DISPATCH FROM PYONGYANG: AN OFFER YOU CAN’T REFUSE!

SCOTT SNYDER

Every North Korean seems to have been mobilized for an all-out push to mark their country’s arrival as a “strong and powerful nation” in 2012, which marks the 100th anniversary of Kim Il Sung’s birth, Kim Jong Il’s 70th birthday, and the 30th birthday of Kim Jong Il’s third son and reported successor, Kim Jong-Eun. Pyongyang citizens have cleaned up the city during a 150-day labor campaign, followed by a second 100-day campaign now underway. The Ryugyong Hotel in the middle of Pyongyang, unfinished for over two decades, has been given a facelift courtesy of the Egyptian telecommunications firm Orascom, which expects to have 100,000 mobile phone customers in Pyongyang by the end of the year. But it is still difficult to shake the feeling in Pyongyang that one has walked onto a movie set in between takes. Or that the used car looks good on the outside, but you really don’t know what you might find if you were able to look under the hood or give it a test-drive.

North Korean foreign ministry officials seem to have moved on from nuclear talks, although they make it clear their outrage at United Nations condemnation of their April multi-stage rocket launch as an affront to their sovereignty. This is the ostensible reason the North Koreans have walked away from six party talks. Having conducted a second nuclear test, North Korean officials want to be considered as a nuclear power, choosing instead to “magnanimously” set aside nuclear differences in order to focus on the need to eliminate U.S. “hostile policy” by replacing the armistice with a permanent peace settlement. Essentially, Pyongyang’s new offer—as a "nuclear weapons state"—has shifted from the denuclearization for normalization deal at the core of the 2005 Six Party Joint Statement to “peace first; denuclearization, maybe later.” There was no mention of “action for action” by our North Korean interlocutors.

But the North Koreans are likely to find when Ambassador Bosworth arrives in Pyongyang this week that the United States will not accept North Korea as a nuclear weapons state. There is virtually no area of agreement between the two governments on the nuclear issue based on public statements made by the two sides thus far, suggesting the likelihood that both sides will face a difficult conversation.

A new component of North Korea’s strategy for achieving its economic and infrastructure goals in the run-up to 2012 is its effort to attract investment from overseas. The Director of North Korea’s newly established Foreign Investment Board unveiled a new plan for attracting equity, contractual, and 100% foreign owned joint venture investments. On paper, the rules incorporate provisions for repatriation of profit, generous tax incentives, and a labor rate of 30 Euros per month. This rate undercuts the compensation of $57.50 per month currently offered at the South Korean-invested Kaesong Industrial Zone. Even more generous was the offer of special concessions in North Korea’s natural resources sector for companies willing to build 100,000 units of new housing in Pyongyang that have already been promised in the run-up to 2012.

North Korean colleagues at the Ministry of Trade appeared genuinely surprised and dismayed when we mentioned that UN Security Council Resolution 1874, which condemned North Korea’s May 25, 2009, nuclear test, contains provisions prohibiting companies from making new investments in the DPRK. This is all the more unfortunate because on paper, North Korean efforts to open its economy through foreign investment are exactly the course that should be encouraged, and North Korea’s goals for 2012 could be advanced significantly with inward investment from companies that might be willing to take the risk, but the nuclear issue stands in the way. This is not to mention that North Korea’s own economic
retrenchment and anti-market policies, including the “currency reforms” announced last week, stretch the credibility of the North Korean government to back up these laws. Recent surveys of Chinese investors suggest few demonstration projects for successful investment in North Korea and a high probability of getting scammed or fleeced on the ground.

But the North Korean plea for foreign investment does suggest a potential point of leverage that deserves careful consideration, and that is the possibility of an investment in a strategic commodity that is of special interest to the United States: North Korea’s plutonium stock. During the Clinton administration, former Defense Secretary William Perry led efforts to make similar purchases of nuclear materials from the Ukraine and Kazakhstan, which had inherited stocks of nuclear materials from the breakup of the Soviet Union. These transactions advanced the cause of nuclear non-proliferation by ensuring that these countries would not become nuclear states. A 2004 report of a Task Force on U.S.-Korea Policy co-sponsored by the Center for International Policy and the University of Chicago, also suggested a plutonium “buy-out” proposal for North Korea, despite the obvious moral hazard of appearing to reward North Korea’s bad behavior. Any transaction with North Korea involves moral hazard, and North Korea has already proven that it will sell or sub-contract nuclear materials to the highest bidder. One positive of this approach is that any transaction involving removal of nuclear materials or capabilities from the North would be irreversible, in contrast to past practice of offering irreversible food-aid benefits to North Korea in exchange for participation in multilateral dialogue, but not for irreversible steps toward denuclearization.

