavy fuel oil not be completed until North Korea allowed inspections of the suspect site. Congress later approved funding for the heavy fuel oil based on similar conditions. Pyongyang allowed a first

inspection of the site in June 1999, and that inspection revealed that the site is not intended for nuclear reactor construction. A follow-up visit has been set to reconfirm that conclusion, but it can now be stated that there is no hard evidence that North Korea is violating the Agreed Framework. It is also worth noting that the inspections set an important political precedent for future North Korean compliance with International Atomic Energy Agency (IAEA) safeguards (though the Kumchangri visit cost the United States 600,000 tons of food aid and fertilizer). At the same time, the inspections at Kumchangri have not completely resolved suspicions about North Korean adherence to the Agreed Framework.

The development of the Taepodong missile suggests that Pyongyang may be retaining the option of developing a nuclear warhead. North Korea's missile program is not covered under the Agreed Framework and should not be a reason for U.S. noncompliance. Congress should not cut KEDO funding because of a missile launch. This view is also strongly held in South Korea. However, the missile program does reinforce the importance of vigilance and verification of the nuclear accord. In addition, certain aspects of North Korea's ancillary nuclear program have remained unmonitored since the Agreed Framework went into effect in October 1994. North Korea is not required to come into full compliance with IAEA safeguards until a point after significant portions of the light water reactor project are completed, but before the delivery of key nuclear components. It would be imprudent to assume that North Korea's nuclear weapons capability has been completely halted before that point. In addition, the members of KEDO could usefully accelerate the construction of the light water reactors in order to complete the canning and removal of all fuel rods at North Korea's Yongbyon facility and to stay on schedule for North Korea to come into complete compliance with IAEA safeguards.

THE NORTH KOREAN MISSILE THREAT

Pyongyang's goals for the first missile launch were probably fourfold: (1) to demonstrate countervailing military capabilities against the United States (deterrence), (2) to demonstrate regime legitimacy to the North Korean people, (3) to show technical capabilities to potential importers of North Korean missiles in the Middle East, and, potentially, (4) to create the capacity for nuclear blackmail.

The Taepodong launch dramatically changed the politics of North Korea policy in the United States and Japan. In Japan, the launch was compared with that of Sputnik in terms of its impact on the public's views of security policy. Tokyo moved to accelerate participation in collaborative research with the United States on theater missile defense (TMD), to pass the Defense Guidelines legislation in the Diet, and to develop an indigenous reconnaissance satellite system. The Japanese government also suspended cooperation in KEDO for two months, though a cost-sharing agreement was eventually signed in November 1998 and the Diet agreed to funding in June 1999. In Congress, the Taepodong launch raised the profile of theater and national missile defense and weakened the already shaky political support for the Agreed Framework.

Ultimately, the reported deployment in recent years of more than 20 Nodong missiles capable of hitting Japan is of far more immediate military importance than the preliminary test of the Taepodong. Nevertheless, the Taepodong has now become a litmus test for North Korean intentions to either engage or confront the outside world. The Japanese, U.S., and South Korean governments have all warned North Korea that a second Taepodong launch would have grave consequences for existing efforts at engagement with Pyongyang. Deployment of the Taepodong would

have an even more profound impact. Having set that threshold, the allies must now view any North Korean launch as evidence that Pyongyang is unwilling to change its hostile posture.

It is also important to view the North Korean missile program in its broader geopolitical context. In July India intercepted a North Korean ship carrying missile components to Pakistan. Saudi and other Gulf military officials were also reportedly in Islamabad this summer to take a look at Pakistan's missile capabilities. These incidents provide evidence that North Korean exports are contributing to missile proliferation in the Gulf and in South Asia. The United States and its allies might be able to constrain North Korea's missile program by exerting political and economic pressure on third countries cooperating with Pyongyang.

THE PERRY REVIEW

The Perry review began with three goals: (1) to solidify congressional support for the Agreed Framework and a policy of engagement, (2) to strengthen coordination with Japan and South Korea, as well as consultation with China, and (3) to test North Korean interest in a package of reciprocal steps to reduce tensions. Perry's final report is not expected until after the publication of this assessment, but it is not too soon to consider the impact of the review. On process it has been a success; on substance there is little to show thus far.

