

Running in Place: North Korea's Nuclear Program and the Six-Party Talks During the Bush Administration

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ABSTRACT

North Korea has developed a nuclear program that threatens the stability and security not only of Northeast Asia, but other regions (such as the Middle East) where it has proliferated nuclear technology. The events that led to the Six-Party talks are both compelling and important. The process was mired in debate and slow progress from its inception in 2003 until a breakthrough apparently occurred in the fall of 2005. But disturbing information about North Korea's illicit activities and the corresponding actions taken by the United States Treasury Department led to another impasse until February of 2007. A "sea change" in Washington's policy in 2007 led to what many hoped would be progress in the talks, but North Korea's failure to answer important questions about its proliferation to rogue states, its Highly Enriched Uranium (HEU) program, and the locations or numbers of its Plutonium weapons led to a collapse of the talks by the end of the Bush administration in 2009. An examination of the process and Washington's policy moves throughout the Bush administration offers important lessons for international security and the use of the inter-agency process as it applies to North Korea.

Key Words: Six-Party Talks, HEU, North Korean Proliferation, Yongbyon, North Korean Nuclear Program, North Korean Illicit Activities, Banco Delta Asia

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North Korea has developed a nuclear program that is both dangerous and potentially destabilizing to the region. Despite the best efforts of three different American Presidents, North Korea continues to have a program that has now developed weapons proliferated to other rogue states, and tested (at least partially) successfully in 2006. Because North Korea is a country that brutalizes its own people, maintains a hostile attitude toward its neighbors, and continues to have a “basket case economy,” the nuclear program is of great concern, not only to other nations in the region and those who have interests in the region, but to nations that exist in other volatile regions such as the Middle East and South Asia, where proliferation has created difficult and complicated security dilemmas.

While I believe the specific details of North Korea’s nuclear program are extremely important, that will not be the focus of this article (though I will provide background on both the Plutonium and HEU programs). Indeed, while the nuclear program was in existence during the entire Clinton administration, that also will not be the focus of this article. There is a great deal of literature on both subjects. Instead, the focus will be on the six-party talks and how they evolved during the Bush administration. My reasons are simple. The events that led to the six-party process and the various steps that the process went through from 2003 through the end of the Bush administration in 2009 will have an effect on the security and stability of the Korean Peninsula well into the Obama presidency in the United States and the Lee Myung-bak administration in South Korea. The six-party talks, their development during the Bush administration, and the many events that occurred as the diplomatic progression occurred have been the focus of a great deal of debate and criticism since their inception for various reasons – from both those on the left and those on the right. Thus, it will be my goal to sort through the evidence and present a clear picture of why the process was initiated, what its goals were, how successful it was during the Bush years, and what the chances of success for this process are during the Obama administration.

In order for one to understand the nuances associated with the six-party talks, one must first understand the basic background on North Korea’s Plutonium and Highly Enriched Uranium (HEU) programs and how they have developed. It will also be important to gain perspective on the actions (both North Korean and American) that led to the six-party talks. This article will also cover the events that occurred during the talks between 2003- 2005, and lead into the “breakthrough” that seemed to occur in 2005 – as well as the activities that essentially put this framework into limbo during 2005-2006. North Korea “upped the ante”

in 2006 with two key provocative initiatives. After describing the fallout from these events and a look into the “real breakthrough” agreement of 2007, I will close with events that have occurred in and around the talks since 2007 and assess the future of the six-party talks, North Korea’s nuclear program, and possible implications for the future.

Background on North Korea’s Plutonium and HEU Programs

Kim Il-sung is said to have planned for a nuclear program as early as the 1960s. North Korean scientists trained in the Soviet Union during this time, and reportedly were schooled by the Soviets in how to process plutonium. A small, experimental plutonium reactor was completed in a facility at Yongbyon sometime between 1980 and 1987.¹ Once the reactor and associated facilities were completed, they were almost impossible to hide. A plutonium facility of the type at Yongbyon is typically rather large and easily photographed by outside collection methods.

During the early 1990s, rumors began to circulate that North Korea was developing nuclear weapons at the facility. In the post-Cold War environment, this may have created enough pressure for North Korea to sign an International Atomic Energy Agency (IAEA) safeguards agreement on January 30, 1992.² Inspectors from the IAEA conducted six separate inspections in North Korea, the last of which occurred in February, 1993. Based on these inspections, it appeared that the North Koreans had reprocessed plutonium on three separate occasions in 1989, 1990, and 1991. What had originally appeared to be a spirit of cooperation ended when inspectors were denied access to two suspect nuclear waste sites that Pyongyang declared to be military sites and off-limits.³ This standoff with the IAEA resulted in the first North Korean nuclear crisis. It looked as if North Korea and the United States may have actually been on the brink of war until talks between Jimmy Carter and Kim Il-sung ended the impasse. President Carter’s visit with the North Koreans led to what would eventually be called the “Agreed Framework,” which froze North Korea’s facilities at Yongbyon in exchange for annual heavy fuel oil shipments (HFO) and the building of light water reactors (for peaceful uses) by the United States.

As a result of the terms of the Agreed Framework, the North Koreans agreed to freeze – but not dismantle – their nuclear program. Facilities were sealed, but not torn down, and nuclear components were not dismantled or taken away.⁴ In addition, the North Koreans delayed returning to the worldwide Non-Proliferation Treaty (NPT) as various elements of the framework were implemented under the Clinton administration. North Korea did not have to dismantle any facilities as a

result of the agreement, and this would lead to numerous problems in later years during the Bush administration. In addition, North Korea's use of returning to or walking away from the NPT would also be an issue that would arise in later years.

The nuclear confrontation between the United States and North Korea that continued throughout the Bush administration and into the Obama administration is generally agreed to have begun during bi-lateral U.S.-North Korea talks on October 3, 2002. It was at that time that Assistant Secretary of State for East Asian Affairs James Kelly confronted two North Korean negotiators – Kim Kye-Kwan and Kang Sok-ju – with the fact that the United States had strong evidence of North Korea's clandestine highly enriched uranium (HEU) weaponization program (a violation of the Agreed Framework). Kelly called for the North Koreans to dismantle the program. Foreign minister Kang Sok-ju reportedly admitted to the program and made several demands that Washington would be unlikely to meet – not the least of which was a non-aggression treaty. Several days after the meeting, Bush officials publicly released the details of the North Koreans' stunning admission of a clandestine nuclear weaponization program – and the North Koreans promptly denied it.⁵

North Korea took quick and hostile action in response to the public disclosure of the clandestine HEU nuclear weaponization program by the United States. Pyongyang expelled the IAEA inspectors who had been present at Yongbyon on December 27, 2002, and on January 10, 2003, North Korea announced that it was withdrawing from the NPT (again).⁶ These moves reflected the weakness of the Agreed Framework. The plutonium facilities at Yongbyon had only been frozen – not dismantled. Thus, they could be reactivated at any time, for any reason. This is exactly what the North Koreans chose to do. Secondly, by walking away from the NPT (again) the North Koreans showed that its value to them was not even worth the paper it was written on.

