

After North Korea's Missile Launch: Are the Nuclear Talks Dead?

I. OVERVIEW

The North Korea nuclear negotiations have stalled, and the prospects for future progress are dim. Meanwhile, Pyongyang continues to produce weapons-grade plutonium and now has a stockpile large enough to build as many as a dozen nuclear weapons. On 5 July 2006, it defied international pressure and test-fired seven missiles in the direction of Japan, including one of a type that could eventually be capable of reaching the U.S. Seoul faces difficult security choices at a time when relations with Washington and Tokyo are deeply strained. The only real chance of breaking out of the downward spiral is for the U.S. to adopt a new approach, including more readiness to talk bilaterally and less rhetorical vitriol, in order to test the North's willingness to return to the six-party talks and work toward a deal.

This briefing updates Crisis Group reporting on North Korea, focusing on the nuclear and missile standoff and the often conflicting responses of the parties. Negotiating with the North is usually exasperating but the half-hearted and often self-defeating approach followed by the Bush administration of talks coupled with name-calling has ensured that the exercise goes nowhere. Attempting to squeeze North Korea into capitulation or collapse by wielding economic sanctions at the moment when negotiations were beginning to bear fruit, refusing to meet with the North outside the multilateral talks and pressing human rights concerns have reduced the six-party talks involving North and South Korea, the U.S., China, Japan and Russia to "dead man walking" status. Seoul and Beijing, however, are slowly realising their unconditional engagement has also failed to elicit the desired behaviour from the North.

While the UN Security Council did nothing when the North launched a missile in 1998 that travelled much farther than any of those in July 2006, this time it unanimously adopted Resolution 1695, which condemns the missile launch and imposes a partial arms embargo. The fact that China voted for Resolution 1695 after abstaining from one with less bite after the much more serious offence of leaving the Nuclear Non-Proliferation

Treaty (NPT) in 1993 shows that even the North's most important benefactor is losing patience.

While reluctant to join sanctions, Seoul announced that it would halt humanitarian aid shipments until the missile crisis is resolved, thus leaving the North at its most isolated in decades. If Pyongyang is not given a face-saving way of backing down, it could escalate the confrontation by testing another missile or even conducting a nuclear test, which would certainly lead to even harsher condemnation and more severe sanctions.

Unless negotiations resume soon with both sides showing more flexibility, Washington and Pyongyang could find themselves on a collision course, with Seoul caught in the middle. The U.S. should:

- ❑ free up North Korean assets in Macao that can be traced to legitimate business activities;
- ❑ appoint a senior envoy for the six-party talks and equip him or her with broad authority to negotiate and to visit Pyongyang for informal bilateral discussions; and
- ❑ refrain from veiled threats and name-calling.

Even though South Korea is in a difficult position, and the North has refused to allow it a meaningful role in the standoff, it should take several steps to improve the situation, including:

- ❑ linking the expansion of economic cooperation to the resumption of the six-party talks;
- ❑ de-linking humanitarian assistance to the North from inter-Korean cooperation, nuclear and missile issues and resuming such aid in response to the severe July floods;
- ❑ supporting implementation of Security Council Resolution 1695 by actively participating in the Proliferation Security Initiative; and
- ❑ refraining from openly criticising other six-party talks participants, especially the U.S. and Japan.

All parties at least claim to be committed to finding a diplomatic solution. At present, the six-party talks are the only vehicle for achieving that outcome. In the end, the North may decide that it cannot give up its nuclear capabilities at any price, but until we find out, it will be virtually impossible to gain the support of China and South Korea for more vigorous measures.

II. FROM STALEMATE TO MISSILE LAUNCH

After years of posturing and heated verbal exchanges, the nuclear standoff took a turn for the worse when North Korea conducted a series of missile tests despite weeks of warnings from both friends and foes. The road to the test of the Taepodong II was a long and winding one that had its origins in the successive failures of the parties to negotiate seriously under the framework of the six-party talks.¹ A recent report by the United States Institute of Peace suggests that the six-party talks have become a “crisis management mechanism” rather than a forum for resolving the nuclear issue but this diplomatic mechanism is being sorely tested.² The Taepodong II is believed to be many years away from being able to strike the U.S., and analysts doubt it would be capable of carrying a miniaturised nuclear warhead anytime soon.³

A. THE FOURTH ROUND OF SIX-PARTY TALKS: FALSE DAWN

Following the minimal yield of the first three rounds of six-party talks, the announcement on 10 February 2005 by the North Korean foreign ministry that Pyongyang had nuclear weapons and would “increase its nuclear arsenal” in response to “the hostile policy of the U.S.” seemed to render the talks null and void.⁴ This followed a series of newspaper articles linking North Korea to earlier

uranium hexafluoride shipments to Libya.⁵ However, the fourth round, beginning on 25 July 2005, benefited from a reinvigorated format. Instead of a few short days of back-and-forth ending with a struggle to agree upon the language in the concluding Chairman’s Statement, the process was allowed to unfold over twenty days. Secretary of State Condoleezza Rice reportedly gave Assistant Secretary Christopher Hill permission to conduct unrestricted bilateral talks with North Korea during the session.⁶ Hill met privately with his North Korean counterpart, Vice Minister Kim Gye-gwan, before the opening. This gesture, and subsequent movement into substantive bilateral discussions, gave proceedings a more earnest tone.

After thirteen days of bilateral exchanges and ten or so of discussion over common language for a statement of principles, North Korea raised a demand for a light water reactor. China, Russia, South Korea and Japan endorsed this but the U.S. pulled back to its prior position that the North should not be allowed even a peaceful nuclear program. This isolated Washington, as even Tokyo supported peaceful nuclear power for the North at a future date. The U.S. eventually agreed to a compromise by which a peaceful nuclear energy program would be considered acceptable after North Korea completely dismantled its weapons programs, rejoined the NPT and restored International Atomic Energy Agency (IAEA) safeguards.

The parties finally signed an ambiguous joint statement, drafted by China, on 19 September 2005. The U.S. did so reluctantly, essentially to avoid responsibility for the breakdown of talks. Much of the document covered old ground. It outlined the goal of a denuclearised Korean Peninsula, in accordance with the 1992 Joint Declaration, to be accompanied by energy assistance and economic cooperation. It concluded with a commitment to resume talks in Beijing in early November 2005. At best, it was a six-party agreement on the basic tenets of the talks. Because of the vagueness of its wording, the statement has been called “a diplomatic Rorschach Test – everyone

¹ See Crisis Group Asia Report N°87, *North Korea: Where Next for the Nuclear Talks?*, 15 November 2004; Crisis Group Asia Report N°112, *China and North Korea: Comrades Forever?*, 1 February 2006; and Crisis Group Asia Report N°100, *Japan and North Korea: Bones of Contention*, 15 July 2005.

