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## Chapter IX: A Perspective from Pyongyang through Foreign Glasses

Ingolf Kiesow

This paper will try to give a background to the deadlock that exists today between North Korea and USA, focusing on the North Korean side of the problem. First, the economic factors will be analyzed as well as the consequences for North Korean military thinking in the conventional field. Moreover, the strategy in the field of nuclear weapons, as well as the second Non-nuclear Proliferation Treaty (NPT) withdrawal crisis, will be described. Finally, some observations and conclusions will be made.

### The Economic Background

#### *Emerging economic problems*

In the first planning period, during the years of reconstruction following the Korean War, economic growth in North Korea was almost thirty per cent. However, it soon started to slow down and was just above one per cent per year in the beginning of the 1960s. The economic growth then rebounded somewhat, but slowed down again and the national income started to contract toward the end of the 1980s. In the years from 1990 to 1998, the average annual decline was around five per cent. In the good agricultural year of 1999, GNI was growing by six per cent, but this figure went down to 1.2 per cent in 2000 and stayed around this level until the middle of 2002. These figures show how heavily the agricultural yield is affecting the GNI. Consequently, North Korea still has a highly agricultural economy.

North Korea was already beginning to feel structurally strained during the 1980s in two obvious respects: food and energy. In both respects, the

downturn has continued.

In a lecture at the Nautilus Institute for Security and Sustainable Development, Senior Associate David von Hippel<sup>1</sup> showed how the continuing degradation of electricity generation infrastructure has been caused by a lack of spare parts and the use of aggressive fuels (heavy fuel oil, shredded tires) in boilers designed for low-sulfur coal. One reason for this was the continued decline in the supply of crude oil from China.

von Hippel also illustrated how the ensuing lack of electricity caused a continuing degradation of the industrial facilities and reduced the availability of electricity in most parts of the country. In addition, the poor quality electricity caused damage to operating industrial electric motors. The industrial activity was hurt to the extent that eyewitnesses reported of industrial facilities that were being dismantled for scrap. One problem led to another: the lack of electricity led to mine flooding and difficulties in coal production, thereby further reducing the available amounts of energy, which in turn led to a continuing decline in cement and steel production etc.

According to von Hippel's estimates, North Korea's total energy production went down from about 46 terawatt-hours in 1990 to less than 15 in 2000. Following these estimates, in 2000 the industrial output was only 18 per cent of the output in 1990. In the same year, the diesel rail freight only reached 30 per cent and the electric rail freight only 24 per cent of the levels in 1990. For the citizens, this meant that residential coal use dropped to about 50 per cent, electricity use per household to about 29 per cent, diesel tractor use to 40 per cent and fisheries, marine catch to 42 per cent of the levels in 1990.

Although these figures are all estimates, they do indeed indicate that the lack of energy has caused serious problems for North Korea.

The agricultural story is similar. Another document from the Nautilus Institute<sup>2</sup> refers to the United Nations' estimates for cereal production. According to these estimates, the production in North Korea dropped from 4 million tons in 1995 to about 2.8 million tons in 1996 and 1997. This was

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<sup>1</sup> David von Hippel, *The DPRK Energy Sector: Current Status and Options for the Future* 2003 <<http://www.nautilus.org>> (March 15 2004).

<sup>2</sup> Bradley O. Babson, *Economic Cooperation on the Korean Peninsula* 2003, <<http://Nautilus.org/DPRKbriefingbook/economy/issue.html>> (August 15 2003).

followed by a modest recovery to about 3.5 million tons in 1998 - a figure that remained until 2000 when production dropped again to 2.6 million. . In 2001, the cereal production rose again to 3.5 million in the following year.

These figures and fluctuations are quoted to illustrate how vulnerable the North Korean agriculture is to weather factors that affect yields. More importantly, this shows that even in a good year such as 2001, cereal production remains far below the yields of the early 1990s. Consequently, a food deficit of between one and two million tons per year is a grim structural reality for the Democratic People's Republic of Korea (DPRK).

Naturally, the decline in energy and agricultural output has greatly affected the national product. North Korean statistics are based on the concept of Gross National Income (GNI) and estimates show that it fell from 21.3 billion USD to 12.6 billion between 1994 and 1998. Since then, the GNI seems to have stabilized and even recovered slightly. It should be added that since 1996, no economic plan has been announced.

#### *Beginning of economic reforms*

After his father's death in 1994, it took some time for Kim Jong Il to establish himself as the real leader of the country. It happened basically in connection with a number of constitutional amendments in 1998. At the same time, a number of economic reforms were initiated very carefully. Technocrats in charge of the economic management were freed from the oversight of the Central People's Committee, dominated by cadres of the Korean Workers' Party. In addition, in 1998, the local governments were given the responsibility of managing light industries and cooperative farms in local areas, while the cabinet ministers remained in control of the heavy industries. The changes were confirmed in a document entitled "Directives for Economic management", delivered by Kim Jong Il in late 2001.<sup>3</sup>

A whole package of far-reaching reforms was then announced 1 July 2002, including:

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<sup>3</sup> Dominique Dwor-Frécat, *Korea: Long-term Decline in the North Korea Premium* Barclays Capital Research, 2004, 1 <<http://www.barcap.com>> (March 2004).