- Congressional support: Perry's team has made good-faith efforts to elicit congressional views on Korea policy and to factor them into policy recommendations. Recently submitted legislation that would prevent the executive branch from taking any proactive steps on U.S. sanctions until North Korea complies with U.S. demands on missiles, human rights, and other issues ties the administration's hands and further reduces the prospects for success of Perry's comprehensive proposal to Pyongyang. Some in Congress as well as members of the Task Force fault the administration for not appointing a bipartisan external policy review. In the end, the Perry review has not yet built solid bipartisan support for Korea policy, but it has laid the foundation for that support should the administration follow through with a concerted effort by senior officials.
- Coordination with Japan and the ROK and consultation with China: The most evident success of the Perry review has probably been to narrow the gaps among Tokyo, Seoul, and Washington. In response to the first Taepodong launch in August 1998, the three governments went in entirely different directions. Seoul downplayed the launch, Tokyo reacted viscerally, and Washington rushed to reestablish Pyongyang's bona fides before the Agreed Framework came under threat. As the three nations anticipate a possible second launch, there is a far greater convergence of views. Seoul recognizes the significance of the North Korean missile threat to Japan vis-à-vis its own security. It has urged China and Russia to constrain North Korea while promising a stern response of its own. Tokyo has supported the South's engagement policy and has used the high-profile coordination with Seoul and Washington to dampen domestic criticism that Japan funds KEDO without being party to the diplomacy of the peninsula. The convergence extends beyond the assessment of the North Korean missile threat to cooperation on formulating the integrated package of inducements that Perry took to Pyongyang. Perry and his counterparts in Tokyo and Seoul have agreed to sustain the trilateral coordination through a standing committee that meets

quarterly. It is not certain whether the process now in place can keep the United States, Japan, and the ROK on the same course in the event of another Taepodong launch or, conversely, a positive North Korean response to the Perry proposal. Nevertheless, U.S. policy is clearly better off now in this regard than it was nine months ago.

Perry has also elevated the level of consultation with China on North Korea policy. On average China has provided close to one million tons of unmonitored and unconditional food aid to the North per year and has urged the United States and Japan not to create "artificial" tensions with the North over missiles. At the same time, China's special relationship with Pyongyang has created numerous frustrations for the leadership in Beijing. The effect of the first Taepodong launch on Japanese defense policy was seen in Beijing as injurious to Chinese interests. A second launch would compound the damage. The visit of a senior North Korean official to Beijing in June stabilized the bilateral relationship somewhat (with a 15 percent increase in Chinese aid as a sweetener), but China was either unable or unwilling to dissuade the North from testing further missiles. Beijing maintains that it discouraged Pyongyang from steps that undermine regional stability but argues that missile development is a sovereign North Korean right. The Task Force has argued that China shares U.S. interests in stability on the Korean peninsula and that close consultation with Beijing is important, but that China appears unwilling to go beyond exhortation to use the leverage provided by its massive food aid to change Pyongyang's policies. Nothing over the past 18 months-including Perry's visits to Beijing-has changed that assessment.

- Testing North Korean intentions: It is too soon to gauge the success of the Perry mission in drawing North Korea into a more positive relationship. Perry's comprehensive proposal is still not public but reportedly contains a list of inducements from the United States, Japan, and South Korea, including the prospect of billions of dollars from Japan to settle postcolonial claims in exchange for concrete North Korean steps to end missile development and reduce tensions. It is unlikely that Pyongyang will agree to a package that eliminates its missile program entirely, since that remains a prospective deterrent against U.S. military strikes and the regime's most effective negotiating card. The North might respond positively to the Perry proposal with regard to missile testing and exports. The most likely response, however, will be for the North to continue talking to the U.S. government through the

Four Party Talks without giving any concrete response. There is also a distinct possibility that the North will effectively scuttle the Perry proposal by launching a second Taepodong missile. In any case, Perry's mission-the highest-level official U.S. delegation to Pyongyang since the Korean War-may begin to force Pyongyang to make some decisions on relations with the United States.