² Scott Snyder, Ralph Cossa and Brad Glosserman, “Whither the Six-party Talks?”, United States Institute of Peace, 18 May 2006.

³ David Albright and Paul Brannan, “The North Korean Plutonium Stock Mid-2006”, Institute for Science and International Security, 26 June 2006.

⁴ “DPRK FM on its stand to suspend its participation in six-party talks for indefinite period”, Korean Central News Agency, 10 February 2005.

⁵ Uranium hexafluoride is used in the enrichment process. David E. Sanger and William J. Broad, “Tests said to tie deal on uranium to North Korea”, *The New York Times*, 2 February 2005; Glenn Kessler and Dafna Linzer, “Nuclear evidence could point to Pakistan”, *The Washington Post*, 3 February 2005. The links between North Korea and Libya remain hazy; some of the assertions made in these two articles have been disproved or called into question.

⁶ Charles L. Pritchard, “Six-Party Talks Update: False Start or a Case for Optimism?”, at the conference “The Changing Korean Peninsula and the Future of East Asia”, hosted by the Brookings Institution, 1 December 2005.

sees what they want to see".⁷ It did make clear that the U.S. was to "respect the DPRK's sovereignty", but it was pointedly vague regarding a light water reactor, saying only that this would be discussed "at an appropriate time". "The devil, as always, will be in the details", noted Pacific Forum's Ralph Cossa.⁸

Any hopes that common ground had been found were dashed within hours of the signing. In his closing statement, Hill clarified that by an "appropriate time", the U.S. meant after North Korea had dismantled all nuclear weapons and programs. He also announced Washington's decision to terminate by the end of 2005 the Korean Peninsula Energy Development Organisation (KEDO), the international consortium set up in 1995 to provide North Korea with energy-producing light-water nuclear reactors.⁹ The U.S. closing statement also brought up human rights and "illicit activities" in addition to weapons proliferation. The concluding paragraph affirmed that "the U.S. acceptance of the Joint Statement should in no way be interpreted as meaning we accept all aspects of the DPRK's system, human rights situation or treatment of its people".¹⁰

Pyongyang issued its rebuttal the next day, refusing to follow the tenets of the joint statement, especially with respect to abiding by the NPT, until the U.S. supplied it with a light water reactor. It cited India as a peaceful nuclear state without NPT status.¹¹ The nuclear talks were going nowhere again.

B. THE FINANCIAL CRACKDOWN IN MACAO¹²

At the very moment the joint statement was being arduously hammered out, Washington was wielding one of its few remaining sticks against the North. On 15 September 2005, the Macao-based Banco Delta Asia (BDA) was told to halt its dealings with North Korea or lose access to American financial markets. The ensuing panic among

depositors spilled over into the entire Macao banking system. BDA had no choice but to freeze North Korea's assets, regardless of whether they were obtained through legitimate or illegitimate means. North Korea claims that \$24 million was affected and has demanded that it be released before resuming the six-party talks.

As with most issues relating to North Korea, the Bush administration appears to be divided. A senior official suggests there is an effort to distinguish between proper and ill-gotten (or counterfeit) funds deposited at the bank.¹³ However, during a visit to Seoul, Undersecretary of the Treasury Stuart Levey told Korean officials that it was impossible to distinguish between clean and dirty money.¹⁴ While separating the two is inherently problematic, it may be possible for foreign companies to provide evidence of legitimate trading activities. A British banker with the Daedong Bank in Pyongyang claims that he can account for all \$6 million his bank had on deposit at BDA at the time of the crackdown, as his bank is only allowed to do business with foreign companies working with the North.¹⁵

Many observers in Seoul found the timing of the affair curious, given the delicate nature of the nuclear talks. Some analysts suspected an attempt by hardliners to sabotage negotiations.¹⁶ The U.S. has been aware of the North's counterfeiting activities since the 1990s, so for some, the action against BDA fell too close to the 19 September Joint Agreement to be coincidental.¹⁷

Along with the intensified pursuit of criminal activity involving North Korean interests came predictions by some that the U.S. was heading toward an attempt of a Noriega-style unseating of Kim Jong-il, referring to the former Panamanian dictator who was indicted by Washington on charges of fraud then (after being deposed in a military action) brought to the U.S. as a prisoner to stand trial.¹⁸ The administration explained the crackdown as simply the culmination of an ongoing investigation

⁷ Victor Cha, comment made at the Council on U.S.-Korean Security Studies Twentieth Annual Conference, 5-7 October 2005.

⁸ Ralph A. Cossa, "Six-Party Statement of Principles: One Small Step for Man", PacNet no. 41, Center for Strategic and International Studies, 19 September 2005.

⁹ See Crisis Group Report, *Where Next for the Nuclear Talks?*, op. cit., for more information on the KEDO project.

¹⁰ Christopher Hill, "Statement at the Closing Plenary of the Fourth Round of the Six-Party Talks", 19 September 2005, at <http://www.state.gov/r/pa/prs/ps/2005/53499.htm>.

¹¹ See Leon V. Sigal, "An Instinct for the Capillaries", Nautilus Institute Policy Forum Online, 9 May 2006.

¹² For additional details, see Crisis Group Report, *Comrades Forever?*, op. cit.

¹³ Crisis Group interview, senior Bush administration official, Washington, DC, 14 July 2006.

¹⁴ Crisis Group interviews, Seoul, 20 July 2006.

¹⁵ Crisis Group e-mail correspondence with Nigel Cowie, 28 July 2006. The U.S. government has not interviewed Cowie, even though he has offered to provide international banking (SWIFT) records to support his claim.

¹⁶ Crisis Group interviews, senior South Korean officials, November 2005.

¹⁷ Raphael F. Perl and Dick K. Nanto, "North Korean Counterfeiting of U.S. Currency", Congressional Research Service report, 22 March 2006. See also, Stephen Mihm, "No ordinary counterfeit", *The New York Times Magazine*, 23 July 2006.

¹⁸ "U.S. may seek criminal charges against Kim Jong-il", *Chosun Ilbo*, 26 March 2006.

involving an Irish Republican Army member caught trying to use fake notes.¹⁹ Regardless, it sent the talks into a deep freeze.