According to Siegfried S. Hecker of Stanford University's Center for International Security and Cooperation, by 2005 the North Koreans had made great use of the time available since IAEA inspectors were expelled in December of 2002. According to Hecker, the North Koreans unloaded the reactor at Yongbyon in April 2005 to extract the plutonium. They then reloaded the reactor and resumed operations in June. Hecker has suggested (then and on other occasions) that the North Koreans had extracted enough plutonium and developed enough fissile material to build six to eight nuclear weapons. "Given demonstrated technical capabilities, we must assume they have produced at least a few, simple, primitive nuclear devices."⁷ I will talk more about the plutonium

program at length later. Suffice to say, based on the reports from those who have visited North Korea (including Hecker), and the nuclear test conducted in 2006, there is no doubt that North Korea has developed and manufactured plutonium nuclear weapons. The questions that some have risen are about the HEU program. How did North Korea acquire this program and how far along is it? In fact, some have even asserted that the program does not exist and was simply a political tool being used by the Bush administration as an excuse to walk away from the Agreed Framework.

The debate about North Korea's clandestine HEU nuclear weaponization program began almost as soon as the crisis erupted in 2002. In fact, there is controversy over what the North Koreans actually said to James Kelly in October of 2002. One of the most outspoken critics has been noted journalist Selig Harrison. In Congressional testimony given on February 13, 2009, Harrison stated in part, "The assumption of any kind of weapons grade uranium program has been exaggerated, was used as an excuse to abrogate the Agreed Framework in 2002, and has had disastrous consequences. . ." ⁸ Throughout the Bush administration many scholars concurred with Harrison's assertions. During 2003 Leon Segal of the Northeast Asia Cooperative Security Program told the press, "There is no agreed estimate of anything. As with Iraq, there is significant disagreement in the intelligence community about pieces of this." ⁹ Comparisons to Iraq have also been made in statements by Harrison and have muddied the waters – particularly since the evidence chain is far different. But this did not stop many scholars and pundits throughout the Bush years from bringing it up as a reason that the vast array of evidence regarding North Korea's HEU program must be in doubt.

While Harrison's claims are interesting, they appear to be based entirely on what the North Koreans have told him. In order to assess North Korea's HEU program, one must look at the evidence – and throw out all biases on both sides of the political spectrum. Thus, it is particularly important to note statements by others who also have in-depth knowledge of the evidence. Robert L. Galluci, a former Clinton administration official who had access to highly classified data on North Korea's nuclear program (and who is anything but a George Bush supporter) made the statement in 2004 that there is "no doubt" that North Korea has the HEU technology. He further stated, "I think the North would like to keep its enrichment program as insurance against U.S. actions. This is something we cannot allow them to do." Galluci also stated, "we should be aware that A.Q. Khan, the Pakistan father of the enrichment program, and sometimes called the father of the bomb in

Pakistan, has admitted to transferring centrifuge technology, selling it to North Korea. I do not know why the North Koreans insist refusing to admit this.”¹⁰ Charles L. Pritchard, President of the Korea Economic Institute, addressed the fact the future talks should include North Korea’s HEU program during the Obama administration in Congressional testimony when he stated in part, “In revamping the Six Party agenda, a path to resolving our concerns over HEU and Syria-related proliferation activities must be found.”¹¹

Because there has been a debate that has now lasted for several years – often driven by what end of the political spectrum one analyzes geopolitics from – about the very existence of North Korea’s HEU weaponization program, it is important to examine the evidence on this issue. It is my belief that there has been a totality of evidence presented by several governments, by investigative reporting in the press, and from “smoking guns” coming out of Pakistan, Libya, and Iran, to show that North Korea has been on the road to building an HEU program since at least the late 1990s.

Compelling statements by former Pakistani Prime Minister Benazir Bhutto and prominent Pakistani scientist A.Q. Khan have admitted that they had spread important HEU weaponization technology, blueprints, plans, and even scientists to North Korea throughout the 1990s on behalf of the Pakistani government.¹² But high level Pakistani officials were not the only ones to provide evidence of an active and large-scale proliferation of HEU technology from Pakistan to North Korea. High ranking North Korean defector Hwang Jang-yop spoke to the South Korean press about the issue in 2004. He said that during the peak of the restrictions placed on North Korea’s plutonium reactor in 1996, he voiced his concerns to a high ranking official, “before the fall of 1996, he said we’ve solved the problem. We don’t need Plutonium this time. Due to an agreement with Pakistan, we will use uranium.”¹³

The evidence trail that leads from North Korea to Pakistan is quite compelling. Whether it is the evidence that Pakistan used American made C-130s to transport the centrifuges, plans, and scientists to North Korea for the burgeoning HEU program (flying through Chinese airspace), or the fact that in exchange, North Korea provided missiles (the No Dong) capable of providing a platform for Pakistan to launch nuclear weapons at India, there is evidence of a “nuclear bazaar” run by Pakistan’s A.Q. Khan for North Korea (among others).¹⁴ In fact, there are even rumors that Pakistani scientists may have taken up residence in North Korea in order to help with Pyongyang’s HEU program. South Korean scholar Cheon Sung-hun of the Korea Institute for National Unification told the South Korean press in 2004 that “Nine Pakistani

nuclear scientists have been missing since they left their country six years ago, and we cannot rule out the possibility that some of them are in North Korea.”¹⁵

The public disclosure that North Korea was also probably collaborating with Libya during its HEU development period (Libya was also cooperating with Pakistan at the time – as was Iran) is also troubling and is another piece of the puzzle. As then Vice-President Richard Cheney remarked in a speech given at Fudan University in China, “. . . the Libyans acquired their technical expertise, weapons design and so forth from Mr. A.Q. Khan, Pakistan . . . Mr. Khan also provided similar capabilities to the North Koreans. So we’re confident that the North Koreans do, in fact, have a program to enrich uranium to produce nuclear weapons.”¹⁶ Equally as disturbing are the many reports that began to come out of Iran in 2003 and have continued as of the writing of this article. According to dissident groups, press reports, and scholars who focus on the region, North Korea is collaborating with Iran on building a 500 kilogram HEU warhead for a missile (reportedly the No Dong – called the Shahab-3 in Iran).¹⁷ The original design for the warhead probably came from the Pakistani’s - who also gave the same design to the Libyans.¹⁸

