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## NEGOTIATING SURVIVAL: THE PROBLEM OF COMMITMENT IN U.S.-NORTH KOREAN RELATIONS

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Rational accounts of the causes of conflict provide an important framework to examine the dispute between the United States and North Korea over the latter's nuclear weapons programs. Because North Korea depends on these weapons to ensure its survival, it is unwilling to irrevocably surrender its nuclear potential—and associated bargaining leverage—in exchange for U.S. security guarantees that could be withdrawn at any time. Arguing that neither confrontation nor engagement is likely to succeed in eliminating the North Korean threat, this paper advocates a longer-term strategy of integration as having the potential to alleviate some of the tensions in the bilateral relationship. By establishing alternative sources of economic and political power while simultaneously exposing Pyongyang to the pacifying influences of international interdependence, integration policies could gradually reduce North Korea's threat, and perhaps eventually create the necessary conditions to negotiate the elimination of its nuclear weapons and missile programs.<sup>1</sup>

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## INTRODUCTION

For more than half a century, North Korea has presented endemic difficulties for U.S. policy makers. Relations between the United States and North Korea have been tense, with periods of negotiated peace regularly punctuated by threatening actions from Pyongyang. Neither the policy of engagement employed by former U.S. President Bill Clinton, nor the more confrontational approach adopted by President George W. Bush has proven capable of addressing the threat posed by a hostile North Korea in pursuit of nuclear weapons and long-range missiles.

This paper begins with a discussion of theories of rational conflict, arguing that this perspective provides critical insights into the source of the U.S.-DPRK (Democratic People's Republic of Korea) dispute—namely, the inability of either side to credibly commit to a resolution. While many argue that Pyongyang's aggressive behavior is a sign of North Korea's irrationality, a closer examination of DPRK behavior reveals a rational strategy given the constraints facing the country. After considering the applicability of this model for U.S.-North Korean relations, the implications for U.S. policy are discussed. While neither confrontation nor engagement offers a solution to the roots of the conflict, the analysis suggests that a long-term strategy of integration has the potential to substantially increase the security of the United States and its allies by rendering cooperation a more attractive option for North Korea.

## THE PROBLEM: PROTRACTED CONFLICT IN NORTH KOREA

The current conflict on the Korean peninsula commenced in 1950 with the Korean War. Although military hostilities ceased for the most part in 1953, the conflict is still ongoing today, with North Korea allegedly admitting in October 2002 to an active nuclear program which it had previously agreed to suspend. The United States has vehemently opposed this program, which also poses a security threat to South Korea and Japan. In their study of international crises from 1918 to 1994, Michael Brecher and Jonathan Wilkenfeld note that protracted conflicts, defined as ongoing disputes with no expectation of resolution, are frequently punctuated by crises that threaten the actors involved through more severe and widespread violence than what is generally observed in more isolated conflicts (Brecher and Wilkenfeld, 1997). Because of their predisposition toward violence and the difficulty in achieving lasting settlements, protracted conflicts such as the one in Korea represent a significant problem for policy makers pursuing effective conflict management.

Effective policy making clearly depends upon an accurate assessment of the roots of a particular conflict, which is in turn founded on theoretical assumptions concerning conflict in general. In the United States, the debate over policy toward North Korea has centered on alternative approaches of engagement or containment/confrontation, both of which assume rational decision-making in Pyongyang. A policy of engagement views security concerns as the primary source of DPRK leader Kim Jong Il's aggressive policies. Accordingly, diplomacy and concessions can both reduce the threat perceived by the DPRK—thereby diminishing the need for weapons of mass destruction (WMD)—and offer economic benefits that will eventually increase the payoffs for cooperation sufficiently to moderate Pyongyang's behavior (Cha 2002). Proponents of confrontation counter that the North Korean authorities remain fixated on dominating South Korea, and will use the benefits acquired from engagement to strengthen their position without making real concessions. Applying economic (or even military) pressure, therefore, is necessary to force Pyongyang to discard its weapons programs (Cha 2002). Both arguments focus on the incentive structure facing the DPRK. Rational models are developed precisely for this purpose of analyzing and predicting policy preferences under a given set of payoffs, and as such, are appropriate to the study of North Korean behavior.

## RATIONAL THEORIES OF CONFLICT

Explaining how war can come about between two rational actors has presented an interesting puzzle to theoreticians.<sup>2</sup> While some definitions of rationality require only that an actor maximize utility based on a given set of consistently ordered preferences (Harsanyi 1986), others add further assumptions, such as risk aversion, to facilitate analysis (Fearon 1995). Whatever approach is adopted, it is clear that war, which consumes and in most cases destroys resources, is a costly exercise for both actors, and as such, represents a Pareto inferior outcome that shrinks the pie available for actors to divide between themselves. Under conditions of full information (both sides are aware of their chances of winning a war, and of the costs that will be incurred), there must exist a negotiated solution that divides the savings from avoiding war between both actors, rendering negotiation preferable to fighting (Fearon 1995).