In a post-9/11, post-North Korean nuclear test world, the Obama administration must find a formula that facilitates North Korea’s irreversible actions on the path toward denuclearization rather than agreeing to half-measures: North Korea’s immediate focus is on gaining the resources necessary to mark 2012 as a year of accomplishment, yet the North has been highly critical of Lee Myung-bak’s “grand bargain” proposal. Denuclearization needs to be placed on the North Korean agenda as an accomplishment that North Korea will be able to justify as part of its broader 2012 objective of becoming a “strong and prosperous state.” Unless a new formula can be found by which to bring these two objectives into line with each other, it is likely that the United States and North Korea will continue to talk past each other.

Scott Snyder is the Director of Center for U.S.-Korea Policy at The Asia Foundation and author of the new book, China’s Rise and the Two Koreas: Politics, Economics, Security (Lynne Rienner, 2009). He visited Pyongyang on Nov. 21-24 as part of a three-person delegation led by former U.S. special envoy to North Korea Jack Pritchard and including the Korea Economic Institute’s Director of Research and Academic Affairs Nicole Finneman.

NEWS & EVENTS

JANUARY 20, 2010 – THE STIMSON CENTER, WASHINGTON DC
WORKSHOP ON NUCLEAR ENERGY AND NONPROLIFERATION
This event is closed to the public.
The Center for U.S.-Korea Policy, the Stimson Center, and the Korea Atomic Energy Research Institute (KAERI) will hold a joint workshop on prospects for U.S.-ROK nuclear nonproliferation and nuclear energy industry cooperation from American and South Korean perspectives and in the context of global nonproliferation efforts.

JANUARY 5, 2010 – THE BROOKINGS INSTITUTION, WASHINGTON DC
EXPANDING THE AGENDA FOR U.S.-ROK ALLIANCE COOPERATION: NON-TRADITIONAL SECURITY
9:00am–12:00pm, 1775 Massachusetts Avenue NW, Falk Auditorium (Lobby Level)
Please note time change.
This joint-seminar of the Center for U.S.-Korea Policy and the Brookings Center for Northeast Asian Policy Studies will examine U.S.-ROK alliance cooperation on non-traditional security issues. Michael Finnehan, National Bureau of Asian Research; Peter Beck, Stanford University; and Heejun Chang, Portland State University; will discuss prospects for U.S.-ROK cooperation on post-conflict stabilization, human rights, and climate change respectively.
To RSVP please contact cnaps@brookings.edu.

NOVEMBER 30, 2009 – NATIONAL SECURITY NETWORK and DRAKE UNIVERSITY, DES MOINES, IA
NORTH KOREA AND THE SIX PARTY TALKS
7:00-8:30pm, Bulldog Auditorium, Olmsted Center, Drake University
Scott Snyder, Center for U.S.-Korea Policy Director, served as a speaker on North Korea and the Six Party Talks as part of a town hall event series in Iowa. The lecture was sponsored by Drake University’s Center for Global Citizenship and the National Security Network.
Event details are available at: http://www.drake.edu/international/cgc/eventsfo9.php,
PUBLICATIONS


Lee Hong-koo (November 18, 2009), “Obama to South Korea,” In Asia, The Asia Foundation.


Scott Snyder (November 2009), “Korean Leadership Essential to Ensuring Last 12 Months Was Not a ‘Crisis Wasted,’” Korea, Vol. 15, No. 11.


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VIEWS ON THE U.S.-ROK ALLIANCE

“We’ve always been clear that when we talk [with North Korea] about the peace regime, or peace treaty, peace agreement, the issue of the U.S.-ROK alliance is not on the table. That is a lasting commitment we have, and that is not on the table.”


“South Korea, as a strong American ally and a potential global middle power, will continue to work closely with the United States. The two countries need to search for new tasks and functions for bilateral cooperation in a world of rapidly changing international relations, where “smart” alliance and “21st century international statecraft” are required.”

--Chun Chaesung, Seoul National University Professor, “Toward a Smart Alliance: The ROK-U.S. Relationship after President Obama’s Asia Trip,” Asia Security Initiative, November 23, 2009.

“Our message is clear: If North Korea is prepared to take concrete and irreversible steps to fulfill its obligations and eliminate its nuclear weapons program, the United States will support economic assistance and help promote its full integration into the community of nations.”


“We fully share the view that the North Korean nuclear issue requires a definite and comprehensive resolution, as I described in our grand bargain.”

The Center for U.S.-Korea Policy aims to deepen and broaden the foundations for institutionalized cooperation between the United States and South Korea by promoting a comprehensive U.S.-ROK alliance partnership on emerging global, regional, and non-traditional security challenges. A project of The Asia Foundation, the Center is based in the Foundation’s Washington DC office.

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