The difficulty of detecting an HEU facility is that it can be far smaller than a plutonium processing facility, can even be built underground, and is far less vulnerable to technical intelligence collection means than the very large facility the North Koreans have at Yongbyon.¹⁹ In dealing with an opaque government and society like North Korea, it has been very difficult since the very beginning of the crisis in 2002 to get the North Koreans even to admit that they have the program. But after several years of North Korean denials and support of these denials from many pundits and scholars both in the United States and South Korea (almost exclusively on the left), the evidence regarding its existence once again began to seep out to the public in late 2008. In 2009 in an interview with the press, outgoing U.S. Secretary of State Condoleezza Rice reportedly said, “I think the intelligence community now believes that there is an undisclosed either imported or manufactured weapons-grade HEU in North Korean.”²⁰ During her confirmation hearings in January 2009, incoming Secretary of State Hillary Clinton also voiced concern about North Korea’s HEU program, “Our goal is to end the North Korean nuclear programs – both the Plutonium processing program and the highly enriched uranium program, which there is reason to believe exists, although never quite verified.”²¹ Meanwhile, according to a senior South Korean official (who declined to be identified), U.S. and South Korean intelligence had discovered a

North Korean secret HEU facility by February 2009. The facility is reported to be underground and is located in Sowri-ri, North Korea – in the same province where the Yongbyon facilities are located. The facility reportedly can produce small amounts of highly enriched uranium.²²

While it appears the big issues that remained unresolved as the Bush administration left office were North Korea's HEU program, their weapons, and proliferation to other rogue states, there were a great many twists and turns in the six party talks as they moved back and forth from 2003 until the Obama administration assumed power in 2009. These developments were important, and there are many lessons that can be learned from them. Thus, for the remainder of this article I will assess what happened, why it happened, and what the results (if any) meant for the United States, North Korea, and the region.

Actions That Led to the Six-party Talks

While the Bush administration has been the subject of a great deal of criticism for ending the Agreed Framework process, there were many difficult circumstances leading to the confrontation between James Kelly and the two senior North Korean negotiators (Kim Kye-kwan and Kang Sok-ju) in December of 2002. These important factors should be part of any analysis that addresses the history of the six-party talks. As the Clinton administration came to a close and the presidential election results remained in doubt at the end of 2000, sensitive talks that were ongoing with the North Koreans were suspended. In fact, a scheduled trip by envoy Wendy Sherman was cancelled.²³ In addition, it was well known (including to the North Koreans) that the incoming Bush administration planned to take a very different approach to Pyongyang than its predecessor. Because of the delayed transition period for the Bush administration (as a result of contested presidential election results), it was several months before key personnel could be put into position. These delays during a highly sensitive and very important period of talks with North Koreans likely made an already edgy government in Pyongyang even more tentative about dealing with the new American government. Differences in approach to North Korea with Washington's allies in Seoul also caused problems. Finally, talks originally scheduled for July of 2002 were delayed because of a North Korean-initiated sea battle with the South during the summer.²⁴

George Bush had campaigned during his bid for the presidency for a harder line with the North Koreans and had been critical of Clinton administration policies that had only frozen (not dismantled) the facilities at Yongbyon, failed to keep Pyongyang from test-launching a long-range

ballistic missile in 1998, and engaged in talks with the DPRK that most conservatives in the United States thought were unwise. The North Koreans were reportedly very apprehensive about dealing with the Bush administration. In a speech he gave at the Young Korea Academy Forum for Unification in Seoul during June 2004, Lim Dong-won, the head of the National Intelligence Service in South Korea during the Kim Dae-jung administration stated that Kim Chong-il had told him that he had cancelled his planned visit to South Korea in 2001 – in fact saying that he “had no choice” – because of the outcome of the U.S. elections, revealing to Lim that his advisors had told him Bush would take policies that would “threaten the North Korean regime.”²⁵ Thus, walking into talks with the North Koreans the Bush administration was confronted with inherited policies it disagreed with, a North Korean government that was hostile to negotiating with a new American president it did not trust (and actually feared if one is to believe Lim’s statements), and an ally in South Korea that was even softer in its policy toward Pyongyang than the Clinton administration.

The Six Party Talks Begin: 2003 – 2005

As a result of the confrontation between James Kelly and the North Korean negotiators, there was an impasse of several months in talks between the DPRK and Washington. The United States at the time no longer wanted to deal with the North Koreans on a bi-lateral basis – largely as a result of the lack of transparency that the North Koreans had shown. For their part, the North Koreans declared the Agreed Framework was “null and void.”²⁶ Diplomats within the Bush administration and from the region came up with a new framework for negotiations on North Korea’s nuclear program and called it the “six-party talks.” The six parties in the talks included the United States, South Korea, North Korea, the Russian Federation, Japan, and China.²⁷ The six-party talks involved a multilateral approach to resolving the issues surrounding North Korea’s nuclear program. The first of these talks was held during April 2003. There were five sessions between April 2003, and the fall of 2005.

During the first two years of the six-party talks most analysts agree that there were few, if any, consequential results. The talks were typically hosted in Beijing by the Chinese government. China was perceived by many – including some in the U.S. government – as being a positive influence on the talks. China is well known as being North Korea’s lone ally. In fact, China worked closely during these early stages of the six-party talks with South Korea, whose government hoped a steady engagement policy would persuade Pyongyang to move forward

in ridding the Korean peninsula of nuclear weapons.²⁸ While China and South Korea did improve their relationship during this early period of the talks, there was no significant change in North Korean behavior. American hopes that the Chinese would be able to exert influence or even pressure on the North Koreans regarding their nuclear program proved to be disappointingly false.

The first ray of light in the six-party talks occurred on September 19, 2005. At that time, Pyongyang pledged in principle that it would eventually abandon its nuclear weapons programs in exchange for economic assistance and security pledges from Washington. The United States also pledged to build a light water reactor for the North Koreans (nuclear power for peaceful purposes) eventually. The details of the agreement were very hazy – and light on specifics. South Korean Minister of Unification Chung Dong-young announced to the press that the breakthrough was largely a result of his efforts. He claimed to have had numerous meetings with both American and North Korean officials that led to this first ray of light in what had been a standstill in negotiations between Pyongyang and the other parties (particularly the United States).²⁹

Immediately following the breakthrough in talks, a South Korean official was asked by a reporter if “enriched uranium will be included in the nuclear programs scrapped by North Korea.” The official replied, “It says all nuclear weapons and existing nuclear programs in the agreement.”³⁰ The key concern of conservatives in the United States and of those who watch North Korea on a daily basis was verification. Throughout the history of its nuclear program North Korea has failed to live up to inspection agreements. As Henry Sokolski, executive director of the Nonproliferation Policy Education Center said at the time, “There’s no good way to locate Kim’s nukes using special technology. Inspectors will have to ask the regime to learn more, and Kim is sure to demand that the U.S. make concessions for every answer. In this game, Pyongyang’s deck will always be larger than ours.”³¹ Nevertheless, despite its lack of clarity, details, or formalization, North Korea’s agreement in principle to dismantle their nuclear program sparked hopes in 2005 that a successful end was in sight for talks that had dragged on with almost no results for more than two years.