Such solutions, however, are not always reached, and wars do inevitably occur. Arguments that explain this outcome by rejecting the rationality of states might hold in certain cases. However, rational models provide the opportunity of explaining state behavior in a more externally valid

fashion than do models based on situation-specific criteria, such as the contours of domestic politics in a given state, which cannot be generalized to all cases. An examination of the conditions under which rational actors might undertake war, or indeed any other form of conflict which is more costly to both parties than cooperation, is therefore a useful and potentially informative exercise.

In his model of rational war, James Fearon assumes that: 1) states are aware that despite uncertainty over their military strength relative to that of their opponents, there is a single probability that accurately reflects their chances of winning a war; and 2) they are either risk averse or risk neutral, meaning they do not instigate conflict when the expected costs exceed the expected benefits (Fearon 1995). According to Fearon, there are two distinct rational processes that could lead to war. The first involves the existence of private information, where there is a disincentive to disclose it to the other side. Private information (concerning, for instance, military capability or the costs of war) could create differing perceptions between the actors of who is likely to win, and of the price they are willing to pay to go to war, possibly eliminating all negotiated solutions that may be preferable to fighting (Fearon 1994). However, since rational actors know that war is costly, they must be aware that such a misperception exists, and should therefore share information before going to war to achieve an improved outcome. This is why the incentive to misrepresent one's position must also be present for war to occur. It is not difficult to imagine such an incentive. Military strategies often depend on secrecy, and actors may be able to increase their bargaining position by exaggerating their willingness to go to war (Fearon 1994).

The second way war can occur between rational actors, argues Fearon, is in the event of a commitment problem—that is, when one or both parties has an incentive to renege on an agreement. In the absence of any enforcement mechanism to uphold the settlement, it is only rational for an actor to violate a commitment when doing so results in a higher payoff (Fearon 1994). Commitments to refrain from pursuing these higher payoffs can only be credible in the presence of some substantive guarantee. Fearon refers to bargaining over strategic resources as an example where possession of the resources can enhance a state's ability to win a war. In this case, there is no way of guaranteeing that this capability will not be exploited in the future (Fearon 1994).

Political scientist Lisa Martin has also elaborated on the problem of “credible commitment,” arguing that credibility is strengthened when states make public promises and threats, thereby raising the potential “audience costs” (damage to the state's reputation among influential domestic and

international constituencies) of not following through (Martin 1993). The higher the audience costs, in terms of the costs and benefits these constituencies can create for the state in question, the more credible the state's commitment against incurring these costs (or sacrificing the benefits) by failing to act as promised. Martin proposes the exploitation of audience costs as a way of resolving credibility problems by altering the incentive structure so that it pays to follow through on promised actions.

As the following section demonstrates, the U.S.-DPRK dispute illustrates Fearon's model of rational conflict in that its intractability is rooted in the problem of credible commitment.

## **THE U.S.-DPRK DISPUTE**

Conflict in the Korean peninsula clearly has implications for numerous actors, including South Korea, Japan, and China. However, it is the U.S.-DPRK relationship that is the key to resolving the dispute. North Korea has repeatedly cited security concerns over U.S. aggression as a justification for its weapons programs, and has demanded security assurances from the United States as a prerequisite for any movement toward disarmament. While Pyongyang backed away from its insistence on bilateral discussions with the United States and agreed to participate in six-party talks held in China in August 2003, the resulting discussions clearly revolved around the axis of the U.S.-DPRK relationship, with China citing U.S. intransigence as the primary obstacle to progress (Kahn 2003). U.S. efforts to multilateralize the dispute cannot obscure the fact that only North Korea can effect the dismantling of its own nuclear programs, and only the United States can ensure that U.S. forces do not implement a policy of regime change in the DPRK. Although regional actors could play an important supporting role in mediating the dispute and providing additional incentives to North Korea, no resolution to the ongoing conflict is possible without a bilateral negotiated settlement. As a result, this paper focuses primarily on the dynamics of the bilateral relationship, although the policy implications for the United States should not be seen to rule out appropriate actions by regional powers that could support a bilateral arrangement.

### **Conflict Profile**

Insecurity on the Korean peninsula represents one of the last vestiges of the Cold War conflict, pitting Kim's reclusive Stalinist state against what has become a thriving democracy in South Korea. Most Cold War disputes have seen dramatic reductions in the level of tension, if not outright resolution, through either the collapse of communist regimes (as in Eastern

Europe) or the gradual process of economic, if not political reform (as in Vietnam), leading to increased integration into the international community. On the Korean peninsula, however, a substantial U.S. military presence (currently 37,000 troops) left over from the Korean War and a growing South Korean army continue to face a significant threat from an aggressive North Korea with a standing army of one million personnel, missiles capable of long-range strikes, and an advanced nuclear weapons program.