- multifold increases in the price of food grains, fuel, electricity, transportation, rents and wages. For instance, the price of rice raised 550 times and basic wages 18 times;
- the devaluation of the exchange rate USD/KPW, from 2.15 to 150, close to the black market rate of 200;
- the official legalization of farmers' markets;
- the granting of some price-setting autonomy to consumption goods factories;
- the introduction of a cost accounting system and the abolishment of subsidies to make state enterprises profitable or force them to close;
- the creation of a special economic zone at Sinuiji, on the border with Dandong in China.<sup>4</sup>

While the growth in 2002 was modest, its quality seems to have improved with the presence of light industries and the contraction of heavy industries, suggesting more responsiveness to demand.

Under the “Public Distribution System” (PDS), qualified people in North Korea - excluding workers on collective farms - are allowed to buy a prescribed amount of food at a low price set by the government. This system traditionally applied to almost 80 per cent of the population. The amount of distributed food has gradually been reduced since the 1980s due to food shortage. In the beginning of the 1990s, the share was 450 grams per day for a general worker. Flood disasters and systematic problems in the agricultural sector made it more and more difficult to sustain the distribution system after 1995. In 1996, the daily amount was down to 200 grams and in 1997, it was reduced to merely 100 grams. The amount of food distributed had fallen to 30 per cent.<sup>5</sup>

Indeed, North Korea's problems do remain serious. Economic reforms and liberalization may generate export income, which in its turn can be used to purchase food on the international market, but so far this has not happened.

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<sup>4</sup> Ibid., 3.

<sup>5</sup> Hyun-Sun Park, "A study of the relationship between Strategies for Family Subsistence and Social Integration since North Korean Food Shortages", *Korea and World Affairs* 4 Winter (2003): 486.

In 2004, the food shortage was acute once again. The World Food Program ran out of food and made an appeal to donors to contribute new resources, without which six million North Koreans were said to go hungry. According to a spokeswoman a “funding shortfall caused by an unfavorable political context” was to be blamed. Twenty-eight per cent of North Korea's population is still in need of food aid. Malnutrition, especially among young children, remains a very serious problem.<sup>6</sup>

### *Political changes*

In North Korea, like in the former Soviet Union, the real power lies within the Korean Workers' Party, of which Kim Jong Il already has become the formal leader, albeit by a process that was not in accordance with party rules. The highest organ of the North Korean state is the Supreme People's Assembly (SPA). It has the same function as the parliament in a democratic state. After the death of Kim Il Sung, a new SPA was elected in July 1998 and convened on September 5 the same year. The meeting decided upon a number of revisions of the constitution.

The new constitution states in its preamble that "Kim IL Sung is the founder of the Democratic People's Republic of Korea and the socialist Korea" and that he "is the sun of the nation". It has also abolished the title of “chusok”, the title Kim Il Sung held as head of state. In reality, this title was used for the President of the State and, per definition, made Kim Il Sung the eternal president. The reason for the abolishment was no doubt to preserve for the new leadership of the nation some of the enormous prestige still carried by Kim Il Sung's image even after his death. The ceremonial role of the head of state, in relation to foreign countries, was given to the new post of chairman of the Standing Committee. According to the new constitution, this post is not held by the head of state Kim Jong Il, but by the former foreign minister and vice prime minister Kim Young-nam.

The really important change is that the power of the National Defense Committee has been strengthened. Its task has been widened and it is now "the organ that manages overall national defense issues" and its chairman empowered to "guide overall national defense tasks, to declare a state of war

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<sup>6</sup> BBC News February 9 2004.

and give mobilization orders". Kim Jong Il was declared (not "elected") Chairman of the committee - the highest post of the state. As Chairman, Kim controls and leads the state's total capacities (or potentials) in regards to politics, the military and the economy. In addition, he protects the destiny of the state and the people and symbolically represents the dignity of the people and the honor of the fatherland. This declaration confirms Kim Jong Il's accession to power, as well as the nature of that power. It lay with the military. Of the ten members elected to the committee, eight are professional military leaders on active duty and two are party leaders in charge of military functions.<sup>7</sup>

In the new constitution the working principles of the Supreme People's Assembly have been simplified. Today, a secretariat with eleven members, all heads of various social, labor, peasant and women's organizations, perform the preparatory functions of the assembly. The system of four to six standing committees has been reduced to two: the Bills' Committee and the Appropriations' Committee.

The relation between the SPA and the government has also been simplified. Formerly, the Central People's Committee acted as a kind of super-cabinet and was seconded by the Political Affairs Board, the actual cabinet. These two organs have both been abolished and replaced by the new "Inner House" (the Naegak). It is only administering economic and social policies of the government and is not involved with military affairs. The Ministry of the People's Armed Forces, the former Ministry of Defence, has been excluded from the cabinet and put directly under the guidance of the National Defence Committee.