According to a South Korean National Assembly member who spoke with a former U.S. official, the Bank of China reportedly froze North Korean bank accounts in Macao sometime after the U.S. action. If so, this suggests a dramatic shift in Chinese policy toward the North. While the Bank of China has declined to comment, Washington believes that Pyongyang has also been counterfeiting Chinese currency.²⁰ International relations professor Shi Yinhong of the People's University called the development very sensitive for Sino-Korean relations and said if the reports were true, China's ability to mediate between the U.S. and North Korea would be further limited. He also said that while China had moved closer to the U.S. position on this issue, it would be equally tough and measured in negotiations with both parties.²¹

C. THE FIFTH ROUND AND TRACK II TALKS: DERAILMENT

After the brief glimmer of optimism engendered by the fourth round, the fifth, in Beijing, 9-11 November 2005, was an exercise in going through the motions. The U.S. banking crackdown in Macao hung over proceedings, and Vice Minister Kim told Assistant Secretary Hill that U.S. sanctions demonstrated hostile intent. Kim proposed bilateral negotiations but Hill did not bite, presumably under instructions from those in Washington who want no bilateral dialogue at least until the Yongbyon reactor is shut down.²² The talks were cut short by the Asia Pacific Economic Cooperation meetings, 17-19 November, and with both sides showing no flexibility, no date was set for another round.

Washington considered a visit by Hill to Pyongyang in late 2005. However, it demanded the North first shut down its Yongbyon reactor; Pyongyang refused, and the plan fell through. A track II forum then brought negotiators from

each of the six parties to Tokyo in April 2006 but it achieved little. Though Seoul and Beijing urged Washington to be more "flexible", the American side continued to refuse to meet with the North bilaterally and even refused to attend an informal dinner hosted by the Chinese.

D. THE NEW YORK CHANNEL

Washington and Pyongyang have maintained a sporadic, informal dialogue through North Korea's mission to the United Nations. The imminent demise of this channel, which has been especially important between rounds of the six-party talks, has been predicted at various stages of the nuclear crisis but it remains open. It was through New York that Assistant Secretary Hill attempted to arrange a visit to Pyongyang in late 2005.

On 7 March 2006, the channel proved useful in organising a meeting at the UN between North Korea's Li Gun, head of the North America division of the foreign ministry, and U.S. Assistant Secretary of the Treasury Daniel Glaser. They discussed the financial measures taken by the U.S. in Macao.²³ The North reportedly asked the U.S. to lift the sanctions on BDA, to give it access to the U.S. banking system and to provide it with technology to help in identifying counterfeit bills. The United States rejected the overture.²⁴

With the future of the six-party talks uncertain, however, the New York channel provides a means of communication between two countries that lack diplomatic relations. It has also been free of posturing from either side, perhaps because it is used for specific and relatively limited issues with clear goals. If other diplomatic channels continue to falter, New York could facilitate back-channel diplomacy of the sort pursued by the UK and Libya before Tripoli gave up its nuclear program.²⁵

E. MISSILE CRISIS REDUX: BRINKSMANSHIP OR BACKLASH?

On 5 May 2006, a U.S. intelligence satellite spotted a rocket on a transport vehicle near a Pyongyang train station. By 12 June, several countries had reported satellite images of a missile positioned on a launch pad in Musudan-ri on North Korea's east coast. Three days of activity were interpreted by some as the fuelling of the missile. Then, in the early morning hours of 5 July, Korean

¹⁹ Crisis Group interview, Ambassador to South Korea Alexander Vershbow, Seoul, 24 February 2006.

²⁰ Anna Fifield and Stephanie Kirchgaessner, "BoC acts freezes N Korean accounts", *Financial Times*, 26 July 2006.

²¹ "Korean Daily News: U.S. Requested Bank of China to Freeze North Korea Accounts", *Zaobao Wang*, 26 July 2006 (in Chinese).

²² The Yongbyon reactor is the sole source of nuclear material for the North's nuclear weapons program and was nearly attacked pre-emptively by the Clinton administration in 1994. The reactor was shut down that year with the signing of the Agreed Framework but restarted when that agreement collapsed in late 2002.

²³ Perl and Nanto, op. cit.

²⁴ Nam Mun-hee, "The U.S.-North Korea dialogue starts now", *Sisa Journal*, 28 March 2006 (in Korean).

²⁵ Snyder, Cossa and Glosserman, op. cit.

time, the North test-fired its experimental Taepodong II long-range missile. It failed within seconds but as if to remind the world that it already possessed lethal capabilities, the North also launched six medium and short-range missiles.

At the request of non-permanent member Japan, the UN Security Council held an emergency session the next day, at which Japan presented a draft resolution calling for sanctions against North Korea. On 15 July, the Council unanimously adopted a version that had been somewhat watered-down at the request of China and Russia. The changes included deletion of any mention of Chapter VII of the UN Charter, which would have authorised explicit enforcement powers up to and including the use of force.²⁶

Nevertheless, Resolution 1695 “demands” that North Korea suspend all missile activity and return to the six-party talks unconditionally and requires “all Member States to prevent the transfer of missile and missile-related items, materials, goods and technology” to the North’s weapons programs, “as well as procurement of such items and technology from that country”.²⁷ It further requires all member states to block “the transfer of any financial resources in relation to [the] DPRK’s missile or WMD [weapons of mass destruction] programs”.²⁸ A statement continually echoed by China and Russia throughout the crisis – “the need to show restraint and refrain from any action that might aggravate tension and to continue to work on the resolution of non-proliferation concerns through political and diplomatic efforts” – was also included.²⁹

As the crisis unfolded, the stances of Washington and Seoul could not have been more different. Before the launch, two very senior former officials in the Clinton administration, William Perry and Ashton Carter, called for a pre-emptive strike on the missile facilities.³⁰ This led one South Korean official to wonder, with not unreasonable emotion: “Have the Americans lost their minds?”³¹ Seoul, before and after the launch, was “cautious to the point of denial”.³² While Washington was convinced a test was imminent, Seoul maintained

that the preparations were posturing and might be merely for a satellite launch. When the test took place, the director of the South Korean National Intelligence Service was not in the country and the National Security Council did not meet until hours after their Japanese counterparts had done so. The Presidential Blue House responded much more strongly to Japan’s reaction than to the missile launch. Seoul’s unification minister had warned prior to the launch it would jeopardise humanitarian assistance for the North but at first aid shipments continued as scheduled.