North Korea has little hope of prevailing in a full-scale conventional war with South Korea and the United States, given the superiority of both South Korean and U.S. training and weapons, and the substantial U.S. regional military presence that could serve as reinforcements in a conflict. However, Kim's pursuit of improved missile technology and WMD has allowed him to compensate for conventional inferiority (U.S. House of Representatives 1999a). It is generally believed that Pyongyang has enough plutonium for six nuclear weapons, and the completion of the main nuclear reactor at Yongbyon, together with an adjacent reprocessing facility, would enable North Korea to produce ten to twelve more weapons annually (U.S. House of Representatives 1999a). The North Korean military has also put substantial effort into missile development, and successfully test-fired a missile over Japan in 1998. There is evidence that the DPRK currently has missiles capable of reaching the western coast of the United States, and is working on increasing the range to be able to hit any U.S. target (Harnisch 2002).

Aside from the direct threat posed by North Korean weaponry, Pyongyang has sold its relatively advanced missile technology to customers in the Middle East, Africa, and South Asia, making it one of the world's most notorious proliferators (Harnisch 2002). While the North Korean regime has realized significant and much needed economic benefits from this practice, proliferation constitutes a serious threat to the United States, which is concerned about advanced technology falling into irresponsible or adversarial hands. As the DPRK's nuclear program advances, this security threat becomes even more acute.

Resolution of these issues between the United States and North Korea has been extremely difficult, complicated further by the increasingly isolated and impoverished conditions in the DPRK. During the Cold War, North Korea was able to attract significant aid from the Soviet Union and China, but in the early 1990s, with the reduction of Cold War tensions, Pyongyang's traditional allies began to focus on developing their economic relations with South Korea, and the aid was drastically reduced. This shift

has had a disastrous effect on the economy, with Gross Domestic Product (GDP) plummeting by 30 percent between 1991 and 1996 (Noland 1997). A widening trade deficit, which reached U.S. \$978 million in 2000, made hard currency a scarce commodity (WFP 2002). As a result, the DPRK has resorted to alternative measures, including the printing of counterfeit U.S. dollars and the self-financing of its embassies through drug trafficking (Harris 1997; Kang 2001). Given the tense security conditions on the peninsula, North Korea has prioritized military spending, which constitutes at least 25 percent of its GDP (Kang 2001). Military exports have generated significant hard currency revenue for the government, with some reports estimating the income from missile exports alone at U.S. \$1 billion annually (Lee 2001).

The country's declining economy, combined with the government's insistence upon high military spending, has left the regime unable and/or unwilling to provide basic services for its people. Shortages of electricity have forced citizens to resort to firewood to generate heat, while food scarcity resulted in the deaths of between 100,000 and 3 million people between 1995 and 1998, with accurate estimates made problematic by Pyongyang's reluctance to allow non-governmental organizations (NGOs) unrestricted access to DPRK territory (Reese 1998). Food shortages were made more severe by a series of natural disasters and by a lack of agricultural inputs, such as fertilizer, needed to maintain agricultural productivity. North Korea has become dependent on the international community, through the World Food Program, to meet the nutritional needs of its people. Even if the DPRK were able to escape further natural disasters and raise its agricultural productivity to previous levels, the country's shortage of arable land would still render it a net food importer, continuing the drain on its limited hard currency reserves (*The Economist* 2002). North Korea's inability to provide basic goods to its citizenry also poses a problem for regime legitimacy and, ultimately, survival. In this regard, the state becomes more dependent on the use of force—in addition to the promotion of national ideology—to ensure public compliance.

The obvious solution to the problems facing North Korea would be to follow the paths adopted by its Cold War allies and initiate significant economic reforms. In doing so, however, Kim faces the same dilemma confronted by Chinese leaders in the late 1970s. Economic reform, if undertaken too extensively, could lead to calls for political reform and potentially undermine the ruling regime. While China has negotiated this process with a certain amount of success, it is likely that Pyongyang has noted the demise of communist governments in Eastern Europe

with concern. North Korea has tinkered with limited reforms, including the creation of special administrative regions to take advantage of the economic benefits of capitalism while sealing off the effect of reforms from the rest of the country (Weingartner 2002). However, the focus of Pyongyang's attempts to maintain legitimacy has been on shoring up elite (particularly military) support, with the regime advocating "resolving all problems in revolution and construction in accordance with the military-first principle" (Ahn 2002, 47). While many citizens remain unable to feed themselves, the government has spent precious hard currency to import limited quantities of luxury goods to satisfy the country's elites (U.S. House of Representatives 1999b).

### **The Problem of Security**

North Korea's problems have an important impact on the security issues that shape its relations with the United States. First, the DPRK appears to be on what many consider a protracted slide toward state collapse. The challenges facing the regime seem to be increasing, while the resources available to address those challenges are diminishing. The status quo is increasingly unacceptable to the DPRK. At best, it leads to reduced capability to fund government programs, including defense; at worst, it may result in regime collapse. While North Korea once enjoyed an economic and military advantage over its neighbor to the south, the country's economy is now in decline, and the effectiveness of its military is compromised by obsolete equipment and an inability to fund adequate training for its troops. Having previously threatened to overwhelm South Korea, the DPRK is now forced to focus on its very survival.

