NOTE TO USERS

WEAKER STATES, RISK-TAKING, AND FOREIGN POLICY: RETHINKING NORTH KOREA'S NUCLEAR POLICY, 1989-2005

by

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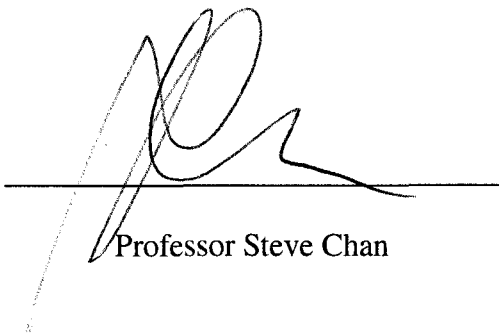

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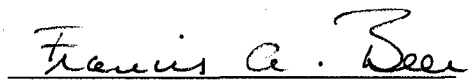

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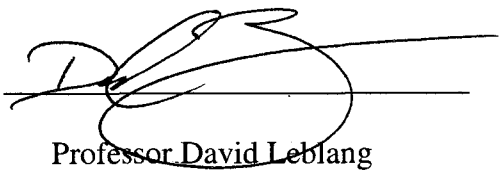

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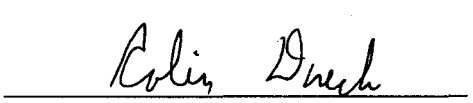

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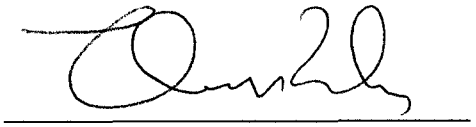

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Weaker States, Risk-Taking, and Foreign Policy: Rethinking North Korea's Nuclear Policy, 1989-2005

Thesis directed by Professor Steve Chan

Starting with the question of why weaker nations challenge stronger nations, this dissertation offers an answer that combines prospect theory and two-level games with the case of the North Korean nuclear crisis. The conventional wisdom posits that weaker nations are less likely to challenge stronger nations because no nation wants to start a losing war. However, there have been many cases in which the weaker has challenged the stronger, and the weaker furthermore has shown dynamic policy changes between confrontation and cooperation. This study addresses this issue by focusing on the concept of risk and offers an explanation of how risk influences a weaker nation's foreign policy.

This study develops three hypotheses to understand Pyongyang's behavior: 1) status-quo bias, 2) preference reversal under catastrophic situation, and 3) domestic loss aversion. The first hypothesis means that if Pyongyang perceives the status quo to be deteriorating, it frames its external situation in the domain of losses, is more likely to become risk-acceptant, and chooses a more risky nuclear policy in an attempt to restore the status quo. The second hypothesis implies that if North Korea perceives military confrontation to be imminent, it will be more likely to be risk-averse in the domain of extreme losses and thus pursue a less risky nuclear policy to avoid the catastrophic outcome of war, that is, the collapse of the regime. The third hypothesis means that if North Korea perceives the domestic situation to have

deteriorated to the point of threatening the regime's survival, it may become externally risk-acceptant and choose a risky nuclear policy to restore the domestic status quo. This implies that if the regime's domestic control becomes unsustainable, its domestic situation is more likely to determine its policy decision. However, if its domestic control is still strong enough to manage domestic challenges, its international situation is more likely to determine its policy.

Testing these hypotheses, this study explains Pyongyang's changing nuclear policies after the Cold War. Pyongyang has shown risk-acceptant or risk-averse attitudes according to its perceptions of internal and external situations. Thus, issues of risk are central to an understanding of Pyongyang's decision-making, and this study explains Pyongyang's changing nuclear policies between confrontation and cooperation.

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No one writes a Ph.D. dissertation alone. First and foremost, I must thank my wife and family. My parents were always a bottomless source of love and support. Even though they worried a lot about my studying abroad, they continuously encouraged me in my choices and never lost faith in me. I cannot begin a single day without thanking them. Mihee accepted the risk of accompanying me to a foreign country. Without her unconditional support, my efforts might have ended in failure. Interestingly, she happens to have enjoyed the risk because she herself became a graduate student one year after we were married. I would also like to thank my parents-in-law for their strong support. When they sent their daughter to the U.S., they not only sent their love for her but also doubled it for me.

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INTRODUCTION

> The Soviet establishment of diplomatic relations with South Korea will leave us no other choice but to take measures to provide for ourselves some weapons for which we have so far relied on the alliance.[1]

Has the Democratic People's Republic of Korea[2] become determined to go nuclear, deliberately confronting the United States, or has it been just using the nuclear program as a diplomatic bargaining chip to improve relations with the U.S. and gain economic benefits? Why has Pyongyang confronted the U.S. with its own nuclear weapons program, and how and why has Pyongyang so far changed its policy toward Washington? In fact, the North Korean nuclear crisis has not been a bilateral issue between Pyongyang and Washington but rather an international concern including the whole international community. However, this study focuses on Pyongyang's nuclear policy toward Washington in the 1990s and the early 2000s, because Pyongyang has constantly insisted on negotiating bilaterally with Washington, arguing the nuclear issue on the Korean peninsula was originally generated by America's antagonistic nuclear policy toward North Korea during the Cold War.[3] Furthermore, Pyongyang's main policy regarding this issue has

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[1] A memorandum released by the North Korean Foreign Ministry, *Korean Central News Agency* (*KCNA* hereafter), September 18, 1990.

[2] To designate the Democratic People's Republic of Korea (DPRK), several expressions such as North Korea, Pyongyang, and the North are used interchangeably in this study. Similarly, to designate the Republic of Korea (ROK), this study uses South Korea, Seoul and the South.

[3] Kim Il-sung often emphasized that the nuclear issue should be resolved in bilateral talks between North Korean and the U.S., given the origin of the nuclear issue on the Korean

continuously focused on the relations with the U.S., even though the International Atomic Energy Agency (IAEA, hereafter) and regional powers such as South Korea, Japan, China and Russia have participated in this issue.

The North Korean nuclear crisis began to rise to the surface after the end of the Cold War.[4] As North Korea's security environment suddenly worsened after the collapse of the Soviet Union and the Chinese diplomatic reformulation, North Korea began to challenge U.S. nuclear non-proliferation policy. According to Dale Copeland (2000: 37-42), a state in decline like North Korea can adopt one of two foreign policy options: 1) to accommodate its enemy at the risk of war in the long term, or 2) to adopt a hard-line stance at the risk of war in the short term. Although it does not appear that North Korea intended to go to war against the United States, the most powerful nation in the world, the North has often escalated and de-escalated the nuclear crisis with its unique nuclear policy. Consequently, North Korea once reached the brink of being attacked militarily by the U.S. due to its reluctance to follow the international demand for nuclear inspections. In June 1994, the United States was making every diplomatic effort to have UN sanctions imposed on North Korea and was also considering a few military options, including preemptive strikes on the North's nuclear facilities. The crisis might have ended in war at the time if Pyongyang had chosen to accept the risk of continuously escalating the situation, but

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peninsula. See Kim Il-sung's "New Year's Address," *Rodong Sinmun*, January 1, 1994. See also the statement by the North Korean Foreign Ministry spokesman, "UN Security Council is not a place in which our nuclear problem is discussed," *Rodong Sinmun*, April 11, 1993, and its press conference, "Japan and South Korea do not have to pay attention to the DPRK-U.S. talks," *Rodong Sinmun*, June 26, 1994. For U.S. involvement in the nuclear issue on the Korean peninsula during the Cold War, see Hayes (1991).

[4] For a short history of the North Korean nuclear issue, see ISSS (2004: 5-26).

it did not. North Korean leader Kim Il-sung suddenly changed his course of action by switching his nuclear policy from confrontational brinkmanship to conciliatory engagement. The crisis was resolved without any direct military confrontation after former U.S. President Jimmy Carter visited Pyongyang and got Kim Il-sung's agreement to freeze Pyongyang's nuclear weapons program in return for U.S. compensation. Why did Kim suddenly change his nuclear policy, suspending the North's independent nuclear weapons program in response to international threats, and accept the risk of damaging his dignity and the *Juche* ideology of self-reliance that he had valued so long?[5] Did he suddenly recognize that to suspend the nuclear program and improve relations with the U.S. was less risky than continued escalation of the crisis? If so, why did not he initially reach out to Washington and avoid the risk of confronting the superpower? Although Pyongyang had opted for neither direct confrontation nor any real accommodation during the crisis, its policy focus was evidently seen to move from one to the other. In short, why did Pyongyang shift its footing from confrontation to cooperation and back again, instead of maintaining a single nuclear policy? Then, which policy option did North Korean leaders perceive to involve greater risk? Given that every foreign policy option involves a certain amount of risk, the answer depends on the North Korean leadership's assessment of the relative degrees of risk associated with each policy.

In international relations, the case of the North Korean nuclear crisis raises the question of why a weaker nation often accepts the risk of challenging a stronger opponent despite the unfavorable balance of power. War is very costly and risky to

[5] *Juche* is commonly translated as self-reliance, and has become the blueprint for North Korean society and the central guideline for its policies (Park 1996, 2002).

all states, so it must be even riskier and potentially catastrophic to weaker states, given the power gap. Thus, the conventional wisdom in international relations posits that a weaker nation is less likely to challenge a stronger nation and risk a war because no nation wants to start a losing war (Waltz 1979; Organski and Kugler 1980; Mearsheimer 1983; Kugler and Lemke 1996; Mearsheimer 2001). However, it should also be noted that the weaker may choose to fight against the stronger because they sometimes prefer saving face to being bullied. In reality, there have been a number of cases in which the weaker challenged and actually fought the stronger, and scholars have sought to explain such asymmetric conflicts on the basis of diverse theoretical frameworks (Paul 1994). This study addresses this issue by focusing on the concept of risk, that is, how national leaders of a weaker nation perceive the relative riskiness of foreign policy options and how the risk influences those leaders' decision-making processes. Thus, the theoretical questions of this study are as follows: when do national leaders of a weaker state choose to take the risk of confronting the much stronger opponent, when do they not, and finally why do they sometimes change their policy halfway during the crisis, although the initial condition leading to the policy did not change? To answer these questions, this study focuses on how leaders perceive and respond to risk in their foreign policy decision-making.

Thus, the basic question in the North Korean case is why the weaker North Korea did not seek to engage the U.S. when the nuclear issue first emerged, but rather was ready to challenge the most powerful country in the world with its nuclear program, even risking war. A more central question regarding Pyongyang's nuclear policy is why Pyongyang did not continue to confront the U.S. but instead chose to

change its course of action and cooperate with the U.S. by agreeing to suspend its nuclear weapons program in June 1994, even though the North Korean leaders' security concerns rising from the end of the Cold War had not disappeared. In addition, if Pyongyang chose to engage the U.S., why did it change course again in late 2002 and resume the risk of confrontation, escalating the crisis by finally announcing the possession of nuclear weapons?

Hence, this study emphasizes that issues of risk are central to an understanding of Pyongyang's decision-making process during the nuclear crisis. In this sense, it draws on the main tenets of prospect theory in international relations and proposes a model of the perceptions of North Korean leaders and their responses to the risk related to the nuclear crisis.

Purpose and Motivation

Understanding Pyongyang's foreign policy decision-making process regarding the nuclear issue has been one of the most difficult jobs for scholars and policy-makers who study North Korea. Some have characterized North Korea as having reputation for behaving aggressively, recklessly and irrationally (Spector and Smith 1991; Cha 2002), while others have seen in the actions of the North unique internal logic and motives (Kang 1995, 2003b, 2003d; Snyder 1999). Since the early 1990s, developing a clear picture of Pyongyang's nuclear policy has been one of the most important goals of North Korean studies.[6] However, most works have focused more on U.S. foreign policy toward the North Korean nuclear program than Pyongyang's nuclear

[6] For example, see Mazarr (1995a); Sigal (1998); Snyder (1999); Moltz and Mansourov (1999); Cha and Kang (2003); and Wit, Poneman and Gallucci (2004).

policy (Mazarr 1995a; Wit, Poneman and Gallucci 2004). While some have sought to explain Pyongyang's perspective and nuclear policy (Sigal 1998; Snyder 1999; Cha and Kang 2003), the main problem in their works is that it does not explain Pyongyang's policy changes, assuming that Pyongyang has continuously adopted a single nuclear strategy – either of confrontation or of engagement – throughout the crisis depending on the initial circumstance. In addition, the literature does not appear to be very successful in evaluating Pyongyang's decision-making process. Critiquing and building upon these efforts, this study explains the variation in North Korean leaders' perceptions and policies over time during the crisis, exploring how they have perceived and responded to the related risks. To show this, this study draws on prospect theory in international relations and accepts the principle that risk-taking attitude in decision making is a function of situation (Levy 1994b; McDermott 1998, 2004b). Prospect theory has shown that risk-taking tendencies differ depending on the potential gain or loss (Kahneman and Tversky 1979), and that changing the initial frames changes subsequent elements of the decision-making process (Kanner 2001; McDermott 2004b). In this sense, Pyongyang's perception and behavior are understood to vary over time depending on the situations caused mainly by changing U.S. policy. This study seeks to explain how the change in North Korean leaders' perception of gain or loss have affected their choice of action, and to demonstrate that understanding risks and situations as changing in terms of U.S. policy provides a better picture of Pyongyang's nuclear policy than the static explanation prevalent in the current literature.

Research Puzzles Proposed

This study inquires into three questions regarding Pyongyang's nuclear policy. The first two are concerned with Pyongyang's nuclear policy after the Cold War, and the third with the implications for policy in regard to future confrontations.

1) Why did North Korea change its course of action in the midst of crisis even though the security environment that led to the initiation of its nuclear weapons program remained essentially the same? For instance, why did North Korea choose to stop confronting the U.S. in June 1994 and accept the risk of giving up self-reliance in national defense and engaging with the U.S.? If North Korea had decided to improve relations with the U.S., why did it change its nuclear policy again in late 2002 and resume its defiant stance by reactivating its nuclear program?
2) If North Korea later chose to improve relations with the U.S., why did it initially take the risk of standing up against the much stronger U.S., even escalating the crisis to the point of risking war, rather than engage with the U.S. from the beginning?
3) What does this study imply for North Korea's future nuclear policy and other potential international crises involving weaker states? How does the risk-taking tendency of a weaker state explain its foreign policy behavior? When does a weaker state accept the risk of challenging a stronger opponent, and when does it not?

Pyongyang's policy changes

A central question of this study is *"why did North Korea change its course of action in the midst of crisis even though the security environment that led to the initiation of its nuclear weapons program remained essentially the same?"* In mid-1994, North Korea chose not to continue defying the U.S. but instead to change its nuclear policy and agree to suspend its nuclear program. This means that contrary to

the previous policy, Pyongyang began to take the risk of giving up, though perhaps only provisionally, its self-reliance in national defense with nuclear weapons rather than continue to accept the risk of maintaining a tough policy vis-à-vis the U.S. Then, does such a policy shift to a more conciliatory indicate that Pyongyang became more risk-averse or more risk-acceptant? In fact, it depends on how Pyongyang leaders framed their situation and assessed the relative riskiness of each policy option. A more fundamental question is why North Korean leaders suddenly agreed to suspend their nuclear weapons program halfway through its development although their threat perception did not change much. In reality, Pyongyang was being threatened more than ever before because of the possibility of UN sanctions and U.S. preemptive military strikes. If a nation becomes more belligerent as it feels more threatened, why is it that North Korea did not adopt a more aggressive policy? Was Pyongyang's assessment of the relative riskiness of policy option reversed, or did the security environment on the Korean peninsula suddenly change? If Pyongyang had adopted a tit-for-tat strategy and reciprocated when the United States cooperated and retaliated when the U.S. reneged as some scholars explain (Sigal 1998, 2000; Cumings 1997, 2004), why did it not respond seriously to previous U.S. offers? Furthermore, in June 1994 why did Pyongyang concede more than it had before, and more than the Americans expected, and why did it accept additional U.S. conditions that it had refused before?

In this regard, prospect theory posits that we should be very cautious in explaining risk-taking attitude in situations involving potentially catastrophic losses (Tversky and Kahneman 1981; Quattrone and Tversky 1988; Levy 1994a, 1994b).

This means a lot in international relations where situations of catastrophic outcomes of foreign policy may be relatively common, in particularly where decisions on war and peace are concerned. It may be true that national leaders would be less likely to risk a nuclear war or an all-out war that may lead to the extinction of the state (Jervis 1989: 171; Levy 1994b: 139-40). This must also be true in the case of North Korea. In the face of catastrophic losses from a war against the U.S. after UN sanctions, Pyongyang might have reframed its perception of the situation and decided to change its course of action. On the other hand, as to why Pyongyang changed its course again later in 2002 and began to take the risk of resuming its defiance against the U.S. by reactivating the once-suspended nuclear program, this study also focuses on Pyongyang's reframing of perception on change in America's North Korea policy and its subsequent impact on the making of nuclear decisions. In this sense, this study traces the variation of Pyongyang's perceptions and risk-taking attitudes over time as the nuclear crisis evolved.

Pyongyang's initial framing

If North Korea later chose to improve relations with the U.S., *"why did weaker North Korea initially take the risk of standing up against the much stronger U.S., even escalating the crisis to the point of risking war, rather than engage with the U.S. from the beginning?"* As many works explain, Pyongyang's nuclear program has been closely related to its security concerns since the end of the Cold War (Kang 1995; Mazarr 1995a; Sigal 1998; Moltz and Mansourov 1999; Oberdorfer 2001a; Cha and Kang 2003). In the early 1990s, North Korea lost two major Cold

War patrons in the Soviet Union and China, and this affected Pyongyang's external security dramatically. The North Korean economy also quickly deteriorated, as those two great-power allies began to curtail their economic assistance (Hwang 1993). Also in inter-Korean relations, North Korea has clearly lost the race to South Korea, which has surpassed the North in both military and economic spheres (Hamm 1999; Kang 2003a). In such a losing situation, North Korea appeared to have started its full-scale nuclear weapons program to maintain the balance of power on the Korean peninsula and secure the survival of its regime. Regarding Pyongyang's aggressive nuclear program, one may argue that as a nation feels more desperate, it will become more belligerent. This proposition is plausible but does not address risks related to different foreign policy options and the responses of national leaders to those risks, given that risk involves both upside benefit and downside cost. For example, which policy option leads to greater cost, confronting the U.S. with an independent nuclear weapons program or reaching out to the U.S. by giving up self-reliance in national defense and perhaps even the survival of the regime? On the other hand, which policy option leads to greater benefit, possessing independent capability in defense with nuclear weapons or obtaining a guarantee of security and economic reward by improving relations with the U.S.?

In this regard, prospect theory indicates that risk perceptions differ depending on the domain of gain or loss, and that decision makers tend to accept risky gambles in the hope of eliminating a certain loss and returning to the original status quo, even at the risk of suffering a greater loss. In this sense, this study explores North Korean leaders' changing assessment of risk based on U.S. policy change and its impact on

their risk-taking attitude. It attempts to show that risk-focused analysis can provide a better picture of Pyongyang's decision-making process regarding the nuclear issue.

Policy implication

Finally, this study asks a policy-related question: *"what does this study imply for North Korea's future nuclear policy and other potential international crises involving weaker states?"* It focuses on the single case of North Korea, but its implication may also be considered for other cases.[7] As opposed to conventional wisdom in international relations, the North Korean case may prove that a weaker state may choose to challenge its stronger opponent under certain circumstances. The study of the North Korean nuclear crisis may help explain the risk-taking tendency and foreign policy behavior of other weaker nations. It addresses the questions of when a weaker state accepts the risk of challenging a stronger opponent, and when it does not.

Definition of Risk

Because risk is one of the most important concepts in prospect theory, a clarification of the definition of risk is necessary. As Rose McDermott (1998: 1) explains, "risk implies some fear of losing an important value or failing to obtain some desired goal." In the context of foreign policy, Jeffrey W. Taliaferro (2001:

[7] According to Alexander L. George (1979: 43-49), it is possible to draw some broader lessons from single historical cases, drawing on theory by identifying the many critical conditions and variables that affect historical outcomes and sorting out the causal patterns associated with different historical outcomes. More methodological issues will be addressed later in Chapter 2.

162) states that "risk refers to situations where any action or lack of action may result in serious losses." When risk is involved in the problem of making choices in the real world, the choices rarely consist of one risk-free and one risky option but rather two risky options (Levy 1994b: 129). Between two risky options, one option may be seen to be more risky than the other because of the degree of divergence in the probable outcomes of the two options. No option is risk-free in foreign policy decision-making, and decision makers estimate the relative riskiness of each policy option.

In this sense, this study *defines risk in terms of the degree of divergence of outcomes around a decision maker's expected value or reference point* (McDermott 1998: 38-40; Taliaferro 2004b: 26). By definition, a more risky option has a potentially more positive upside and more negative downside than a less risky option (Copeland 2001: 218-20). However, as Levy (1994b: 129) once observed, it is often difficult to define conceptually or measure empirically which option is more risky. Copeland has also argued that national leaders must often choose between equally risky alternatives, so that in some situations it is impossible to predict which option will be chosen. However, national leaders rarely choose between two equally risky options, but try to detect peculiarities in the relative riskiness of each option (Taliaferro 2001: 162). Although the relative riskiness of options and the impact of their possible outcomes cannot be given conceptually, they are in reality estimated by decision makers, and such subjective measurement of risk determines which option is more risky and so influences their decision-making process.