NORTH KOREA'S DILEMMA

Over the past year North Korean leader Kim Jong Il has solidified his control and increased the role of the Korean Peoples' Army in the management of the country. Conflicting reports have been offered on the food crisis in the North. The South Korean government reports that North Korean food production increased 20 percent in 1998, but the underlying structural causes have not been ameliorated, even if improving weather has reduced flooding. North Korea's new constitution hints at a

more flexible attitude toward agricultural reform, since it permits limited markets and ownership and a greater freedom of movement. But this may simply reflect the regime's efforts retroactively to approve steps that the desperate population is already taking to feed itself. In short, there is little clear evidence that North Korea is embracing a more open economic system from the top, though there is plenty of evidence of the social pressures created at the local level by the lack of food self-sufficiency.

North Korea's responses to Kim Dae Jung and the Perry package have been contradictory, but not logically inconsistent. After five decades of sustaining the regime by maintaining a state of tension and paranoia toward South Korea, Japan, and the United States, it is not surprising that the North is responding to our overtures with a mix of provocation and testing:

- The North officially rejected the Sunshine policy while allowing Hyundai to expand its operations in the North;
- The North agreed to a resumption of North-South talks in Beijing in June but then interrupted the talks by insisting on a South Korean apology for the naval confrontation on the Western Sea;
- The North sent emissaries to Beijing to discuss the reopening of normalization talks with Tokyo but then undermined those talks by insisting on Japanese food aid as a condition for future meetings;
- The North received Perry warmly but asserted its sovereign right to develop missiles and immediately after the visit conducted preparations for a Taepodong launch;
- The North seeks greater economic investment from the United States but abducted a Korean-American businesswoman for several weeks this summer with no explanation.

The North still scorns the most accommodating South Korean government it has ever faced. It is also deeply distrustful of the United States and its commitment to agreements. Pyongyang has established a pattern in which it agrees to dialogue in order to receive food aid but then scuttles the dialogue with provocations before it is forced to make any significant concessions of its own. The North has successfully pursued relations with the United States while marginalizing Seoul and Tokyo. At the same time, however, increasing North Korean desperation for economic assistance is also becoming evident in these exchanges. The regime faces traumatic choices: continue to rely on greater external assistance and risk ideological pollution, or maintain isolation and risk further decline in its military capabilities and eventual collapse.

NEXT STEPS FOR U.S. POLICY

We see three broad courses Pyongyang might now pursue: accepting the comprehensive engagement approach, temporizing, or spurning our overtures.

IF NORTH KOREA ACCEPTS COMPREHENSIVE ENGAGEMENT

The least likely of these courses would be clear acceptance of comprehensive engagement. Were Perry's interlocutor in Pyongyang, Kang Sok Ju or another senior North Korean official, to accept the invitation to visit the United States while halting

or delaying missile testing, this might signal a new departure in North Korea's approach. For the next 18 months, however, it is unlikely that Pyongyang will take such an approach. The uncertainty created by next year's South Korean National Assembly and U.S. presidential elections will likely reinforce Pyongyang's deep caution. That is not to say that the North will reject some form of engagement, but a clear departure from the past is difficult to foresee in the near future.

IF NORTH KOREA TEMPORIZES

The policy debate on North Korea has focused on three options in the event that Pyongyang maintains its current stance without accepting or rejecting the Perry proposal and improved relations with the South. These are expanded engagement, disengagement, and increased pressure. We recommend a fourth approach-selective engagement.

Expanded Engagement has been advocated by those who believe the current approach does not offer North Korea sufficient inducements to change its policies. It might be argued that "bigger carrots" are more likely to succeed than the current package in the event that North Korea gives no clear response to the Perry proposal. This approach, however, would be extremely difficult to sell in the current political climates in the United States, Japan, and South Korea.

Disengagement has been advocated by those who believe that North Korea should not be rewarded for inaction or recalcitrance. Disengagement might make sense, but only after sustained efforts to initiate changes in North Korean behavior have failed. That then begs several questions. First, what does the United States have to disengage? Withdrawing from the Agreed Framework would only increase the nuclear danger. Ending the Four Party Talks might be a useful symbolic gesture, but it would be difficult to argue that stability would be enhanced on the peninsula by pulling out of the existing channel for dialogue. Halting legitimate humanitarian food aid to the North would contradict traditional U.S. policies of feeding starving people regardless of their state's policies (though careful definition of "humanitarian" aid and closer monitoring are advisable whatever the political circumstances).