The U.S. sought China’s help prior to the missile test. On 13 June, Secretary of State Rice spoke with Foreign Minister Li Zhaoxing, and on 28 June Premier Wen Jiabao urged Pyongyang not to test. However, North Korea ignored the request,³³ and Chairman Kim Jong-il later refused to meet with two Chinese leaders, Deputy Prime Minister Hui Liangyu and Vice Foreign Minister Wu Dawei, who visited Pyongyang from 10 to 15 July to mark the 45th anniversary of the bilateral Treaty of Friendship, Cooperation and Mutual Assistance, and to discuss the test. China’s decision to approve the UN resolution, rather than abstain as in the past, suggests that it is losing patience.³⁴

China was clearly displeased the missile launch went ahead. Its response, though limited, is likely to be stronger than ever before. Despite its frustration with North Korea, however, China still fears instability and that the collapse of the Kim regime would cause a wave of refugees.³⁵ An informal poll by an internet news site found that 83 per cent of over 156,000 respondents among the Chinese public thought North Korea would never abandon its nuclear program.³⁶

If Seoul underreacted to the missile test, Tokyo appeared to overreact, in part because the North’s last long-range test, in 1998, had demonstratively crossed over Japan before landing in the Pacific Ocean.³⁷ Officials, including Chief Cabinet Secretary Abe Shinzo, went so far as to suggest the possibility of a pre-emptive strike against the North. There was a strong backlash even from within the

²⁶ UN Security Council Resolution 1695 [S/RES/1695 (2006)], 15 July, 2006, at <http://daccessdds.un.org/doc/>.

²⁷ Ibid.

²⁸ Ibid.

²⁹ Ibid.

³⁰ Ashton B. Carter and William J. Perry, “If necessary, strike and destroy: North Korea cannot be allowed to test this missile”, *The Washington Post*, 22 June 2006. Perry was secretary of defense and Carter assistant secretary of defense for international security policy.

³¹ Crisis Group interview, 26 June 2006.

³² John Feffer, “North Korean Fireworks?”, Foreign Policy in Focus Report, 30 June 2006.

³³ “China’s vote for UN sanctions against North strains relations”, *Hankyoreh Sinmun*, 17 July 2006 (in Korean).

³⁴ “China fails to persuade the North to return to talks”, *Chosun Ilbo*, 13 July 2006 (in Korean).

³⁵ “Chinese Analysts: China is feeling more pressure than the U.S.”, *Zaobao Wang*, 6 July 2006 (in Chinese). Professor Yan Xuetong of Qinghua University said that while the test was a failure, it was ultimately meant to put pressure on the U.S. and China. Ibid.

³⁶ “Do you think North Korea will abandon its nuclear program? (poll)”, *Zaobao Wang*, at <http://polls.zaobao.com/cgi-bin/poll/zaobao/zaobaopoll.pl>. (in Chinese).

³⁷ Crisis Group Report, *Bones of Contention*, op. cit.

ruling Liberal Democratic Party, where a senior official said Abe's statement contradicted the country's defence-oriented posture and constitution,³⁸ but a few days after the tests, a *Yomiuri Shinbun* poll indicated that 92 per cent of those surveyed supported sanctions against North Korea. Some 77 per cent said their threat perceptions of North Korea had increased.³⁹

North Korea rejected the Security Council Resolution within 45 minutes of its passage. Pak Gil-yon, its UN ambassador, "resolutely condemned the attempt of some countries to misuse the Council for despicable political aims and to put pressure [on North Korea]".⁴⁰ Pyongyang maintained that the test was an exercise of sovereignty. Pak said history and the lessons of Iraq showed that the missile program was "key to the balance of forces and, thus, needed, to preserve peace and stability in northeast Asia".⁴¹ North Korea's isolation has only deepened since the resolution was passed. Its ailing foreign minister, Baek Nam-sun, was unable to prevent the Association of South East Asian Nations (ASEAN) Regional Forum from issuing a chairman's statement calling for the North to uphold the UN resolution, while China failed to get the North to attend informal eleven-party talks.⁴²

The North's motivations for the missile test remain unclear. In the absence of solid evidence, analysts are deeply divided as to whether the missile test was a move out of the North's brinkmanship playbook to get U.S. attention or the first step in a military breakout. Some leading North Korea watchers, like Korea University's Nam Sung-wook and the Center for Strategic and International Studies' Scott Snyder, even suggested the missile launch may have been more for internal than external purposes, designed to rally public support for the regime, to placate the military for lack of diplomatic accomplishments or to encourage it to accept one of Kim Jong-il's less-than-impressive sons as his heir apparent.⁴³ Others suggest the launch was a sales demonstration for

Iran.⁴⁴ Trying to fathom North Korea's motives is problematic at best, but whatever they were, Seoul was left with difficult choices.

III. SEOUL'S STRATEGIC DILEMMA

The North Korean missile launch underscored the strategic dilemma faced by South Korea. Its government suffers as much from internal division as Washington does. There is an ongoing struggle over whether to maintain a strong alliance with the U.S. or pursue a more "independent" (*jaju*) foreign policy. Seoul has the difficult task of trying to maintain good relations with both the U.S. and North Korea. However, as the nuclear and missile crisis deepens, it is increasingly being asked to choose between its old friend and its self-destructive "brother."⁴⁵ An official at the Presidential Blue House in Seoul said: "We feel we are walking on a tightrope, and the others are trying to knock us off".⁴⁶

When South Korean leaders scan the horizon, they do not like what they see: a rising China with a voracious energy appetite, a remilitarising and increasingly conservative Japan reluctant to cede power to China, and an American government that seems better at making war than peace. Fearing a repeat of a century ago, when the great powers clashed over the peninsula and Koreans lost control of their destiny, many younger, liberal leaders seek a more independent policy. Most conservative politicians and diplomats consider the U.S. alliance critical for national security. The establishment perceives North Korea as a threat, and members often speak out against the Presidential Blue House and the ruling Uri Party's luke-warm attitude toward Washington. The ruling party and those around President Roh Moo-hyun are

³⁸ "Cabinet Minister Abe defends criticisms against his argument for pre-emption, Yamasaki claims 'unconstitutional'", *Asahi Shimbun*, 12 July 2006 (in Japanese).

³⁹ "North Korean missiles: 92 per cent support sanctions", *Yomiuri Shinbun*, 7 July 2006.

⁴⁰ "Security Council Condemns Democratic People's Republic of Korea's Missile Launches, Unanimously Adopting Resolution 1695 (2006)", UN Security Council press release, 15 July 2006, at <http://www.un.org/News/Press/docs/2006/sc8778.doc.htm>.

⁴¹ *Ibid.*

⁴² "Among 25 foreign ministers, the North's is alone", *Chosun Ilbo*, 29 July 2006 (in Korean); "Ten-party talks missing North", *Chosun Ilbo*, 29 July 2006 (in Korean).

⁴³ Crisis Group interview, 20 July 2006; Scott Snyder, "Missed Opportunities over Missile Launch", *JoongAng Daily*, 28 July 2006.