North Korea’s Illicit Activities Cause an Impasse: 2005-2006

While the agreement reached between the North Koreans and the other five parties in the talks was potentially a landmark event, it left many unanswered questions regarding specifics, verification, and obligations by all parties. Because the agreement was so lacking in

details, had it actually been the nexus of what was needed to get North Korea to dismantle its nuclear weapons program, it would have only been the beginning and diplomats would have had to hammer out a great many issues. But this is not what happened. The reasons are simple. On September 15, 2005, the United States Treasury Department, took action under Section 311 of the USA PATRIOT Act, and designated Banco Delta Asia in Macao as a “primary money laundering concern.” Treasury's Under Secretary for Terrorism and Financial Intelligence Stuart Levy stated, "Banco Delta Asia has been a willing pawn for the North Korean government to engage in corrupt financial activities through Macau, a region that needs significant improvement in its money laundering controls." Levy further commented, “"By invoking our USA PATRIOT Act authorities, we are working to protect U.S. financial institutions while warning the global community of the illicit financial threat posed by Banco Delta Asia." The comments, stated in a Treasury Department press release, highlighted illegal and illicit activities the bank had conducted for the North Koreans and prohibited U.S. banks from doing business there.³²

The reaction from the North Koreans was to demand that the U.S. immediately release the frozen funds and drop sanctions on eight of the companies accused of being fronts for illicit activities and proliferation of WMD. When the six parties met again in November 2005, the talks went nowhere, and the issue of North Korea's nuclear program apparently took a back seat to the concerns relating to Pyongyang's illicit activities – and the front companies that supported them. These activities included (and still include) illegal drugs (primarily methamphetamines and heroin), counterfeit money (primarily American hundred dollar bills), counterfeit cigarettes, and arms sales that included WMD and missiles.³³ The action taken by the U.S. Treasury Department and the corresponding fallout in the international financial world produced a stalemate in the talks that the North Koreans had likely not anticipated. But in order to realize why the measures were taken by the Americans, it is also important to realize just how widespread the North Korean illicit and illegal activities are in Asia – centered at the time around Banco Delta Asia in Macao.

According to State Department official William Bach (in Congressional testimony given in 2003), the North Korean government has been actively involved for more than three decades in illicit activities. According to Bach, "For some 30 years, officials of the Democratic People's Republic of Korea have been apprehended for trafficking in narcotics and other criminal activity, including passing counterfeit U.S. notes." He further specifically addressed illegal drugs when he said,

"More recently, there have been very clear indications, especially from a series of methamphetamine seizures in Japan, that North Koreans traffic in, and probably manufacture, methamphetamine drugs."³⁴ Perhaps just as importantly, North Korea's illegal and illicit programs became an important way for the regime to fund the elaborate lifestyle of its elite and to help fund other programs – including the nuclear program.

The illicit programs (including everything from drugs and counterfeiting to the proliferation of arms) are run out of an office within the Korean Workers Party (KWP) known as Bureau Number 39 – which sits very near the Koryo Hotel in Pyongyang (where many foreign visitors stay). Front companies such as Daesung Chongguk (with offices in Austria) and Zokwang Trading Company (which operated out of Macao) are controlled by Bureau Number 39 – which answers directly to Kim Chong-il.³⁵ According to interviews conducted by reporters from the *Wall Street Journal*, the slush fund generated by Bureau Number 39 amounted to hard currency approaching \$5 billion.³⁶ For many of the years of North Korea's illicit programs, Zokwang Trading Company was located in an office building very close to Banco Delta Asia – which held \$25 million of the North Korean government's money, much of which was found to be from illegal activities.³⁷ Macao was the center of much of North Korea's money laundering for its activities until international law enforcement officials began focusing on the small former Portuguese colony in 2005. Pyongyang apparently began this movement in earnest when subsidies from the Soviet Union ended in 1990. Of course, North Korea – then and now – also has diversified its slush funds in such places as Luxembourg and Singapore.³⁸

North Korean drug operations are known to involve the manufacture and sale of both heroin and methamphetamines. A shipment of heroin seized in Australia from the North Korean merchant ship "Pong-su" was reported by Australian Federal Police to have a street value of \$221 million.³⁹ While heroin sales are likely important to the coffers of Bureau Number 39, methamphetamines are reportedly much more lucrative. Japanese police estimated in 2003 that North Korean methamphetamines accounted for 43% of that illegal market there.⁴⁰ North Korean government operatives also reportedly have connections (to distribute their illegal drugs) with the yakuza in Japan, and with organized crime syndicates in both China and Taiwan. Even the military in North Korea has a history of supporting drug distribution and playing a role in drug drops, and their personnel are said to have often been used in this capacity.⁴¹

Counterfeit cigarettes are an operation that has not been discussed nearly as much as the illicit drug operations or the counterfeit currency

operations. But their manufacture and illegal sale apparently picked up during the 1990s when North Korea began to feel a strong economic pinch. The North Koreans reportedly manufacture their counterfeit cigarettes in two factories obviously off-limits to foreigners, and make such brand names as “Marlboro” and “Seven” that are sold illegally throughout Asia and even in the United States.⁴² In Congressional testimony, U.S. State Department official Peter Prahar stated that between 2002 and 2005 counterfeit Marlboro cigarettes were identified in 1,300 incidents in the United States. Prahar also reported that federal indictments were filed alleging that over a period of several years criminal gangs had arranged for a 40-foot container of DPRK-originated counterfeit cigarettes to enter the United States at the rate of one per month. He also said that the counterfeit cigarettes from North Korea were sold on a large scale all over Asia, including Japan, the Philippines, and Singapore. As with all North Korean illegal operations, Pyongyang’s government dealt with organized crime syndicates in China – among other places.⁴³ Also, much like North Korea’s other illicit operations the funds were likely often channeled through front companies and banks in Macao (among other places).