Second, missile and nuclear weapons programs present Pyongyang with significant benefits—they are an important source of hard currency; they provide security from an attack by the United States or South Korea, given the DPRK's conventional inferiority; they bolster national pride at a time when the ideology of self-reliance is being undercut by dependence on international assistance; and, to the extent that these programs are of concern to the United States, they provide North Korea with important leverage in negotiations (U.S. House of Representatives 1999a).

Clearly, Pyongyang requires some combination of ongoing international aid and domestic economic reforms to continue to exercise authority. The problem is that policy reforms challenge the maintenance of regime stability, and weapons programs represent the only leverage the regime has to continue to attract or coerce assistance. To irrevocably discontinue these programs in the absence of a credible guarantee of the assistance



necessary to support regime continuity would constitute an agreement by the DPRK government to its own demise.

This problem is exacerbated by the rising costs of the status quo to the regime, making it worthwhile for the regime to pursue high-risk actions that involve costs to the DPRK, which, though significant, are still lower than the costs associated with doing nothing (Cha 2000). This inclination for brinkmanship has been the hallmark of North Korean diplomacy, and has usually taken the form of heated and threatening rhetoric accompanied by limited acts of force. Such acts have included violations of limitations on forces in the De-Militarized Zone (DMZ) and incursions by North Korean military units into South Korean maritime and air space. Although these acts do not directly serve North Korea's interests, they disrupt the status quo by creating a state of crisis, from which Kim can then negotiate a "better deal" (Cha 2000, 141-2). The reason North Korea's leader is able to negotiate these improvements under crisis conditions is that both parties implicitly recognize that the DPRK's threat to the status quo is credible. Such credibility exists because U.S. policy makers realize that preserving the status quo and preventing the escalation of hostilities is more important to the United States than to the DPRK, for whom the status quo may represent eventual elimination.

### **The Commitment Problem**

As evidenced above, North Korea's negotiation strategy is a function of both the constraints and opportunities it faces as well as the problem of credible commitment.<sup>3</sup> To ensure his regime's survival, Kim must be certain of the ongoing provision of the required aid, as well as of the peaceful intentions of the United States and South Korea, before missile and nuclear weapons programs can be safely discarded. Absent these assurances, the regime cannot afford to negotiate away its nuclear capabilities. For its part, the United States is understandably wary of taking North Korean promises to dismantle weapons programs at face value, and in light of the revival of the DPRK's nuclear endeavors, has called repeatedly for the "complete, verifiable, and irreversible" destruction of the nuclear program as a precondition for U.S. concessions (Kessler 2004). In turn, North Korea has responded by demanding "complete, verifiable, and irreversible" security assurances from the United States. In fact, the difficulty of extending such an irreversible security assurance is the crux of the commitment problem (KCNA 2003).

Since Fearon's model concerns rational actors, it is necessary to consider whether or not the DPRK possesses a consistently ordered set of prefer-

ences that are in accord with the national interest. While Fearon rules out the effects of domestic politics on the choices of a rational, unitary state actor, this assumption can perhaps be relaxed in the case of North Korea. Defining the national interest presents difficulties in any case; when the state essentially is the regime, as in the case of the DPRK, it seems logical to substitute regime interest in its stead.<sup>4</sup> Ignorance of the inner workings of Kim's regime makes it difficult to determine whether or not there are substantive divisions within the government leading to policy incoherence. However, it seems reasonable to assume that as a government modeled on Stalinism, the North Korean regime possesses sufficiently centralized power such that it remains unconstrained by other domestic factions.

Finally, the argument that the North Korean authorities are irrational—that is, incapable of recognizing and acting in their own interests—must also be considered. If this were true, it would be difficult to predict the regime's behavior with any degree of certainty. However, as a brief examination of U.S.-DPRK negotiations shows, North Korean actions are in most cases amply explained by a consideration of the constraints within which the country operates, as well as the problems of credible commitment and the declining utility of the status quo that these conditions generate.

### **U.S. Interests and Concerns**

Before examining the main features of U.S.-DPRK relations, it is necessary to briefly analyze the interests of the United States in this relationship. In some respects, U.S. policies toward the DPRK present more problems for the assumptions of rationality and consistency than do those of North Korea. Policy incoherence (owing to the division of powers between the legislative and executive branches of government) characterized U.S. actions during the Clinton administration. While President Clinton favored a policy of engagement, the Republican-dominated Congress was reluctant to provide the resources necessary to back up this strategy. As a result, U.S. oil shipments to North Korea, required under the 1994 Agreed Framework (discussed in greater detail below), were unreliable at best under the Clinton administration, and were halted altogether by President George W. Bush (Jordan and Ku 1998; Reese 1998).

However, it must be noted that while policy strategies have been contested—both within the U.S. government itself and between the Clinton and Bush administrations—U.S. interests remain clear. The top goals of the United States vis-à-vis the DPRK, as articulated in the 1999 policy review by former Defense Secretary William Perry, remain the elimination of North Korea's nuclear programs and the reduction and eventual

elimination of its medium and long-range missile capability (U.S. House of Representatives 1999a). The achievement of these goals would enhance U.S. security by addressing the direct threat posed by these systems and preventing the proliferation of these technologies to unfriendly states or terrorist networks. Domestic disagreements over how best to achieve U.S. goals are attributable to uncertainty (under conditions of partial information) over the most effective means, rather than to irrationality.