In this sense, national leaders' risk-taking attitude can be understood by how they perceive the relative riskiness of options and which option they choose given its

relative riskiness. As will be explained later, two different types of risk-taking attitude are presented in this study: risk-acceptance and risk-aversion. By definition, risk-acceptant behavior occurs when actors select an option that has more numerous and extremely divergent expected outcomes than the other available options. Risk-averse behavior, on the other hand, occurs when leaders select an option that has fewer and less divergent expected outcomes. Decision makers may become either risk-acceptant or risk-averse, depending on the situation they face. A risk-acceptant actor is more likely to choose a more risky option despite the risk, while a risk-averse actor is more likely to choose a less risky option due to the risk.

Outline of Dissertation

In Chapter 2, prospect theory in international relations is introduced as a theoretical framework for this study, and a few propositions applying prospect theory to the North Korean case are suggested. In addition, methodological issues will be discussed. The methodological section focuses on how to identify the intervening causal process between the explanatory variables and the dependent variable and convert a historical account of a causal sequence into an analytical and theoretical explanation. It will also discuss how to measure the North Korean leaders' assessment of their situation and the relative riskiness of each foreign policy option. The literature review in Chapter 3 discusses current studies of Pyongyang's nuclear policy. This review introduces the diverse arguments of current works on North Korean nuclear policy and discusses how to provide a better interpretation of Pyongyang's behavior. This study builds on the previous development of prospect

theory in international relations, so the review compares and criticizes other theoretical explanations of the North Korean case and suggests what points should be considered in an examination of Pyongyang's decision making. Chapters 4 and 5 are case studies of the first and the second North Korean nuclear crises, respectively. These chapters trace the variations of Pyongyang's perception of America's changing North Korea policy and the North's situation over time and its subsequent risk-taking attitudes, explaining how North Korean leaders perceived and responded to risk and how changes of risk perception have affected their risk-taking attitude and nuclear policy. Chapter 6 summarizes the arguments of this study and presents implications for policy and theoretical development. This chapter also compares this study with alternative explanations noted in the literature review and discusses the value this study adds to that of others. It answers all three research questions and discusses policy implications for the potential international crises involving weaker states as well as Pyongyang's future nuclear policy. In addition, it addresses theoretical implications of this study for international relations and war studies.

CHAPTER 2

THEORETICAL FRAMEWORK: PROSPECT THEORY, WEAKER STATES AND FOREIGN POLICY

This chapter draws on prospect theory in international relations and proposes a theoretical framework for explaining North Korea's nuclear policy. Before delineating decision making in weaker states and its application to North Korea, it summarizes the basic tenets of prospect theory developed in the areas of psychology and economics.

Prospect Theory and Decision Making Under Risk

Prospect theory is a theory of decision making under conditions of risk. The expected-utility theory has dominated the analysis of decision making under risk, but observed behaviors of most individuals' actual choices under risk have exhibited several effects that are inconsistent with the basic tenets of the expected-utility theory (Kahneman and Tversky 1979).[1] Criticizing such inconsistency between theory and reality, Daniel Kahneman and Amos Tversky (1979) formulated prospect theory as an alternative theory of decision under risk. According to Kahneman, Tversky and other decision psychologists,[2] prospect theory has proposed some very important insights

[1] The inconsistency of the expected-utility theory between theory and reality has been discussed by several scholars of international relations (Levy 1997a, 1997b; McDermott 1998).

[2] Most works by Kahneman, Tversky and other decision psychologists about prospect theory, originally published earlier in diverse journals, have been reprinted in one volume (Kahneman and Tversky 2000).

different from those of the expected utility theory regarding how most individuals actually make decisions under conditions of risk, and their insights have been widely accepted in most fields of social science.[3]

Reference dependence

First of all, while the expected-utility theory posits that people think in terms of their net assets, prospect theory finds that people tend to think in terms of gains and losses. According to Kahneman and Tversky (1979: 277), the overall asset position matters in principle, but "the preference order of prospects is not greatly altered by small or even moderate variations in asset position." They found that people make their decisions in terms of changes in assets rather than net asset levels, in other words, gains and losses from a reference point rather than levels of wealth and welfare. The reference point is taken to be the status quo or one's current assets in most cases, but in some cases, "there are situations in which gains and losses are coded relative to an expectation or aspiration level that differs from the status quo" (Kahneman and Tversky 1979: 286).

Risk-taking tendency: risk-aversion versus risk-acceptance

Second, Kahneman and Tversky found that when people make decisions based on this reference point, they do not respond to gains and losses in the same way. In

[3] Regarding prospect theory's widespread acceptance, Robert Jervis (2004: 166) explains that it is because when people first read about prospect theory, they immediately think "Yes, when I suffer even a minor setback, it really hurts and I can remember a number of occasions on which I have taken a foolish risk in an attempt to avoid or recover from a loss." For such contributions, Kahneman won the Nobel Prize in Economics in 2002.

their experiment (Kahneman and Tversky 1979: 268), for example, given a choice between $3,000 for certain and an 80% chance of getting $4000 and a 20% chance of getting nothing, 80 % of respondents chose the certain $3,000, despite the lower expected value ($3,000 < $3,200). However, given a choice between a certain loss of $3,000 and a 80% chance of losing $4,000 and 20% chance of losing nothing, 92% of responds took the risky gamble of $4,000 or nothing, again despite the lower expected value (-$3000 > -$3200). In short, they found that people tend to be risk-averse with respect to gains and risk-acceptant with respect to losses. The preference between negative prospects is the mirror image of the preference between positive prospects, so the preference order is reversed at around 0, which is called as the *reflection effect* (Kahneman and Tversky 1979: 268), and this finding is inconsistent with expected-utility theory.

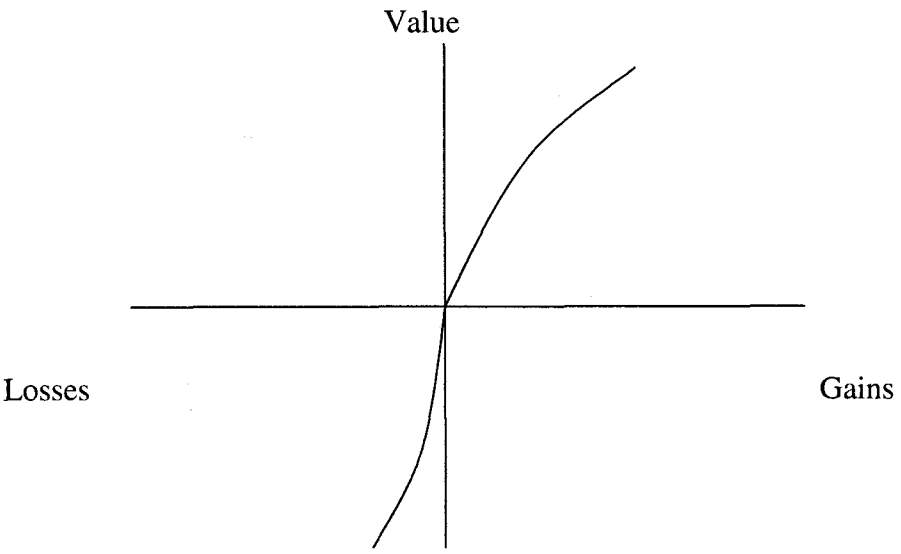
Loss aversion

Third, Kahneman and Tversky (1979, 1986, 1991) also found that people overvalue losses relative to comparable gains, so that the pain of losses exceeds the pleasure from gains.[4] For example, the pain of losing $100 exceeds the pleasure of unexpectedly gaining $100. It means that people over-evaluate current possessions and show a tendency to be loss-averse and remain at the status quo, which is called as the *endowment effect* (Kahneman, Knetsch and Thaler 1990, 1991; Thaler 1980: 43-47). Because of such loss aversion and status quo bias, the reference dependence is

[4] As often quoted, tennis player Jimmy Conners exclaimed, "I hate to lose more than I like to win" (Levy 1994a: 11). Football player John Elway also once remarked, "The fun of going to the Super Bowl in no way compares to the wrath you get for losing one," *New York Times*, January 2 1999, cited in Levy (2000: 219).

critically important. People frame outcomes in terms of a reference point and differentiate losses from gains, so the identification of the reference point is critical in exploring problems of choice (Tversky and Kahneman 1981, 1986).

Figure 2-1. A Hypothetical Value Function of Prospect Theory



Source: Daniel Kahneman and Amos Tversky, 1979. "Prospect Theory: An Analysis of Decisions under Risk," *Econometrica* 47: 279.

Summarizing these findings, the value function is 1) defined for deviations from the reference point due to the reference dependence, 2) generally concave for gains and commonly convex for losses due to the *reflection effect*, and 3) steeper for losses than for gains due to the *endowment effect*, as displayed in Figure 2-1.

Shifts of reference

Fourth, a change of reference point can alter the preference order for prospects even if the values and probabilities associated with outcomes remain the same. Because people accommodate to gains more quickly than to losses (Kahneman, Knetsch and Thaler 1990: 1342)[5], it is important to understand how they respond to a change of the status quo and encode it. In Kahneman and Tversky's example (1979: 286), if a person has already lost $2,000 and is now facing a choice between a sure gain of $1,000 and a 50/50 chance to win $2,000 or nothing, and if he has not yet adapted to his losses, he is likely to encode the problem as a choice between a certain loss of $1,000 and a 50% chance of losing $2,000 rather than as a choice between a certain gain of $1,000 and a 50% chance of winning $2,000. Thus, Kahneman and Tversky (1979: 286-287) found that a negative translation of a choice problem, rising from incomplete adaptation to recent losses, is likely to increase risk-acceptant tendency in some situations. This has a more significant consequence for strategic interaction (Levy 1994a: 13). If individual A has just made a gain at the expense of individual B, B's attempt to recover his losses from the old status quo will be perceived as a potential loss by A from the new status quo, so both will be in the domain of losses and become risk-acceptant. As a result, even after a series of losses, people may not adjust to the new situation but rather continue to frame around the old reference point. Then, they will perceive any chance of improving their position to a point that still falls short of the original reference point as a loss, and they will engage in risky behavior to eliminate those losses and return to the original reference point (Levy 2000: 197-198).

[5] They call this the *instant endowment effect*.

Probability weighting function and the certainty effect

Fifth, Kahneman and Tversky (1979: 265) found that people overweight outcomes that are considered certain relative to outcomes that are merely probable, which is called the *certainty effect*.[6] It means that people evaluate the complete elimination of risk and the mere reduction of risk in a different way. In other words, changes in probabilities near 0 and 1 have a greater impact on preferences than comparable changes in the middle of the probability range (Tversky and Kahneman 1981; Quattrone and Tversky 1988). The most dramatic example of this effect is provided by the oft-cited hypothetical game of Russian roulette (Kahneman and Tversky 1979: 283). If you are given the opportunity to purchase the removal of one bullet from the loaded gun, would you pay as much to reduce the number of bullets from four to three as you would to reduce the number of bullets from one to zero? Of course, you would pay much more money to remove the last bullet than the fourth bullet, even though each removal reduces risk by the same percentage–one sixth. This effect implies that the risking-taking tendency predicted by the standard prospect theory may not occur in extremely improbable or almost certain events. For instance, risk-acceptant attitude in the domain of losses may not occur in cases where the probability of the outcome is very small or where the outcome is too catastrophic (Tversky and Kahneman 1986: 258). Because people recognize that the negative

[6] This effect is also true of uncertain but extremely likely outcomes. Kahneman and Tversky posit that people are likely to discard events of extremely low probability and treat events of extremely high probability as if they were certain, which is called as the *pseudocertainty effect* (Kahneman and Tversky 1979: 282-283; Tversky and Kahneman 1981; Quattrone and Tversky 1988).

value of a negative gamble is increased in such a situation, they are likely to show risk-aversion even in the domain of losses, and this is why people buy insurance policies to compensate for the possibility of rare catastrophes (Kahneman and Tversky 1979: 285-286).

Framing and evaluation

Prospect theory distinguishes two phases in the choice process: an early phase of framing (or editing) and a subsequent phase of evaluation (Kahneman and Tversky 1979: 274-277). The framing phase consists of a preliminary analysis of offered prospects, and the decision maker identifies a reference point, available options, possible outcomes, and the value and probability of each of these outcomes. In the subsequent evaluation phase, the decision maker evaluates the prospect of each option and chooses the option of highest prospect. To this end, the decision maker combines the values of possible outcomes – as reflected in an S-shaped value function – with their weighted probabilities – as reflected in the probability weighting function – and then maximizes prospective utility (Levy 2000: 198-199). As noted above, the identification of the reference point in the framing phase is particularly important because the decision maker's definition of the reference point can have a critical effect on the choice he makes. Framing of the reference point makes it possible to understand in which domain the decision maker is situated (gain or loss), and a change in the reference point can result in a change in preferences – possibly preference reversal – even if the values and probabilities associated with outcomes remain the same (Tversky and Kahneman 1986).

Prospect Theory, Weaker States and Foreign Policy

Drawing on these main findings of prospect theory, this study now turns to the foreign policy decision making of weaker states under conditions of risk in order to apply prospect theory to the North Korean case. Prospect theory itself is a theory neither of foreign policy nor of international relations, so it generates substantive predictions about neither international outcomes nor a nation's foreign policy behavior. Thus, it is necessary to specify how the individual-level patterns of this decision theory can be integrated into a theory of foreign policy and strategic interaction in international relations (Levy 1997a: 106-107). As William A. Boettcher III (1995, 2004) and Kowert and Hermann (1997) demonstrated, there are some limitations in the application of prospect theory to international relations. Most of the limitations are apparent when a laboratory-based theory of gambling decisions in psychology is translated into a real-world theory of foreign policy decision making in international relations (Levy 1994b: 128-29),[7] and when the model of individual choice is translated into the group setting (Boettcher 1995: 577-79). McDermott (2004b: 304-307) also admits that such limitations may restrict the utility of applying prospect theory to international relations. As Kahneman suggests, however, the principles of prospect theory should provide a heuristic benefit in the analysis of more complex decisions like those made in international relations, and the main concepts of

[7] Especially in international relations there may be difficulty in operationalizing and testing the theory using case studies in the context of decision making (Boettcher 1995: 577-79). Kowert and Hermann (1997) also argued that when prospect theory is applied to international conflict, it is necessary to consider not only how leaders frame conflicts but also the character of the leaders themselves, that is, individual differences in risk taking. For a criticism on prospect theory by rational-choice approach, see Morrow (1997).

prospect theory must be useful tools for understanding such decision making (Kahneman and Tversky 2000: xi). McDermott (2004b: 290, 294) also argues that many of the insights provided by prospect theory relate to the impact of context and situation on individual choice and action, so that prospect theory places a critical emphasis on the role of the political environment in determining policy choices in international relations. Thus, the individual is not the only focus in prospect theory, although the theory starts at the individual level of analysis, and it emphasizes situational factors that influence individuals. The situation largely determines the leader's domain of action in international relations and provides the shifts in the strategic environment that lead to changes in risk-taking attitude and foreign policy. In this vein, this study integrates insights from prospect theory and other foreign policy theories, derives a theoretical framework of the foreign policy decision making of weaker states, and applies it to the North Korean nuclear crisis.

Framing

Strategic interaction

International relations are by nature strategic interactions among nations. A nation's foreign policy outcomes such as war and international cooperation cannot be understood apart from the choice the other nation makes and the interaction between those choices (Lake and Powell 1999: 3-4). This implies that a nation's policy outcome is influenced as much by the other nation's choice as by its own choice (Levy 1994b: 129).

This means a lot when a nation frames issues and outcomes with regard to other nations. Consider the situation immediately after a nation has suffered some loss in the international arena. After suffering the loss, the nation may not easily renormalize its reference point but instead attempt to recover its loss and restore the original reference point, even at the risk of suffering a larger loss (Levy 2000: 203). Even when the nation accepts the loss and adjusts to the new status quo, it rarely, if ever, does so quickly. Thus, its reference point will be the earlier status quo rather than the new status quo, and the nation is more likely to seek to recoup its loss, because the nation, looking back at the old status quo, is likely to perceive itself to be in the domain of losses (Jervis 2004: 173-74). However, because the other nation, which has just made some gains, will quickly renormalize its new reference point and adjust to the new status quo due to the *endowment effect,* it will attempt to maintain the new status quo. In this situation, each will be in the domain of losses and accept greater than normal risk in order to maintain its own version of the status quo, often contributing to a spiral of hostility and inadvertent confrontation (Stein 1992: 22).

The Persian Gulf War in 1991 provides a good example of such conflicting reference points in the international arena. After the seizure of Kuwait, Saddam Hussein appeared to quickly renormalize his reference point around his new gains, and saw retreating from Kuwait as suffering a loss from the new status quo, harming his reputation at home and in the Arab world. However, the United States clearly saw the Iraqi occupation of Kuwait as a loss. As a result, Saddam adopted a risk-acceptant strategy in his confrontation with the U.S. to maintain the new status quo, while the U.S. accepted a war to restore the old status quo (Levy 2000: 206-207).

Likewise, reference dependence in prospect theory shows why the strategic interaction among nations so often creates security dilemmas in international relations, as Jervis (1978) explained.

Two-level games: domestic-international interactions

Another important issue is the interaction between domestic politics and international relations. Domestic politics and international relations are by nature intertwined, but theories of international relations have often ignored the importance of domestic politics in world politics. This is largely due to the strong influence of structural realists, particularly Kenneth Waltz (1959, 1979), who argued that domestic politics does not make a significant difference in the basic behavior of nations in international relations. Realists do not deny that domestic politics influences foreign policy, but contend that the pressures of international competition weigh more heavily than internal political pressures. However, neither a purely domestic nor a purely international analysis can provide a complete picture of the field. Thus, many scholars have tried to link domestic politics to international politics and explain the relationship between the two. Prospect theory in international relations also emphasizes leaders' perception of domestic politics in foreign policy options (Levy 1994b; Taliaferro 2004b; McDermott 2004b).

To develop a model of domestic-international interactions in weaker nations, this study adopts Robert Putnam's logic of two-level games (Putnam 1988) and analyzes how the domestic politics of weaker nations become entangled with their foreign policy in the perspective of prospect theory. It focuses mostly on the "second

image" because it seeks to explain a weaker nation's foreign policy decision making, while in interpreting perceptions of leaders it also deals with the "second image reversed" by exploring the impact of international relations on domestic situations. In most studies that explore how international politics and domestic politics interact, scholars explain the relations in two opposite ways. One is the "second image" that Waltz (1959) explained, and the other the "second image reversed" that Gourevitch (1978) emphasized. The "second image" refers to the international effects of domestic events and the "second image reversed" to the domestic effects of international events.

In other words, at the domestic level, leaders of weaker states reflect the domestic situation in their foreign policy decision making. They choose foreign policies that serve their domestic interests and avoid policies that might destabilize their regime. At the international level, leaders seek to maximize the positive effects of international situation on domestic politics and to minimize the negative consequences of foreign developments. Leaders of weaker nations ignore neither of these games, and make every effort to reconcile the pressures of the two levels simultaneously. This chapter explains the interaction of the two levels in prospect theory further and applies it to the North Korean case.

Weaker states

The meaning of prospect theory is significant in the case of a weaker state like North Korea.[8] Although weaker states may be less likely to adopt risky policies due

[8] McDermott (1998: 10) notes that in applying prospect theory to decision making in the international environment, a nation of the hegemonic status like the U.S. offers the perfect

to their power constraints, many works have demonstrated that weaker states do not differ very much from great powers in their foreign policy behaviors. Despite the unfavorable balance of power, weaker states have fought their stronger opponents and even won many wars (Paul 1994). In most cases, weaker states, like great powers, have shown the tendency to balance against their aggressors rather than bandwagon (Labs 1992). The logic of preventive war – risk-acceptant policy due to the loss aversion in terms of prospect theory – has also been applied to weaker states that perceive the status quo as deteriorating (Levy 1987: 89).

As McDermott (2004b: 294) clearly notes, the idea of prospect theory in international relations is that a leader in a good situation is more likely to be cautious in his choice, while a leader in a bad situation is more likely to make risky choices to recover his losses. Risk-taking attitude is a function of situation where the situation determines the leader's domain of action and the leader chooses a reference point related mostly to the situation they face (Stein 1992: 18). Thus, loss-aversion and risk-taking attitude are important concepts used to analyze a weaker state's behavior, because in most cases a weaker state's place in the international environment is given by the international system or great powers, so a weaker state behaves under conditions of greater risk than others.

Dynamic change in framing

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case because there is less constraint forced by the dynamics of the system itself. However, this study does not adhere to her argument for the reason explained here. Rather, it posits that prospect theory has been very useful in explaining foreign policy behaviors of weaker states, for instance, in the cases of the Japanese attack on Pearl Harbor in 1941 (Levi and Whyte 1997; Taliaferro 2004b), Argentine policy during the 1982 Falklands/Malvinas crisis (Levy and Vakili 1992), and Iraqi policy in the 1991 Persian Gulf War (Levy 2000: 206-207).