Counterfeit currency was a particular concern of the Bush administration because the currency being counterfeited was (and probably still is) U.S. hundred dollar bills. The counterfeit currency North Korea produced was cited by the U.S. Secret Service as among the most sophisticated in the world.⁴⁴ The bank in Macao was reportedly being used to launder the fake bills, but like their drug operations, the North Koreans were also heavily involved with international organized crime. Pyongyang’s partners included Asian organized crime syndicates, possibly the Russian Mafiya, and even members of the Irish Republican Army.⁴⁵ As a result of the efforts of American law enforcement other countries – including important Asian economic powers like China and Japan – began also to crack down on North Korean accounts in their banks because of fears of North Korean government-sponsored organized crime.⁴⁶

The effects of the restrictions on Banco Delta Asia had devastating economic ramifications on North Korea’s ability to generate badly needed hard currency. Thus, the reaction from the North Koreans was obviously a negative one – in fact a reaction that led to a stalemate in the six-party talks. But one result from the new U.S. policies on North Korea’s illicit activities surprised even American policy makers. Because of the large-scale benefit for North Korea’s elite, Kim Chong-il’s slush fund, and even military funding, Pyongyang actually began to hurt financially. The United States had been looking for a way to

leverage the North Koreans since the very beginning of the six-party talks in 2003. It now appeared that Washington had a chance to do so - because North Korea's illegal and illicit financial networks were being exposed. As Rachel L. Loeffler, former Deputy Director of Global Affairs at the U.S. Treasury Department, stated in 2009, "In short, the mere announcement of a possible regulatory measure that would apply only to U.S. institutions caused banks around the world to refrain from dealing with BDA and North Korea. By March 2007, when Washington actually made it illegal for U.S. banks to maintain relationships with BDA, many in the global financial community had already cut ties with BDA on their own."⁴⁷

North Korea Takes Action: The Missile and Nuclear Tests of 2006

As the six-party talks proceeded into 2006, North Korea decided to make the building of a light water reactor by the United States an issue. President Bush and President Roh had previously made public statements regarding the light water reactor, saying that North Korea must first take verifiable steps to dismantle its nuclear program. But the North Koreans were certainly not without leverage of their own. During the summer of 2006, they made preparations for a long-range ballistic missile test. On July 4 and 5, 2006, North Korea test-launched seven ballistic missiles, including one Taepo Dong 2 (which failed to successfully reach its second stage), and several SCUD and No Dong systems. The missile launches were met with outrage by the international community.⁴⁸

As the North Koreans were preparing to launch the eye-opening test, respected analysts in both the United States and South Korea assessed that it was being used to get the United States to ease its stranglehold on the North Korean economy that was a result of the crack down on illicit activities and the banks that supported it. Kim Tae-woo of the Korean Institute for Defense Analysis discussed this when he said, "The U.S. is now strangling North Korea economically . . . their immediate objective is to make the U.S. step back."⁴⁹ Former Pentagon official Chuck Downs commented, "Pyongyang has created an opportunity to break out of the negotiating deadlock that has stymied the regime for years, dissolve the international consensus on how to deal with the regime's illicit smuggling and counterfeiting activities, and change politics in South Korea and the U.S."⁵⁰

On October 9, 2006, the North Koreans conducted their first underground nuclear test. As the six-party talks remained mired in disagreement over Pyongyang's illicit programs and details of what the agreement to dismantle should include, North Korea effectively ended any debate about whether or not they actually had nuclear weapons.

Most analysts agreed that the test appeared to have been an at least partially successful detonation of a plutonium nuclear device. Siegfried Hecker visited North Korea following the test and stated, “The DPRK aimed for 4 kilotons and got 1 kiloton. That is not bad for the first test. We call it successful but not perfect.”⁵¹ Hui Zhang, a research associate at the Belfer Center for Science and International Affairs of the John F. Kennedy School of Government at Harvard University, estimated the test this way: “If North Korea planned the yield of 4 kt (as reported), the test could be not a failure. It could show that Pyongyang already has confidence to explode a larger nuclear device and is pursuing a much more compact warhead for its missiles.”⁵² Following the test, the North reiterated its demand that the U.S. stop financial restrictions that were at the time strangling North Korea’s access to banks in the international arena as a condition for returning to the six-party talks. Kim Chong-il reportedly told Chinese officials, “If the U.S. makes a concession to some degree, we will also make a concession to some degree, whether it be bilateral talks or six-party talks.”⁵³

The chess game continued through the end of 2006. The United States had been successful in putting the North Korean economy under considerable pressure by initiating financial restrictions on banks that dealt with Pyongyang’s widespread and very lucrative illicit activities as well as by working with international law enforcement to inform institutions and governments about these activities. For their part, the North Koreans had not blinked. Instead they responded defiantly by first testing several ballistic missiles during the summer of 2006, and then taking the even more drastic step of testing a nuclear device in October. The question was who would blink first? The United States was under considerable pressure from its allies in the six-party talks (particularly the government of South Korea) to ease law enforcement and financial actions that had put North Korea “under the gun.” The North Koreans were adamant about funds being released in Banco Delta Asia – largely because the repercussions that this caused in the international banking community made it extremely difficult for them to run their money (much of it from illegal or illicit activities) through banks throughout Asia and elsewhere. Had the United States kept up the pressure on North Korea’s ability to operate its financial networks, there is no telling what steps Pyongyang would have taken next. But this was not to happen.

The Six-party Talks Move Forward: The Agreement of 2007

In the chess game that began after North Korea’s reported admission of an HEU program to the United States (later denied) during late 2002, Pyongyang had shown it would not hesitate to play hard ball.

Conducting missile and nuclear tests that gained worldwide attention certainly proved this. Of course, the United States also played a tough game that was able to put real pressure on North Korea's fragile – and largely illegal – economy. But it was the United States that agreed to make the concessions necessary to restart the six-party talks and begin what policy makers at the time hoped would be the beginning of North Korea's dismantlement of its nuclear program.

In an agreement reached by all six of the parties and released on February 13, 2007, the following issues were agreed on in the “initial phase”:

- The DPRK would shut down and seal for the purpose of eventual abandonment the Yongbyon nuclear facility, including the reprocessing facility and invite back IAEA personnel to conduct all necessary monitoring and verifications as agreed between IAEA and the DPRK.
- The DPRK would discuss with other parties a list of all its nuclear programs as described in the Joint Statement, including plutonium extracted from used fuel rods, that would be abandoned pursuant to the Joint Statement.
- The DPRK and the US would start bilateral talks aimed at resolving pending bilateral issues and moving toward full diplomatic relations. The US would begin the process of removing the designation of the DPRK as a state-sponsor of terrorism and advance the process of terminating the application of the Trading with the Enemy Act with respect to the DPRK.
- The DPRK and Japan would start bilateral talks aimed at taking steps to normalize their relations in accordance with the Pyongyang Declaration, on the basis of the settlement of unfortunate past and the outstanding issues of concern.
- Recalling Section 1 and 3 of the Joint Statement of 19 September 2005, the Parties agreed to cooperate in economic, energy and humanitarian assistance to the DPRK. In this regard, the parties agreed to the provision of emergency energy assistance to the DPRK in the initial phase. The initial shipment of emergency energy assistance equivalent to 50,000 tons of heavy fuel oil (HFO) would commence within the next 60 days.⁵⁴