U.S. goals are chiefly concerned with the security implications of North Korean actions. While the elimination of the targeted North Korean programs would obviously mitigate these concerns, it is possible to envision other solutions, such as the development of strong political ties between the two nations, that might serve equally well. Furthermore, the DPRK's nuclear and missile programs do not constitute the only danger to regional and U.S. security. The collapse of the North Korean regime would create substantial uncertainty, especially over the control of North Korea's prodigious military, and could bring to power a more risk-acceptant government posing an even greater threat to the United States and its allies. If the DPRK became desperate enough, it is also conceivable that, lacking nuclear weapons, it would opt for a conventional attack on South Korea. Although this would likely be a losing effort, the resulting war would inflict substantial damage on South Korea, particularly its capital Seoul, as well as on U.S. troops currently stationed there. So, while U.S. attention has focused on Pyongyang's nuclear capacity as the most likely threat to U.S. security, a careful approach to policy must also take note of these other dangers.

## **U.S.-DPRK NEGOTIATIONS**

An examination of negotiations and behavior by both actors over the last ten years confirms the hypothesis that North Korea's aggressive style constitutes a rational pursuit of its policy objectives, and that the commitment problem is a major obstacle to a successful negotiated solution between the two parties. While tensions on the Korean peninsula fluctuated following the end of the Korean War in 1953, continual advances made by the DPRK to secure long-range missiles capable of targeting the United States and its allies, combined with the development of nuclear weapons with which to arm these missiles, exacerbated tensions in the early 1990s.

Progress toward developing nuclear capabilities increased in response to deteriorating security conditions for North Korea, precipitated by the withdrawal of concessions and security guarantees from Pyongyang's key

allies, China and Russia. Additionally, widespread famine overwhelmed the DPRK in 1994. The increased vulnerability of the DPRK resulted in both the concentrated advancement of its WMD program, and the adoption of increasingly provocative actions, including the threatened withdrawal from the Non-Proliferation Treaty (NPT) and the Armistice agreement, as well as numerous limited uses of force against South Korea (Zhebin 1998). Raising the stakes succeeded in gaining U.S. attention, and, in 1994, former President Jimmy Carter negotiated what later became known as the Agreed Framework. Under this deal, North Korea agreed to a graduated reduction of its nuclear program, starting with the closure of the main nuclear reactor at Yongbyon, in exchange for two light-water reactors (without the processing facilities necessary to convert the radiation waste into weapons-grade plutonium) and a free supply of fuel oil to meet its power needs until the reactors could be delivered. While Japan and South Korea were to provide most of the funding for the reactors, the United States agreed to supply the fuel oil. However, the U.S. government was unable to consistently supply the promised fuel, and North Korea continued to resort to military provocation when its needs so dictated, including a 1998 missile firing over Japan and construction activity on a suspected nuclear site. In both cases, North Korea came out of the renewed negotiations with additional concessions and leverage: the linkage of DPRK missile tests with the maintenance of talks with the United States in the first instance; and additional food aid in the second<sup>5</sup> (Lee 2001; Kang 2001; Sigal 2000).

As previously discussed, in 2001, the incoming Bush administration abandoned the engagement approach favored by President Clinton—under which the United States made significant efforts to maintain diplomatic talks and move toward resolution of its concerns with the DPRK—adopting instead a policy some have described as “hostile neglect” (Huntley 2003). While President Clinton had laid the groundwork for a personal visit to North Korea, the Bush administration made it clear that the new president had no intention of following this route. Instead, President Bush made public his reservations about South Korea’s “sunshine” policy of engagement with the DPRK, and on numerous occasions characterized the DPRK as a dangerous threat to U.S. interests (Huntley 2003; Harnisch 2002).

President Bush’s approach toward Pyongyang hardened sharply following the terrorist attacks of September 11, 2001. While North Korea issued a strong condemnation of the terrorist acts, a welcome change from a regime typically known for its harsh anti-American rhetoric,

President Bush responded by including the DPRK in the government's designated "Axis of Evil," a group of three states—Iran, Iraq and North Korea—whose members constituted a serious threat to U.S. security as a result of their pursuit of WMD (Harnisch 2002). As U.S. attention shifted from Afghanistan to Iraq in 2003 with the commencement of hostilities by the United States under the doctrine of preemption, North Korean concerns about the possibility of a U.S.-initiated preemptive strike on its territory escalated.