During the tenth SPA, Kim Jong Il proclaimed his "military first politics" (sonkun Jongchi). The entire constitutional change is a reflection of these politics, which means that North Korea today has a constitutional military government - possibly the only country in the world with such a system. Power is now firmly in the hands of Kim Jong Il and the state has been further militarized.

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<sup>7</sup> Hyun-Suk Park, "North Korea since Kim Jong Il Became General Secretary of the Korean Workers' Party in 1997", *Korea and World Affairs* 4, Winter (2003): 511.

## The Conventional Weapons Dimension

### *Background*

Since no peace agreement was signed between the two sides in the Korean War, there are theoretically two adversaries still remaining on the Korean peninsula: the Korean Peoples Army (KPA) and the People's Liberation Army (PLA) of China in the North and the United Nations Command in the South. In reality, the PLA left North Korea in 1958, while the U.S. forces still remain. The commander of the U.S. Forces Korea (USFK) is in charge of the United Nations Command as well. The armed forces of North and South Korea have taken over all or, as in the case of South Korea, most of the responsibility for the defense.<sup>8</sup>

The U.S. general in charge of the United Nations Command/Combined Forces Command also commands the U.S. Forces Korea. At present, there are about 37,000 American troops in Korea. In case of a contingency on the Korean peninsula, the USFK commander leads the operations undertaken by the U.S. Seventh Fleet and the Seventh U.S. Air Force Command (with bases in Japan).

Growing Korean nationalism and the June 2000 inter-Korean summit have accelerated demands from within South Korea to reshape the structure of the unified command. Also in Washington, discussions about the future deployment of U.S. forces have intensified, especially after the September 11 2001 attack on the World Trade Center. Calls are being made for a reshaping of much of the U.S. military to more effectively cope with changing global security imperatives. Therefore, a negotiating procedure has been initiated.

### *North Korea's armed forces*

Probably because of its initial Soviet tutelage and the limited ground attack capability of the air force, the North Korean army has placed its emphasis on using massive artillery firepower. North Korean ordnance factories produce a variety of self-propelled guns, howitzers, and gun-howitzers. In

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<sup>8</sup> US department of Defense, 2000 *Report to Congress Military situation on the Korean Peninsula* September 12 2000, <<http://defenselink.mil/news/sep2000/korea09122000.html>>, (October 19 2000).

the late 1970s, North Korea began to produce a modified version of the 115 mm gunned T-62 tank, which used to be the main battle tank of the Soviet army. In the 1980s, in order to make the army more mobile and mechanized, there was a steady influx of new tanks, self-propelled artillery, armored personnel carriers and trucks within the North Korean armed forces. The ground forces seldom retire old models of weapons and tend to maintain a large equipment stock, keeping old models along upgraded ones in the active forces or in the reserve.

Over 90 per cent of all KPA personnel are in the ground forces- the North Korean army. The ground forces are made up by approximately 1 million troops today, which is twice as many as within the U.S. Army. In 1993, one U.S. military research report estimated that U.S. and South Korean forces would sustain large casualties in case of a conflict with North Korea. According to the report, 300,000 to 500,000 troops would be killed within the first 90 days of fighting, in addition to hundreds of thousands of civilian casualties.<sup>9</sup>

*What is behind the numbers today?*

The situation today is radically different from what it was after the Korean War. The Soviet Union has dissolved. Russia, its inheritor, is a much weaker power and has cancelled its defense pact with North Korea and the almost free of charge deliveries of oil and technology have ended. China has become an increasingly strong and rapidly modernizing power. Nevertheless, it has, just as Russia, limited its cooperation with and its support to North Korea, with the exception for a formal canceling of the mutual defense pact. It does, however, not seem very likely that China would go to war to defend North Korea in case of an attack by the USA, following the continued North Korean efforts to produce nuclear weapons. Already several years ago, China started demanding cash payment in hard currency for its deliveries to North Korea. However, China has not discontinued entirely the grant deliveries of fuel oil and cereals. North Korea's economy has declined for almost a decade, its people is malnourished, its industry has been brought to an almost complete standstill

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<sup>9</sup> Philip C. Saunders, *Military Options for Dealing with North Korea's Nuclear Program* 2003, <<http://cns.miis.edu/research/korea/dprkmil.htm>> (April 28 2003).

because of fuel shortage, and its GDP seems to have dropped by around one third between 1994 and 1998.<sup>10</sup>