Also under the agreed upon plan, the six parties formally agreed to establish the following working groups to carry out the actions of the “initial phase”:

1. Denuclearization of the Korean Peninsula
2. Normalization of DPRK-US relations
3. Normalization of DPRK-Japan relations
4. Economy and Energy Cooperation
5. Northeast Asia Peace and Security Mechanism⁵⁵

Statements to the press by senior U.S. officials were disappointing to many analysts when it came to the actual details of the agreement. When asked about the ambiguity of the February 13 statement, Condoleezza Rice remarked in part, “This is the first step, but there’s a step in the follow-on phase which is the complete declaration.” When she was asked about the fact that the North Koreans continued to deny the existence of their HEU program (which had caused the crisis in the first place), Rice remarked, “we are in the first quarter, not the fourth, and we are going to pursue the issue of the highly enriched uranium program. We’ve made that clear.” During the same briefing with the press, Rice was also asked a very difficult two-part question, 1) how far along North Korea’s HEU program was; and 2) “. . . whether the issue of the Macao bank would be resolved shortly with the North Korean funds released within 30 days.” The frozen funds in the Macao bank and related crackdowns all over Asia had set the North Koreans back on their heels, and been what had caused the talks to stall since 2005. Rice responded in part, “We’ve been having good discussion with all of the parties involved in that and we’ll look to what kind of remediation needs to take place to resolve our concerns. But that’s a legal channel In terms of the HEU program . . . I can’t go much farther beyond saying that we have concerns about the highly enriched uranium program.”⁵⁶

The new deal with the North Koreans had been brokered by the chief negotiator to the six-party talks, Christopher Hill, who had strongly advised Rice (who correspondingly was able to convince President Bush) to take the terms of the deal despite the advice of many others in the Bush administration who were reportedly against it because it eased the pressure on North Korea’s illicit programs and put no real pressure on Pyongyang to disclose details of its HEU program. Hill defended the terms of the agreement in a speech he gave on February 22, 2007, when he stated in part, “It is unlikely that the North Koreans will roll out of bed in the morning and say we are going to make a strategic decision to get out of all of this. More likely, they are going to make decisions to move on a step-by-step basis, and as they move one step, they will look back and say, this is a better place than we were yesterday, and that will

encourage them to take still another step. . . . By no means have we achieved the final step.”⁵⁷

In the minds of some – both on the left and the right ends of the political spectrum – the key issue (and one which was not addressed) was still the HEU program. Yet, even as the ink was drying on the agreement, the North Koreans were continuing to deny the very existence of the program. Despite what many considered a poorly conceived deal that gave all of the advantages to Pyongyang, the United States pushed forward. The North Koreans were adamant about demanding that they would not advance with any of the initiatives of the February 13 agreement unless the United States “released” their funds in Banco Delta Asia in Macao.⁵⁸ Unlike the ambiguity in Condoleezza Rice’s statement about easing up on North Korea’s illicit and illegal activities, the United States made a clear move to back off any pressure that it had been applying to Pyongyang’s lucrative support funds for its military and the elite. In June 2007, the funds were released from Banco Delta Asia in Macao.⁵⁹ The unfreezing of funds effectively ended a policy that had been successful in pressuring North Korea. As Treasury Undersecretary Stuart Levey told the American Bar Association in 2008, “many private financial institutions worldwide responded by terminating their business relationships not only with [BDA], but with North Korean clients altogether.”⁶⁰ It appears the Treasury Department was forced to back off as U.S. policy took a decided turn in a different direction in 2007.

Stonewalling and Denials: The Events of 2007-2009

The talks had truly reached a new phase because of the agreement reached by all six parties in early 2007. But the agreement was notably vague in many ways and left many questions about verification, the existence of North Korea’s HEU program, and the speed with which North Korea would dismantle its facility at Yongbyon. During 2007 all talks seemed to focus only on the facility at Yongbyon – and not on the actual fissile material which was – and probably still is – located elsewhere. But as the talks continued in 2007 another issue arose: proliferation. In September of 2007 the Israeli air force bombed and destroyed a facility in Syria that has now been discovered to have been a plutonium nuclear weaponization facility built for Damascus using North Korean technology and assistance.⁶¹ This occurrence in the Middle East brought up fresh concerns about North Korea’s nuclear program. At the time Pyongyang had disclosed nothing about its fissile material, its weapons, or its HEU program. But now the issue of proliferation to rogue states was visible for all to see, and raised further concerns about

the impact of Pyongyang's nuclear weaponization program on other volatile regions outside of Northeast Asia.

During April of 2008 North Korea and the United States seemed to be on the verge of reaching a deal where documents would be turned over that would provide full disclosure of Pyongyang's nuclear program. Some worried that this was a U.S. concession (depending on what the documents revealed), but Washington pushed on. Calls for revelations about North Korean proliferation to Syria and its covert HEU program seemed to go unheeded. State Department spokesman Sean McCormack claimed on April 18, 2008, that the deal would allow inspectors access to all of North Korea's facilities.⁶² North Korea's reluctance to reveal these activities reportedly held up release of the documents for several months. The deal that was unfolding in April of 2008 seemed to offer some movement on reducing North Korea's plutonium activities and Washington seemed focused on this aspect of the talks. In return for turning over documents and blowing up its cooling tower at the Yongbyon nuclear facility, the United States was to remove North Korea from its list of state sponsors of terrorism.⁶³

Finally, in May 2008, North Korea handed over more than 18,000 pages of documents relating to its nuclear program. But the documents reportedly did not contain information about Pyongyang's proliferation to Syria or its HEU program. Reportedly, the North Koreans "acknowledged" U.S. concerns over their HEU program and proliferation, but that was the extent of their disclosure of these two key details and (disturbingly) as far as it went. Robert Galluci (former lead negotiator on nuclear issues during the Clinton administration) spoke about the Syrian proliferation question when he stated, "That is a huge undropped shoe and it must be dealt with."⁶⁴ Following North Korea's release of the documents – which cannot legitimately be called anything close to a complete disclosure – the U.S. Senate earmarked \$15 million in economic aid for North Korea and another \$53 million to provide for 1 million tons of fuel in exchange for progress in the six-party talks. The bill passed 70-26.⁶⁵