Increased Pressure is advocated by those who see North Korea as incapable of change and responsive only to threats. There are limitations to how credibly the United States can increase military pressure on North Korea under present circumstances. First, U.S. allies in Japan and the ROK will not support increased pressure, and the United States does not have the diplomatic or military resources to increase pressure on its own. Second, despite sometimes belligerent rhetoric, there is little congressional support for military moves that increase the prospects for armed confrontation. Finally, U.S. military threats that are bluffs will only undermine American prestige and influence. Few U.S. policymakers are willing to consider the full range of military options on the peninsula for only limited diplomatic gains. Nevertheless, enhanced defense cooperation with Japan and South Korea is a prudent policy. In addition, as we argue below, there are specific steps that Japan, the United States, and South Korea should take in response to continued missile testing by North Korea.

Selective Engagement is the most prudent policy course if the status quo continues. This policy would have the following elements:

1. Keep the Perry comprehensive package on the table.

2. Lift sanctions under the Trading with the Enemy Act, with the clear stipulation that they will be reinstated (in concert with other actions) in the event of a second Taepodong launch or other egregious provocation.[2]
3. Maintain commitments under the Agreed Framework, including provision of heavy fuel oil, as long as Pyongyang does the same.
4. Sustain food aid based on humanitarian requirements, but recognize that the scope of legitimate "humanitarian" aid has not been adequately defined or monitored and that this ambiguity has led to the political use of food aid as a condition for meetings with the North Koreans.
5. Maintain the Four Party Talks.
6. Sustain high-level commitment to the trilateral coordination process with Japan and South Korea.
7. Proceed with nonprovocative steps to enhance deterrence, including trilateral defense consultations, implementation of Defense Guidelines, and collaborative research on TMD.
8. Encourage China to constrain North Korean development of advanced weapons.

IF NORTH KOREA SPURNS ENGAGEMENT

There is a strong possibility that North Korea will not accept the Perry package or even moderate its behavior to avoid a more confrontational stance. A second Taepodong launch would be a clear signal that Pyongyang intends to maintain its current threatening posture. Even with no missile launch, North Korea may lose the window of opportunity for engagement as the Japanese, South Korean, and U.S. publics lose patience with the accumulation of North Korean military provocations such as the Yellow Sea clash. In either case, the United States and our allies should not view North Korea's actions as a departure from the past or as apocalyptic. As this report has noted, a missile test would not violate any existing agreements between the United States and North Korea and should not affect the implementation of the Agreed Framework. A second Taepodong launch, however, or more North Korean military provocations would signal Pyongyang's intention to continue extracting what it can through intimidation and confrontation rather than reconciliation and tension reduction. In the event of a Taepodong launch, the United States, Japan, and South Korea will have to adjust policy toward North Korea. The Task Force recommends that if that becomes necessary, the following steps be included:

1. Maintain adherence to the Agreed Framework and continue implementing KEDO arrangements as long as Pyongyang does the same.
2. Keep open the Four Party channel and keep the Perry proposal on the table, but significantly downgrade the level of U.S. diplomatic activity toward North Korea. Let North Korea pursue further dialogue.
3. Convene a U.S.-Japan-ROK trilateral defense summit to consider future options for enhanced deterrence.
4. Encourage South Korea to develop its 300 km range surface-to-surface missiles and review U.S. policy on development of longer-range missiles by allies under threat, if North Korea persists with further testing and deployment of the Taepodong.

5. Encourage South Korea to suspend new permits for investment in North Korea.
6. Encourage Japan to impose new sanctions on North Korea, including export controls, and to consider controls on remittances to the North.
7. Continue to provide humanitarian food assistance, but make certain Pyongyang recognizes that domestic pressures may well force cutbacks.
8. Agree to lift the new sanctions and return to the original Perry proposal only in exchange for a North Korean suspension of missile testing.

DISSENTING VIEWS

ON RESPONSES TO NORTH KOREAN TEMPORIZING

If North Korea temporizes we should not take further steps beyond the Perry approach. This only encourages the North Korean policy of delay and extortion.