These developments have had an obvious effect on the military balance on the Korean peninsula. During the first four decades following the Korean War, North Korea was clearly superior both regarding the number of different kinds of weapons, and the personnel prepared for a possible war with the South. This is still the case as far as numbers are concerned, but the economic squeeze of the North Korean regime has made new acquisitions and replacement of outdated and defective equipment difficult or nearly impossible. According to the available information, there has only been a short exception from this rule since around 1985. During the years immediately after the death of Kim Il Sung some new military aircraft and missiles were bought from Russia. Otherwise, purchases from abroad have been very few. The domestic weapons production also seems to have been rather limited, with the exception of research and production of certain missiles. Yet U.S. military planners estimate that 25 to 33 per cent of the North Korean GDP is being used for military purposes.<sup>11</sup> The corresponding figure for South Korea is around 3 per cent.<sup>12</sup>

One example may suffice to illustrate the nature of the problem. Reports often refer to estimates of the number of tanks at North Korea's disposal. It is said to be one and a half times as many as the South Korean tanks. However, when such observations are made without qualification, they fail to acknowledge that the North Korean tanks are outdated and, to some extent, possibly not even functioning. The North Korean leaders are not likely to be unaware of the destiny of the Iraqi tank force in the deserts of Kuwait during the first Gulf war. This was often referred to as "turkey shooting" by the allied forces, who could discover, target and hit the Iraqi tanks from the turrets of their own more modern and more sophisticatedly

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<sup>10</sup> Bradley O. Babson, *Economic Cooperation on the Korean Peninsula 2003*, <<http://Nautilus.org/DPRKbriefingbook/economy/issue.html>> (August 15 2003).

<sup>11</sup> Thomas A. Schwarz, General and Commander in Charge, UN Command/Combined Forces Commander and Commander, U.S. Forces Korea, Statement before the Senate Armed Services Committee (March 27 2001), <http://www.korea.army.milpao/news/CINC%20Posture%20Statement%20-%20Mar%2001.htm> (July 2 2003).

<sup>12</sup> The Ministry of National Defense, The Republic of Korea, *Defense White Paper 1999* (Seoul: KIDA Research Cooperation Team, 1999), 135.

equipped tanks before the Iraqis even had realized that they were under attack. In the event that they did realize that they were being targeted, they did not have the firing range to shoot back from the distance that separated them from their adversaries. The Iraqis sat in the same type of Soviet made tanks that still constitute the main stock of North Korea's tank force. However, the Iraqi tanks were actually mostly of a more modern type than the tanks in the North Korean forces of today. (The oldest ones date back to the WWII). To this should be added the threat from South Korean attack helicopters.

Given these disadvantages, it seems unlikely that the North Korean leadership would consider an attack on South Korea by conventional means a serious option, regardless of the presence of American troops. It may have been a serious option around 1980 and possibly not unthinkable before the Gulf war in 1990. Today, however, it is hardly a realistic option. Nevertheless, it would still be possible for North Korea to cause a great deal of damage to the South through an artillery barrage, possibly with weapons of mass destruction. However, it is highly unlikely that such an attack would result in a victory. Moreover, a defeat would likely bring about the downfall of the North Korean regime.

North Korea has seen its own conventional advantage over the South slip away under the pressure of economic constraints caused by its failed economic policy, especially in the agricultural sector. These structural problems began to become serious already around 1979-80. Despite decades of dedicated efforts to build up the military, the result was meager. At first, the hopes for a unification of the two Koreas, through military means, had to be postponed. Then, the continued success of South Korea's economic policy, in combination with the democratization process, eliminated the hopes that social and political discontent in the South would help destabilizing the regime in that part of the peninsula. Finally, the continuation of North Korea's economic hardship not only limited the resources needed to keep up with the South regarding conventional weapons, it even put North Korea at a disadvantage in the competition. In addition, to make matters worse, America signaled a wish to bring about a regime change in North Korea.

*The disappearance of the “Conventional Balance” on the Korean peninsula*

The U.S. military budget is now over 400 billion USD, almost as much as the total for the rest of the world. This policy took shape already during the first Gulf War and was further discussed in the early 1990s. For any medium or small sized country, it has become a hopeless task to deter the USA by conventional means. Thus, a poor nation is tempted to draw the conclusion that nuclear weapons are the only remaining available means to deter the USA. Indeed, for North Korea, this conclusion was further reinforced by the leaked version of the Bush Administration's January 2002 classified Nuclear Posture Review, which lists North Korea as a country against which the United States should be prepared to use nuclear weapons.<sup>13</sup> To the isolated leadership in Pyongyang, the only logical conclusion of this was that America was considering an attack on North Korea.

The whole population of North Korea has been brought up with a fear for the American enemy and his "evil intentions". Kim Jong-Il, the son of Kim Il Sung and present leader of North Korea, is not likely to be an exception. Thus seen from this perspective, his efforts to build a nuclear deterrent are logical.

It may seem unrealistic in the West that North Korea would fear an unprovoked American attack, but the entire North Korean society has focused on the task to reunite Korea by force and has long awaited a possibility to do so. American discussions about how to achieve regime change in Pyongyang are naturally taken as a serious existential threat in a society like North Korea. Indeed, it should not be forgotten that this perspective has been shaped during fifty years of isolation from the outside world and maintained by the vehement anti-American propaganda in the North Korean media.