One of the most serious problems in theories of international relations is that they have difficulty explaining change. Although preferences and actions of nations often change in real world, most theories including realism have much difficulty in accounting for change over time. This is not the case in prospect theory where a decision maker's risk-taking attitude is assumed to shift in response to changes in the environment. Because a decision maker's risk-taking attitude is a function of situation in prospect theory, his risk-taking attitude is expected to shift in response to a change in situation. McDermott (2004b: 292) argues that as the domain shifts from one of gains to one of losses, a decision maker's risk-taking attitude is also likely to shift from risk-aversion to risk-acceptance. Thus, a decision maker who perceives a worse situation than before is more likely to choose a risky policy to improve his position and return to the original status quo, while a decision maker who perceives a better situation is less likely to choose a risky policy (Kanner 2001: 121-22). As a result, a change in perception of a situation will make the decision maker reframe the outcome and lead to a different course of action.

Changes of reference point in interaction among nations are also important because nations are very slow to adjust to the new status quo after suffering losses but very quick to adjust after making gains. As noted above, if state A has just made a gain from state B and quickly reframed its reference point around the new status quo while state B does not accept its losses, each will be in the domain of losses and be likely to take risks to maintain its own status quo. In this sense, a shift in reference point can induce not only a change in policy but also a reversal of preference by making a decision maker choose a policy that he would not choose if he could

maintain the original reference point (Taliaferro 2004b: 31). This issue is significant when we consider a decision-maker's loss-aversion. Because a decision maker is generally averse to loss, whether an outcome is treated as gain or loss has a significant impact on the choice he makes. When even an identical outcome is reframed as a loss rather than a gain, the decision maker may reverse his preference and make a different choice (Tversky and Kahneman 1981).

Such changes in environment leading to changes in policy have been widely discussed in international relations. In the case of the Clinton administration's intervention in the Bosnian war, for example, the administration was risk-averse in the domain of gains and decided not to intervene militarily in Bosnia at the beginning, but as the war continued and U.S. policy was criticized as a failure, the administration perceived a shift of position to the domain of losses, changed its Bosnian policy and intervened in the war in 1995 (Kanner 2001: 125-166). In another example, George H. W. Bush took an initial risk in launching military action against Saddam Hussein in the Persian Gulf war in 1991 after Saddam Hussein invaded Kuwait, but once American forces had repelled Iraqi forces from Kuwait, Bush's risk attitude shifted from a more risk-acceptant stance to a more risk-averse one, and he decided not to invade Iraq (McDermott and Kugler 2001).

Evaluation: choosing a foreign policy option

Loss aversion and status-quo bias in international domain

First of all, it is significant to understand how the leaders of a weaker state perceive their reference point and domain of action when they make decisions during

a crisis. Prospect theory explains that people do not consider gains and losses in the same way but over-value current possessions and have a tendency to want to maintain the status quo. The implication of such loss aversion in international relations is that leaders of states are also likely to have the status quo bias (Jervis 1989: 29-35).[9] In fact, states make greater efforts to preserve the status quo when threatened with loss than to improve their positions by comparable amounts (Levy 1994b; Jervis 1994). For example, states are sometimes willing to fight to defend the same territory that they would not have been willing to fight to acquire in the first place.[10] During the Cold War, while each side generally respected the other's sphere and did not pursue a serious rollback policy beyond the established sphere in the face of significant risk, they adopted very obdurate and determined policies when protecting what they considered to be their established spheres, as the U.S. during the Cuban missile crisis and the Vietnam War (Jervis 2004: 168).

Due to such status quo bias, the disadvantage of giving up the status quo is over-weighted, so states are more likely to be loss-averse in the international arena. As a result, if a loss is perceived to be certain in the absence of corrective action, loss-averse attitude reinforces the incentive to accept excessive risks in order to avoid that loss. Thus, such a loss-averse and risk-acceptant attitude can contribute to the instability and escalation of conflict in international relations and inhibit agreements

[9] Levy (2000: 201) notes that the status quo bias of prospect theory is consistent with defensive realism (Jervis 1978, 1991; Posen 1984; Snyder 1991; Van Evera 1999; Taliaferro 2000/01), which argues that states maximize security by aiming to preserve the status quo in the international system. This point will be explained later in conclusion of this study.

[10] For instance, Soviet leaders were willing to engage in the "use of decisive and perhaps risky action far more readily for defending as opposed to extending Soviet gains," (Ross 1984: 247, cited in Levy 2000: 201).

that would otherwise seem rational.[11] In other words, if the leaders of a state perceive the state's status quo to be deteriorating in the international arena, they will be more willing to take a risky foreign policy option in an attempt to maintain the status quo. In this sense, deterrence may work against a state that identifies gains, but is far less likely to work against a state that identifies certain losses from the status quo (Stein 1992: 20-22).

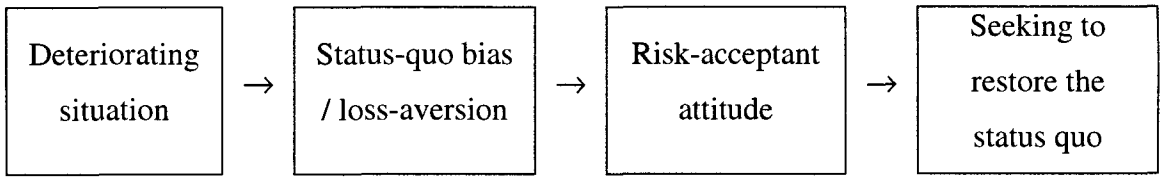
This point is also consistent with the logic of preventive war (Levy 1994b: 138-39). Preventive war occurs when a state suffers increasing inferiority in capabilities compared to the opponent over time (Van Evera 1999; Lebow 1984). Thus, preventive war is driven by the closing windows of opportunity or expanding windows of vulnerability brought on by relative power shifts (Organski and Kugler 1980; Kugler and Lemke 1996, 2000; Gilpin 1981). Facing such a power shift, both stronger and weaker states will attempt to defend the status quo, although this logic has been applied mostly to great powers. However, the logic of preventive war is often adopted by weaker states, if they are dissatisfied with their situations and that the status quo is likely to deteriorate even further (Levy 1987: 89). Even if weaker states are less likely to win a war, the probability and costs of defeat in a later war are often much greater, and the expected utility of fighting now may exceed the expected utility of delay. Because the time horizon of a weaker state is very short in this losing situation, the state may become risk-acceptant and choose a preventive war, believing that any situation is better than the current one. Rationalist explanations also agree

[11] Most works on international cooperation focus on the distribution of gains from economic interdependence and security cooperation. The meaning of loss aversion in prospect theory is that international cooperation is more difficult because the issue often involves the distribution of losses rather than gains (Stein and Pauly 1992).

with the logic that states are likely to find preventive war inevitable under such conditions, because a future war with a stronger opponent may be more costly (Bueno de Mesquita, 1981: 80-81; Fearon 1995: 404-408).

For example, although Japan was much weaker than the United States, it attacked Pearl Harbor and initiated the Pacific War. Japan attacked not because the Japanese leaders had much confidence in winning the war,[12] but because they saw that the only alternative to war was to be controlled by an American-dominated international system and to surrender much of their position in Southeast Asian and China, without which Japan could not sustain its economy and war machine (Van Evera 1999: 89-94; Taliaferro 2004b: 94-131).

Figure 2-2. Status-quo Bias and Risk-taking



In short, prospect theory in international relations posits that when a weaker state has recently experienced a loss or perceives a certain loss in the near future, it frames its external situation as the domain of losses compared to the status quo and is more likely to take a risky foreign policy in order to restore the status quo, as Figure 2-2 summarizes. Thus, a weaker state may risk a preventive war against a stronger opponent when it sees the status quo deteriorating. Even if it does not initiate a war,

[12] In fact, the Japanese leaders clearly recognized on the eve of the attack that the U.S. was much stronger than Japan. They estimated that the balance of capabilities favored the United States by as much as 8 or 9 times (Paul 1994: 64).

it may still adopt a risky foreign policy and escalate the crisis in an attempt to avoid loss.

Thus, in the case of the North Korean nuclear crisis, if North Korea experienced certain losses after the Cold War, it was more likely to become risk-acceptant and adopt a more risky foreign policy.

Proposition1: If North Korean leaders perceive North Korea's status quo to be deteriorating, they frame their external situation in the domain of losses and are more likely to become risk-acceptant and choose a more risky nuclear policy in an attempt to restore the status quo.

The counter-proposition can be also formed, stating that if North Korean leaders perceive North Korea's status quo to be improving, they frame their external situation in the domain of gains and are more likely to become risk-averse and take a less risky foreign policy option in an attempt to avoid losing what they have gained. In the case of a weaker state, however, it is necessary to examine which of the two prospects – an attempt to restore the status quo (e.g., preventive war) or a continued decline – involves greater risk (Levy 1994b: 139). Because a weaker state runs a much greater risk in attempting to return to the status quo than a stronger state, it may be more cautious and try only to avoid the worst possibility, that is, the collapse of state or a regime change as a result of preventive war. This is because the preference reversal may occur when a catastrophic outcome is predicted, as will be explained below.

Catastrophic outcome and preference reversal

Even if a weaker state is inclined to become risk-acceptant in the domain of losses and adopts a risky foreign policy to restore the status quo, it does not appear always to do so. As noted above, people have a tendency to differentiate the complete elimination of risk from the reduction of risk, even if the change in expected utility is the same (Kahneman and Tversky 1979; Tversky and Kahneman 1981; Quattrone and Tversky 1988; McDermott 2004a: 152). This implies that people will pay far more to reduce the risk of a catastrophic loss, as clearly seen in the previous Russian roulette analogy. As a result, a decision-maker's risk-acceptant attitude in the domain of losses may not occur in cases where the result of the decision is perceived to be very disastrous. In such extreme situations, people recognize the increased negative value of negative gambles and show more risk-averse behavior even in the domain of losses, so the preference reversal occurs.[13]

This means a lot in international relations, where situations of catastrophic outcome are fairly common, particularly in situations involving decisions of war and peace.[14] It must be true that state leaders would be less likely to risk a nuclear war or an all-out war that might lead to the state's collapse (Jervis 1989: 171; Levy 1994b: 139-40).[15] In the Cuban missile crisis, for example, Khrushchev chose to suffer a

[13] It appears that most people possess a natural aversion to extreme options or situations (McDermott 2004a: 149).

[14] Tversky and Kahneman (1991) and Stein (1992: 22-23) suggest that loss aversion reflects the importance of choice and appears to be more salient for safety than for money.

[15] Waltz (1995: 37-40) has also claimed that "nuclear war is so fearful that states take precautions to avoid any chance of preemptive or accidental war." In such an extreme case, the explanation by structural realism is similar to that by prospect theory.

certain and immediate loss by withdrawing Soviet missiles from Cuba rather than run the risk of a catastrophic outcome – nuclear war. President Kennedy also chose to suffer a certain political loss by agreeing publicly to withdraw the Jupiter missiles from Turkey rather than risk nuclear war (Stein 1992: 22-23).

This issue is more apparent to leaders of a weaker state who face a greater probability of suffering the collapse of the state or a regime change after war. Thus, in the domain of extreme losses a weaker state would become risk-averse as opposed to the normal risk-acceptant attitude in the domain of losses. However, if leaders of a weaker state believe that the policy option to restore the original status quo does not result in a disaster, they would be more likely to be risk-acceptant and adopt a risky foreign policy in the domain of losses, as noted above. For example, if leaders of a weaker state in a deteriorating status quo believe that a war will not be total but can remain limited, or that conflicts will be non-military and so not potentially catastrophic, they would feel relatively comfortable in choosing such a foreign policy to improve their situation.

In this sense, prospect theory can explain why a weaker state often initiates a limited war against a stronger opponent (Stein 1992: 21; Paul 1994).[16] A limited war is, by definition, a war that is confined to a local geographical area and is directed against selected military targets with restricted objectives (Osgood 1957). To a weaker state, a limited war implies that it does not have to be concerned about the collapse of the state even if it loses the war. In this type of situation, leaders of a

[16] For example, Japan in the Russo-Japanese War in 1904, the Chinese intervention in the Korean War against the U.S. in 1950, the second Kashmir War by Pakistan against India in 1965, and the Argentine invasion of the Falklands/Malvinas in 1982.

weaker state may often believe that the expected benefit of fighting may be greater than that of not fighting, because they may achieve some military and political aims from the war. A limited war also means that stronger opponents do not fight the war with all their military and economic resources, which can encourage leaders of a weaker state to believe that they may have some good chance of military and political victory. Due to such limitations of stronger opponents, weaker states may assume that they can limit the area and the extent of war to a specific point where they can have relative advantage and bear the costs of a counter-attack, so they may expect that a diplomatic settlement can be reached, pursuing the strategy of *fait accompli* (George 1991: 382-383).

In summary, when national leaders of a weaker state fear certain and immediate losses from a continuous deterioration of the status quo and do not perceive the outcome of the crisis escalation to be a certain disaster, then they may be inclined to prefer the risk of escalating the crisis that is probable to the risk of continuous deterioration that is certain. However, if they identify certain catastrophic losses from confrontation, they will be more likely to become risk-averse and seek to accommodate the enemy in order to avoid a certain worst-case scenario (*certainty effect*). Thus, despite the status-quo bias, prospect theory does not necessarily predict that states become risk-acceptant in the domain of losses to return to the original status quo, because a preference reversal may occur when the outcome of choice is too catastrophic (Levy 1994b: 139-40).

In this sense, Victor Cha (2002) argues that North Korean leaders may find a limited war by preemptive/preventive strikes very useful if they see the status quo as

deteriorating, because a limited war may help change the North's status quo. However, it is very uncertain what a limited war on the Korean peninsula would be like and what North Korean leaders expect the outcome of military confrontation to be. As will be seen later in the studies of different periods in the North Korean nuclear crisis, military confrontation on the Korean peninsula has a high probability of escalation into a full-scale war, and the North Korean leaders also clearly understand this. So, as prospect theory predicts, if a crisis grows extremely serious and North Korean leaders see some possibility of military confrontation with the U.S. and South Korea, they will be more likely to become risk-averse rather than risk-acceptant and seek to resolve the crisis even if they are in the domain of losses because the risk is too great.

Proposition 2: If North Korean leaders perceive military confrontation to be imminent, they will be more likely to be risk-averse in the domain of extreme losses and pursue a less risky nuclear policy to avoid the certain catastrophic outcome of war.

Domestic loss aversion and international risk-taking: two-level games

Leaders of a weaker state may also have a certain risk-taking attitude in the domestic political arena. Prospect theory in international relations posits that gains and losses need not be defined exclusively in terms of a nation's international relations, because leaders are also concerned about their domestic political positions (Levy 1994b: 121; Taliaferro 2004b: 36). According to McDermott (2004b: 295-96), leaders tend to have particular areas in which they spend more time and energy, and it is important to discern which areas leaders particularly focus on because their overall

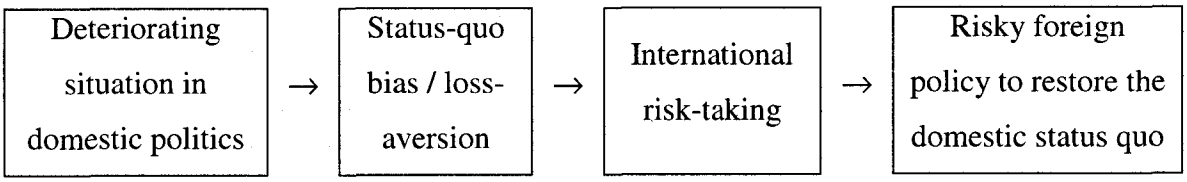
domains of action are likely to be influenced by those specific areas. In particular, if leaders are in deep domestic trouble, their domain of action is more likely to be determined by domestic political dynamics. This "second image" effect in prospect theory is such that a state's international behavior may be strongly influenced by the logic of domestic politics, possibly in terms of leaders' domestic gains and losses (Huth, Bennett and Gelpi 1992: 498-501). In certain domestic situations, national leaders may be tempted to engage in some foreign policy action against external enemies in order to pacify their domestic enemies or distract attention from domestic problems. In this situation, leaders are in the domain of losses created by a deteriorating status quo in domestic politics and may become risk-acceptant externally in an attempt to restore the domestic status quo. For instance, McDermott (1994, 1998) shows that domestic insecurity in the United States increased the Carter administration's risk-acceptant attitude and contributed to the decision to attempt a hostage rescue mission in Iran in 1979.

Such externalization of domestic political pressures has been widely discussed in international relations. Domestic political issues may cause several types of international disputes. First of all, if the escalation of a dispute in international arena reaches a certain level, and backing down is too dangerous under domestic political pressure, national leaders may decide that the initiation of a war is a more rational choice than accepting domestic political risks (Fearon 1994: 586-587). Second, if a political regime lacks popular legitimacy and strong internal stability, the regime leaders may have incentives to externalize domestic hostility and pressures, expecting that the "rally-round-the-flag" effect will help improve domestic stability (Huth and

Russett 1993: 66: Levy 2000: 208). Third, as some studies have noted (Maoz 1989; Walt 1992; Paul 1994), revolutionary regime changes may increase the chances of a state's engaging in external conflicts. On the other hand, there may be some cases in which national leaders are less likely to consider domestic political pressures. If a domestic regime is strong enough to control domestic challenges so that the leaders do not have to worry much about the domestic pressures, not to mention regime collapse, they are less likely than leaders of other nations to be influenced by domestic politics in their foreign policy options. This may be the case more often in societies whose leaders do not have to consider reelection (McDermott 1998: 37).

In short, domestic situations may powerfully influence foreign policy decision making. In some situations, leaders may opt for external war to ensure the survival of their regime even if chances for victory are very doubtful, as can be the case for weaker states (See Figure 2-3).

Figure 2-3. Domestic Loss Aversion and International Risk-Taking



North Korean leaders may be less likely than others to consider domestic political pressures, because they exert a high degree of control, command a high degree of loyalty, and are not very concerned about domestic pressures. As McDermott (2004b: 295-96) notes, if domestic politics are going well but foreign affairs are not, leaders' domains of action and decisions are more likely to be

influenced by foreign affairs where the crisis takes place. However, if the domestic situation grows extremely worse and they begin to worry seriously that the regime will collapse from the inside, leaders may change their external risk-taking attitude and thereby foreign policy. Desperate people have nothing to lose, so they are more likely to take a much greater risk than would be expected for a chance to recoup past losses or to gain new ground. This situation can be understood to be similar to the mindset of terrorists who resort to suicide bombing (McDermott 2004a: 150). On the other hand, the "second image reversed" effect may also work. If the international situation improves, leaders may use the favorable relations with other countries by choosing a conciliatory foreign policy and seek to stabilize the chaotic domestic situation. In this sense, whether the domestic regime is sustainable or not is very significant in understanding the impact of domestic politics on a weaker nation's risk-taking attitude and foreign policy decision making, especially in the case of North Korea.

Proposition 3: If North Korean leaders perceive that the domestic situation is becoming extremely worse to the point of threatening the regime's survival, they are more likely to become externally risk-acceptant and choose a risky nuclear policy option to restore the domestic status quo.

This proposition posits that if the North Korean regime's domestic control becomes unsustainable, the domestic situation will be more likely to have a critical influence on leaders' foreign policy decision making, and North Korean leaders would seek to externalize the domestic instability regardless of the international situation. Thus, the counter-proposition implies that while the regime's domestic

control is still strong enough to manage domestic challenges, the North's international situation is more likely to determine leaders' risk-taking attitude and foreign policy.

Summary

In applying prospect theory to foreign policy decision making, it is of central importance in identifying a nation's reference point and domain of action, whether leaders of the nation make decisions in the domain of gain or loss. Particularly in the case of a weaker state, it is necessary to examine leaders' external and domestic domains of action, whether they perceive a potentially catastrophic outcome of their foreign policy or a serious threat from domestic instability.

Table 2-1. Pyongyang's Domain of Action and Foreign Policy Risk-Taking Attitudes

		International situation		
		Gains (or neutral)	Losses	Extreme Losses
Domestic situation	Sustainable	Risk-averse (cell 1)	Risk-acceptant (cell 2)	Risk-averse (cell 3)
	Unsustainable	Risk-acceptant (cell 4)	Highly risk-acceptant (cell 5)	Highly risk-acceptant (cell 6)

Table 2-1 summarizes three propositions explained in this chapter and represents the possible risk-taking attitudes of North Korean leaders on the basis of their domestic and international domains of action. The international loss-aversion and the status quo bias in the domain of losses (Proposition 1) is represented in cell 2, while the preference reversal brought about by the prospect of catastrophic outcome

in the domain of extreme losses (Proposition 2) is represented in cell 3. Finally, the external impact of domestic loss aversion when domestic control is unsustainable (Proposition 3) is explained in cells 4, 5 and 6. This table demonstrates that North Korean leaders' risk-taking attitude is strongly influenced by domestic politics if domestic control is unsustainable, while it is determined more by international situations when domestic control is sustainable. It also suggests that if the North's domestic and international situations are both in the domain of losses, the risk-acceptant attitude grows much stronger.