⁴⁴ Kim Min-cheol, "The North's Ministry of Foreign Affairs and Worker's Party are Leary of the Military", *Chosun Ilbo*, 19 July 2006 (in Korean). Another scholar, Bruce Cumings, suggested the test was related to North Korea's close following of handling by the U.S. and Europeans of the Iran nuclear issue. He noted that on 1 June 2006, the day after the U.S. expressed conditional willingness to join the multilateral talks held by the UK, France and Germany with Iran, Pyongyang invited Hill to participate in direct talks for a second time. Washington immediately rejected the offer, telling the North to return unconditionally to the six-party talks instead. "What Does North Korea Want?", *The New York Times*, 7 July 2006.

⁴⁵ See Crisis Group Asia Report N°89, *Korea Backgrounder: How the South Views Its Brother from Another Planet*, 14 December 2004.

⁴⁶ Crisis Group interview, 17 January 2006.

more divided. Roh himself favours the alliance but at times sends mixed signals.⁴⁷

Senior foreign ministry officials argue that the media exaggerates the alliance-or-independence division but privately admit that not all of President Roh's team support the U.S. connection. A senior diplomat confided: "I am less concerned about the strains with the United States than I am [with those] within our own government".⁴⁸ The mainstream media often voices the fear that Seoul will become an "international outcast" (*gukje wangdda*) or "global orphan" (*segye mia*) by pushing independence too hard. That anxiety has grown especially in the wake of the North's missile test. With U.S. relations already strained, ties with Japan at a post-normalisation low and the North pulling back into its shell, many wonder which country they can trust.

A. SEOUL AND WASHINGTON: ALLIANCE UNDER STRAIN

The North Korean crisis has exposed the strains in South Korea's relationship with the U.S. The two areas of friction involve how best to deal with Pyongyang and the stationing of American troops. President Bush's self-declared "loathing" of Kim Jong-il and desire for regime change have clashed with President Roh's efforts to engage the North (his critics would argue unconditionally) and keep it from collapsing at all costs. Both governments want a Korean Peninsula free of nuclear weapons through peaceful means, but differ on how to achieve it, with the U.S. increasingly favouring pressure and the South seeking dialogue, with incentives.⁴⁹

The U.S. has grown increasingly vocal on North Korean human rights abuses, while Seoul has largely remained silent. The U.S. appointed a special envoy for North Korean Human Rights, Jay Lefkowitz, in July 2005. When he and U.S. Ambassador to South Korea Alexander Vershbow expressed concern about the situation in the North and urged Pyongyang to respond to growing international complaints, Seoul avoided comment. Even after the July Security Council resolution, the South was reluctant to impose sanctions or participate in the Bush

administration's Proliferation Security Initiative (PSI), designed to crack down on North Korean arms transfers. Washington is also calling into question the cornerstone of South Korean engagement, the Kaeseong Industrial Complex and Diamond Mountain Tours, because they transfer large sums of cash to the North.

1. Transforming the military alliance

President Roh has repeatedly acknowledged the importance of maintaining the U.S. alliance, and his government has sent troops to Iraq. However, a number of issues have become sticking points in the bilateral relationship, including strategic flexibility, operational control of forces during wartime, training opportunities, base relocations and environmental cleanup of abandoned facilities.⁵⁰ According to a range of American and Korean statesmen, failure to manage any one of these adroitly could lead to downgrading or even rupture of the military relationship.⁵¹

The cost of the alliance is growing for South Korea. The U.S. wants it to increase its annual financial contribution for the stationing of troops and pay an estimated \$7 billion to \$9 billion for moving troops from central Seoul as well as be responsible for environmental cleanup. Severe pollution and unexploded ordinance have been found even after the U.S. officially cleaned up fifteen bases before returning them in mid-July, provoking the wrath of local residents and civic groups.⁵² A Korean scholar has argued that the U.S. is violating the terms of the agreement to return the bases.⁵³ For Washington, one of the most contentious areas has been the lack of a practice range for its air force fighter pilots. One commander has threatened to move air force elements to a third country if the issue is not resolved quickly.⁵⁴ The

⁴⁷ For detailed analyses from opposite perspectives, see An Suchan, "We must go from the pro- vs. anti-American divide to the post-U.S.", *Hankyoreh Shinmun*, 4 April 2006 (in Korean); and "The anti-U.S. independence faction attacks the moderate independence faction", *Chosun Ilbo*, 3 February 2006 (in Korean).

⁴⁸ Crisis Group interview, 23 March 2006.

⁴⁹ See Donald Oberdorfer, "The United States and South Korea: Can This Alliance Last?", Nautilus Institute Policy Forum Online, 17 November 2005.

⁵⁰ See Norman Levin, "Do the Ties Still Bind? The U.S.-ROK Security Relationship After 9/11", RAND Corporation, 2004; and Wonhyuk Lim, "Transforming an Asymmetric Cold War Alliance: Psychological and Strategic Challenges for South Korea and the U.S.", Nautilus Institute Policy Forum Online, 18 April 2006.

⁵¹ See Michael Armacost, "Disconnect between allies helps the North", *Joongang Daily*, 1 June 2006; and Lee Hongkoo, "Roh and Bush must work together", *Joongang Daily*, 10 July 2006.

⁵² "After cleaning by U.S., ex-base still littered with shells", *Hankyoreh Shinmun*, 22 July 2006 (in Korean).

⁵³ Chae Yeong-keun, "U.S. troops in Korea violate the base relocation agreement", *Hankyoreh Shinmun*, 13 July 2006 (in Korean).

⁵⁴ Yu Yong-won, "If the training issue is not resolved, the U.S. air force can't stay in Korea", *Chosun Ilbo*, 17 June 2006 (in Korean).

previous training area was closed in August 2005, forcing pilots to travel as far as Alaska for training.⁵⁵

At the same time, the number of troops stationed in South Korea is dwindling, and those that remain are dedicated to more than just Korean contingencies. The Roh administration is uncomfortable with strategic flexibility, now a core operating principle for the U.S. military, because it fears being caught between China and the U.S. should war break out over Taiwan. In February 2006, Foreign Minister Ban Ki-moon visited Washington to iron out differences but the sides agreed in effect to disagree. Operational control during wartime, given to the United States Forces Korea (USFK) during the Korean War, is sensitive for a South Korea yearning for more military autonomy. Many analysts and former officials in Seoul, including thirteen former defence ministers, believe the pro-independence group in Seoul has been too aggressive in pushing for the return of operational control because Korean forces will lack effective intelligence, air support and missile defence capabilities to fight on their own for many years.⁵⁶ The U.S. insists it will not subordinate its forces to foreign command or, due to the risk of friendly fire, operate them independently from the host military.