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<sup>13</sup> Paul Kerr, *North Korea Quits NPT, Says It Will Restart Nuclear Facilities* 2003  
<<http://www.armscontrol.org/country/northkorea/>> (August 18 2003).

## The Nuclear Dimension <sup>14</sup>

### *Background*

North Korea first experienced the usefulness of nuclear weapons when, during the Korean War, the then U.S. secretary of State John Foster Dulles hinted at the possible use of nuclear weapons, should the peace talks in Panmunjom fail. Both he and President Eisenhower later claimed that this had been an important inducement for the Northern side to accept the armistice that finally was signed. In 1955, the Chairman of the U.S. Joint Chiefs of Staff, Admiral Arthur W. Radford announced a U.S. pledge to defend South Korea, if necessary, with nuclear weapons.<sup>15</sup> Already in 1958, following this pledge, the U.S. introduced nuclear artillery shells and nuclear-tipped rockets into South Korea and later on also cruise missiles, land mines and anti-aircraft missiles with nuclear warheads. From that time on, North Korea would operate at a fatal disadvantage in war.<sup>16</sup>

In 1961, North Korea managed to reach a mutual defense treaty with both China and the Soviet Union. In practice, this meant that a "nuclear umbrella" was displayed over the northern part of the peninsula as well. However, the Cuban crisis showed that the Soviet Union could not be counted upon in all confrontations with USA, and the political relations soured with Moscow over several matters. In addition, the Chinese nuclear force that was beginning to emerge after the first Chinese test explosion in 1964 was never a very impressive deterrent against the American nuclear weapons.

Consequently, Kim Il Sung started to pay attention to the possibility of a domestic development of nuclear weapons. During the 1950s, agreements were made with both China and the Soviet Union about the training of North Korean nuclear scientists. In 1964, a Soviet-made nuclear research facility was established at Yongbyon near Pyongyang, which is believed to have begun functioning as a reactor in 1967. Ten years later, North Korea,

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<sup>14</sup> Most of the facts and many of the comments in the following pages have been taken from Michael J. Mazarr's excellent case study in non-proliferation; Michael J. Mazarr, *North Korea and the Bomb, A Case Study in Nonproliferation* (London: Macmillan Press LTD, 1997).

<sup>15</sup> *Ibid*, 16.

<sup>16</sup> *Ibid.*, 21.

probably upon Soviet insistence, signed an International Atomic Energy Agency (IAEA) "type 66" safeguards accord and opened the plant for inspection. The Agency soon began regular inspections, which continued into the 1990s.<sup>17</sup>

During President Nixon's administration, a reduction of all U.S. troops in Asia was initiated toward the end of the war in Vietnam. This included a withdrawal of 24,000 men from South Korea in 1973. The South Korean president, Park Chung Hee was greatly disturbed by the prospects of further American troop withdrawals in view of the establishment of U.S.-Chinese diplomatic relations and a perceived softening of the U.S. defense attitude in Asia in general. A secret nuclear weapons research program was initiated in South Korea, but it was abandoned in 1975 as South Korea ratified the Non-Proliferation Treaty after considerable pressure from Washington.

Park Chung Hee had, however, made some open remarks about the possibility to acquire nuclear technology, if the U.S. nuclear umbrella would be weakened in any respect. North Korean comments from this time seem to indicate that the perspective of a possible secret continuation of the South's nuclear development was one of the reasons why North Korea, during this decade, initiated negotiations with Moscow about the construction of a second, much larger graphite type reactor.<sup>18</sup>

#### *North Korea's nuclear response takes shape*

As China gradually changed its attitude toward the United States and focused on its "Economy-First" policy, including improved trade relations with the West, it became obvious that the Chinese nuclear umbrella, which never had been totally convincing, was lacking in perfection. At the same time, the Soviet Union started to dissolve and Moscow established diplomatic relations with Seoul. It was not even clear that its mutual defense pact with North Korea was relevant any more – in fact it was not and the treaty was later declared invalid (in February 1993<sup>19</sup>). Thus, North Korea was left without any nuclear umbrella. As a result, it began accelerating its own nuclear program.

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<sup>17</sup> Ibid., 25.

<sup>18</sup> Ibid., 26-29.

In the late 1980s North Korea began to neglect its obligations under the IAEA treaty, using as excuse that the USA did not allow inspections of its military facilities in South Korea, which, according to North Korea, had been a precondition for its adherence to the treaty.<sup>20</sup> The USA accepted to hold a "nuclear weapons conference" with North Korea, but it became a difficult meeting with limited exchange of real information. However, North Korea finally accepted to sign a safeguards accord with IAEA in January 1992, covering all its nuclear facilities. In May 1992, the director general of IAEA, Hans Blix, was allowed to inspect a two hundred megawatt power plant construction site at Taechon, uranium ore plants in Pakchon and Pyongsan and research centers in Pyongyang. However, suspicions about unauthorized handling and a possibly production of weapons-grade plutonium then led to IAEA demands for special inspections, which were refuted.