Methodological Issues

This study employs a qualitative case-study methodology.[17] According to Alexander L. George and Andrew Bennett (2005), a qualitative case study can also establish causal effect between the independent variable(s) and the dependent variable like large-N statistical studies. Moreover, a case study allows the researcher to uncover causal mechanisms and analyze more observable implications for the competing theories.

This study is based on what Theda Skocpol and Margaret Somers (1980) called a "parallel demonstration of theory."[18] This method is also similar to what Harry Eckstein (1975) called a "disciplined-configurative study" in case studies.[19]

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[17] Methodologically, this study greatly draws on George and Bennett (2005).

[18] In her case studies drawing on prospect theory, McDermott (1998: 9-12) also uses the "parallel demonstration of theory" to show the explanatory power of prospect theory in decision making.

[19] According to George (1979), Eckstein's discussion of the "disciplined-configurative study" closely parallels Lijphart's "interpretative case study." Lijphart (1971) explains that in this

According to these scholars, the goal of this method is to employ a theoretical framework for purposes of description and explanation and then demonstrate its fruitfulness when applied to relevant historical cases. With the application of a theory to a historical case, this method describes and analyzes the outcome in a particular case in terms of theory and presents a new interpretation of the case (Eckstein 1975: 99-104; George 1979: 47-51). The emphasis may be on the explanation of an historical case, but this method may also contribute to theory testing because a case may "impugn established theories if the theories ought to fit it but do not" (Eckstein 1975: 99; George and Bennett 2005: 75).

In this sense, this study proposes prospect theory as a theoretical framework and analyzes North Korea's nuclear policy after the Cold War and seeks to provide a stronger interpretation for North Korea's nuclear behavior than other competing explanations explained in the literature review.

Within-case method

In order to apply prospect theory to Pyongyang's nuclear policy, this study uses "within-case" causal inferences: the "process-tracing" method and the "congruence" method (George 1979; George and McKeown 1985; King, Keohane and Verba: 1994; Van Evera 1997; George and Bennett 2005). According to George and Bennett (2005: 80), single case studies rely almost exclusively on within-case methods such as process-tracing and congruence. The within-case explanation is akin to that of historical explanation of single cases, but the process-tracing and the

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method, "a generalization is applied to a specific case with the aim of throwing light on the case rather than of improving the generalization."

congruence methods make it possible to identify the intervening causal process between the independent variable(s) and the dependent variable and convert a purely historical account of a causal sequence into an analytical and theoretical explanation.

The process-tracing method "is intended to investigate and explain the decision process by which various initial conditions are translated into outcomes" (George and McKeown 1985: 35). In this process, this method provides a theoretical explanation of the causal mechanism between the independent variable(s) and the dependent variable,[20] and the theory links initial causes to outcomes. Thus, the purpose of applying the process-tracing method of this study is to discover how the variations of the North Korean decision makers' perception of both domestic and international situations (independent variables) influence their risk-taking attitudes and choices of nuclear policy (dependent variable) over time. Such process tracing of North Korea's nuclear policy will involve searching for evidence of the decision-making process that can explain the causal path.

On the other hand, when a theory is applied to explain or predict the outcome of a particular case, the congruence method is used (Goerge 1997; Van Evera 1997: 58-63). The researcher uses a theory to predict the outcome of the dependent variable, and if the outcome of a case is congruent with the independent variable and the prediction of the theory linking the two, then it can be said that there is at least a possibility of a causal effect. Thus, the congruence method is useful for understanding the decision-making process and strategic interaction in a single case

[20] As an excellent example that used the process-tracing method, George and Bennett (2005: 227) cites Theda Skocpol's *State and Social Revolution: A Comparative Analysis of France, Russia and China*. She employed the process-tracing procedure and demonstrated how independent variables were causally related to the outcome of three social revolutions.

such as that of North Korea. In terms of the congruence method, this study applies prospect theory to explain North Korea's nuclear policy during the crisis and explores whether its nuclear policy (dependent variable) is congruent with the prediction of prospect theory.

The process-tracing and congruence methods are combined in an investigation of the causal mechanism determining North Korean nuclear policy.[21] Such procedure requires the tracing of actors' decision-making and the examination of written records as to the reasons for their actions (King, Keohane and Verba 1994: 227). Because actors must communicate with one another in making decisions, the content of this communication necessarily leaves behind some kinds of evidence – documents, participant recollections, public communications in media reports – connected with the decision-making process, even though the evidence may not be complete or unbiased (George and McKeown 1985: 37).

The North Korean nuclear crisis

With these case study methods, this study focuses on North Korean leaders' nuclear decision-making processes after the Cold War. The main goal is to explain why Pyongyang has changed its course of action although its initial condition regarding the nuclear program remains essentially the same. To this end, this study draws on prospect theory in international relations and seeks to demonstrate how Pyongyang's perception of domestic and international situations has affected its

[21] According to George and Bennett (2005: 183-84, 194-97), the usefulness of combining the congruence and process-tracing methods was demonstrated by Yuen Koong Khong in *Analogies at War: Korea, Munich, Dien Bien Phu, and the Vietnam Decisions of 1965.*

nuclear policy.[22] According to prospect theory, Pyongyang's domestic and international situations can be understood as domains of action, either gain or loss, so this study tries to see how each domain affects Pyongyang's nuclear decision making and policy change in the direction predicted by prospect theory. If prospect theory can explain the policies and policy changes that other competing arguments are unable to explain, this study offers support for the applicability of prospect theory to the North Korean case and possibly other international crises involving weaker states.

Causal mechanism

The independent variable in this study is Pyongyang's perception of its own domestic and international situations or domains of action, which is operationalized in terms of either gain or loss compared to the North's status quo and other reference points. Pyongyang's domain of action will be measured by a number of different factors that define the leadership's subjective sense of situation. These sources include North Korean media reports,[23] government statements, foreign relations documents, memoirs of former officials, and so on. In international relations, domain and reference points are influenced by leaders' subjective perception and assessment (Stein 1992: 15; McDermott 1998: 36), so it may be difficult to ascertain exactly in

[22] As noted above, there may be some limitations in applying prospect theory, which is the individual model of choice, to foreign policy decision making, which is the group setting (Boettcher 1995: 577-79; 2004), but the North Korean case may be relatively free of this criticism, given that North Korea is a very centralized nation in which any important decisions such as nuclear policy have been made mostly by its successive supreme leaders, Kim Il-sung and Kim Jong-il.

[23] For example, *Rodong Sinmun [Labor Daily]* and *North Korean Central News Agency (KCNA)*. See its website at <http://www.kcna.co.jp>. Both are state-run media organizations and have been guided directly by Kim Il-sung and Kim Jong-il (Hwang 2001: 81-82).

which domain leaders are to be placed. In addition, there is some likelihood of bias in these sources because North Korean leaders may have intentionally signaled exaggerated, if not erroneous, information in order to portray the situation in the North's favor. In many circumstances, however, the situation looks so obvious as to offer a fairly clear categorization in terms of the relevant objective sources (McDermott 1998: 37-38).[24] In fact, the domains that Pyongyang perceived can be understood not only from their subjective assessment but also in terms of other objective indicators such as North Korea's alliance relations, domestic political stability, and economic situation, inter-Korean relations, the changing balance of power around the Korean peninsula, U.S. policy toward North Korea, and so on.

In this way, domains of action describe the domestic and international environments under which Pyongyang decides its nuclear policy. As prospect theory explains (Levy 1994b), Pyongyang's domain of action will be judged relative to the reference point, which is normally Pyongyang's status quo. North Korea's initial status quo was the stable balance of power on the Korean peninsula guaranteed by its two Cold War patrons, the Soviet Union and China, but the end of the Cold War put Pyongyang in a different domain and changed the initial status quo. Since then Pyongyang has framed and reframed its domains of action, and this study traces those domains and explores how they have influenced Pyongyang's nuclear policy.

The dependent variable in this study is Pyongyang's risk-taking attitude after the Cold War coded as either risk-acceptant or risk-averse, and it varies (King,

[24] McDermott (1998: 11) offers the analogy of reading a thermometer: "If it is a hundred degrees outside, you do not need to know a whole lot about a particular individual to assume that he is probably hot."

Keohane and Verba 1994: 107-109). Pyongyang may choose to take the risk of defying the U.S. by maintaining its hard-line policy and continuously developing its nuclear weapons program, or choose to accept the risk of giving up self-reliance in national defense and engaging the U.S. by suspending its nuclear weapons program. In fact, Pyongyang's policy toward the U.S. has shifted back and forth as the crisis has progressed, and these policy changes will be explained on the basis of Pyongyang's domain of action and the relative riskiness of each policy.

As noted in Chapter 1, every policy option involves some risk, and the risk of a given option is evaluated in terms of relative variance in outcome presented by each choice. In other words, an option with a greater outcome variance constitutes a relatively more risky choice than alternative options.[25] Thus, in most cases, Pyongyang's policy of confronting the U.S. by going nuclear should be understood to be a more risky choice than its conciliatory policy of engaging the U.S. and suspending its own nuclear weapons program, because the former offers a greater variance of outcome to Pyongyang than the latter, providing a strong potential not only of obtaining a self-reliant way of securing its regime with nuclear weapons (gain) but also of inviting U.S. military attacks and regime change (loss), as seen in the case of Saddam Hussein's Iraq. On the other hand, the policy of engaging the U.S. by suspending the nuclear weapons program can be said to offer a relatively smaller variance of outcome to Pyongyang, providing a potential of gaining economic benefits and improving relations with the U.S. (gain) and of giving up its self-reliance

[25] For example, "if one option presents a 50 percent chance of winning $5 and a 50 percent chance of losing $10, it is less risky than a gamble which offers a 50 percent prospect of winning $50 and a 50 percent chance of losing $ 100" (McDermott 1998: 39).

in national defense and acceptance of U.S. influence in the long run (loss).[26] If North Korean leaders are risk-acceptant, they will choose to confront the U.S. to change the unfavorable status quo, while if they are risk-averse, they will choose to engage the U.S. and accept the changed status quo.

However, because Pyongyang's preference may be different, the specific risk should depend on the leaders' subjective assessment of the relative riskiness of the specific policies. In fact, because the North Korean nuclear crisis has been one of the hottest issues in the post-Cold War era and has involved North Korean officials in many negotiations, there have been many official and unofficial statements in western media reports as well as in the North Korean media in which North Korean leaders expressed their position with regard to their perceptions. Moreover, because many U.S. and South Korean government officials have discussed this issue with North Korean officials, including Kim Il-sung and Kim Jong-il, it would be useful to evaluate the statements made in those meetings.

Six periods of observations

According to King, Keohane and Verba (1994: 217-228), a single case often involves multiple measures of key variables and multiple observations.[27] One good way to find more observations is to divide a case into a number of decision-making

[26] More detailed explanations regarding relative riskiness of each option will be given in Chapter 4.

[27] Eckstein (1975: 85) defines a case as "a phenomenon for which we report and interpret only a single measure on any pertinent variable." King, Keohane and Verba (1994: 52-53, 217-218) prefer to use the word, "observation," but their definition of "observation" coincides with Eckstein's definition of "case." They define an observation as "one measure of one dependent variable on one unit."

points, because a single case involves larger within-case variations in the dependent variable across time.[28] The method of process tracing is said to increase the number of observations because it yields many observations within each sequence of events (King, Keohane and Verba 1994: 227-228).

Thus, this study is a single-nation case study, but the North Korean nuclear crisis can be divided into six separate periods of observation in terms of Pyongyang's policy changes: 1) pre-June 1994 as a period of nuclear confrontation – continuation of the nuclear weapons program and defiance of the U.S.; 2) June 1994 as a period of policy change from confrontation to engagement – the promise to suspend the nuclear program and improve relations with the U.S.; 3) post-June 1994 during the Clinton administration as a period of engagement – actual suspension of the program and improvement of relations with the U.S.; 4) pre-October 2002 during the Bush administration as a period of rising tension due to the Bush administration's hard-line North Korea policy – refusal to change the nuclear policy, and restraint of confrontational moves; 5) October 2002 as a period of policy change from restraint to confrontation – reactivation of the once-suspended nuclear program; 6) post-October 2002 as a period of continued confrontation. Those six periods are listed in Table 2-2 below and will be analyzed in Chapters 4 and 5.

[28] Stephen Van Evera (1997: 61-63) refers to this as "congruence procedure type 2."

Table 2-2. Six Periods in the North Korean Nuclear Crisis

Periods		Pyongyang's Policy
First crisis	1) Pre-June 1994	Confrontation
	2) June 1994	Confrontation → Engagement
Interim	3) Post-June 1994 during the Clinton administration	Engagement
	4) Pre-October 2002 during the Bush administration	Restraint
Second crisis	5) October 2002	Restraint → Confrontation
	6) Post-October 2002	Confrontation

Summary

This section has discussed the methodological issues that may be used to explain North Korea's nuclear policy after the Cold War. Qualitative within-case methods, especially process tracing and congruence, are adopted as a way of applying prospect theory to the North Korean case and trace the causal mechanism between the North Korean leaders' perception of domestic and international situations and their risk-taking attitude during the crisis. To show the variation in Pyongyang's foreign policy over time, this study divides the North Korean nuclear crisis into six separate periods and observes how the varying situations have produced the probable changes of outcome.

CHAPTER 3

LITERATURE REVIEW

Introduction

Why do nations choose to build nuclear weapons?[1] The conventional answer to this question in international relations is the security model: nations will seek to develop nuclear weapons when they face a significant military threat to their security that cannot be met by alternative means (Sagan 1996/97; Thayer 1995; Frankel 1993; Betts 1993; Gompert, Watman, and Wilkening 1995). Such a security-based need for nuclear weapons has been strongly supported by realist tradition in international relations. According to neorealism, states live in an anarchical international system and therefore must rely on self-help to protect their sovereignty and national security (Waltz 1979; Keohane 1986). Any state that seeks to maintain its national security must balance against any rival state that develops nuclear weapons by gaining access to a nuclear deterrent. Then, why do weaker states seek to build nuclear weapons? States facing a military threat may choose between two balancing policies: internal balancing or external balancing (Morgenthau 1985; Waltz 1979; Morrow 1993). States may pursue a form of internal balancing by adopting the costly, but self-sufficient, policy of developing their own nuclear weapons, or they may pursue a form of external balancing by entering into a balancing alliance with a nuclear power,

[1] Scott Sagan (1996/97) proposes three models of nuclear proliferation: the security model, the domestic politics model, and the norms model. Most literature on the North Korean nuclear issue has focused on the security model, although some deals with North Korea's domestic determinants.

relying on the ally's guarantee of security in terms of extended deterrence. For weak states, acquiring a nuclear ally is often the only option available, because developing their own nuclear weapons is very costly and takes a long time, but they inevitably face the problem of the credibility of extended deterrence by the ally (Sagan 1996/97: 57).

This is evident in the case of North Korea after the end of the Cold War. During the Cold War, North Korea had sought to balance U.S. nuclear threats on the Korean peninsula by allying itself with the Soviet Union and China. It began to pursue its independent nuclear weapons program after the end of the Cold War, largely because the Soviet and Chinese nuclear guarantees could not be trusted any longer.[2] In this sense, most scholars of the North Korean nuclear crisis have focused on the conflict of interest between Pyongyang's nuclear motivation and policy based on security concerns and the international community's efforts to prevent nuclear proliferation (Waltz 1995; Kang 1994/95, 1995; Mack 1991, 1993; Mazarr 1995a, 1995b).[3] Those works are mostly based on realist assumptions in that, as Jeffrey W. Legro and Andrew Moravcsik (1999:13-16) have noted, they assume the existence of a conflict of goals and preferences between North Korea and the international community.

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[2] As a memorandum released by the North Korean Foreign Ministry shows, as quoted in Chapter 1, North Korea directly related its need for a nuclear weapons program to the Soviet Union's establishment of diplomatic relations with South Korea. See *KCNA*, September 19, 1990.

[3] On the other hand, a certain group of scholars has emphasized that Pyongyang may also have expansionist ambitions connected with its nuclear program (Spector and Smith 1991 and Cha 2002).

However, other scholars have argued that realist explanations have not quite succeeded in explaining Pyongyang's nuclear negotiating behavior, although they might be able to explain the initial motivation for its nuclear program (Sigal 1998). Based on liberal tradition in international relations, these critics have contended that it is necessary to recognize Pyongyang's conciliatory nature and negotiating strategy after the Cold War. Unlike realists, they do not exclude the possibility that Pyongyang and the international community may share the same goals and concerns and wish to resolve the nuclear crisis through negotiations. Some of them have focused on Pyongyang's changing nature and cooperative behaviors (Harrison 1994, 2002; Oberdorfer 2001a, 2001b), while others have highlighted its reciprocal behaviors and motivation for negotiation based on tit-for-tat strategy (Sigal 1998; Cumings 1997, 2004; Newnham 2004).

On the other hand, some explanations focus on the domestic actors who encourage or discourage governments from pursuing nuclear weapons (Sagan 1996/97: 63). In the context of domestic politics, some scholars emphasize the need to examine North Korea's domestic dynamics during the nuclear crisis (Mansourov 1994a, 1994b; Park 1997; Snyder 1999, 2000; Harrison 1994, 2002; Park 1996, 2002). They argue that structural explanations have not succeeded in explaining Pyongyang's decision-making and negotiating behavior (Mansourov 1994a: Park 1997). These critics have contended that it is important to understand Pyongyang's domestic variables, which include its political structure, economy, decision-making process, leadership, history, and culture.

Explanation according to decision theory based on prospect theory, as in this study, emphasizes North Korean leaders' perception of the crisis and their response to it (Cha 2002, 2003). This approach holds that the course of events related to the North Korean nuclear issue has been strongly influenced by North Korean leaders' specific perception of the crisis and their decision-making process affected by the changing North Korea policy of the United States. This approach looks at the relationship between Pyongyang's strategic environment and decision making after the Cold War and interprets Pyongyang's perception of and response to the changing situation of the nuclear crisis.

In the context of these three competing approaches to analysis of nuclear proliferation, this review first presents diverse explanations of North Korea's nuclear policy, then assesses the relative strengths and weaknesses of those explanations, and finally raises the need for a new theoretical framework to explain Pyongyang's decisions, suggesting an alternative approach based on prospect theory in international relations.[4]

Security-Based Explanations

Neorealist approach

Kenneth Waltz made the following observation about North Korea's motivation for going nuclear after the Cold War: "Like earlier nuclear states, North

[4] Samuel S. Kim (1998: 3-31) explains that studies of North Korean foreign policy have been based on two competing theories of international relations: system-level theory and unit-level theory. The former means structural approaches such as realism and liberalism, and the latter emphasizes domestic political and societal factors. This study adds a third – decision theory – to these two approaches.

Korea wants the military capability because it feels weak, isolated, and threatened" (Waltz 1995:38). According to Waltz, the unfavorable balance of power on the Korean peninsula governs Pyongyang's mindset and behavior so strongly that it cannot but go nuclear. In fact, the neorealist approach captures North Korea's motivations for nuclear weapons very well. From Pyongyang's perspective, North Korea has been under a serious military disadvantage compared to South Korea. Even worse, North Korea's two Cold War allies, the Soviet Union and China, have become increasingly unreliable, while South Korea remains firmly allied with the United States, which provides a strong guarantee of security backed by nuclear weapons. Most scholars who study the North Korean nuclear issue do not disagree with this explanation for Pyongyang's initial motivation to develop its own nuclear weapons (Mack 1991, 1993; Bracken 1993; Kang 1994/95, 1995; Mazarr 1995a, 1995b; Mansourov 1995; Sigal 1998; Harrison 2002; Cha 2002; Cha and Kang 2003; Cumings 2004), and such neorealist thinking has dominated scholarly and policy discourses on this issue (Sigal 1998: 244-249). They share the idea that the conventional military balance has shifted rapidly in the South's favor and that the North's relationship with its allies has deteriorated dramatically. However, there have been a few differing opinions within the neorealist approach regarding Pyongyang's nuclear intention and policy. One group of scholars believe, like Waltz, that because North Korea is determined to go nuclear, it will eventually possess nuclear weapons, although it cannot use them for anything but deterrence (Mack 1991, 1993; Waltz 1995). Another group of scholars focuses on the North's expansionist ambition, arguing that Pyongyang wants to threaten the U.S. and South

Korea with the use of nuclear weapons (Spector and Smith 1991; Bracken 1993; Downs 1999; Cha 2003). The third group of scholars criticizes these two groups and argues that North Korea's development of nuclear weapons can be prevented if Pyongyang's security dilemma is resolved (Kang 1994/95, 1995, 2003b, 2003d; Mazarr 1995a, 1995b; E. Kang 2003; Wit, Poneman and Gallucci 2004).