Winston Lord

IF NORTH KOREA SPURNS ENGAGEMENT

Recommendation (7) "Continue to provide humanitarian food assistance, but make certain Pyongyang recognizes that domestic pressures may well force cutbacks." Should be changed to "suspend all assistance of any kind."

Winston Lord

ADDITIONAL VIEWS

ON THE EVOLUTION OF SOUTH KOREAN POLICY

Note that in his inaugural speech President Kim Dae Jung began with an assertion that South Korea will maintain its strong defense.

Edward Baker

ON CONGRESSIONAL SUPPORT

Congress should not be used as a convenient scapegoat for the frustrations and shortcomings of Korea policy. There is no question but that many in Congress have been skeptical of the Clinton administration's policy toward North Korea from the outset, and-as evidenced by its insistence on what became the Perry review-that congressional confidence in the administration's management of the North Korea issue has declined steadily. To date, what has become the "Perry process" has not successfully assuaged those concerns. But there is likewise no question that far from being a serious impediment, Congress continues to approve those measures, from heavy fuel oil to "humanitarian" food shipments, required to support the administration's strategy.

Arnold Kanter

Add: The Perry team's failure to complete its final report in a timely manner, however, has undercut Congressional confidence in the Perry review.

Daniel Bob

ON PUBLIC VIEWS OF THE AGREED FRAMEWORK

Results of a recent survey of American opinion about Asia and Asia-related problems, carried out by Potomac Associates with a grant from the Luce Foundation, suggests considerable latitude for approaching various policy options in handling the North Korean nuclear threat. Specifically, if North Korea "does not live up to its agreement commitments" [to halt its program of developing nuclear weapons], opinion split virtually equally among three alternatives posed in the survey.

The softest alternative, endorsing "further economic and political engagement," was the least favored (but by a margin that is statistically insignificant). That is matched by those who want either to raise the ante, or maintain the status quo. From a policy standpoint, this suggests a softness of opinion and no coalescing around any specific alternative. That, in turn, provides leadership with plenty of latitude for maneuver. Opinion is not cast in concrete. It could move in one direction or another, depending on the flow of events and the positioning of issues by those in charge.

William Watts

ON THE NORTH KOREAN ABDUCTION OF KOREAN AMERICANS

North Korean officials must understand that this sort of predatory behavior against American citizens must halt immediately because there is nothing that is more likely to risk the fundamental basis for engagement, including implementation of the Agreed Framework, than the accidental or intentional injury or death of an American citizen while under North Korean detention.

Scott Snyder

ON PRIVATE EFFORTS TO COOPERATE WITH NORTH KOREA

Whatever North Korea's next response, we should encourage academic, professional, business and cultural institutions to open unofficial dialogue and exchanges with the North. The United States needs a much broader range of contact and cooperation with the DPRK (Democratic Peoples' Republic of Korea) and a larger number of informed citizens with a variety of experiences and perspectives.

Jerome Cohen

IF NORTH KOREA SPURNS ENGAGEMENT AND LAUNCHES A TAEPDONG

After A second Taepodong or more North Korean provocations would signal Pyongyang's intention to continue extracting what it can through intimidation and confrontation rather than reconciliation and tension reduction add: "or it may signal the build up of a crisis that necessarily accompanies any negotiation with a rigid and inflexible regime such as that in North Korea."

Scott Snyder

If the North Koreans fire a missile, our tendency to over-react will be vastly heightened if we assume that the missile is North Korea's crude way of saying "no" to the Perry proposal. This would be a dangerous and probably erroneous assumption to make, as North Korea is notoriously inept at signaling clearly what it

means to the outside world. The missile, if it comes, will have more to do with North Korea's perception of its sovereignty and independence than with Secretary Perry's message.

Donald Gregg

North Korean defiance of our redline on another Taepodong test should be met with a response which imposes immediate costs on Pyongyang as well as putting future benefits in jeopardy. Since South Korea and Japan are the primary sources of the material support which North Korea now receives (other than humanitarian food assistance), it inevitably will fall primarily to them to take the lead. In doing so, Seoul and Tokyo also will enhance the cohesion of the trilateral approach toward Pyongyang, and strengthen Perry's hand if and when North Korea decides to re-engage. Therefore, in addition to those measures listed in the body of the report, in the event of another Taepodong test:

- Seoul should immediately suspend all Hyundai activities in and payments to North Korea, starting with its tourist operations at Mt. Kumgang.
- Tokyo should severely curtail, if not cut-off, Chosen Soren remittances to North Korea.