2. Anti-Americanism: a spent force

Anti-Americanism has waxed and waned since the 1980s and currently appears to be in a down cycle. The most recent spike was in November 2002, when two soldiers were acquitted by a U.S. military court after they struck and killed two South Korean schoolgirls while driving a track vehicle.⁵⁷ However, many of the demonstrations and vigils that followed had as much or more to do with the perceived injustice of the decision than with the U.S. itself. Three years later, a case in which a military truck struck and killed a 51-year-old Korean woman received little coverage.

The planned move of 14,000 U.S. troops south of Seoul to Pyeongtaek by 2008 became a litmus test for anti-Americanism in spring 2006. Anti-American groups joined with several dozen residents who refused to accept

the generous buyout offered by the Korean government.⁵⁸ However, even at their peak, the protests were small, and only 600 demonstrators were forcibly removed.⁵⁹ A taxi driver in his late 60s noted: "Even though I am Korean, and I wish our country were strong enough these days to not need outside help, we still need it because of North Korea".⁶⁰ A college student in Pyeongtaek observed: "The North Korean situation remains uncertain, so we still need an American presence here. I'm not that crazy about the U.S. soldiers but there are already a lot of them here, so more won't really be any different".⁶¹ A protest in late July attracted a mere 1,300. The average student is far more worried about finding a job and a spouse than the stationing of U.S. troops or even the North's missile tests.⁶²

B. RELATIONS WITH CHINA

Even though China is now South Korea's largest trade partner, and Seoul finds Beijing's approach to the nuclear and missile standoff preferable to Washington's, South Koreans are uncomfortable with China's rapid rise in general and its growing economic influence over North Korea in particular.⁶³ At the same time, China and South Korea find themselves on the same side of many of North East Asia's most historically sensitive problems, including Japanese Prime Minister Koizumi's visits to the Yasukuni Shrine, Japanese history textbooks and World War II reparations. Many South Koreans are still hesitant about China, unsure of how the relationship will evolve if China becomes the regional hegemon. Furthermore, while Chinese and South Korean positions on North Korea may be closer than in the past, there is still an informal competition to see who can influence the North more. Beijing's failure to inform Seoul in advance that Kim Jong-il would make a major visit in January 2006 suggested that it still ranks North Korea ahead of the South as an ally.

⁵⁵ Yu Yong-won, "U.S. air force trains abroad", *Chosun Ilbo*, 31 July 2006 (in Korean).

⁵⁶ "Former Defence Ministers strongly demand halt to talks for return of operational control", *Chosun Ilbo*, 3 August 2006 (in Korean) and Kim Yeong-ho, "We must be careful with the return of operational control", *Dong-a Ilbo*, 8 March 2006 (in Korean).

⁵⁷ "Ambivalent Allies?: A Study of South Korean Attitudes toward the U.S.", RAND Corporation, March 2004.

⁵⁸ "In S. Korea, a stubborn stand against U.S. military presence", *The Washington Post*, 21 May 2006. For reasons behind the move, see Crisis Group Asia Report N°61, *North Korea: A Phased Negotiation Strategy*, 1 August 2003.

⁵⁹ Yu Yong-won, "The area where U.S. base to move is closed", *Chosun Ilbo*, 8 April 2006.

⁶⁰ Crisis Group interviews, Pyeongtaek, South Korea, 20 April 2006.

⁶¹ *Ibid.*

⁶² The leading weekly news magazine, *Sisa Journal*, reviews the top Internet search terms of the previous week; neither the U.S. nor North Korea makes the cut more than a couple of times a year.

⁶³ See Crisis Group Report, *Comrades Forever?*, op. cit.

C. RELATIONS WITH JAPAN

South Korea's relations with Japan have continued to deteriorate, due to disputes over history and territory, as well as sharp differences over how best to deal with North Korea. Prime Minister Koizumi has continued his controversial visits to the Yasukuni Shrine, a memorial to Japanese war dead, fourteen of whom are convicted Class-A war criminals. The Japanese ministry of education stated in April 2006 that Dokdo, an island claimed by both countries and referred to in Japanese as Takeshima, should again be called Japanese territory in school textbooks.⁶⁴ No progress has been made on other divisive issues, including that of Korean citizens who died while serving under Japanese rule and are now buried at Yasukuni or elsewhere in Japan and the grievances of women who were forced into sexual slavery for the Japanese military during the war.

On North Korea, Japan is focused almost entirely upon the unresolved kidnappings of several of its citizens.⁶⁵ After a dramatic confession in September 2002, the North has not provided sufficient evidence about the fates of some of those kidnapped.⁶⁶ South Korea, although it has many of the same unresolved issues with the North, has generally chosen to keep silent about them.

The Roh administration gave the appearance of being more alarmed about Japan's reactions in the missile launch affair than about the launch itself. Though the missiles landed closer to Russia's Nahodka than Japan, hardliners in Tokyo were the ones calling earlier for a preemptive strike on the North's missile facilities, provoking a harsh response from Seoul.⁶⁷ Only weeks before, President Roh had commented that South Korea's defences were strong enough to repel a Japanese attack on Dokdo.⁶⁸ Tokyo consulted closely with Washington but not Seoul during the previous two months,⁶⁹ and the Korean press made much of the fact that Japan for the first time pushed for strong Security Council action. Japan is preparing to impose more sanctions on North Korea, and with hardliner Abe Shinzo expected to become its next prime minister in September 2006, relations could become even more strained.

⁶⁴ Crisis Group Asia Report N°108, *North East Asia's Undercurrents of Conflict*, 15 December 2005.

⁶⁵ For earlier grievances between the two, see *ibid.*

⁶⁶ For more details, see Crisis Group Report, *Bones of Contention*, *op. cit.*

⁶⁷ Baek Il-hyun, "Roh aid calls Japan's reaction to missiles 'truly evil'", *Joongang Daily*, 22 July 2006.

⁶⁸ "Roh wants strong defense against Japan in sea spat", Reuters, 22 June 2006.

⁶⁹ Jeong Kwon-hyeok, "Japan's 'brilliant diplomatic achievement'", *Chosun Ilbo*, 17 July 2006 (in Korean).