Determined to seek nuclear deterrence

Waltz posits that North Korea is determined to go nuclear and that no country is able to prevent it from doing so:

> The United States opposes North Korea's presumed quest for nuclear military capability, yet in the past half-century, no country has been able to prevent other countries from going nuclear if they were determined to do it... A country that wants to build nuclear weapons and not be caught doing it, will disguise its efforts and hide its bombs. (Waltz 1995: 37-38)

In this view, although North Korea cannot use nuclear weapons except for deterrence because any war on the Korean peninsula would put North Korea at severe risk of the downfall of its regime, it will not sacrifice its nuclear program for any reason, and will eventually possess the bombs: the more vulnerable North Korea feels, the more strenuously it will pursue a nuclear program.

Like Waltz, Andrew Mack (1991, 1993) has argued that from Pyongyang's perspective, the reasons for not going nuclear are outweighed by the perception of a growing strategic need for nuclear weapons. With the military balance shifting dramatically in the South's favor and the alliance relations worsening quickly, it is not surprising that North Korea is determined to acquire nuclear capability, because

nuclear weapons offer Pyongyang a strategic equalizer on the Korean peninsula and powerfully curb any U.S. temptation to use nuclear weapons against the North (Mack 1993: 341-342; Mack 1991: 95). Also, given North Korea's difficult economic situation, nuclear weapons offer the only hope of achieving a self-reliant and effective defense (Mack 1993: 343). Optimists may expect that Pyongyang is willing to give up the nuclear option or that it has been simply using the nuclear issue to gain concessions from the U.S. and South Korea, but Waltz and Mack believe that such optimists never recognize how vital Pyongyang's perceived interests are in acquiring a nuclear deterrent. In this sense, Pyongyang's concession is clearly a stalling tactic.

As Waltz expects, North Korea may be determined to go nuclear because abandoning the nuclear option would make the North more vulnerable to South Korea's growing conventional military strength. The U.S. and South Korea do not want to undermine their military superiority on the peninsula and tend to play down Pyongyang's security concerns, so Seoul's conventional military superiority and the U.S. nuclear threat to Pyongyang are not likely to be taken lightly. Consequently, the two allies do not expect that they will be able to resolve Pyongyang's security concerns and prevent it from going nuclear. Furthermore, North Korea may be determined to continue its pursuit of nuclear weapons regardless of any security assurances. Given the seriousness of the North Korean nuclear crisis, Pyongyang may well feel that possession of nuclear weapons is a better guarantee against U.S. nuclear strikes than any other verbal security guarantees that the U.S. and South Korea may offer (Mack 1993: 359).

In short, according to Waltz and Mack, North Korea is likely to possess nuclear weapons eventually due to its siege mentality. In the mean time, North Korea is seeking to buy time to hide and complete its nuclear weapons program, so it appears to have a plan for hiding its nuclear capabilities. Thus, North Korea's nuclear weapons program may be delayed but cannot be stopped due to its worsening strategic environment. They would argue that the revelation of Pyongyang's new secret nuclear program in fall 2002 clearly supports their argument that Pyongyang would never give up its nuclear weapons program.

Pursuing expansionist ambitions

Although North Korea may have begun its nuclear weapons program for the sake of deterrence due to its siege mentality, some scholars believe that the program is still threatening and may be used to further Pyongyang's expansionist ambitions (Spector and Smith 1991; Bracken 1993; Downs 1999; Cha 2003).[5] Because North Korea has been willing in the past to use violence to advance its expansionist goals, its nuclear program may be connected with an effort to pursue reunification by intensifying military pressure on the South (Spector and Smith 1991). Even if Pyongyang's main purpose in developing nuclear weapons is to guarantee the survival of the regime, the program may be useful in affording Pyongyang a more threatening military posture (Downs 1999).

Pyongyang's threatening behavior can be explained by offensive realist theory in international relations. According to John J. Mearsheimer (1994/95, 2001) and

[5] Sagan (1996/97: 57) also argues that North Korea like Iraq might be the best example of the offensive coercive threat motivation to compel changes in the status quo.

Eric J. Labs (1997), in the international system states always face the threat that other states may use force to conquer them, and such anarchy provides strong incentives for expansion. Because only power can guarantee states' survival under conditions of international anarchy, states are obliged to maximize their power relative to other states and pursue expansionist policies. Thus, a revisionist state like North Korea is assumed to be more inclined to exploit every opportunity to expand its relative power (Schweller 1994), and such a nation's goal is not only survival but ultimately to prevail in the system. In this sense, some scholars regard Pyongyang's nuclear program as potentially offensive and increasing the likelihood that North Korea will initiate a war. For Pyongyang, negotiating with the U.S. may be intended to ensure the survival of the regime, and it may not be able to initiate a potentially regime-terminating war as long as the U.S. and South Korean resolve for deterrence remains credible. However, this approach argues that Pyongyang may be able to consistently use the program to extend its power on the peninsula by pressing the U.S. and South Korea to disarm (Downs 1999: 280-281).

As for Pyongyang's offensive ambitions, many scholars emphasize its past aggressive behaviors (Spector and Smith 1991; Downs 1999; Cha 2002, 2003). They say that North Korea has sought to reunify the Korean peninsula through aggressive policies such as a direct military attack, terrorist attacks, and political and social destabilization. Also outside the peninsula, North Korea has been a major arms supplier to countries supporting terrorism, so the U.S. government has identified North Korea as a sponsor of international terrorism. Given such aggressive behaviors, acquiring nuclear weapons will definitely reinforce Pyongyang's inclination to invade

the South and threaten world peace. Even if Pyongyang's nuclear capability were used only as a deterrent against the U.S. nuclear threat, it would inevitably increase the dangerousness of North Korea as a rogue state (Spector and Smith 1991: 8). These scholars also raise the issue of the irrationality, recklessness and unpredictability of the North Korean leadership.[6] They see North Korea as dangerous because the decisions and actions of its leaders have been irrational and unpredictable. Its opacity over the past years has raised many questions about this mysterious and isolated regime (Cha 2002: 46-50), so they believe that a nuclear-armed North Korea must be viewed as extremely dangerous with a character different from those of most states (Bracken 1993: 142). Thus, they perceive the possibility that Pyongyang will undertake limited but very aggressive acts of violence with the hope of leveraging the situation more to its advantage. This looks extremely dangerous, but it may also look rational when a nation has nothing to lose and nothing to negotiate with.[7] Thus, they are very skeptical of how much Pyongyang's intentions have really changed.

As offensive realists predict, Pyongyang's nuclear development may not be prevented due to its expansionist ambitions, and any concessions to Pyongyang appear to be useless. Because North Korea has linked its demand for U.S. nuclear assurances to other conditions, they believe that giving any concessions may merely open the door to new demands. Thus, there is nothing conciliatory in Pyongyang's behavior. Given the absence of changes in the military situation on the peninsula and

[6] Irrationality and madness have been main themes used to explain Pyongyang's aggressive foreign policy, as Kang (2003a) and Smith (2000) observe.

[7] In the same vein, U.S. Secretary of State Condoleezza Rice (2000) has written that the North Korean regime is malign and dangerous because it "has little to gain and everything to lose from engagement in the international economy."

the history of North Korea's revisionist inclinations over the past years, they conclude that North Korea would give up neither its expansionist ambition nor the nuclear weapons program. To these scholars, the 2002 revelation of a new, secret nuclear weapons program set Pyongyang back in the direction of brinkmanship and is fairly serious and strong evidence validating their skepticism of Pyongyang's intentions (Cha and Kang 2003: 148-153).

Resolving security concerns

Most realists are pessimistic about Pyongyang's nuclear policy. They do not believe that North Korea will agree to give up its nuclear weapons program through negotiation. Insofar as realists could conceive of ending North Korean nuclear program, they believe that only coercion would work, because the threat of war makes states more amenable to compromise (Sigal 1998: 248). However, a group of Korean experts have argued, while drawing on realist framework, that North Korea can be persuaded and/or paid to suspend its nuclear weapons program if the United States and South Korea guarantee its security and offer appropriate economic rewards (Kang 1994/1995, 1995, 2003b, 2003d; Mazarr 1995a, 1995b; E. Kang 2003).[8] Because North Korea may not develop nuclear weapons under certain circumstances, they believe that the North Korean nuclear issue is an "avoidable crisis" (Kang 2003b). U.S. negotiators also began negotiations on the assumption that Pyongyang might be "talked down" from its defiant nuclear posture (Wit, Poneman and Galluci 2004: xiv-xv).

[8] Especially, David Kang (1995, 2003a) has identified himself as a neorealist. C.S. Eliot Kang (2003) uses mercantile realism to explain Pyongyang's cooperation.

These scholars do not deny that North Korea wishes to develop nuclear weapons for its security. It is not surprising that any nation with an intense security concerns like those of North Korea should wish to possess nuclear weapons. In the face of declining superpower support and the balance of power quickly changing to its disadvantage, one of the most highly effective ways of securing its sovereignty is clearly to develop nuclear weapons capability, especially if the other side has nuclear weapons (Kang 1995). Furthermore, the nuclear program became an useful tool of diplomacy and a flexible support system by drawing world attention to Pyongyang and establishing a firmer power basis for the regime (Mazarr 1995b: 100). In fact, North Korea's significance to the world with the bomb would be much greater than it is without the bomb. However, these scholars believe that the North Korean nuclear program can be prevented if Pyongyang's security concerns and economic difficulties are addressed. Due to the shifting balance of power, Pyongyang started to develop its nuclear weapons, but because it understands that nuclear weapons may not change the balance of power in its favor but rather invite additional threat to itself, Pyongyang has been making diplomatic overtures to the West for the past decade, seeking to improve relations with the international community. Pyongyang has been recently very active and interested in engaging the world, and has adopted the "tit-for-tat" sequence of diplomatic relations, although such efforts were interrupted after the terrorist attacks in 2001 (Kang 2003d).

Theoretically, North Korea's security dilemma can be explained in terms of defensive realism (Jervis 1978, 1999; Glaser 1994/95; Van Evera 1998, 1999; Taliaferro 2000/01; Snyder 1991). As Robert Jervis (1978, 1999) has argued, there

may be a security dilemma under anarchy in which the attempt by one state to increase its security has the effect of decreasing the security of others. Such a security dilemma may cause nations to worry about each other's future intentions and relative power and may generate a spiral of mutual hostility. However, because states normally pursue security-seeking strategies for survival and are driven more by fear than by the desire to conquer, contrary to the expectations of offensive realists, defensive realists believe that states would be willing to settle for the status quo, and that conflict is avoidable under most circumstances.

In this sense, North Korea's nuclear program may be suspended if its security dilemma is resolved. These scholars argue that North Korea has not been involved in any expansionist or aggressive behaviors since the late 1980s. If North Korea still had any aggressive ambitions, it could set off a few atomic bombs right away, but North Koreans have not done so, because their goal is regime survival, not a military confrontation with the U.S. and South Korea (Kang 2003a: 320-321). This view implies that the nuclear weapons program is intended as a deterrent and a bargaining chip to ensure the survival of the regime. Thus, although North Korea is not the most reliable negotiating partner and may even cheat if it is allowed to, it is more likely to give up most, if not all, of its nuclear capabilities and engage the international community peacefully, as long as its security concerns are addressed and it feels that the long-term military and economic benefit outweighs the short-term benefit of developing nuclear weapons (E. Kang 2003). This is why the United States and South Korea need to address Pyongyang's military and economic concerns quickly and decisively by offering many incentives, which is how the nuclear deal in 1994

was achieved (Mazarr 1995a, 1995b). U.S. negotiators of the North Korean nuclear issue also saw that the 1994 Agreed Framework provided an opportunity for North Korea to break out of its security dilemma, and save face (Wit, Poneman and Galluci 2004: 390). To these scholars, even the 2002 nuclear revelation does not prove that Pyongyang has expansionist ambition or is determined to go nuclear, but implies merely that the North's threat perception went from bad to worse due to the Bush administration's hard-line foreign policy after the terrorist attacks in 2001 (Kang 2003a: 320-322; Cha and Kang 2003: 134-148).

Criticism

As noted, realist interpretation has attributed Pyongyang's motivation for the nuclear weapons program to its security concerns after the Cold War. However, the realist perspective does not appear to have quite succeeded in explaining Pyongyang's actual nuclear policy during the crisis. In fact, realist predictions regarding Pyongyang's nuclear behavior have not fit the actual course of events with respect to the North Korean nuclear issue. Waltz has contended that North Korea is determined to go nuclear and will not suspend its nuclear weapons program, because its increasing insecurity should lead the North to accelerate its nuclear weapons development. As many critics contend, however, Pyongyang's real nuclear policies have not appeared to support such an argument (Sigal 1998; Park 1997). Contrary to realist predictions, North Korea has often significantly sacrificed its nuclear weapons program in return for U.S. military and economic assurances. Those who argue Pyongyang's expansionist ambition for nuclear weapons have also been criticized

because the North Korean leadership appears to have been more interested in securing its own regime than conquering the South due to the growing threats from the inside as well as from the outside. In fact, rather than demonstrating any expansionist ambition and accelerating the construction of nuclear arms, North Korea has often sought benefits from the international community, and actually suspended its nuclear program.

As Waltz has argued, some may contend that North Korea has disguised its efforts to buy time to complete its nuclear weapons (Mack 1993). However, such a claim is questionable because North Korea has already lost much time and has delayed many nuclear processes that it would not if it were really rushing to going nuclear. Rather, the crisis appears to have accelerated while the Bush administration sought to justify its hard-line foreign policy. Furthermore, North Korea has made it clear that it wants to negotiate a new package deal like the 1994 Agreed Framework and had been engaged in the six-party talks.[9] On the other hand, some realist approaches contend that North Korea suspended its nuclear program because the U.S. and South Korea offered military and economic assurances to the North (Kang 2003a, 2003b; Mazarr 1995a, 1995b; E. Kang 2003). Many critics of realist explanations – especially liberals – also agree with this point, but they are still criticized for having overemphasized the importance of structural determinants such as the balance of power and its deterrence effect and have ignored other important variables that influence Pyongyang's nuclear policy.

[9] The six-party talks aimed at dealing with the developing nuclear crisis after the revelation of Pyongyang's new covert nuclear program using highly enriched uranium. The six-party talks include the two Koreas, the U.S., Japan, China, and Russia.

Liberal approaches

Neorealists posit that cooperation between nations with power asymmetries can often be achieved by imposition from the stronger nation (Waltz 1979), but liberals argue that North Korea's cooperation with the U.S. has not been realized in the way that realists predicted (Sigal 1998). They acknowledge the importance of the balance of power on the Korean peninsula, but they emphasize the North Korean regime's changing attitude toward cooperation and its negotiating strategy. They have contended that cooperation has become possible because of Pyongyang's need to change its long-sustained isolation and interact with the international community (Sigal 1998; Smithson 1999; Newnham 2004; Cumings 1997, 2004). Although not all of these scholars identify themselves as liberals, their perspectives can be characterized as liberal, because they believe that mutually beneficial political exchange and cooperation can be achieved, as liberal scholars of international relations generally agree (Keohane 1984). These views differ from those of realists, who believe that there is generally no opportunity for mutually profitable compromise or negotiation (Legro and Andrew 1999: 16-18). For this reason, the liberals emphasize the possibility of Pyongyang's cooperative behavior with the international community rather than continued confrontation and rogue behavior.

Reciprocal behavior

When North Korea began to negotiate with the U.S. in the early 1990s, the most readily apparent behavioral pattern identified by many scholars and diplomats

was one of reciprocation (Sigal 1998, 2000, 2002; Newnham 2004; Cumings 1997, 2004). Some scholars have offered a new image of North Korea as a "shopkeeper" (Zartman and Michishita 1996; Y. Kim 2002). As opposed to the notorious image of a "warrior" during the Cold War, which was characterized as aggressive, intransigent, recalcitrant and stubborn (Downs 1999), North Korea as a "shopkeeper" is characterized as practical, open-minded, and compromising.[10] In this new role, North Korea is expected to cooperate with the international community regarding the nuclear issue, only if it can get assurances of security and economic benefits from the outside. While many scholars acknowledge Pyongyang's cooperative behavior, their perceptions vary as to its extent.

First of all, some scholars draw on the theory that economic incentives may be in general more effective and produce positive outcome than economic sanctions (Snyder 1997; Smithson 1999; Martin 2000; Newnham 2004). They explain that North Korea has positively responded to the economic incentives offered by the United States as seen in the 1994 Agreed Framework. Because North Korea is now more open to the world and thus more economically and politically vulnerable to external influence, if economic incentives are offered, it is more likely to cooperate with the international community rather than persist in its own view. With such economic incentives, these scholars believe, North Korea is expected to negotiate a new deal even after the collapse of the Agreed Framework in 2002, and the renewed

[10] These two images were defined by Harold Nicolson (1964). The "shopkeeper" sees a middle ground between demands and can always make a deal, while the "warrior" sees concession as weakness and will make an agreement only on his own terms.

North Korean nuclear crisis may be resolved peacefully again if the United States offers positive incentives.

Leon V. Sigal (1998, 2000, 2002) is more optimistic about Pyongyang's reciprocal strategy and ascribes the failure of cooperation to the uncooperative attitude of the U.S.. Examining North Korean nuclear policy during the first nuclear crisis in the early 1990s, Sigal (1998, 2000) concludes that Pyongyang has adopted the tit-for-tat strategy as defined by liberal scholars in international relations (Robert Axelrod 1985).[11] On the basis of the tit-for-tat strategy Pyongyang reciprocated when the United States cooperated, and it retaliated when the U.S. reneged. He argues that Pyongyang was willing to make a sacrifice by suspending its nuclear program but took such compromising steps only when the U.S. chose to reject coercive measures and offer diplomatic give-and-take. So he concludes that the problem was that the United States had been neither cooperative nor responsive enough to address North Korea's military and economic concerns. Due to American unwillingness to negotiate with Pyongyang, cooperation was not possible and often slow to emerge.

Bruce Cumings (1997, 2004) has also blamed the U.S. for the nuclear crisis. He holds that Pyongyang's position is to use its nuclear program to establish a new relationship with the U.S. Because Pyongyang's only card is the possibility that it possesses nuclear weapons, it has to use bluff and brinkmanship to get what it needed. However, the real nature of the North Korean nuclear issue lies in the fact that the

[11] Robert Axelrod (1985) demonstrates experimentally that cooperation can emerge from conflict between distrustful adversaries if they adopt a tit-for-tat strategy. One side begins by cooperating and then reciprocates if the other side cooperates, or retaliates if the other side reneges. Axelrod argues that cooperation is possible between the two adversaries, if they focus on the long-term benefits.

survival of the North Korean regime is at stake because the U.S. has been threatening North Korea with nuclear weapons. In this sense, Cumings argues that North Korea's behavior is more justified in this nuclear crisis, and that the real problem of this issue lies in the U.S. hard-line policy toward North Korea. He says that if Pyongyang's real goal was to build nuclear weapons, it could simply justify its nuclear program as a deterrent against U.S. threats, but what Pyongyang has really done is a masterful diplomatic game to ensure its survival.

Pyongyang's changed nature

Selig S. Harrison (1994, 2002) and Don Oberdorfer (2001a, 2001b) are also positive in their views of Pyongyang's motivations, and see more active intention of change and cooperation than Americans believe. Harrison says that after the end of the Cold War, North Korea quickly changed its course of action and has been flexible in adapting to changing circumstances, clearly signaling to the international community that it would be willing to give up the nuclear weapons program if its political and economic security could be assured. Rather than choosing belligerently to go nuclear or responding passively to external incentives, he sees that North Korea has actively used its nuclear program as a bargaining chip in its effort to improve relations with former adversaries such as the United States, Japan and South Korea. Oberdorfer is also positive about the changed nature of the North Korean regime. After Kim Il-sung defused the confrontation by accepting a U.S. offer of a nuclear freeze and leaving the door open for further negotiation, Kim Jong-il has sought to create favorable new conditions in order to alter the deadly situation on the Korean

peninsula. Oberdorfer believes that given Pyongyang's active efforts toward peaceful engagement, carrots would work better then sticks in resolving the nuclear crisis, so that Pyongyang can be bought off, if the price is right, because North Korean leaders wishes to negotiate with the U.S.

In short, these liberal perspectives posit that North Korea wants to improve relations with the United States, so Pyongyang is ready to give up its nuclear weapons program in a diplomatic process of give-and-take. To the liberals, the nuclear crisis that developed after the fall of 2002 would also be seen as another effort by Pyongyang to obtain benefits in exchange for nuclear concessions.

Criticism

Liberal explanations of the North Korean nuclear policy have emphasized Pyongyang's need for cooperation with the international community. Many scholars have sought to explain Pyongyang's reciprocal and cooperative behaviors in terms of the liberal theory in international relations that cooperation can be facilitated under anarchy. However, liberal approaches are still unsatisfactory because they have not succeeded in explaining Pyongyang's changing policies during the nuclear crisis. Many Korean experts have shown that Pyongyang has not really pursued a simple, tit-for-tat strategy but has rather responded to the U.S. on the basis of its peculiar internal logic (Snyder 1999; Downs 1999; Mansourov 1994a). North Korea has projected the image not only of "shopkeeper" but also of "warrior" during the nuclear crisis and has often switched its nuclear policy from one to the other (Zartman and Michishita 1996; Y. Kim 2002). It implies that Pyongyang has a unique decision-

making process and does not depend on a simple, tit-for-tat strategy that considers only the changing policy of the United States. In other words, Pyongyang has been very skillful in combining different negotiation tactics and policy courses to meet its short-term and long-term needs. In this sense, the liberal approach is often criticized as having uncritically accepted Pyongyang's view regarding the nuclear issue (Pollack 2003: 44). Thus, it is necessary to look more closely at the situations in which North Korean leaders have been placed and how they have perceived and responded to the overall strategic environment. The arguments regarding Pyongyang's tit-for-tat strategy and changing behavior do not consider such specific decision-making processes.