Despite the disturbing North Korean actions revealed in late 2007 and others that came to light in 2008 – and the failure to reveal details of its covert HEU program – talks continued into the summer of 2008. In a frank statement that was very revealing about North Korean intentions, Charles L. "Jack" Prichard, the head of the Korea Economic Institute, revealed to the press that the North Koreans he met in April 22-26 2008, said that they would destroy their nuclear facilities but not necessarily their weapons and material already manufactured. State Department officials responded that North Korea "often takes a tougher stance in

conversations with private-sector analysts to enhance its negotiating position.” Pritchard also stated that North Korean officials he spoke with continued to deny their proliferation activities.⁶⁶ Despite the concerns and analysis of many in both the United States and allied nations, in a major show that was hailed in Washington as a profound step in the right direction, North Korea blew up the cooling tower (a televised event) at the Yongbyon plutonium facility in late June 2008.⁶⁷

The year 2008 proved to be a very frustrating one for many in both the Bush administration and those involved in the six-party talks who were hoping to oversee the dismantlement of North Korea’s nuclear program. During this period a blueprint was laid out for verifying Pyongyang’s nuclear disarmament. Unfortunately, this blueprint did not call for North Korea to either give details of its HEU program or its proliferation to Syria. Nevertheless, on June 26, 2008, Bush “announced the lifting of the Trading with the Enemy Act [TWEA] with respect to the Democratic People’s Republic of Korea [DPRK, or North Korea], and notified Congress of his intent to rescind North Korea’s designation as a State Sponsor of Terrorism [SST].”⁶⁸ The announcement was based on the long awaited “declaration” of its nuclear programs handed over by North Korea. The declaration not only did not have details of its HEU program or proliferation, but it also failed to provide any information on North Korea’s nuclear-weapons arsenal (including the number of bombs or where they were stored).⁶⁹ To exacerbate concerns further fresh traces of HEU were reportedly discovered among the more than 18,000 pages of documents that the North Koreans turned over to the United States. Condoleezza Rice stated to the American press, “As we’ve gotten deeper into the process, we’ve been troubled by additional information about North Korea’s uranium-enrichment capability. . . .”⁷⁰

By July 17, 2008, North Korea had pulled half of its 8,000 fuel rods from the nuclear reactor at Yongbyon as it slowly met its obligations to dismantle its nuclear program, according to sources in the multilateral negotiations.⁷¹ Talks on July 12 had produced an agreement for verification of North Korea’s nuclear facilities, but the talks failed to produce details of when and how it would take place. By July 22, the United States had proposed a specific mechanism to the North Koreans for verifying their nuclear dismantlement, but the proposal received a lukewarm reception in Pyongyang.⁷² As the North Koreans continued to stonewall on verification, President Bush made a statement on July 31 that he would not remove them from the U.S. terrorism list unless they agreed to a protocol for verification of their uranium-based nuclear program and proliferation.⁷³ By September, the issue of verification and complete disclosure was still at an impasse. North Korea began to “up

the ante” by apparently breaking the seals at its Yongbyon nuclear facilities and hinting that the facilities there would be restored.⁷⁴ Pyongyang’s actions were in response to Washington’s request that verification involve “full access to any site, facility or location,” and would allow inspectors to take both still photos and videos, and to stay at suspected sites as long as necessary. The U.S. proposal also included inspectors being able to make repeated visits to sites and to take samples (which could of course be analyzed in the United States).⁷⁵

By October 2008, administration officials had admitted that the fragile agreement reached could collapse if the two sides did not reach a consensus quickly. But the situation seemed to be saved when, despite North Korea’s lack of cooperation, the United States did, in fact, remove North Korea from its list of state sponsors of terrorism. In response, the North Koreans reportedly again resumed their agonizingly slow disabling of the facilities at Yongbyon.⁷⁶ As former Bush official Victor Cha stated in an opinion piece, “A McCain or Obama administration will have to contend with the problems of dismantlement, uranium, and Syria, and other nuclear issues which undeniably will come up during the verification of Yongbyon.”⁷⁷ Soon after being dropped from the list of states supporting terrorism, North Korea demanded a subsistence allowance for 10,000 people who it claimed earn their living from operations at Yongbyon. Pyongyang also demanded that the other members of the six-party talks set a specific timetable -in writing - for providing energy assistance in return for their nuclear disablement.⁷⁸

The verification agreement that the United States and North Korea reached during the fall of 2008 was troubling to many who felt that Washington had given in to North Korean demands that did not adequately address much of Pyongyang’s nuclear program. Bruce Klingner of the Heritage Foundation spoke of this when he stated, “. . . some verification measures are tenuously based on side letters or oral agreements with North Korea.” Klingner elaborated: “U.S. officials privately acknowledged that the verification protocol will not provide access to inspect the nuclear test site, plutonium waste site, or facilities involved in the weaponization of plutonium. Experts will have access only to Yongbyon and some academic institutions.”⁷⁹ In what many analysts considered to be a troubling development, North Korea’s HEU program and proliferation were reportedly to be referred to in an “appendix to the main document,” and were to be dealt with separately. Thus, in essence, when it came to verification of either of these essential items, Washington agreed to “kick the can down the road.” Since the appendix was reportedly less binding than the main document adopted, what was contained in it would likely be addressed in “future talks,” and

thus the issues that Washington had originally pushed so hard for became almost ancillary in the verification process.⁸⁰

Finally, in November 2008, North Korea announced that it would not allow inspectors to take samples to verify its nuclear capabilities. Pyongyang announced that inspectors could not remove samples from its facility at Yongbyon, which meant they could not be taken out of the country.⁸¹ The announcement rendered what had already been a weak agreement even weaker. Now inspectors were not only limited in the facilities they could verify, but in the way that they would be able to conduct their inspections. Being unable to remove samples from North Korea made it much more difficult to verify where the samples came from, how they affected the nuclear weaponization program, and other important technical issues that would have been vital for ensuring Pyongyang was transparent in the dismantlement and disclosure process.