D. SOURING NORTH-SOUTH RELATIONS

Even in the best of times, South Korea has a tenuous relationship with the North. Fearing that too much contact could destabilise the regime, Pyongyang keeps Seoul at arm's length unless very large sums of cash are involved.⁷⁰

Despite flourishing trade and visits, the North rebuffed a series of overtures over the past year.⁷¹ It never responded in the summer of 2005 when then-Unification Minister Chung Dong-young told Kim Jong-il the South would provide two million kilowatts of electricity per year if the North would give up its nuclear program. It also ignored former President Kim Dae-jung's offer to visit in 2006.⁷² The missile launch has now led to a rapid deterioration in relations. The breakdown in ministerial talks held in the wake of that event has put the Roh administration on the defensive and produced growing frustration among those still advocating engagement.⁷³ For example, the venerable Song Wol-ju, a prominent Buddhist who helped lead the effort to assist the North in the late 1990s, remarked: "The North has abused our humanitarian assistance...has anything in the North changed after ten years of the Sunshine policy"?⁷⁴ Kim Keun-tae, who is the chairman of the ruling party and the most liberal presidential hopeful, called the North's statement that its missile program helped defend the South "an insult to the people".⁷⁵ However, the flooding which struck the North in July 2006, which left hundreds dead or missing and destroyed tens of thousands of hectares of farmland, could create an opportunity for renewed North-South cooperation. A Buddhist organisation, the Join Together Society, has already launched a drive to raise funds for flood victims.⁷⁶

⁷⁰ The Kim Dae-jung administration paid roughly \$500 million to the North for the 2000 summit.

⁷¹ Inter-Korean trade has been growing 20 per cent a year in recent years and reached \$1.06 billion in 2005. Ministry of Unification (Seoul), 23 January, 2006, at <http://www.unikorea.go.kr>.

⁷² Kim Min-cheol, "The circumstances leading to the cancellation of DJ's June trip to the North", *Chosun Ilbo*, 22 June 2006.

⁷³ Crisis Group interview, Ministry of Unification official, 27 July 2006.

⁷⁴ Kim Kwang-o, "Former head of Jogye Temple strongly criticizes policy toward the North", *Dong-a Ilbo*, 22 July 2006 (in Korean).

⁷⁵ Bae Seong-kyu, "Kim Keun-tae: Military first statement insults the people", *Chosun Ilbo*, 14 June 2006 (in Korean).

⁷⁶ Lee Yong-in, "Up to 1.3 million flood victims need urgent assistance", *Hankyoreh Shinmun*, 2 August 2006 (in Korean).

1. Kaesong industrial complex: under threat?

The cornerstone of cooperation between the two Koreas is the industrial complex just north of the Demilitarised Zone on the outskirts of the old capital, Kaesong. The pilot factory site for fifteen small South Korean companies opened in December 2004. After a slow start, a land route now connects the zone to the South, and hundreds of Southerners pass through from Seoul daily to manage their 6,000 North Korean workers. It is impressive to see 1,000 North Korean workers in a gleaming new South Korean factory with South Korean managers. Workers insist they are very satisfied.⁷⁷ However, even before the missile launch, the project had become a point of contention between Washington and Seoul. Washington's special envoy on human rights in North Korea, Jay Lefkowitz, has raised questions about the system under which the workers' wages are paid to Pyongyang.⁷⁸ However, South Koreans see the zone as a means of showing the North the path to economic reform and integration of the two economies before eventual reunification.

In the wake of the missile tests, Washington has been hinting that the South should halt the project because the funds from it, totalling approximately \$177 million to date, could be used for the North's weapons programs.⁷⁹ The U.S. has also refused to consider products made in the complex as "Made in Korea" for the purposes of the free trade agreement it is currently negotiating with the South. Seoul has remained firm on keeping the project running and intends to expand the zone later this year, but for the first time there are voices calling for a halt. When the North expelled the South's economic cooperation team from the complex after the North-South talks broke down in mid-July 2006, Pyongyang's chief delegate to the inter-Korean economic talks, Ju Dong-chan, said the two Koreas "must continue to move forward on the Kaesong industrial complex regardless of 'international conditions' surrounding the Korean Peninsula".⁸⁰ But if the North continues to act in a provocative manner, there are growing fears that the Kaesong project could be threatened.⁸¹

2. Human rights

Seoul has been reluctant to join the international outcry against North Korea's dismal human rights record out of fear it would withdraw further into its shell but under mounting external and internal pressure, the Roh administration has gradually begun to find its voice. In November 2005, the U.S. cosponsored a resolution at the UN General Assembly that condemned the North's treatment of its people. It carried, 88 to 21 with 60 abstentions, the first time the General Assembly passed such a resolution on North Korea.⁸² South Korea abstained but the resolution was a wake-up call to the Roh administration. It participated for the first time in the Citizen's Alliance for North Korean Human Rights conference, in Norway in April 2006, which received extensive coverage in the South Korean press. The popular musical "Yodok Story", which examines the horrible conditions in North Korea's most notorious political prisoners camp, also helped raise public awareness in spring 2006. Even the liberal daily, *Hankyoreh Shinmun*, has begun to address the human rights issue.⁸³

Seoul has also begun to speak about its citizens abducted by the North. Since the Korean War, an estimated 489 South Koreans have been seized, most more than twenty years ago.⁸⁴ A fisherman captured by the North in 1969 was briefly reunited with his wife after 37 years, though North Korean authorities almost cancelled the reunion when a South Korean reporter covering it used the word "kidnapped" to describe the abduction.⁸⁵ The government's hand was at least partially forced when genetic tests in Japan proved that the husband of Japan's most famous abductee, Yokota Megumi, was a South Korean abducted in 1978 at the age of sixteen. The North allowed Yokota's father and daughter (Yokota is alleged to have committed suicide) to attend a family reunion in June 2006. This mini-breakthrough came after Unification Minister Lee Jong-seok announced in April that Seoul was willing to offer substantial incentives to the North to resolve the prisoner-of-war and abduction issues.⁸⁶

⁷⁷ Crisis Group interviews, Kaesong, North Korea, 22 June 2006.

⁷⁸ At present, wages (currently around \$60/month) are paid to the North Korean government rather than the workers; it is unclear how much of their wages workers actually receive. Seoul has requested to pay workers directly, but so far has only been given permission to have workers sign a document which states that they have been properly paid.

⁷⁹ South Korea Ministry of Unification, 23 January 2006, at <http://www.unikorea.go.kr>.

⁸⁰ "N. Korea says Kaesong project must not be affected by missile crisis", *Yonhap*, 28 July, 2006.

⁸¹ Ha Tae-won, "Is the North's next pressure card the Kaesong complex?", *Dong-a Ilbo*, 24 July 2006 (in Korean).

⁸² "Resolution 60/173: Situation of Human Rights in the Democratic People's Republic of Korea", United Nations General Assembly, 16 December, 2005, at <http://daccessdds.un.org/doc/>.

⁸³ For example, see Ahn Su-chan, "Even Liberal Forces are Breaking Their Silence and Grapple with the 'Real Human Rights Situation in North Korea'", 28 March 2006 (in Korean).

⁸⁴ "No. of South Koreans abducted by North totals 489: report", *Kyodo*, 6 June 2006.

⁸⁵ "Reporting spat delays return of reunion kin", *JoongAng Daily*, 23 March 2006.

⁸⁶ "Seoul plans to offer massive aid", *JoongAng Daily*, 18 April 2006.