Explanations by Domestic Determinants

Those who emphasize North Korea's domestic politics contend that Pyongyang's nuclear policy has not been realized in the way that structural approaches predicted (Park 1997). They acknowledge the importance of external variables but still raise the need to consider other internal variables such as North Korea's domestic political stability, leadership, history and culture (Mansourov 1994a; Park 1997; Snyder 1999, 2000; Harrison 1994, 2002; Park 1996, 2002). Such a focus on domestic politics implies that Pyongyang's nuclear policy is not only a response to changing U.S. foreign policy but also a reflection of the changing domestic situation.

Domestic political structure

According to Alexandre Y. Mansourov (1994a, 1994b) and Selig Harrison (2002), there has been policy debate in North Korea between hard-liners and pragmatists inside the regime since the end of the Cold War.[12] Especially with regard to the nuclear issue, there emerged new strategic thinking by pragmatists at the Institute of Peace and Disarmament[13] and the Ministry of Foreign Affairs. Pragmatists in Pyongyang are said to have argued that the only way to avert an economic collapse is to turn to the United States, Japan and South Korea for help, because the negative economic impact of the nuclear weapons program became increasingly clear in the 1990s. Thus, they argued that the military aspect of the nuclear program should be put on hold, if the international community would agree in return to engage North Korea diplomatically and economically. However, it is said that hard-liners in the military have argued that the United States and South Korea were bent on destroying the regime, so that the North would never get help from these adversaries. In this sense, changes in North Korean nuclear policy are understood in terms of the rise and fall of pragmatists in Pyongyang's domestic politics. In order to keep negotiating with the U.S., these pragmatists need to keep their domestic opponents at bay, but such efforts often face continual attacks from hard-liners due to the aggressive attitudes of the U.S. toward North Korea.

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[12] For example, such a debate occurred in a meeting of the ruling North Korean Workers' Party Central Committee on December 24, 1991 (Harrison 2002: 203-4).

[13] According to Mansourov (1994a), Institute of Peace and Disarmament is the principal think tank in North Korea that formulates new foreign policy approaches and proposes new policy ideas. Researchers are educated abroad, have access to all the information about the external world, and are relatively free to discuss the North's foreign policy issues, especially the nuclear issues.

On the other hand, Kyung-ae Park (1997) assumes that the dominant goal of the North Korean leadership is to stay in power, so that the interest of the leadership elite – survival and maintenance of their power – better explains Pyongyang's nuclear behavior. She contends that the most important determinant of Pyongyang's behavior is the leaders' drive to ensure their political and physical survival. Because economic recovery and consolidation of power in a change of leadership are the most important issue in Pyongyang's domestic policy, North Korean leaders often choose policies to ensure the survival of the regime at the expense of the interest of the nation. In this sense, Pyongyang's negotiated cooperation and confrontation with the U.S. regarding the nuclear issue are both understood as efforts by the North Korean leaders to consolidate domestic power.

History and culture

Scott Snyder (1999, 2000) analyzes North Korean diplomatic negotiation styles and tactics in its broader cultural and historical context. His main question is how North Korea's policy choices are shaped by its unique experiences. Pyongyang's experience during the Cold War resulted in its choices of stubbornness, self-reliance and a strong defense of sovereignty for its strategy and tactics in international negotiations, but the end of the Cold War has created a new strategic situation under which Pyongyang has no choice but to pursue negotiations in order to gain the resources necessary for regime survival. However, because Pyongyang's ideology of self-reliance remains unchanged, its substantive concessions or changes in a negotiation position will neither be acknowledged nor revealed to the public.

This is how the North Korean regime saves face and why there emerge repeated cooperation and confrontation in Pyongyang's nuclear policy.

With regard to North Korea's unique political culture, Han S. Park (1996, 2002) focuses on *Juche* (self-reliance). He argues that in order to analyze Pyongyang's foreign policy behavior, it is necessary to examine the belief system of its ruling elite. Because *Juche* calls for self-reliance in national defense and because the nuclear issue is directly related to the regime's survival and stability, *Juche* ideology has determined the course of Pyongyang's nuclear policy since the end of the Cold War. Moreover, Pyongyang has seen its possession of nuclear capability improve its bargaining power in the international community, so the nuclear issue has served to address its political and economic difficulties in the 1990s. Thus, Park claims that Pyongyang will do anything to proceed with its development and production if the nuclear bomb is perceived to be necessary for self-defense. Conversely, if Pyongyang believes that self-defense is viable without nuclear weapons with the negotiated settlement, its willingness to compromise will increase greatly. In short, Park implies that North Korea's nuclear policy will be determined by how North Koreans see *Juche* ideology implemented in the nuclear issue.

Criticism

Those who focus on Pyongyang's domestic politics may explain considerable vacillations in its behavior during the nuclear negotiations with the U.S. (Mansourov 1994a). By tracing the domestic rise and fall of pragmatists, they may explain Pyongyang's changing approaches to the nuclear issue. However, given the question

why the influence of those pragmatists may rise and fall, it is necessary to look more closely at Pyongyang's top leadership and its decision-making process. Because Pyongyang's top leadership finally decides which approach will be implemented, it is critical to examine how they perceive and respond to the specific international and domestic situations.

Explanation by Decision Theory: Prospect Theory

In international relations, prospect theory has been developed examine a nation's crisis behavior in terms of its leaders' perception and decision-making process. Prospect theory accounts for risky inclinations by states as their situations deteriorate. It explains that states do not make choices on the basis of profit and loss, contrary to the assumption of the expected-utility theory, but rather they treat gains and losses differently. It implies that states over-value current possessions, so that they are generally averse to losses and have a tendency to try to maintain at the status quo. Due to such loss-averse tendencies, if the threat of losses were perceived to be certain in the absence of corrective action, states' incentive to undertake excessive risks in order to avoid those losses would be reinforced. In short, if a state perceives the status quo to be deteriorating, the state may be willing to take a more risky action in order to prevent further deterioration of the status quo (Levy 1994b). Several scholars in international relations have applied key concepts of prospect theory, such as framing, loss-aversion and risk-taking attitudes, to foreign policy decision making (Jervis 1989, 1991; Levy 1987; Maoz 1990; Huth, Bennett and Gelpi 1992). Prospect theory was actively studied in international relations in the 1990s (Stein 1992; Levy

1994a, 1994b, 1996, 1997a, 1997b; Jervis 1994; McDermott 1998), and has been continuously developed theoretically (McDermott 2004a, 2004b, Kanner 2001, 2004; Taliaferro 2004a, 2004b; Jervis 2004). In particular, Rose McDermott edited two special issues of *Political Psychology* in 2004 and summarized recent developments in prospect theory in political science after Barbara Farnham's first editing of the same journal in 1992. There have also been efforts to apply the theory to specific cases of foreign policy decision making in several cases of international crisis (Farnham 1994, 1997; McDermott 1994, 1998; McInerney 1994; Whyte and Levi 1994; Weyland 1996; Levi and Whyte 1997; Kanner 2001; Haas 2001; Taliaferro 2004a, 2004b).

In the North Korean case, Victor Cha (1999, 2002, 2003) has applied prospect theory to Pyongyang's decision making. Evaluating potential motivation for preventive war, he argues that the North Korean leadership may perceive some use of limited force as a rational choice despite the recognition that they have little chance of winning. The issue he raises is that if Pyongyang's leadership perceives that any situation is better than the current one and that doing something is better than doing nothing, they can rationally choose to fight even when there is little hope of victory (Cha 2002: 46-50). In other words, if North Korea perceives itself to be the potential target of U.S. attack and frames its situation in the domain of losses, then the likelihood of its preemptive or preventive action is high. Because North Korea's decisional frame is a losing one and its time horizon is very short, Pyongyang's motivation for preventive actions is salient. In this sense, Cha contends that Pyongyang's nuclear weapons program has much to do with its

preventive/preemptive war motivations. Because Pyongyang's end game has changed from prevailing on the peninsula during the Cold War to ensuring basic regime survival after the Cold War, such a concern may spur preemptive actions. According to this argument, the notion that North Korea's nuclear program was created solely for bargaining purposes does not take into account Pyongyang's strong motivation for developing nuclear weapons. The logical plan of action would not be to negotiate away its potential nuclear capabilities but to really acquire nuclear weapons and then confront the United States and South Korea from a stronger position. Thus, Cha believes that North Korea's revelation of a new nuclear program in 2002 appears to be more than a bargaining ploy and represents a purposeful drive to develop nuclear weapons. (Cha and Kang 2003: 148-153).

However, Cha's analysis is deductive and somewhat speculative about Pyongyang's policy and also sees Pyongyang's nuclear policy as static. While he accounts for the preemptive motivation, his analysis stops short of explaining the leaders' decision-making processes that analysis by prospect theory should provide. In particular, he does not account for the evolution of North Korean leaders' opinion on the nuclear issue. Given that he perceives Pyongyang's behavior as more or less consistent over time, he does not succeed in explaining considerable vacillations in Pyongyang's nuclear behavior during the negotiations with the IAEA and the U.S. Thus, we should be very careful in applying prospect theory to a weaker state like North Korea. As Cha himself acknowledges (Cha 2002: 58), relative risk assessments are not easy. Indeed, it is difficult to determine which of the two prospects – preventive war or continued decline – involves greater risks (Levy 1994b:

303). Because a weaker state in decline should run much greater risk by initiating a preventive war than a stronger state, the weaker would be more likely to decide to preserve the status quo to avoid a worst-case scenario – the extinction of the nation or the regime – than to lash out with military force. Prospect theory does not necessarily predict that a state will choose risk-acceptant behavior in the domain of losses, because its decision may be reversed when the probable outcome seems too catastrophic (Levy 1994b: 139-40). For instance, if national leaders predict that war will lead to the collapse of their nation or regime, they must be less likely to go to war even in the domain of losses. Thus, when the outcome of risky choice is too catastrophic, the standard hypotheses of prospect theory may not be applied without additional considerations. In this vein, this study seeks to re-interpret Pyongyang's nuclear policy by combining prospect theory and two-level games.

Summary

Points of agreement

Most works on Pyongyang's nuclear policy appear to agree on the subject of Pyongyang's motivation for developing nuclear weapons. They assert that the growing concerns about regime survival resulting from the increasing disadvantage of power relative to the South and deteriorating alliance relations after the Cold War motivated Pyongyang to start its own nuclear weapons program. To ensure its survival, the North Korean regime has sought to negotiate using its nuclear program as a bargaining tool, whether it is really willing to suspend it and cooperate with the international society or just trying to buy time to complete the bombs. However, such

a motivation has not directly explained the course of events connected with the nuclear issue. Pyongyang's actual nuclear policy has been implemented in ways somewhat different from those described by the usual motivation-based explanations.

Points of disagreement

The most important issue related to North Korea's nuclear policy is whether it wants to initiate a new style of engagement with the international community by suspending its nuclear program. While some hold that North Korea is so determined to go nuclear that there is little room to negotiate, others are more optimistic about change in the behavior of the regime and prospects for a more cooperative policy. However, the problem here is that most explanations have a tendency to see only one face of Pyongyang's nuclear policy, either confrontation or engagement. What matters is that there appear to be some vacillations in its policy because Pyongyang has often intensified and defused the nuclear crisis, depending on its strategic needs. To explore such variations, it is necessary to look at Pyongyang's decision-making process, because Pyongyang created its own nuclear policy based on its unique strategic environment and domestic politics, and not simply as a tit-for-tat response to international incentives or threats. Some works have focused on the domestic decision-making process in North Korea, but they do not quite succeed in tracing the changes in the views of the top leadership on the nuclear issue.

Where does this study go from here?

As noted above, the present explanations of Pyongyang's nuclear policy have failed to explain why there have been some variations in that policy during the crisis. Given that the North Korean regime has long been characterized by paternalistic supervision by so-called "Great Leader" Kim Il-sung and "Dear Leader" Kim Jong-il and that all major decisions, including those having to do with nuclear policy, are made at the highest level of leadership, as Park (2002: 139) has noted, the importance of studying the top leaders' perceptions of the nuclear issue and their decision-making process cannot be overemphasized. For this reason, prospect theory facilitates analysis of the North Korean leaders' decision-making process and explains the vacillations of its nuclear policy, suggesting a useful framework to bridge a gap between scholarly interpretation of Pyongyang's nuclear policy and its actual policy.

CHAPTER 4

FROM CONFRONTATION TO ENGAGEMENT: THE FIRST NORTH KOREAN NUCLEAR CRISIS, 1989-1994

> How long will the red flag fly?[1]
>
> Seoul is not far from here. If a war breaks out, it will be a sea of fire.[2]
>
> Kim Il-sung and Kim Jong-il were extremely worried about U.S. attack and enthusiastically welcomed former U.S. President Jimmy Carter's visit to Pyongyang and laid a great hope on the summit meeting with South Korean President Kim Young-sam.[3]

Introduction

This chapter and the next focus on case studies that answer the questions raised in Chapter 1. Drawing on prospect theory in international relations, these case studies show how North Korea's initial nuclear policy was formed after the end of the Cold War and why it changed afterwards. As noted before, North Korea's nuclear policy has been strongly influenced by its security concerns since the end of the Cold War (Kang 1995; Mazarr 1995a; Sigal 1998; Moltz and Mansourov 1999; Oberdorfer 2001a; Cha and Kang 2003). In order to understand the North's nuclear policy, this study focuses on the North's domestic and international situations after the Cold War.

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[1] Kim Il-sung at a meeting with Deng Xiaoping, September 1990, cited in Oberdorfer (2001: 219).

[2] North Korean negotiator Park Young-soo at a North-South meeting in March 19, 1994.

[3] Hwang Jang-yup (2001: 286-87), who was a secretary of the North Korean Workers' Party and the principal architect of North Korea's self-reliant *juche* ideology, and later defected to South Korea in 1997.

As prospect theory posits, risk-averse decision makers in the domain of losses maintain a belief set that the possible gains are less than the possible losses for any change from the status quo, while risk-acceptant decision makers in the domain of gains believe the opposite. Thus, risk-averse decision makers are more likely to maintain the status quo because of the fear of possible losses, while risk-acceptant decision makers are more likely to seek to change it (Kanner 2001: 94-97). If prospect theory holds for the North Korean case, North Korean leaders should be risk-averse if facing potential gains, and risk-acceptant if confronted with potential losses. Thus, the purpose here is to show how Pyongyang's situation was framed and reframed and how the situation and the change of situation affected the risk-taking attitude and then its nuclear policy. These two chapters will show how the North Korean leaders identified the reference point, the available options, the possible outcomes, and the value and probability of each of these outcomes.

In this chapter, the case study of Pyongyang's nuclear policy during the first nuclear crisis between 1989 and 1994 highlights the perceptions and policy changes of North Korean leaders. First of all, the post-Cold War circumstances that formed Pyongyang's initial frame of reference are presented, and then Pyongyang's nuclear perception and policy that resulted from the situation. Finally, the situation change in June 1994 led to Pyongyang's new perception and policy.

Framing North Korea's Post-Cold War Domain of Action

As Victor D. Cha (2002: 58) rightly states, one of the most difficult problems in applying prospect theory to North Korea is the paucity of reliable data on the

perceptions of the North Korean leaders.[4] Thus, in addition to the frame directly perceived by North Korean leaders, it would be also helpful to look at subsidiary indicators that are relatively reasonable and by which the leaders of any country would evaluate their current situation.[5] In order to help understand Pyongyang's reference point and domain of action, this study examines not only North Korean leaders' personal perceptions but also such subsidiary indicators as military, economic, and alliance situations that illustrate the changing balance of power on the Korean peninsula after the Cold War.

Pyongyang's situation during the Cold War

Although many Korean experts have believed that North Korea was powerful enough to threaten the South, the North has been in continuous decline compared to the South even during the Cold War (Kang 2003a). In terms of economic development, North Korea was close to South Korea by the mid-1970s but then quickly fell behind.[6] It is clear that North Korea was never close to the South in absolute GNP, and the economic gap between them continued to widen after the end of the Cold War. According to one estimate (Hamm 1999: 131), the North's GNP in 1970 ($4.43 billion) was more than half that of the South ($8.11 billion), but by 1980

[4] In fact, when prospect theory is applied to international conflict, it is not always clear how a decision-maker identifies the reference point (Levy 1994b: 143).

[5] Victor Cha (2002: 58-63) uses 1) ideational objectives that legitimate and celebrate national identity, 2) economic and military well-being, 3) standing in the international community, and 4) availability of allies.

[6] Even before the 1970s, South Korea had a bigger absolute GNP than North Korea, but GNP per capita for the two Koreas was roughly equal until the mid-1970s, because the South has always had twice the population of the North.

it was barely one-fourth ($16.68 billion) that of the South ($61.07 billion). This gap has continued to grow in the 1980s, and at the end of the Cold War South Korea's GNP was 10-15 times greater. In the early 1990s, many doubted whether the North Korean economy could be sustained for very much longer.

In the area of military comparison, although North Korea has hardly had the material capability to start a second Korean war, the balance of power on the Korean peninsula was roughly maintained until the 1970s. However, the military balance began to shift rapidly against the North in the 1980s. According to one dataset,[7] North Korea had been in rough parity with South Korea until the mid-1970s in terms of military expenditure, but then quickly fell behind. At the end of the Cold War, the North's military expenditure was only half that of the South, $5.23 billion in the North compared to $10.62 billion in the South in 1990. Due to its economic inferiority, North Korea could not catch up with South Korea's military spending, but instead focused on the size of the military and began to increase greatly the numbers of military personnel in the mid-1970s. By 1990, the North Korean troop strength had grown to almost three times its size in 1975, from 470 thousand to 1.2 million. North Korea's armed forces enjoyed numerical superiority at the end of the Cold War, but given the deteriorating economy, it is clear that the North's military training, equipment, and overall quality of combat readiness must have been growing steadily worse for a long time (Kang 2003a: 304-310). Conversely, the South Korean military is better equipped, better trained, and more versatile, with better logistics and support. North Korea still possessed more armed forces and hardware than the South in the

[7] National Material Capabilities (v3.0) dataset in the Correlates of War 2 at <http://cow2.la.psu.edu>.

1990s, but the South's military must always have been more efficient because it was supported by much stronger economy. Thus, given the obsolescence of most equipment, the actual capabilities of most North Korean units must be notably less than what raw numbers suggest (Masaki 1994/95; Beldecos and Heginbotham 1995; O'Hanlon 1998). One assessment suggests that the qualitative superiority may even double the South's combat effectiveness (Dupuy 1990). As David Kang (2003a: 303) has noted, North Korea was a "moribund challenger" and South Korea was a "rising defender" throughout the Cold War. In short, the balance of power on the Korean peninsula has continuously moved against the North, and the power gap grew even wider after the end of the Cold War.

Pyongyang's perception during the Cold War

Although the balance of power on the Korean peninsula was unfavorable to North Korea during the Cold War, the North Korean leaders did not appear to view the situation as dismal because it was not yet as desperate as it became in the 1990s (Mack 1991: 95; Cha 2002: 59). According to the recently released East German transcripts of confidential discussions between Erich Honecker and Kim Il-sung, Kim himself did not see the North's position in the 1970s and 1980s as a losing one (Schäfer 2003/04: 33-35).[8] In 1977, when Kim met Honecker, he was extremely

[8] In an effort to fill the significant gap in information about North Korean decision making, the Korea Initiative of the Cold War International History Project (CWIHP) of the Woodrow Wilson International Center for Scholars (WWICS) mined the archives of North Korea's former allies, Russia and East European countries, and put together the documents in "New Evidence on North Korea" in the *Cold War International History Project (CWIHP) Bulletin* 14/15 (2003/04). All documents used in this chapter for Kim Il-sung's statement come from East German archives and can be found in the *CWIHP Bulletin*.

confident, despite some economic difficulties, in the superiority of his *juche* ideology and in North Korea's security, mainly because of the domestic instability in the South arising from President Park Chung-hee's unpopular authoritarian rule and the North's military and economic cooperation with the Soviet Union and China.[9]

In the 1980s, Kim's confidence remained undiminished, although he was somewhat concerned about the South Korean-American joint military exercise, "Team Spirit."[10] He noted that "in South Korea people are now waging a good battle against the puppet regime and the US occupiers," that "the dictator is trembling," and that "there is no injection that can save a man who is already dying." Thus, Kim concluded that "the situation is good," and emphasized that "we must show the South Koreans the superiority of socialism."[11] Kim was also optimistic about Sino-Soviet relations and the support of those two governments for the North. Despite China's past dispute with the Soviet Union and incipient cooperation with the United States, Kim believed that "the Chinese have improved governmental relations with the Soviet Union" and that China "would never put herself on the side of the US against the Soviet Union," so that "all socialist nations should work toward creating trust

[9] "Document No. 6: Report on the official friendship visit to the DPRK by the Party and state delegation of the GDR, led by Com. Erich Honecker, 8-11 December 1977." See also Oberdorfer's description of the meeting from the East German document, cited in Oberdorfer (2001: 96-101).