#### *The first NPT withdrawal crisis*

In 1993, the so-called "first NPT withdrawal crisis" broke out. One year later, the crisis was settled though the so called "Agreed Framework" agreement between the USA and North Korea.

The main elements of this agreement have been summarized as follows by Don Oberdorfer (titles added):<sup>21</sup>

#### Light water reactors

- The United States would organize an international consortium to provide light-water reactors (LWR), with a total generating capacity of 2,000 megawatts, by a target date in 2003.

#### Freezing of the nuclear program

- In return, North Korea would freeze all activity on its existing nuclear reactors and related facilities, and permit them to be continuously monitored by IAEA inspectors. The eight thousand fuel rods unloaded from the first reactor would be shipped out of the country.

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<sup>19</sup> Ibid., 96.

<sup>20</sup> Ibid., 56.

<sup>21</sup> Don Oberdorfer, *The Two Koreas* (Revised edition 2001, USA, Basic Books, 1997: 357).

### IAEA special inspections

- North Korea would fully comply with the IAEA, i.e. accepting the "special inspections", before the delivery of key nuclear components of the LWR project, which was estimated to be within five years. The DPRK's existing nuclear facilities would be completely dismantled by the time the LWR project was completed (estimated within ten years).

### Shipments of fuel oil

- The United States would arrange to supply 500,000 tons of heavy fuel annually to make up for the energy losses in North Korea before the LWRs came into operation.

### Trade, relations and guarantees

- The two states would reduce existing barriers to trade and investment and open diplomatic liaison offices in each other's capitals as initial steps toward a full normalization of their diplomatic relations. The United States would provide formal assurances against the threat, or use, of nuclear weapons against North Korea.

### North-South Dialogue

- North Korea would implement the 1991 North-South joint declaration on the demilitarization of the Korean peninsula and re-engage in the North-South dialogue.

### *A missile threat over Japan*

On the August 31 1998, North Korea launched its first multi-staged rocket, named Taepo Dong-1, in an unsuccessful attempt to place a satellite in orbit.<sup>22</sup> It was a three-stage rocket<sup>23</sup>, meaning that North Korea, on its own, had been able to develop its earlier missile program into a more advanced long-range, and possibly, intercontinental program. In addition, its payload was heavy enough to be compared to a small nuclear device. Although the test-flight was unsuccessful in that the satellite (which North Korea claimed

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<sup>22</sup> Howard Diamond, *N. Korea Launches Staged Rocket That Overflies Japanese Territory* 1998 <<http://www.armscontrol.org/country/northkorea/>>, (August 18 2003).

was intended for peaceful purposes) was not placed in orbit, it had flown over the northern island of Japan and landed a little more than 1,000 miles away from its launching point. In Japan, this led to a revision of its defense policy. The Diet (or Parliament) requested the government to initiate a project that would place two reconnaissance satellites in orbit in order to provide Japan with an independent early warning system covering North Korea.

#### *Non-implementation of the Agreed Framework*

In August 2003, most of what had been promised by the two sides in the “Framework” had not happened. A consortium had been formed, called KEDO, between the United States, Japan and South Korea to provide North Korea with light water reactors. However, North Korea refused – as it had said it would – to accept that the reactors explicitly were specified to be of South Korean design and produce. The target date for delivery had already passed. North Korea had not allowed full inspections and referred to the non-fulfillment by the U.S. The fuel rods had been canned, but they had not been shipped out of North Korea, since no LWR had been delivered. Also, for the same reason, North Korea's nuclear facilities had not been dismantled.

Due to "financial difficulties" the KEDO rarely delivered the annual 500,000 tons of heavy fuel oil. Most years only a minor fraction of the agreed volume reached North Korea and in 2003 no oil at all was shipped. The USA had not reduced the trade barriers for trade with North Korea and had not issued any formal assurance against the use of nuclear weapons against North Korea. Moreover, no diplomatic liaison office had opened in any one of the capitals and there had been no demilitarization on the Korean peninsula.

#### **The Second NPT withdrawal Crisis**

North Korea announced on the December 12 2002, that it was restarting the

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<sup>23</sup> David C. Wright, *Assessment of the North Korean Missile Threat*, The Nautilus Institute, Policy Forum Online, 2003 <[http://www.nautilus.org/fora/security/032A\\_%20Wright.html](http://www.nautilus.org/fora/security/032A_%20Wright.html)> (May 25 2004).

nuclear facilities that had been frozen since 1994 and ordered the international monitors to leave the country. The reason for this was, according to North Korea, that compelling needs for electricity had made it necessary. This was followed, on January 10 2003, by the announcement that North Korea immediately was withdrawing from the NPT.

In April 2003, when the ninety day period after the withdrawal announcement had expired, North Korea's withdrawal from the NPT was a fact. This is the first time that a country has ever withdrawn from the treaty. Formally, from this date North Korea is no longer bound by the treaty obligations and need not to refrain from the production of nuclear weapons.