Arnold Kanter

In parallel with the trilateral defense summit and as these measures are implemented (as proposed in the event of a North Korean Taepodong), the United States should also maintain close, ongoing consultation with China.

Arnold Kanter

ON SOUTH KOREAN MISSILE DEVELOPMENT

Any review of U.S. policy on the development of longer-range missiles by allies must be carefully considered within the context of how such development would impact the Missile Technology Control Regime, countries within the region, and overall regional stability.

William Drennan

Gordon Flake

Michael Green

Jason Shaplen

William Watts

MEMBERS OF THE TASK FORCE

MORTON I. ABRAMOWITZ is Senior Fellow of the Council on Foreign Relations. He was Ambassador to Turkey and served as Assistant Secretary of State for Intelligence and Research.

EDWARD J. BAKER* is Associate Director of the Harvard-Yenching Institute, a foundation associated with Harvard University that brings East Asian scholars to the United States for research and studies.

DANIEL E. BOB is Special Assistant for Asian and Pacific Affairs for Senator William V. Roth, Jr. (R-Del), Chairman of the Senate Finance Committee. He worked previously as Assistant Director for Studies and Policy Programs at the Japan Society of New York and as a Fulbright Scholar in Fiji.

JEROME A. COHEN* is C.V. Starr Senior Fellow for Asia Studies at the Council on Foreign Relations. He directs his law practice at the international law firm of Paul, Weiss, Rifkind, Wharton & Garrison and teaches at New York University Law School.

JAMES DELANEY is a consultant to the Institute for Defense Analyses. He served as an intelligence officer in East Asia for more than twenty years.

WILLIAM M. DRENNAN* is a program Officer at the United States Institute of Peace, specializing in Korean Peninsula security issues.

L. GORDON FLAKE* is Executive Director at the Mansfield Center for Pacific Affairs. He was Associate Director of the Program on Conflict Resolution at the Atlantic Council of the United States.

MICHAEL J. GREEN* is Senior Fellow for Asia Security Studies at the Council on Foreign Relations. He is also acting director of the Edwin O. Reischauer Center for East Asian Studies at the Johns Hopkins University School of Advanced International Studies.

DONALD P. GREGG* is Chairman of the Korea Society. He served as U.S. Ambassador to the Republic of Korea (1989-93).

FRANK S. JANNUZI is a member of the Minority Staff of the Senate Foreign Relations Committee. He served for eight years as the East Asia regional political-military analyst in the Bureau of Intelligence and Research, U.S. Department of State.

ARNOLD KANTER* is Senior Fellow at the Forum for International Policy and a Principal in the Scowcroft Group. He served as Under Secretary of State for Political Affairs (1991-93), and as Special Assistant to the President for defense policy and arms control (1989-91).

RICHARD KESSLER is Minority Subcommittee Staff Director, Subcommittee on International Security, Proliferation, and Federal Services, Governmental Affairs Committee, U.S. Senate.

JAMES T. LANEY is President Emeritus of Emory University. He served as U.S. Ambassador to the Republic of Korea (1993-97).

WINSTON LORD* is a currently member of several non-government organizations, including serving as Vice Chairman of the International Rescue Committee. He has previously served as Assistant Secretary of State, Ambassador to China and President of the Council on Foreign Relations.

ROBERT A. MANNING** is Senior Fellow and Director of Asia Studies at the Council on Foreign Relations. He was a State Department advisor for policy (1989-93).

MARCUS NOLAND is Senior Fellow of the Institute for International Economics. He has served as the Senior Economist for International Economics at the Council of Economic Advisors.

DONALD OBERDORFER, a former Washington Post correspondent, is distinguished journalist-in-residence at the Foreign Policy Institute of the Johns Hopkins University's Nitze School of Advanced International Studies and author of *The Two Koreas*.