[10] "Document No. 7: Stenographic record of conversation between Erich Honecker and Kim Il Sung, 30 May 1984."

[11] "Document No. 10: Report on conversation between Prof. Dr. Manfred Gerlach and Kim Il Sung, 26 May 1986," and "Document No. 7: Stenographic record of conversation between Erich Honecker and Kim Il Sung, 30 May 1984."

between the Soviet Union and China." Especially to the relations with North Korea, Kim was sure that "both the Soviet Union and China are our comrades-in-arms."[12]

In fact, North Korea had obtained strong security guarantees from the two great power allies by the end of the 1980s, delicately maneuvering between the Soviet Union and China, neither of which wanted to push North Korea closer to the other. In early 1984, when China was rapidly improving relations with the United States, Kim traveled to Moscow and met Konstantin Chernenko, the new General Secretary of the Soviet Communist Party. Through his visit to Moscow, Kim expected to gain benefit from China as well as the Soviet Union. Chinese leaders stressed their backing for the North in their talks with American leaders, and Hu Yaobang visited North Korea just before Kim left for Moscow, promising continued support for the North.[13] On the other hand, North Korea received huge amounts of military and economic assistance from the Soviet Union, including not only coal and oil but also military hardware such as MiG-25 fighters, surface-to-air missiles and surface-to-surface SCUD missiles.[14] During this visit, the Soviet leaders even promised to build nuclear power plants in the North.[15] Such generous assistance from the Soviet Union continued until the end of the 1980s. Even Mikhail Gorbachev supported North

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[12] "Document No. 8: Memorandum of conversation between Erich Honecker and Kim Il Sung, 31 May 1984."

[13] "Document No. 8: Memorandum of conversation between Erich Honecker and Kim Il Sung, 31 May 1984."

[14] According to one estimate (Oberdorfer 2001: 156), after Kim's 1984 visit, North Korea's imports from the Soviet Union jumped from $471 million in 1984 to $1.186 billion in 1986 and $1.909 billion in 1988, which accounted for roughly two-thirds of North Korea's imports from all countries.

[15] "Document No. 7: Stenographic record of conversation between Erich Honecker and Kim Il Sung, 30 May 1984."

Korea militarily and economically in the mid-1980s, once writing that "North Korea was seen as a privileged ally, close to us through the socialist family group and the treaties of mutual friendship and protection. For this reason, we fulfilled virtually all of Pyongyang's wishes for weapons deliveries and economic help" (Oberdorfer 2001a: 154-160).[16] As seen from Kim's discussion with Honecker, such generous assistance of the Soviet Union and China in the 1980s reassured him of the two great power allies' security guarantee. In this situation, North Korean leaders did not perceive their domain of action to be a losing one.

Change of situation and the reference point after the Cold War

North Korean leaders, especially Kim Il-sung, did not perceive themselves to be in the domain of losses during the Cold War owing to the strong security guarantees of the two great power allies, although the North was in continuous decline relative to the South. After the end of the Cold War, however, the North's external situation shifted dramatically, "toughed by winds of change" (Oh 1990). By the early 1990s, Pyongyang apparently began to see its situation as a losing one with the end of the Cold War and the diplomatic and economic reformulations of the Soviet Union and China. In fact, North Korea experienced increasing political isolation in East Asia from the end of the 1980s. South Korea hosted the 1988 Olympic games, and both the Soviet Union and China attended.[17] In September 1991

[16] See also Kim's discussion with Honecker about Gorbachev in "Document No. 11: Report on the Visit by Erich Honecker to the DPRK, 18-21 October 1986."

[17] In a countermeasure to the 1988 Seoul Olympic games, North Korea hosted the 13th World Games of Youth and Students in Pyongyang in 1989, but due to the economic stagnation, it had much difficulty in preparing the event. Kim Il-sung himself once admitted the

South Korea succeeded in becoming a member of the United Nations although North Korea had objected to the South's separate seating for a long time, relying on Soviet and Chinese vetoes. In this vein, South Korea finally established diplomatic relations with the Soviet Union on September 30, 1990 and also with China on August 24, 1992. These developments implied that North Korea had begun to lose the security guarantee of its two Cold War allies, while South Korea continued to enjoy its strong U.S. security alliance.

The Soviet Union

The Soviet Union adjusted its foreign policy in the late 1980s. According to Anatoly Chernyayev, Gorbachev's national security assistant, the Soviet Union's Politburo decided, in a meeting of November 10, 1988, to improve the relations with South Korea. Because the fundamental reason for the Soviet policy change was economic,[18] the national interest took precedence over whatever impact the new policy might have on the Korean peninsula. Gorbachev once said that the Korean issue "should be approached in the context of our broad international interests, as well as our domestic interests" (Oberdorfer 2001a: 197-200). Regarding the Soviet policy change and recognition of the South, North Korea responded with great anger. When

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difficulties to a delegation from East Germany, saying, "These are very difficult and also expensive preparations... The build-up work in small cities has been suspended for the time being... It is primarily the army that is working at the construction sites in Pyongyang." See "Document No. 12: Report on a Tip to the DPRK by a Delegation from the GDR, 16 May 1988."

[18] North Korea strongly criticized the Soviet's policy change, saying that the Soviet Union "sold off the dignity and honor of a socialist power and the interests and faith of an ally for $2.3 billion." *Rodong Sinmun* October 5, 1990.

the Soviet Foreign Minister Eduard Shevardnadze went to Pyongyang in September 1990 to explain the policy change, Kim even refused to meet him, although to persuade Kim was Shevardnadze's principal purpose for the trip. In the meeting with him, North Korea's Foreign Minister, Kim Yong-nam not only warned that the Soviet's diplomatic normalization with South Korea would embolden it to destroy North Korea, as in the East German case, but also implied that North Korea would no longer be bound by pledges not to create any weapons it desired, which clearly meant nuclear weapons.[19] Although Shevardnadze promised that the Soviet policy shift would not change the nature of Soviet relations with North Korea and that all Soviet obligations toward the North would remain unchanged, North Korean leaders could not trust his words any longer because he had already reversed his previous pledge that the Soviet Union would not establish diplomatic relations with South Korea. In the state-run newspaper *Rodong Sinmun*, North Korea issued an aggressive commentary on the Soviet policy change, titled as "Diplomatic Relations Bought and Sold with Dollars," claiming that "the Soviet leaders promised just a few years ago that the Soviet Union would never change its fundamental position on South Korea... but now that they throw away their solemn promises and establish diplomatic relations with South Korea, what else can we call it but *betrayal*?" (emphasis in original).[20] In this situation, it is not so difficult to imagine the sense of abandonment that North Korean leaders felt as a result of the Soviet policy change.

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[19] The story of this meeting came from American journalist Don Oberdorfer's interviews with three members of the Soviet delegation who were present in the meeting, cited in Oberdorfer (2001:214-17).

[20] *Rodong Sinmun* October 5, 1990. Since then, North Korea's bitter denunciations on the Soviet/Russian policy on the Korean peninsula were often found in *Rodong Sinmun*. For

China

North Korea had no other nation to ask for help but China. Although China was much more cautious than the Soviet Union, it was also moving toward diplomatic normalization with South Korea. Like the Soviet Union, China also clearly recognized potential domestic and international gains to be made from an improvement of relations with South Korea, which could force the South to terminate its long-standing diplomatic relationship with Taiwan (Lee 1994; I. Kim 1998). Also, according to one Chinese estimate, Chinese trade with South Korea in 1990 was seven times as large as its trade with the North and was rapidly growing, raising the need for official relations.[21] Although China appeared to have moved slowly toward South Korea in order not to lose its influence over North Korea, its policy change became apparent in 1991. When Chinese Prime Minister Li Peng visited Pyongyang in May 1991, he is said to have officially informed Kim Il-sung of China's decision not to veto South Korea's entry into the United Nations (I. Kim 1998).[22] In August 1992, China finally established diplomatic relations with the South. North Korea did

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instance, see the press conference by the Ministry of Foreign Affairs, "Russia should not intrude itself into other's business above its own place," *Rodong Sinmun* April 14, 1993. Interestingly, Pyongyang's criticism on the Soviet Union and Russia are quite different from its continuous emphasis on the good relations with China even after China's diplomatic normalization with Seoul. See "Whatever the imperialists' maneuvers, they cannot break the traditional friendship relations of blood between China and North Korea," *Rodong Sinmun* May 4, 1993. Similar articles appeared several times in *Rodong Sinmun,* for instances, May 5, July 16, and October 23, 2003).

[21] Tai Ming Cheung, "More Advice Than Aid," *Far Eastern Economic Review*, June 6. 1991.

[22] In his New Year's Address released just four months before Li Peng visited Pyongyang, Kim Il-sung made it clear that he objected to the South's separate seating in the UN. *Rodong Sinmun,* January 1, 1991.

not officially respond to China's policy change as it had to the Soviet recognition of Seoul.[23] Kim Yong-nam even reportedly stated that Beijing's new relationship with Seoul was "nothing special... nothing that matters to us."[24] However, according to Hwang Jang-yup, a member of Pyongyang's inner circle at the time, North Korean leaders criticized China's improving relations with South Korea very bitterly and even discussed using the Taiwan issue to balance against China (Hwang 1999a: 252, 1999b: 67-68). As a result, Pyongyang's relations with China were not as good as they had been, although this was not publicly revealed.

North Korea's economic situation

Moscow and Beijing's policy changes put Pyongyang in very deep trouble, both political and economical. Moscow had been Pyongyang's most important trading and security partner, providing Pyongyang with not only large amounts of oil and gas but also most of its weapons and weapons technology. Especially after Kim's visits to Moscow in 1984 and 1986, the Soviet Union had provided increasing quantities of industrial and military goods on highly concessional terms and was by 1988 shipping $1.9 billion in goods to North Korea while receiving less than $0.9 billion in return (Eberstadt, Rubin and Tretyakova 1994). However, North Korea's economic performance turned downward after 1989 and continued in further recession after the end of the Cold War. According to one estimate (Sigal 1998: 22-

[23] There was no editorial or commentary in *Rodong Sinmun* denouncing China's recognition of South Korea as there had been in the Soviet case.

[24] Don Oberdorfer, "N. Korea Says U.S. Blocks Progress on Nuclear Inspection," *Washington Post*, September 29, 1992.

23), oil imports from the Soviet Union dropped to less than one-tenth, from 440,000 tons in 1990 to 40,000 tons in 1991, and starting in 1991 the Soviet Union demanded hard currency for its exports to Pyongyang. This cutback forced North Korea to depend more on China, but China was not willing to compensate for the loss of Soviet aid and notified Pyongyang in May 1991, when Li Peng visited Pyongyang that it would change its basic trade policy with Pyongyang, soon to discontinue its own concessional terms and barter exchange and to demand hard currency (I. Kim 1998: 107; Oberdorfer 2001a: 243-44).

As a result, starting in 1990 North Korea's GNP began to contract (Hamm 1999: 131). It fell 7.5 percent in 1991 from $25.6 billion to $23.67 billion, 10.6 percent in 1992 to $21.15 billion, and again 11.1 percent in 1993 to $18.8 billion. North Korea's foreign trade also fell in 1991 by 38.1 percent from $4.17 billion to 2.58 billion.[25] With the already widening gap between the two Korea's economies as noted above, the North Korean economy fell further and further behind after the Cold War. Even worse, such economic stagnation made its high level of military spending unsustainable, so that the North's military spending also became stagnant in the early 1990s, compared to the South's rapid increase. Besides, North Korea could not continue to sustain the size of its armed forces, cutting 100,000 military personnel in 1993 and also drastically decreasing arms imports.[26] As a result, the balance of

[25] These numbers are from Korean National Statistical Office at <http://www.nso.go.kr>. The U.S. Defense Intelligence Agency (DIA) estimated that until 1990 half of North Korea's trade had been conducted with the Soviet Union, China, and Eastern Europe (DIA 1996).

[26] According to an estimate by the United States Department of State (1996), North Korea's arms imports were highest in 1988 ($1.249 billion) but then declined: $719 million in 1989, $230 million in 1990, $99 million in 1991, $32 million in 1992 and $5 million in 1993.

power between the two Koreas became even more unfavorable to the North in the 1990s.

Pyongyang's external perception

North Korea was quickly placed in a very perilous situation militarily, economically, and politically in the early 1990s. What North Korean leaders perceived from this worsening situation was that they could no longer rely upon the Soviet and Chinese security guarantees, and that they should begin to worry very seriously about the survival of their regime. Kim Il-sung spoke of Pyongyang's difficult situation very frankly when he talked with Chinese leaders. Only one week after Shevardnadze visited Pyongyang in September 1990, Kim suddenly traveled to China for unannounced meetings with Deng Xiaoping, the senior Chinese leader, and Jiang Zemin, General Secretary of the Chinese Communist Party, and discussed his concerns for the future of socialist countries and especially North Korea.[27] In this meeting, Kim is said to have asked Deng, "How long will the red flag fly?" He asked Chinese leaders not to follow Moscow's recognition of Seoul, but China's relations with South Korea were already rapidly developing, and only one month after the meetings with Kim, Beijing agreed with Seoul to exchange trade offices equipped with quasi-diplomatic consular functions and established full diplomatic relations less than two years later.

As a result, North Korean leaders clearly acknowledged the change in the world and came to see their country as isolated and abandoned. In 1991, Kim said to

[27] The story of Kim Il-sung's meetings with Chinese leaders comes from an interview with a former Chinese diplomat who had access to the details, cited in Oberdorfer (2001:219-20).

William Taylor, an American expert on Korea, "The world is changing all around us" (Wit, Poneman and Gallucci 2004: 5). Also, in his New Year's Address in 1992, Kim stated, "Last year imperialists and enemies concentrated on attacking our country, which is the last fortress of socialism... but we firmly defended our achievement of socialism, our people and party closely banded together."[28] In 1993 New Year's Address, Kim especially emphasized the regional threat to North Korea, saying that regional powers "threaten militarily and put economic pressure on us."[29] Kim Jong-il also stated, in early 1992, that "one-step concessions and retreat from socialist principles have resulted in ten and hundred step concessions and retreat, and finally invited the grave consequences of ruining the working class parties themselves."[30] In short, it is evident that North Korean leaders perceived themselves to be situated externally in the domain of losses after the end of the Cold War. As noted in Chapter 2, prospect theory predicts that North Korean leaders are less likely to accept the unfavorably changed international situation as a new status quo but are more likely to seek to restore the balance of power on the Korean peninsula in order to secure their regime's survival, as American intelligence has also understood.[31] Thus, it can be said that North Korea's reference point at the time was regime survival through

[28] "New Year's Address," *Rodong Sinmun*, January 1, 1992.

[29] "New Year's Address," *Rodong Sinmun*, January 1, 1993.

[30] "The Historical Lesson in Building Socialism and the General Line of Our Party," *People's Korea*, February 15, 1992, cited in Kihl (1994: 205-6).

[31] For example, DIA (1996) once stated, "North Korea's immediate policy relies on protecting its own form of socialism from foreign influence or eventual political collapse."

maintenance of the balance of power on the Korean peninsula.[32] In this losing situation North Korean leaders are more likely to be risk-acceptant to return to their original reference point. A summary comparing North Korea's international situation during and after the Cold War is provided in Table 4-1.

Table 4-1. Framing North Korea's International Situation

	Cold War (70s~80s)	Post-Cold War (early 90s)
Military balance	From balanced to unfavorable	Deteriorating
Economy	Slowly growing	Stagnant
Alliance situation	Strong security guarantee from the Soviet Union and China	Loss of two great power allies' security guarantee
Perception	Optimistic: "The situation is good; we must show the South Koreans the superiority of socialism."	Concerned: "How long will the red flag fly?"
Reference point	Balance of power on the peninsula and the unification of two Koreas under the North's regime	Balance of power on the peninsula and survival of the regime
Domain of action	Gain or neutral	Loss

Evaluating North Korea's Policy Options after the Cold War

In applying prospect theory to North Korea's nuclear policy, it is necessary to evaluate the options that might be considered by North Korean leaders in order to determine the perceived relative riskiness of each option. As McDermott (1994: 78)

[32] While North Korean negotiators met with U.S. officials, they often raised the issue of a security guarantee by the U.S.

explains, assessments of risk can involve calculation of the probability of success for a particular choice and/or the utility of each option.

Although there might be many policy considerations, according to scholars of international relations, there were three plausible policy options for North Korean leaders when they faced the growing security concerns after the end of the Cold War: internal balancing, external balancing, and bandwagoning. First of all, North Korea might choose between balancing and bandwagoning. As structural realists such as Kenneth Waltz (1979) and Stephen Walt (1987) argue, North Korea might be able to balance against the rising concerns for its security. In balancing against the outside threats, North Korea could choose between internal and external balancing (Waltz 1979; Morrow 1993). On the other hand, according to some scholars (Schroeder 1994; Schweller 1994) who see bandwagoning as historically far more widespread than structural realists suggest, North Korea could bandwagon rather than balance. For North Korea, internal balancing would mean mostly developing its own independent nuclear weapons program in addition to the missile program and other conventional military forces, while external balancing would mean finding out another ally that could replace the Soviet Union and China. Bandwagoning finally would mean that North Korea could reach out and improve relations with its main Cold War enemies, the United States, Japan and South Korea. However, given that there was no other great power ally left on which North Korea could surely depend for its security, it can be said that Pyongyang's policy options were reduced to two: to go nuclear or to engage in diplomatic relations with its Cold War enemies, especially the U.S. These two policy options are exactly what Copeland (2000: 37-42)

explained as possible foreign policy options for a nation in decline: to accommodate or to adopt a hard-line stance. For North Korea, to accommodate would be to engage and improve relations with the U.S, while a hard-line stance would be to develop nuclear weapons and confront the U.S. Regarding these two options, it is necessary to understand how risky North Korean leaders perceived those options to be and which policy they finally chose.

Relative riskiness of each policy option

As Jack Levy (1994b: 129) has observed, foreign policy choices that national leaders face "rarely involve one riskless and one risky option but rather two risky options, and which is more risky is often difficult to define conceptually or measure empirically." Thus, the relative riskiness and possible outcomes are not given conceptually but should be estimated subjectively in terms of the leaders' assessment. As noted in Chapter 1, both North Korea's policy options involve certain amounts of risk, and it is necessary to assess North Korean leaders' perception and assessment of the relative riskiness of each policy option.

Confronting the U.S. with a nuclear program

Throughout the first North Korean nuclear crisis, Pyongyang denied that it had any intention of developing nuclear weapons and argued that its nuclear program was designed solely for the purpose of peaceful energy production. In his 1992 New Year's Address, Kim Il-sung stated that "we have made it clear over and over again that we have neither the willingness nor the capacity to develop nuclear weapons and

that we are ready to accept the nuclear inspection under the impartial condition."[33] Kim Il-sung also said to U.S. representative Stephen Solarz in December 1991 that North Korea had no nuclear reprocessing facilities (Oberdorfer 2001a: 264). However, Kim's statement was a lie. When North Korea reported later to the IAEA in May 1992 regarding its nuclear material and equipment, it confirmed the construction of a reprocessing plant and also admitted that it had reprocessed about 90 grams of plutonium in 1990.[34] Furthermore, IAEA inspectors announced after the inspection in July 1992 that North Korea seemed to have been cheating, declaring that there was some discrepancy between what Pyongyang initially reported and what the IAEA inspectors actually found. As opposed to the North's claim, reprocessing appeared to have occurred on three separate periods of 1989, 1990 and 1991 (Sigal 1998: 43). This implies that North Korea essentially had a nuclear weapons program, or at least that its leaders had been thinking about developing the weapons, whatever their purpose was to be.

For North Korea, the nuclear option was a very risky choice that would clearly involve confrontation with the international community. As Copeland (2000: 54, 2001: 214) noted, a hard-line policy like Pyongyang's nuclear option involves a large risk in the short term. Although Kim Il-sung made several bellicose statements, he clearly acknowledged the downside and negative outcome of the nuclear option. When Kim met Solarz, he expressed his view of the disastrous outcome of using nuclear weapons on the Korean peninsula. "What's the use of a few nuclear

[33] *Rodong Sinmun*, January 1, 1992.

[34] Don Oberdorfer, "N. Korea Releases Extensive Data on Nuclear Effort," *Washington Post*, May 6, 1992.

weapons? Assume that we are producing nuclear weapons and have one or two nuclear weapons. What's the point? If we fire them, they [Americans] will kill the Korean people" (Sigal 1998: 34). Also in his 1991 New Year's Address, he stated, "If a war occurs in our country in which the danger of war is always seriously hanging in the air, it will endanger even the existence of the nation, not to speak of national unification."[35] Such statements imply that he clearly understood that even the suspicion of a nuclear program might lead to a serious military confrontation with the U.S. and that a war on the Korean peninsula might result in the end of the North Korean regime. Thus, when the U.S. and South Korea resumed "Team Spirit" in early March 1993, in a punitive measure for the North's uncooperative policy with the IAEA regarding the special inspection, North Korea had to order its people and armed forces to enter a "state of semi-war" and denounced the "Team Spirit" exercise as a nuclear war game preliminary to an invasion.[36] Kim Il-sung recognized that such confrontation "is making inter-Korean relations dangerous" and "may drive the situation into a catastrophe."[37] Likewise, North Korean leaders believed that the nuclear option might make the situation extremely worse, and this might be the main reason for Pyongyang's continuous denial of the nuclear weapons program and why Kim Jong-il often referred to his nuclear policy as "brinkmanship" (Hwang 1999a: 259).