3. The halt in family reunions

Since 2000, the North has allowed its citizens some brief visits to relatives in the South from whom they have been separated for nearly six decades. Time is running out: 26,166 of the 94,495 South Koreans who registered for the reunions have already died, according to the Red Cross.⁸⁷ Sadly, one of the first results of the downward spiral in relations since the missile crisis broke has been the North's decision to halt the visits. This came when Seoul refused to give additional humanitarian aid at the nineteenth ministerial conference, in Busan, 11-16 July. That the North would halt a purely humanitarian project has angered many in the South.

IV. CONCLUSION

In August 2003 and December 2004, Crisis Group argued that countries in the region would only consider more forceful alternatives if all diplomatic means had been exhausted.⁸⁸ Diplomatic options remain. No one is happy about the North's provocative behaviour and belligerent statements but the missile tests did not violate international law or change the security balance. No options for dealing politically with North Korea's nuclear and missile threats are particularly appealing but abandoning diplomacy would leave only more problematic ones: a military strike that could lead to a catastrophic war; economic sanctions that would hurt the most vulnerable without necessarily changing regime policies; and acceptance of North Korea as a de facto nuclear weapons state. Washington should take steps to find out if the North is serious about negotiating.

The key necessary steps are these:

Free up North Korean assets in Macao used for legitimate business activities. The U.S. should continue to oppose North Korea's indefensible counterfeiting of U.S. currency, but withdraw its demand that a Macao bank freeze funds that have no connection to companies that have been designated as WMD proliferators or as linked to counterfeiting and money laundering. International banking records can confirm legitimate transactions, such as payments for consumer goods. This small gesture would signal that the U.S. was willing to negotiate and give the North a face-saving way to return to the table.

⁸⁷ "North-South reunion: Tears but no touching", *JoongAng Daily*, 16 August 2005.

⁸⁸ Crisis Group Asia Report N°61, *North Korea: A Phased Negotiating Strategy*, 1 August 2003.

Appoint a senior envoy for the six-party talks, equipped with substantial negotiating powers. The U.S. needs a senior envoy who can devote full-time attention to coordinating its policy on North Korea and has the authority and the brief to negotiate seriously. In June the U.S. Senate passed a resolution which calls on the president to appoint a special envoy to conduct an interagency review of policy on North Korea and provide policy direction.⁸⁹ The administration should follow up.

Allow the envoy to visit Pyongyang for informal bilateral discussions. The priority should be to end North Korea's nuclear program. Other issues – missiles, human rights, chemical and biological weapons, troop reductions and crime – should be tackled subsequently. Bipartisan support is growing for the idea that only direct talks at a high level will generate the necessary momentum. Republican Senator Richard Lugar has said that "it would be advisable to bring about a much greater intensification of diplomacy, and this may involve direct talks between the United States and the North Koreans".⁹⁰ Former Assistant Secretary of State Morton Abramowitz, testifying before the Senate Foreign Relations Committee in July, called for a dramatic measure to show willingness to negotiate, such as a visit by Secretary Rice to Pyongyang or an offer to begin talks on establishing diplomatic relations, and said:

We cannot determine their [North Korea's] willingness to negotiate a deal to eliminate their nuclear weapons capabilities by intelligence analysis or intuition or exhortation. It will have to be done – if at all – by diplomatic exploration.⁹¹

Refrain from veiled threats and name-calling. They make for good sound bites but the North Korean regime is insecure and feels threatened by presidential statements such as "all options remain on the table". Referring to the North as part of an "axis of evil" as President Bush once famously did or Kim Jong-il as a "tyrant" as is still regularly done has no useful place in diplomacy.

Seoul also has an important role to play in resolving the nuclear and missile crisis on the peninsula. The following steps would increase the chances for progress.

Link expansion of inter-Korean cooperation to resumption of the six-party talks. Economic incentives

⁸⁹ "S.AMDT.4307", U.S. Library of Congress (THOMAS), passed 22 June 2006.

⁹⁰ Transcript of "CBS News' Face the Nation", 25 June 2006, at http://www.cbsnews.com/htdocs/pdf/face_062506.pdf.

⁹¹ Morton Abramowitz, testimony before the U.S. Senate Foreign Relations Committee Hearing "North Korea: U.S. Policy Options", 20 July 2006. Ambassador Abramowitz is a member of Crisis Group's Board of Trustees.

should be tied to behaviour. Failure to coordinate the use of carrots and sticks would virtually guarantee their failure.

De-link humanitarian assistance from nuclear, missile and inter-Korean cooperation issues. North Korea's most vulnerable people should not be punished for the regime's behaviour. As President Ronald Reagan put it, "a hungry child knows no politics". Shortly after the missile tests, Seoul held up 100,000 tons of fertiliser and 500,000 tons of rice, leading to the collapse of the inter-Korean talks days later. While the desire to send a strong message was understandable, halting cash transfers is preferable to halting humanitarian assistance. Particularly in light of the July floods, humanitarian assistance should be resumed.

Support implementation of Security Council Resolution 1695 by actively participating in the Proliferation Security Initiative (PSI). Seoul has been reluctant to participate fully in the U.S.-led Proliferation Security Initiative aimed at preventing weapons and weapons technology transfers because North Korea is a direct target. The North strongly opposes the PSI but the initiative's goal of halting proliferation is consistent with Seoul's own.

Refrain from openly criticising other six-party talks participants. A united front is needed more than ever. North Korea must no longer be allowed to exploit differences between the parties. Vigorous and thoughtful debate should take place but open criticism of other participants should be kept to a minimum.

North Korea is unpredictable, to be sure, but regime survival is its primary concern. When Washington and Pyongyang held bilateral conversations, during the fourth round of the six-party talks, these produced the closest thing to progress the process has seen. Charles Pritchard, the Bush Administration's former special envoy for North Korea, asks: "Is America safer today as a result of its exclusively multilateral policy?"⁹² The six-party talks remain the most effective framework for resolving the nuclear standoff but that should certainly not preclude a more active bilateral component. The time has come for the U.S. to replace its half-hearted efforts with real attempts to engage the North. Steps need to be taken – and quickly because time to negotiate is running out. Without more flexible dialogue in the equation and an agreement on common goals and strategies among South Korea, China and the U.S., the North could be pushed to the point of further escalating an already perilous situation.

Seoul/Brussels, 9 August 2006

⁹² "The New U.S. Administration and the North Korean Nuclear Issue", the Brookings Institution, presented at the 2004 Sejong-SAIS Workshop, 11-12 November 2004.

APPENDIX A

MAP OF NORTH KOREA



Boundary representation is not necessarily authoritative.

APPENDIX B

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