DOUGLAS H. PAAL is President of the Asia Pacific Policy Center. Prior to forming the APPC, he was Special Assistant to President Bush and President Reagan for National Security Affairs and Senior Director for Asian Affairs on the National Security Council.

JAMES J. PRZYSTUP** is Senior Fellow of the Institute for National Strategic Studies at National Defense University. He was Director of the Asian Studies Center at the Heritage Foundation.

JASON T. SHAPLEN*† is a Policy Advisor at KEDO where his primary responsibility is to prepare and negotiate agreements between KEDO and the DPRK in connection with the light-water-reactor nuclear project.

SCOTT SNYDER* is undertaking independent research under the sponsorship of the Abe Fellowship program of the Social Sciences Research Council. He is currently on leave from the U.S. Institute of Peace, where he is a Program Officer in the Research and Studies Program.

STEPHEN J. SOLARZ is President of Solarz Associates. He served for 18 years in the U.S. House of Representatives and for 12 of those years as Chairman of the Subcommittee on Asian and Pacific Affairs. He now heads an international business consultancy.

HELMUT SONNENFELDT is a Guest Scholar with the Foreign Policy Studies program at the Brookings Institution. He is a Director and member of the Executive Committee of the Atlantic Council of the United States and a trustee of the Johns Hopkins University.

NANCY BERNKOPF TUCKER is Professor of History at Georgetown University and the Georgetown School of Foreign Service. She served in the State Department Office of Chinese Affairs and the U.S. Embassy, Beijing (1986-87).

WILLIAM WATTS is President of the Potomac Associates. He served as Foreign Service Officer with service in Korea, Germany and the Soviet Union, and as Staff Secretary at the National Security Council.

DONALD S. ZAGORIA is a Professor of Government at Hunter College and an Adjunct Professor of Government at Columbia University. He is also a trustee of the National Committee on American Foreign Policy.

Note: Institutional affiliations are for identification purposes only.

* Individual largely concurs with the Statement but submitted an additional view.

**Individual concurs only with the Executive Summary.

† Because of his position at KEDO, Mr. Shaplen neither endorses nor dissents from the views about KEDO expressed in this report.

OBSERVERS OF THE TASK FORCE

Note: Observers participated in the Task Force discussions but were not asked to endorse the Statement because of their official capacities.

NOTES

1 The restrictions under the TWEA could be selectively lifted by executive action to increase the scope of transactions in a way that encourages private-sector contact with North Korea without U.S. government trade guarantees, insurance, or other

assistance for investment. The move would signal to Pyongyang the potential benefits of trade and investment without providing any immediate economic assistance.

Note: Institutional affiliations are for identification purposes only.

* -Individual largely concurs with the Statement but submitted an Additional View and/or a Dissenting View.

† Individual concurs only with the Executive Summary.

1 Dr. Oh concurs with much of the analyses, but chose not to endorse the report because of the following dissents: (1) the Taepodong issue should not be seen as a litmus test of North Korean intentions toward the Perry proposal; (2) the Task Force should issue a statement after the Perry report is complete.

2 Because of his position at KEDO, Mr. Shaplen neither endorses nor dissents from the views about KEDO expressed in this report.

Note: Institutional affiliations are for identification purposes only.

* -Individual largely concurs with the Statement but submitted an Additional View and/or a Dissenting View.

† Individual concurs only with the Executive Summary.

Note: Observers participated in the Task Force discussions but were not asked to endorse the Statement because of their official capacities.

"Maintain our economic sanctions and military deterrence against North Korea, and continue to isolate it"	32%
"Maintain our military deterrence, but seek further economic and political engagement with North Korea to try to get it to open up."	30%
"Increase our military and economic pressure, to convince North Korea it must change."	33%
"Don't know / no opinion"	5%

KURT CAMPBELL Department of Defense

ROBERT CARLIN Department of State

THOMAS HARVEY Department of Defense

CHARLES KARTMAN	Department of State
KENNETH LIEBERTHEL	National Security Council
CAMERON MUNTER	Department of State
JOHN MERRILL	Department of State
MATTHEW PALMER	Department of State
CHARLES PRITCHARD	National Security Council
WENDY SHERMAN	Department of State