Taking advantage of the focus of U.S. military resources on Iraq, North Korea once again responded to conditions of heightened vulnerability by adopting a more provocative tone. While substantial U.S. military assets were being diverted to the Gulf, the DPRK regime allegedly admitted in October 2002 to having replaced its plutonium-based nuclear program with one using enriched uranium (Huntley 2003). Instead of working toward a negotiated settlement, the Bush administration suspended fuel shipments to the regime, citing Pyongyang's violation of the Agreed Framework. North Korea escalated the crisis further by expelling international observers and removing monitoring cameras and equipment, withdrawing from the NPT, and reactivating its Yongbyon reactor (Huntley 2003). The DPRK has also threatened to abandon the Armistice agreement, which established the truce that ended the Korean War. These threats have been supplemented by limited incursions into South Korean airspace and the unprecedented shadowing of a U.S. intelligence plane off the North Korean coast (Cho and Struck 2003; Associated Press 2003b). Although U.S. insistence on multilateral negotiations involving other regional powers succeeded in bringing North Korea (along with South Korea, Japan, Russia, and China) to the negotiating table in August 2003, the results of the talks were disappointing. Neither side offered any concessions, and North Korea supplemented a threat to test nuclear weapons, announced during the talks, with a declaration several days later that it intended to "strengthen its nuclear deterrent force" (Associated Press 2003a).

While the outcome of the current crisis will be as much a result of U.S. policy as the position of North Korea, this survey of the last ten years of interaction between the parties reveals a clear pattern of North Korean behavior. When conditions worsen to raise the costs of continuing under the status quo vis-à-vis the costs of engaging in risky provocations designed to upset it, Pyongyang will opt for the latter. The fact that DPRK provocations have not yet led to a full-scale military conflict with the United States can be attributed to two factors: 1) unfavorable U.S. assessments of the costs of escalating to an all-out conflict compared

with the costs of granting Pyongyang minor concessions; and 2) North Korea's willingness to accept minor concessions, since the status quo is not yet costly enough to warrant the more severe measures that might be necessary to secure a better deal.

After the terrorist attacks of September 11, however, the costs to the United States of tolerating North Korea's proliferation of missiles, and possibly of WMD, have risen greatly. North Korea, for its part, is still grappling with the commitment dilemma, and cannot irrevocably surrender these programs.<sup>6</sup> The following section considers the various policy options available to the United States, analyzing each in accordance with its ability to mitigate the credible commitment problem and to achieve U.S. security objectives in the face of DPRK threats.

## ALTERNATIVE U.S. STRATEGIES

### Confrontation

One option available to the United States is to confront the North Korean regime and stare down its threats with vastly superior U.S. military capability. This approach argues that any assistance granted, including humanitarian aid, has the indirect effect of supporting Kim's regime. Food and fuel aid have been diverted in some cases from the intended beneficiaries, presumably to serve elite or military interests (U.S. House of Representatives 1999b). Since North Korea has been unwilling to fulfill its agreements in the past, advocates of confrontation argue it cannot be trusted to do so in the future. One way of meeting the threat posed by the DPRK would be to apply copious amounts of military or economic pressure until the regime is forced to relent. In essence, this strategy would require raising the costs of non-compliance with U.S. demands vis-à-vis the costs the regime might face if it were to conform.

The problem with this approach is that given the absence of any credible guarantee that the United States will not use the reduction of Pyongyang's deterrence capacity as an opportunity to attack, or to avoid following through with aid delivery, the costs to North Korea of giving up its weapons programs may be the regime's very survival (Cha 2000). The elimination of WMD programs may result in regime collapse, either by exposing the DPRK to the security risks posed by its conventional military inferiority, or by creating, through lost proliferation earnings, a hard currency deficit and undermining the regime's capacity to satisfy the demands and maintain the support of the elite. If the DPRK views the cost of compliance as regime collapse, then Kim is left to weigh the probabilities and effects of, on the one hand, America's fulfilling its threat to punish

non-compliance, and on the other, the United States' taking advantage of DPRK vulnerabilities. How this decision is made depends a great deal on the information available to the DPRK and the lens through which North Korean officials perceive such information. Still, the regime's decision as a rational actor is clear: the ambiguous and limited deterrence from the WMD currently possessed by North Korea is more effective in averting a U.S. attack than the simple conventional deterrent left to Pyongyang if it complies. Therefore, non-compliance is preferred.

Certainly, there are many potentially important details concerning the confrontation scenario that the rational model does not capture. For instance, North Korea may conclude that even a purely conventional war will be too costly for the United States, and that therefore it is unlikely to initiate one, particularly if primary U.S. foreign policy goals are satisfied. If this were the case, Kim might be willing to negotiate the elimination of WMD programs. While war under the confrontation policy is not certain, the rational model serves to illuminate the extent to which the United States must be willing to credibly threaten North Korea in order to make compliance an attractive option. If the costs of compliance are deemed to be the removal of the regime, securing this compliance will be extremely difficult.