#### *North Korea's nuclear assets and options for a U.S. military response*

According to some sources, North Korea's nuclear weapons program was initiated already during the early 1960s, while the civil nuclear energy program was initiated during the 1950s. Although the nuclear weapons program did not attract much attention before the 1980s, a number of circumstances indicate that a nuclear program may have been undertaken parallel to the development of the civil nuclear energy program.

There were some indications during the 1980s that North Korea had contacts with Pakistan regarding nuclear weapons technology. In 1985, intelligence began to emerge about the nuclear weapons program and finally, in 1999, a high-ranking North Korean deserter revealed in an interview that North Korea had such a program.

It is difficult to say whether North Korea has any ready and functioning nuclear weapons since this may not be confirmed unless a test explosion is undertaken. According to U.S. Secretary of Defense, Donald Rumsfeld, North Korea is likely to have one to three functioning nuclear weapons. Others claim that it may as well have a capability to install them on intercontinental missiles. In regards to North Korean nuclear charge constructions no information is available at present.

Initially, North Korea was thought to only be using plutonium as fissile material. However, in 2002, some North Korean officials declared that uranium was also being used. If true, this means that two different methods

are being tried at the same time. Indeed, more indications point in this direction.<sup>24</sup>

An FOI study has been made about the options the USA would have to eliminate North Korea's infrastructure for the production of nuclear weapons –an option that President George W. Bush wants to keep open.<sup>25</sup> According to the findings in the FOI report, the USA could knock out a substantial part of North Korea's nuclear infrastructure by launching a surprise attack. Some important components would, however, remain intact, like the nuclear weapons (or fissile material) and the carriers of these weapons.

South Korea's government has refuted the idea of coercing North Korea to discontinue its nuclear program by military means, and the USA will find it difficult to gain support from its allies for such operations.

If North Korea feels forced to undertake a military operation (for a pre-emptive purpose or as a response to an American attack on its infrastructure) it will most likely be an artillery barrage on Seoul and its surroundings.

Due to political reasons, a North Korean counter-offensive in the form of a nuclear attack against South Korea is rather improbable. It is, however, possible that American bases in Japan, or American forces at sea, could come under attack.

### *One American logic blocking - and a North Korean one*

America, the rest of the world, and especially North Korea's neighbors now involved in the six-nation talks in Beijing, want to see the dismantling of both North Korea's openly admitted plutonium program, as well as its secret uranium enrichment program. However, President George W. Bush has repeated many times<sup>26</sup> that he will not reward North Korea for nuclear

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<sup>24</sup> Lars Wigg and John Rydqvist, *PM angående Nordkoreas kärnvapenprogram*, [Memorandum on North Korea's nuclear weapons program] (Stockholm: Swedish Defence Research Agency, 2002).

<sup>25</sup> Lars Wigg, *USA:s möjligheter att bekämpa Nordkoreas nukleära infrastruktur*, [The American possibilities to contest North Korea's nuclear infrastructure] MEMO 03-2665 (Stockholm: Swedish Defence research Agency, November 20 2003).

<sup>26</sup> For instance in an election speech reported by *The Chosun Ilbo* February 27 2004

blackmail. This means that the U.S. is not prepared to sign a treaty where it promises to refrain from nuclear threats. Neither will it provide fuel oil or power plants to North Korea in return for its dismantling of the nuclear program. Since the USA insists on first seeing a "CVID" (Complete, Verifiable and Irreversible Disarmament) of North Korea's nuclear assets and since North Korea insists on first being given reliable security guarantees, the talks has not yet produced any real results.

After having been forced to initiate far-reaching economic reforms, North Korea is in desperate need of aid in the form of capital and expertise to help it from total economic and social collapse. However, North Korea fears an American attack or nuclear blackmail and insists on security guarantees before it is willing to dismantle any facility that may deter America. Since such guarantees are not forthcoming, the talks cannot make progress for the time being.

## Observations and Conclusions

*North Korea seems to be preparing itself to withstand further isolation*

North Korea is suffering from two chronic and structural problems because it lacks arable land areas large enough to make the country self-sufficient in food production. In addition, it lacks suitable energy raw materials. A simple response to this situation would be to produce light industry goods suitable for export and thereby gain foreign currency that can be used for the necessary imports of food and energy raw material. However, the conflict with South Korea has made this impossible since it makes it mandatory (in the minds if the leaders) to focus on heavy industry and the production of arms. This policy was made into a propaganda platform by the introduction of the so-called Juche idea.

Today's situation was already beginning to emerge in the early 1980s, when the Soviet Union and China refused to play the role of main suppliers of food and fuel to North Korea without receiving proper payment. North Korea's difficulties have intensified by the effects of the vicious circle, by

which a lack of energy decreases the production of fertilizers and the activity of the pumping stations in the irrigation network. This, in turn, damages the agricultural production, which increases the need to import food, which decreases the amount of foreign currency available for fuel import and so on. The situation became an emergency as yearly natural calamities worsened the situation in the late 1990s which led to starvation or near starvation among large parts of the population.