What made the verification agreement even weaker was the fact that the United States accepted many “verbal agreements” with North Korea. For example, according to press reports, the only written documentation regarding sampling that was agreed to was a “memorandum of conversation” written by Christopher Hill to Condoleezza Rice. An unnamed senior State Department official conceded that no other evidence of North Korea’s “commitment” to sampling existed.⁸² North Korea’s agreement to a verification protocol was probably one of the key reasons that the communist state was taken off the State Department’s list of states supporting terrorism – yet Pyongyang later claimed it had never promised to allow sampling and accepted a document with no specific enforcement measures. In an interview with the South Korean press, the Bush administration’s top State Department official on nuclear verification said that sampling should be guaranteed as a way to assess North Korea’s nuclear capability. Paula DeSutter, Assistant Secretary of State for Verification, Compliance, and Implementation, stated in part that “Sampling is a very normal part of many arms control agreements. . .” She further stated, “. . . analysis happens, not on site but back at laboratories specifically designed to do the work.”⁸³

In late November 2008, the U.S. State Department announced that it expected North Korea to commit – in writing – to allowing its inspectors to take sampling from nuclear sites in the reclusive state. The announcement was made in reference to talks that were to occur in December.⁸⁴ After four days of talks in December, North Korea refused to agree to a system of verification that would satisfy the United States. Of particular importance, the North Koreans refused to allow soil and air samples to be taken from the nuclear facilities to locations outside of their country where proper scientific analysis could occur. The impasse

effectively ended any chance the Bush administration may have had to halt the confrontation before the end of its term.⁸⁵ Chief Envoy Christopher Hill told the press that “Ultimately, the DPRK [North Korea] was not ready, really, to reach a verification protocol with all of the standards that are required.”⁸⁶ At a White House press briefing, Press Secretary Dana Perino stated, “There was an open door, and all they had to do was walk through it because five of the members of the Six-party talks had all agreed to a verification protocol.”⁸⁷ Thus, after delisting North Korea from the list of nations supporting terrorism based on what were essentially verbal agreements, the United States was now faced with a nation that once again was in reality refusing to dismantle its nuclear weapons program in a transparent, verifiable way.

The events that effectively ended in December 2008, showed that despite an engagement policy the Bush administration had followed since February of 2007 (a complete turn-around from policies that begun in 2001), the North Koreans showed no real intention of giving up all aspects of their nuclear weaponization program. More information followed in later weeks that was even more troubling. Of course, in a move that President Bush said was the North Koreans “trying to test the process,” Pyongyang hinted that they would (again) slow the process of disablement at their nuclear facility at Yongbyon. The DPRK’s nuclear envoy, Kim Kye-kwan, was quoted in the Japanese press as saying they would “probably adjust the pace of disablement at nuclear facilities if aid is suspended.” The threat was likely made in response to an announcement by Washington that energy aid to the impoverished state had been suspended because of the failure of the talks. Many experts now believed the North Koreans were holding out on discussions about a verification protocol until the Obama administration assumed office.⁸⁸

As Bush officials prepared to leave office, things also began to fall apart among the other nations involved in the six-party talks. Both Russia and China openly expressed disagreement with Washington over stopping fuel aid to North Korea because of a failure to reach a verification protocol in December 2008. Thus, both nations stated that they planned to continue that aid to Pyongyang, which further exacerbated the lack of leverage the U.S. had over North Korea.⁸⁹ In January, White House officials urged North Korea to return to the talks.⁹⁰ But the Americans also voiced legitimate concerns that they continued to be concerned about North Korea’s HEU program.⁹¹ Later in the month, senior U.S. officials disclosed to the Japanese press that particles of HEU had been detected on aluminum pipe the North Koreans had previously submitted to the Americans as a sample. Condoleezza Rice confirmed these suspicions when she reportedly stated, “I think the

intelligence community now believes that there is an undisclosed either imported or manufactured weapons-grade HEU in North Korea,” further commenting, “But that’s why the verification protocol becomes even more important to establishing what the nature and status of the HEU program is and what they’ve done with it and what they might do in the future.”⁹² As the Bush administration left office, issues still remained concerning North Korean proliferation, its HEU program, and verification of all of its programs, including the locations and numbers of its plutonium weapons. Indeed, even dismantlement of the Yongbyon facility remained in limbo.

Conclusions

The Bush administration left office with North Korea still in possession of its nuclear weapons. Pyongyang also had not made proper accounting of its HEU program, its proliferation activities with Syria (or any other state); nor had the North Koreans even fully dismantled the reactor at Yongbyon. Ultimately, the failure for the Bush administration to accomplish any of its goals in dealing with the North Koreans can be blamed on Washington at least as much as Pyongyang. From the very beginning, the Bush administration seemed split in the interagency process about what policy to follow. And the potentially strong leverage Washington had because of being able to squeeze North Korea’s illicit financial networks was abandoned when the talks took a new direction in February 2007. As Nicholas Eberstadt of the American Enterprise Institute has stated, “Adrift without a strategic compass, Bush’s North Korea team ended up clinging like shipwreck victims to the desperate prospects of their negotiating sessions with North Korean officials, sacrificing substance so that the process might continue.”⁹³ Dr. Eberstadt’s writing highlights a very important fact. The Bush administration had trouble settling on a focused policy in its first years, but by 2005 had finally found a way (perhaps to their surprise) to put pressure on North Korea. Despite this, however, disagreement in the interagency process once again led to a definitive policy shift and a sea change (in 2007) that brought about a complete dependence on the six-party process, which effectively took the pressure off of North Korea.

It is my belief that the focus on North Korea’s illicit activities cannot be stressed enough. If one is to look to the very beginning of the North Korean nuclear confrontation, which has been ongoing in some form or another through two full presidential administrations, incentives have never worked in getting the Koreans to be transparent about their nuclear weaponization activities. Only pressure has worked, and that was only for a short time (as the Bush administration shifted policies in 2007).

The pressure applied beginning in 2005 was effective though it is likely the missile tests and nuclear test of 2006 were enough to intimidate Washington into relenting to Pyongyang's demands. As Marcus Noland has noted, ". . . 2005 U.S. Treasury action against a small Macau bank where North Korean accounts were associated with missile proliferation, unrecorded gold sales, and allegedly North Korean leader Kim Chong-il's political slush fund, tanked the black market value of North Korean currency, disrupted legitimate commerce, and reportedly necessitated a scaling back of festivities associated with the Dear Leader's birthday."⁹⁴

North Korea is a complicated, isolated country. Dealing with the reclusive communist state requires a comprehensive, focused, and consistent policy. The lessons that can be learned from an examination of the six-party process and North Korean policy as a whole during the Bush administration are important. Setting a policy and sticking with it are extremely important for dealing with North Korea and prevents miscommunication to the power brokers in Pyongyang. In addition, an interagency process that involves infighting and that prevents decisions from being permanent and transparent has the potential to completely unravel any potential gains. The potential pressure points for leveraging North Korea remain. The Obama administration can and should take action using the Treasury Department, as this is an option that can work. But as action is initiated, Washington should be prepared to stand its ground and follow through with ensuring the North Koreans concede to important issues that will lead to dismantlement. Ultimately, a policy that is focused more on engagement than putting any amount of pressure on North Korea is likely to lead to North Korea's continued existence as a nuclear state, and a state that engages in proliferation in order to fund its elite and the military. Thus, the failure of the Bush administration to disarm North Korea's nuclear program successfully (and the Clinton administration before it) now leaves the current government in Washington with many difficult decisions to make, and few viable options.

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