Even if Pyongyang eventually buckles under the weight of a confrontational American approach, in the short term an uncompromising U.S. strategy of coercion will lead the DPRK to escalate its provocations to precipitate a crisis. In order for its threat to be credible, and confrontation to be effective, the United States must be willing to meet these provocations with limited military force when necessary. Finally, the costs of confrontation must be carefully considered when determining whether they are worth the potential policy gains. The Clinton administration's calculations indicated that the least expensive confrontational approach, involving the reinforcement of U.S. troops on the peninsula, would cost billions of dollars (U.S. House of Representatives 1999a). Alternatively, a full-scale war with the DPRK would likely cost U.S. \$60 billion and would result in some 52,000 U.S. military casualties (Kang 2001). By comparison, under the Agreed Framework, the United States spent some U.S. \$645 million on North Korea between 1995 and 1999, including the food aid that was distributed in large part directly to the North Korean people (U.S. House of Representatives 1999b).

For confrontation to be rational, it must provide the United States with sufficient benefits to cover the increased costs relative to engagement. Furthermore, given the current U.S. focus on Iraq, and the extensive

costs associated with the occupation there, it is difficult to imagine how the United States could credibly threaten concurrent action against North Korea (Huntley 2003). The United States could attempt to employ audience costs, for instance through the use of inflammatory public rhetoric, to convince Kim that it is serious about military action if nuclear programs are not brought to an end. The reputation of the U.S. administration might suffer, however, if it fails to deliver on a threat to invade the DPRK. Yet such an outcome pales in comparison to the likely reaction of the U.S. public to 52,000 casualties, not to mention Chinese and South Korean concerns over the fallout from a U.S. attack.

Clearly, the costs of confrontation are high, since Pyongyang is unlikely to acquiesce unless significant military pressure is applied. There is also the possibility that North Korea will refuse to surrender its weapons even if it faces a credible threat of U.S. attack, particularly if all other routes lead to collapse. As such, confrontation is, on the whole, an inefficient and unreliable policy.

### **Engagement**

Under engagement, the policy alternative to confrontation, the United States would seek accommodation with North Korea through ongoing negotiations and reciprocated concessions. For the United States, such compromises might include the removal of the DPRK from the U.S. State Department's list of states that sponsor terrorism, the normalization of diplomatic relations, or U.S. support for the DPRK's receipt of loans from the World Bank. The 1999 U.S. policy review recommended the expansion of engagement to include a variety of U.S. "carrots" to exchange for the elimination of the nuclear program and long-range missiles from the North Korean arsenal (U.S. House of Representatives 1999a). Engagement would still require the maintenance of a credible deterrent against DPRK aggression, lest it appear to be an appeasement policy determined by U.S. weakness rather than a strategy founded on power (Cha 2000).

While a tactic of engagement differs substantially from the confrontational approach, it is unlikely to be successful in achieving U.S. objectives. For engagement to work, the benefits to the DPRK of complying with U.S. demands would have to exceed the benefits gained from its WMD and missile programs. As has been noted, the latter's financial benefits alone may total U.S. \$1 billion per year. It seems unlikely that the United States will agree to make payments of this size to an autocratic regime indefinitely. Even if it reached such an agreement, the commitment dilemma makes it impossible for Pyongyang to believe that Washington



would fulfill the conditions of the settlement once missile and nuclear programs are irrevocably surrendered.

The use of audience costs to increase the credibility of U.S. commitments to protect DPRK security could make U.S. assurances more convincing. In this regard, violating security guarantees would likely trigger an angry reaction from states both within and outside the region, including traditional U.S. allies, and could lead to non-cooperation with other U.S. initiatives. That said, the ability of the United States to weather international opposition to its foreign and defense policies has been amply demonstrated in Iraq. Pyongyang is unlikely to discard its weapons programs in exchange for reliance on the sympathy of the international community, where it has few friends, to ensure the ongoing provision of U.S. aid to the DPRK. Such a settlement would leave North Korea vulnerable (in the absence of its nuclear deterrent) to either U.S. non-payment or a U.S. attack, either of which could lead to the collapse of the regime.

Clearly, neither engagement nor confrontation addresses the commitment problem to the satisfaction of North Korea. Giving up its nuclear and missile programs is simply too high a risk for the North Korean regime to undertake, regardless of the incentives being offered. However, it must be recalled that the underlying focus of U.S. demands is not the limitation of the DPRK's military capacity per se, but the threat posed to U.S. security by Pyongyang's WMD and long-range missiles. If it is not possible to negotiate the elimination of these programs, it may be possible to use U.S. leverage to significantly decrease the security threat they create. In short, U.S. policy must seek to prevent a collapse of the regime, while at the same time coaxing it to adopt a less threatening stance.

## **Integration**

This scenario can best be accomplished through a strategy of integration. Integration would seek to induce North Korea to increase its economic, political, cultural and social exchanges with the international community, and particularly with South Korea. It would also focus on establishing the domestic reforms necessary to allow the DPRK to interface with the rest of the world. Given the country's economic devastation, reforms should seek to spur economic growth and spread its benefits among those who need it most. Such policy options could include substantial U.S. investment in North Korea, supported by the willingness of the United States to provide risk insurance for willing U.S. investors. If Pyongyang were unable to undertake the reforms necessary for these businesses to operate profitably, or insisted on embarking on a policy of destabilization,

firms would naturally withdraw their investments, or at least refrain from making further ones.