In general terms, the economic situation is no longer deteriorating, but it has not improved either in the years 2000 to 2004. Any meteorological calamity of the type regularly occurring in Korea will greatly impact the economy, which still is heavily dependent on the agricultural sector. In previous years, North Korea was in need of about one million tons of cereals in aid from the international community every year. In 2004, however, North Korea seems to have managed with 540,000 tons. Nevertheless, in case of a new disaster, this figure can easily reach one million tons or more again. The average North Korean is still not receiving the daily amount of calories that is regarded as a minimum for a healthy consumption, not even with the international community paying for about one fourth of the total needs every year.

The recently introduced economic reforms aim at the roots of this problem, but they meet resistance from the adherents of the Juche Idea. They also collide with the military's wish to continue to receive the benefits from the heavy industry production. Some parts of the military establishment may understand that a richer country would produce more and better arms, but the more common reaction seems to be that heavy industry must get the highest priority with little regard for light industry or agriculture. Since Kim Jong Il is more dependent on the support from the military than his father, he must be facing a dilemma, but of this there is little evidence obvious to the outside world.

The political struggle between the different camps inside the North Korean leadership made it necessary to declare a reversal of the economic policy at the party congress in March 2004. The Party is now stressing planning, self-sufficiency in agriculture, central guidance and priority for the heavy industry and is only paying lip service to the need of finding new markets and fields of production for the export industry. In November 2004, the

DPRK notified the People's Republic of China (PRC) of its intention to cancel the important plan, announced July 1 2002, to create a special economic zone at Sinuiji, on the border with Dangong in China.<sup>27</sup> Furthermore, the Korean Central News Agency has carried strongly worded articles against the South Korean "vociferating" that its most important task is to lead the North to "reform" and "opening". Such calls are labeled "anti-ethical", "anti-national perfidy" and are seen as a proof of South Korea's ambition for "unification through absorption".<sup>28</sup>

This seems to be intended as a warning, both to North Korean citizens not to discuss the concepts of "reform" or "opening" with foreigners, and to the outside world that the time of reform policy and opening is over. In this way, North Korea wants to show that it is preparing itself for a continuation of its isolation from the outside world and a return to Kim Il Sung's old concept of "Juche".

*North Korea "does not buy" CVID without compensation*

As long as the USA continues to insist on unconditional Complete, Verifiable and Irreversible Destruction (CVID) of all nuclear weapons in North Korea, without offering any binding security guarantees, or promises regarding energy aid or trade, North Korea seems to be planning for further isolation (and possibly continuation of its nuclear program). This most likely means further deterioration of its economic situation and worse sufferings for the North Korean population.

It seems probable, however, that it will not be difficult to engage North Korea in serious negotiations (aiming at CVID) again, provided that there are real prospects for meaningful results, including security guarantees, aid etc. Meanwhile, North Korea is likely to attend working group meetings and other efforts to keep the process alive, but without making any real substantial offers.

The U.S. administration has responded to North Korea's nuclear and missile programs with pressure and tries to make its allies unite in sanctions against North Korea. Japan has, for instance, introduced a new system of sanctions,

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<sup>27</sup> *Napsnet Daily Report* <<http://www.nautilus.org>> (November 8 2004).

<sup>28</sup> *Korea Central News Agency* (November 3 2004)

which makes it impossible for the association "friends of North Korea" - mainly made up by ethnic Koreans living in Japan - to send money to North Korea. Such donations have become a quite important source of income to the regime in Pyongyang. Efforts have also been made to stop all North Korean economic activities that are not in conformity with internationally accepted rules.

*Options for non-proliferation efforts*

North Korea is close to having developed a nuclear device, or may already have produced one or several such devices. One or several of these devices may also have been made into weapons. This is impossible to know, but the longer the present stalemate continues, the more likely it will be that North Korea will develop such devices or weapons.

Non-proliferation seems to have come to a dead end in the case of North Korea, and the existence of a nuclear device in yet another state seems to be a fait accompli. The CVID does not seem to work and should consequently be reconsidered. The non-proliferation efforts regarding North Korea thus require a re-examination in an international perspective.

The six-nation talks are important for other reasons than non-proliferation. They should not be allowed to break down because they have failed to prevent the proliferation of nuclear weapons. The process is valuable and could, at least, bring about some measure of weapons control.

It does not seem probable that the outside world will be able to convince a majority of the North Koreans that their economic situation is the result of their own failed economic policy. They may realize, to some extent, that mistakes have been made and definitely that there are structural problems. However, the population in North Korea seems to be genuinely convinced that "American sanctions" are to blame for their inability to overcome the problems at hand. This illustrates an important problem of communication, since North Koreans are both nationalistic and tend to react strongly and united against outside pressure.