Another policy initiative could entail an agreement by the United States to support the DPRK's request for membership in international organizations such as the World Bank. The involvement of the Bank in North Korea would require extensive monitoring of any development projects undertaken, and would give Pyongyang experience in dealing with international institutions, not to mention the beneficial impact of such programs for the North Korean people. Some might argue that the DPRK authorities would simply garner as much World Bank aid as possible without either granting significant access or embracing serious economic reforms, yet the nine-year history of World Food Program (WFP) involvement in North Korea indicates otherwise. While the WFP does not have unrestricted access to every area of the country, it has had a substantial and visible impact on food security among North Koreans, and in the process has been witness to increasing openness on the part of the regime. Monitoring visits have increased by 50 percent over the last two years and, perhaps more importantly, the customarily rigid ideology advanced by the regime has shifted toward a cautious acceptance of the need for change (Hyder 2004).

The DPRK recognizes the importance of economic reforms to its continued political survival. The government is pushing ahead with the establishment of new economic zones and has increased the number of farmers' markets which are not required to sell their goods at artificially low state prices. The 2003 cabinet shuffle, in which Kim elevated successful reformers to positions of prominence, including that of prime minister, may also be a step in the right direction (Lee and Ko 2003). While the regime must proceed cautiously to guard against the social upheaval that could accompany extensive reform and result in the overthrow of the ruling elite, there is clearly a willingness to move ahead with economic, if not political, reforms. This willingness creates space that a policy of integration could take advantage of to reduce tensions. That said, members of the international community must exercise caution to avoid raising suspicion that an integration policy is really intended to slowly undermine Kim's power.

The United States in particular has an important role to play. Indeed, the DPRK has consistently sought the normalization of relations as one of its primary goals, and continues to insist on bilateral negotiations with the United States on all relevant issues. Instead of using this leverage to instill fear (the confrontation approach) or to gain missile and WMD

concessions (the engagement approach), the United States should use its influence to integrate North Korea into the international community, to increase the country's economic self-sufficiency, and by extension, to reduce the costs that the status quo poses to the regime by enhancing its prospects for the future.

Clearly, this strategy will not succeed in eliminating the DPRK's WMD or missile development programs. For that reason, it can and should be supplemented with a strong deterrent force in South Korea until the threat of North Korean aggression is significantly reduced. Furthermore, the United States may find it effective to temporarily cap Pyongyang's weapons development through arrangements such as the Agreed Framework. It is essential to recognize, however, that unless the constraints facing North Korea are substantially altered, such efforts will ultimately fail to achieve the full elimination of these programs. For this reason, engagement must be coupled with a long-term vision of integration. This strategy would seek to cultivate a stake for the DPRK in the status quo and to establish linkages—as well as the mutual, self-reinforcing benefits associated with them—between North Korea and a multiplicity of international actors.

## CONCLUSION

Rational accounts of the causes of conflict can offer important insights for an analysis of the U.S.-DPRK dispute. The commitment problem, combined with North Korea's declining stake in the status quo, has made it difficult to negotiate a solution to this impasse. While policies of confrontation and engagement are unlikely to succeed in eliminating the North Korean threat at an acceptable cost, a longer-term strategy of integration shows promise. By increasing Pyongyang's stake in the status quo, and at the same time exposing it to the pacifying influences of international interdependence, the United States can expect integration to gradually reduce the threat posed by the DPRK, and perhaps eventually create the conditions under which the elimination of North Korea's WMD and missile programs can be negotiated.

## NOTES

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- <sup>2</sup>For example, see Garfinkel and Skaperdas 2000; Brito and Intriligator 1985. For an outline of game theory treatments of conflict, see Schelling 1958; Axelrod 1984. For a critique of rational explanations of war, see Cramer 2002.
- <sup>3</sup>Private information and the incentive to misrepresent are also apparent in this dispute. North Korea has carefully maintained an ambiguous position concerning its nuclear capability in order to protect itself against targeted strikes on its nuclear assets and preserve maximal bargaining leverage. However, these are tactical rather than structural considerations. The real value of the weapons lies in their capacity to ensure regime survival, and while this capacity is enhanced through private information, it is necessary because of the commitment problem.
- <sup>4</sup>In fact, Fearon recognizes that states that pursue regime interest, as opposed to national interest, may indeed be considered rational, while at the same time limiting his discussion to the subset of states that do pursue the collective interest. The main utility of the rational model for this paper is its ability to predict behavior based on a consistent preference structure. This condition is generally satisfied by both the United States and North Korea.
- <sup>5</sup>The United States was permitted to examine the suspicious site as a result of the negotiations. However, U.S. inspections uncovered only a large hole in the ground from the excavation.
- <sup>6</sup>North Korea has repeatedly used its nuclear program as a bargaining tool, breaking or withdrawing from prior agreements in order to extract new concessions in exchange for a return to the status quo. These agreements include the Non-Proliferation Treaty (signed in 1985), the De-Nuclearization Agreement with South Korea (1991), and the Agreed Framework (1994).

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