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[35] *Rodong Sinmun*, January 1, 1991.

[36] "Government Statement of the Democratic People's Republic of Korea," *Rodong Sinmun*, March 13, 1993.

[37] "New Year's Address," *Rodong Sinmun*, January 1, 1994.

On the other hand, North Korean leaders also clearly understood the upside and potentially positive outcome of the nuclear option. Because their security concern was heightened mainly by the loss of the two allies' nuclear guarantee, North Korean leaders expected that independent nuclear weapons would assure their regime survival. Such a desire for security based on nuclear weapons was strongly implied in Pyongyang's public statement after the Soviet Union informed Pyongyang of its policy change on the Korean peninsula. It announced that the Soviet's establishment of diplomatic relations with South Korea would "leave us no other choice but to take measures to provide for ourselves some weapons for which we have so far relied on the alliance."[38] North Korean leaders also believed that becoming a nuclear power might help improve the collapsing economy by making the international community more conciliatory. According to Hwang Jang-yup, North Korean leaders believed that "if North Korea has many nuclear weapons, the United States will be scared and give economic assistance to the North" (Hwang 1999a: 329). In short, it appears that North Korea might keep open the option of developing nuclear weapons unless its regime survival and international security are completely assured.

Engaging the U.S.

According to K. A. Namkung, who was an independent intermediary for North Korea in the early 1990s,[39] after the end of the Cold War North Korea made

[38] A memorandum released by the North Korean Foreign Ministry, *KCNA*, September 18, 1990.

[39] Regarding K.A. Namkung's background and main role during the first North Korean nuclear crisis, see Sigal (1998: 137-50).

three major policy decisions: the first was to normalize relations with the United States and Japan; the second was to seek peaceful coexistence with South Korea; and the third was to introduce market reforms (Sigal 1998: 138-39). In particular, Kim Il-sung himself emphasized the importance of Pyongyang's bilateral negotiation with Washington rather than multinational cooperation with other regional powers, saying in his 1994 New Year's Address, "It is the United States that raised the suspicion of the North's non-existent nuclear development and also that actually brought nuclear weapons into the Korean peninsula and threatened us. Thus, nuclear issues on the Korean peninsula should be resolved through the North Korean-U.S. talks in all respects."[40]

In reality, North Korea sought to reach out to the U.S. after the Cold War. In 1990, Kim Il-sung proposed a conciliatory statement that the U.S. could withdraw its troops from South Korea step by step, as opposed to his previous demand that the U.S. troops leave the Korean peninsula right away. Moreover, Kim also made public a new disarmament proposal and a non-aggression pact between two Koreas that seemed more realistic than earlier proposals.[41] In these efforts, North Korea had long sought direct high-level talks with the U.S. and finally achieved a meeting between Arnold Kanter, Undersecretary of State for political affairs, and Kim Yong-sun, Secretary for International Affairs of the North Korean Workers' Party, although the

[40] *Rodong Sinmun*, January 1, 1994.

[41] On the proposals about gradual withdrawal of U.S. troops, disarmament, and the non-aggression pact, see Kim Il-sung's "New Year's Address," *Rodong Sinmun* January 1, 1991. See also William Taylor, "Shifting Korean Breezes," *Washington Times*, June 6, 1990.

U.S. was not much interested in the talk.[42] During the Clinton administration, North Korea held several high-level talks with the U.S. and produced a few agreements under which the North sought to obtain regime security and economic benefits.[43]

North Korean leaders clearly saw the positive outcome of engaging the U.S., that is, some political and economic benefits from Washington's recognition of Pyongyang. First of all, it would definitely help North Korea come out of isolation and gain its voice in the international community. Furthermore, North Korea expected U.S. security assurances against the threat and use of force on the Korean peninsula, including nuclear weapons.[44] Second, the North's improved relations with the U.S. would help bring much economic investment in the North. Particularly, North Korea expected the U.S. to encourage Japan to engage with North Korea and wanted to receive a large amount of reparations from Japan for its colonial rule (Hwang 1999a: 315; Oberdorfer 2001a: 220-22).

However, North Korea's effort to improve relations with the United States was not a cost-free choice but also involved the negative side of risk. North Korea sought to improve relations with the U.S. but was very reluctant to allow a U.S. embassy or liaison office to be opened in Pyongyang (Hwang 1999a: 315). It was because its leaders, especially Kim Jong-il, did not want the U.S. officials to collect

[42] According to Don Oberdorfer (2001: 239), when he met Kim Yong-sun in 1991, Kim said to him, "I want to meet U.S. Secretary of State James Baker" and asked him to inform Baker of this request.

[43] For instance, the Joint Statement of June 11, 1993, the Agreed Statement of July 19, 1993, the Agreed Statement of August 12, 1994 and the Agreed Framework of October 21, 1994. These documents are reprinted in Sigal (1998: 260-64).

[44] U.S. security assurance was the North's consistent demand from the beginning, for example, Kim Yong-sun's demand for the cessation of U.S. threats when he met with Kanter (Sigal 1998: 35-37).

sensitive information or spread ideas of American democracy, destabilizing the regime (Hwang 1999b: 68). Likewise, they were strongly worried about the impact of U.S. influence on the North Korean regime, even if they saw the positive side of seeking diplomatic relations with the U.S.

Relative riskiness of two policy options

As noted in Chapter 1, risk is defined in terms of the degree of divergence of outcomes around a decision maker's expected value or reference point, so a more risky option by definition has potentially a more positive upside and a more negative downside than a less risky option. In this sense, North Korean leaders' risk-taking attitude can be understood by how they perceived the relative riskiness of options and which option they actually chose given the relative riskiness. As noted in Chapter 2, if Pyongyang was a risk-acceptant actor, it was more likely to choose a more risky option despite the risk while if it was a risk-averse actor, it was more likely to choose a less risky option.

Relative riskiness of North Korea's policy options explained above is summarized in Table 4-2. Regarding the policy of confrontation with nuclear weapons, the perceived positive outcome was that if the North became a nuclear power, it could assure its own security and regime survival in a self-reliant way (in North Korean terms, *Juche*) and might receive some economic assistance from the U.S., which would fear its nuclear weapons. The negative outcome of a nuclear confrontation was that it might invite U.S. military attack and lead to regime collapse in the short term. On the other hand, the positive outcome of engaging the U.S. was

that Washington might provide security guarantees, offer some economic assistance, and help Pyongyang break out of its isolation. However, the negative outcome was that engagement might increase U.S. influence and destabilize Pyongyang's domestic politics in the long term.

Table 4-2. Relative Riskiness of North Korea's Policy Options

	Confrontation	Engagement
Positive outcome	Self-reliant security assurance and economic assistance	Less reliable U.S. security guarantee and economic assistance
Negative outcome	U.S. military attack and regime collapse in the short term	U.S. influence and domestic instability in the long term
Relative riskiness	More risky	Less risky

Thus, given the positive and negative outcomes of each option, North Korean leaders seem to have perceived confrontation with nuclear weapons to be a more risky choice, because it had a potentially more positive upside (gain) and more negative downside (loss). Because North Korea could not rely upon the security guarantees of even its Cold War allies, Russia and China, a U.S. security promise must have been seen by North Korean leaders to be less reliable than nuclear armament.[45] A U.S. military attack must have been seen as a more imminent danger

[45] As Waltz (1979: 168) and Sagan (1996/97:57) posited, developing a nuclear arsenal is much more reliable than any other method because of the credibility issue, although nuclear armament is costly and takes a long time, so Pyongyang's development of its own nuclear armament can be said to have a more positive upside than reaching out to the U.S.

in the short term than the negative impact of U.S. influence on North Korea's regime survival in the long term. As Taliaferro (2001: 173) and Copeland (2000: 54) acknowledge, a hard-line policy, the confrontation with nuclear weapons in the North Korean case, is seen to be more risky because it produces both more positive and more negative outcomes than the policy of engagement with the United States.

Pyongyang's policy decision

During the first nuclear crisis North Korean leaders did not adopt one option and completely dump the other but tried to pursue both. Although they sought to engage the United States, they also did not stop confronting it with their nuclear weapons program. Rather, they were unwilling to cooperate and chose to opt for confrontation, even risking a worse outcome, when they had a conflict of interest between two different policies. Moreover, as prospect theory posits, it must be very difficult for Pyongyang to stop the nuclear program that it has already begun due to the *endowment effect*. Kim Il-sung once said that "pressure and threat do not work for us, and such methods cannot solve the problem but may drive the situation into a catastrophe. The U.S. should look straight at all the facts and behave with prudence."[46]

Whatever Pyongyang's purpose for its nuclear program, North Korean leaders did not hesitate to confront the U.S. to defend the nuclear program in the early 1990s when they were placed in a difficult situation in regard to that program. For instance, in early 1993, when the IAEA demanded a special inspection of the two suspect sites

[46] "New Year's Address," *Rodong Sinmun*, January 1, 1994.

to investigate the discrepancies between the North's initial declaration of plutonium production and the IAEA's findings, and also when the U.S. and South Korea resumed the Team Spirit exercise as a punitive measure for the North's uncooperative attitude toward the IAEA, North Korea rejected the international community's demands and even declared that it would withdraw from the nuclear Nonproliferation Treaty (NPT, hereafter).[47] Although North Korean leaders had sought to promote better relations with the U.S., as the situation deteriorated regarding the nuclear issue, they became risk-acceptant and opted for confrontation to save face and the nuclear program rather than cooperating with the international community. Even if such a hard-line policy might ruin its desire to resume high-level talks with the U.S., North Korea consistently refused to allow the IAEA's special inspection and threatened to lash out. The North Korean Foreign Ministry announced in the press conferences that "if pressures and sanctions are implemented, they will result in a serious consequence... and we will decisively take self-defense measures against them," and stressed that "we will regard them [sanctions] as a kind of a declaration of war."[48] Although North Korea later resumed high-level talks with the U.S., it still refused to accept the special inspection of its undeclared nuclear facilities, so the discrepancy of Pyongyang's prior reprocessing activities was never cleared up, even after North Korea agreed to suspend its nuclear program in 1994 and concluded the Agreed

[47] "Government Statement of the Democratic People's Republic of Korea," *Rodong Sinmun*, March 13, 1993.

[48] *Rodong Sinmun*, March 13 and May 13, 1993.

Framework (Pollack 2003: 17, 30).[49] According to Hwang Jang-yup (2001: 218), when the U.S. adhered to the special inspection, North Korean leaders were even thinking of announcing Pyongyang's possession of nuclear weapons with an underground nuclear test. This risk-acceptant policy also continued in 1994. When the IAEA and the U.S. demanded in the early 1994 that North Korea fully comply with the IAEA safeguards agreement and accept the full inspection, North Korea just agreed to host an inspection for routine maintenance of the monitoring equipment but rejected the special inspection and finally started removing fuel rods from the Yongbyon reactor and began refueling without the IAEA's agreement or consultation.[50] One North Korean official even threatened his South Korean counterparts in the North-South talks, saying, "Seoul is not far from here. If a war breaks out, it will be a sea of fire."[51]

At the same time, North Korea wanted to reach out to the U.S. and sought to improve relations with the U.S., but whenever it was placed in a difficult situation, its leaders escalated its nuclear crisis by signaling their risk-acceptant attitude. In fact, North Korean leaders wanted to continue dialogue only under favorable conditions and to negotiate on their own terms exclusively (Sigal 1998: 142). Thus, when the situation did not go as smoothly as they desired but grew worse, North Korean

[49] The nuclear activities covered under the Agreed Framework were limited to the declared sites associated with the North's extant reactor program and related facilities. North Korea did not have to allow inspection of any undeclared sites until "a sufficient portion of the LWR is completed," which was not realized due to the collapse of the Agreed Framework in December 2002. See the Agreed Framework reprinted in Sigal (1998: 262-64).

[50] *Rodong Sinmun*, May 16, 1994. Fuel rods could not only offer information about North Korea's past nuclear behavior, but also be used to produce 4-5 nuclear weapons in the future.

[51] John Burton, "N. Korea's 'Sea of Fire' Threat Shakes Seoul," *Financial Times*, March 22, 1994.

leaders were ready to take the risk of confronting the U.S. with their nuclear program. In short, North Korea did not adopt a simple tit-for-tat strategy in negotiating with the U.S., as some have characterized it (Sigal 1998; Cumings 1997, 2004), but responded to America's North Korea policy with its own peculiar logic. North Korean leaders often reciprocated U.S. offers of cooperation but resisted when the situation was unfavorable to them, and opted for confrontation rather than engagement to make the situation advantageous.

Re-Framing North Korea's Domain of Action: June 1994

Change in Pyongyang's international situation

Whatever the real purpose of Pyongyang's nuclear program in the early 1990s, it was actually used as a bargaining chip to obtain diplomatic recognition, security assurances and economic benefits from the United States. Whenever the conflicts with the IAEA and the U.S. arose, Pyongyang enhanced its bargaining power by escalating the nuclear crisis and reducing its level of cooperation with the international community. However, such brinkmanship inevitably increased the risk of confrontation with the U.S., and made the crisis even worse.

UN sanctions

In reality, the crisis intensified in 1994 to the extent that the U.S. considered several coercive and military options. In May 1994 after North Korea began to remove fuel rods from the Yongbyon nuclear reactor without consulting with the IAEA, the United States withdrew its offer to resume the third round of high-level

talks and started to build international support for UN sanctions. According to U.S. officials who were in charge of the North Korean issue (Wit, Poneman and Gallucci 2004), what might be extremely shocking to Pyongyang was that neither Moscow nor Beijing was actively willing to block UN sanctions. When South Korean President Kim Young-sam visited Moscow, Russian President Boris Yeltsin reportedly promised that Russia would not object to UN sanctions, although the Russian government proposed an international conference to resolve the North Korean issue.[52] On the other hand, China continued to express skepticism about sanctions and to support further dialogue, but faced a dilemma regarding the North Korean issue because it did not wish to hurt the improving relations with the U.S. and South Korea.[53] Although North Korea continually emphasized that "China does not agree to sanctions,"[54] China implied to South Korea and the U.S. that it would not stand in the way of the international community in either passing or enforcing sanctions. Beijing was said to have warned Pyongyang that its patience had run out and its role was limited in resolving the sanctions issue (Wit, Poneman and Gallucci 2004: 198-99, 208-9; Oberdorfer 2001a: 320-21). In fact, Beijing must have sent a warning signal to Pyongyang by not blocking the UN Security Council statement in May 30 demanding that the North shut down the reactor in accordance with the IAEA's requirement, which the North refused.

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[52] R. Jeffrey Smith and William Drozdiak, "U.S. Aides Say Other Powers are Leaning toward Tougher North Korean Sanctions," *Washington Post*, June 11, 1994. Anyway, North Korea did not accept Russia's proposal for an international conference. *Rodong Sinmun*, April 2, 1994.

[53] "North Korea Presents China with Dilemma," *Washington Post*, June 17, 1994.

[54] *Rodong Sinmun*, June 11, 1994.

U.S. military strikes

In this situation, the U.S. planned to augment allied military forces around the Korean peninsula and considered several military options including preemptive strikes on North Korea's nuclear facilities. Although North Korea had threatened that "sanctions mean a war,"[55] North Korean leaders had perceived that sanctions might be followed by U.S. military attacks. If sanctions did not work for North Korea, it was highly probable that the U.S. might start some preemptive military strikes on the North's nuclear facilities or other military options. In reality, faced with the possibility that Pyongyang would divert plutonium from a nuclear reactor to its weapons program, the U.S. seriously contemplated preemptive strikes on the North's nuclear facilities in June 1994. According to the Clinton administration's Secretary of Defense William Perry, and Assistant Secretary of Defense Ashton Carter, the U.S. readied plans at the time for striking at North Korea's nuclear facilities and discussed mobilizing hundreds of thousands of American troops for the possible war.[56]

On the other hand, the United States had developed new noncombatant evacuation operations (NEO) and conducted a NEO exercise in South Korea on June 6 to check preparedness for an evacuation in case of an emergency. Because an American evacuation from the South would have sent a strong signal to Pyongyang that war might be imminent, Pyongyang became increasingly suspicious and

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[55] *Rodong Sinmun*, June 6 and June 14, 1994.

[56] Ashton B. Carter and William J. Perry, "Back to the Brink," *Washington Post,* October 20, 2002. For more information about U.S. preparation and plan for military attack against North Korea, see Wit, Poneman and Gallucci (2004: 204-6) and Oberdorfer (2001: 324-26).

complained that the exercise was another example of preparations for "a northward invasion."[57] Furthermore, on June 13 and 15 the South Korean government conducted the first nation-wide civil defense exercises in many years to check the mobilization status of over 6 million reserves for civil defense (Wit, Poneman and Gallucci 2004: 215-219).

In the case of a military confrontation with the U.S., Pyongyang might have faced a serious strategic dilemma. If North Korea were to strike back against a U.S. attack, it was highly possible that the military conflict would escalate into a full-scale war on the Korean peninsula (Kang 2003c: 60). The experience of the Korean War in 1950 and South Korea's strong desire to unify Korea suggests a worst-case scenario to Pyongyang.[58] If a full-scale war broke out, it would clearly lead to the complete defeat of North Korea and the collapse of the regime given the military balance on the Korean peninsula. However, there was no longer any hope of military support from Russia or China. Yeltsin is said to have confirmed to Kim Young-sam that the article in the 1961 military assistance treaty between the Soviet Union and North Korea stipulating automatic intervention in case of war was "de facto dead."[59] As for a possible Chinese response, according to U.S. officials (Wit, Poneman and Gallucci 2004: 209), there were some stories in Hong Kong newspapers, which were known to

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[57] "U.S. Non-Combatant Evacuation Exercise Denounced," Pyongyang Korean Central Broadcasting Network, June 7, 1994.

[58] South Korean Defense Minister Kwon Yong-hae also expressed such an opinion in early 1993, telling U.S. Defense Secretary Les Aspin that even a surgical strike against the Yongbyon reactor would lead to a major escalation of hostilities and result in a general war on the peninsula (Oberdorfer 2001: 282-83).

[59] "Kim Young-sam Briefs Journalists on Russian Visit," *Hanguk Ilbo [Korea Daily]*, June 5, 1994.

reflect Beijing's thinking, that China might not support Pyongyang if hostilities erupted, notwithstanding the 1961 mutual friendship treaty committing China to North Korea's defense.

On the other hand, if North Korea did not respond to a U.S. military strike, it was very probable that the North Korean regime would suffer from serious trouble both internally and externally due to the perception of weak will and capability, given its traditional emphasis on national pride and sovereignty, which is apparently symbolized by the *Juche* ideology. In fact, North Korea's Ministry of Foreign Affairs spokesman declared on June 1, "We will not compromise at all regarding unjust pressures... This is our determined will that regards sovereignty as our life."[60]

Therefore, in either case of military response or not, Pyongyang was going to experience a catastrophic and very dangerous outcome for its regime survival if a war occurred. Thus, to continue confronting its adversaries with the nuclear program was a very risky choice likely to produce an extremely negative outcome in spite of the positive aspects of becoming a nuclear power.

Change of Pyongyang's perception and risk-taking attitude

When the crisis became extremely worse in May and June 1994 as the risk of military confrontation with the U.S. dramatically increased, it appeared that North Korean leaders began to reinterpret the urgency of the crisis and show some conciliatory attitudes to prevent a worst-case scenario from being realized. Of course,

[60] *Rodong Sinmun, June 2*, 1994. Kim also stressed the importance of sovereignty in North Korea, saying that "sovereignty is a human's life and a state and nation's life," *Rodong Sinmun, January 1*, 1992.

Pyongyang as usual sent several mixed signals to the international community. In a meeting with Cambodian leader Norodom Sihanouk, Kim Il-sung reportedly said that North Koreans would rather accept a war than give in if Americans decided to make war.[61] Pyongyang also declared on June 13 that it would immediately withdraw from the IAEA, expel the remaining international inspectors, and refuse to cooperate with the "continuity of safeguards," after the IAEA decided to suspend its technical assistance in response to Pyongyang's uncooperative behavior.[62]

However, Pyongyang's effort to avoid catastrophe became apparent during this period. As opposed to its consistent denunciations of Moscow after its recognition of Seoul in 1990, Pyongyang began to emphasize Russia's support of North Korea. On two consecutive days, *Rodong Sinmun* printed articles that emphasized the Russian promise of military support in case of war and expressed Pyongyang's desire that Russia put pressure on the U.S.[63] Pyongyang also emphasized Chinese leader Jiang Zemin's statement that "patience is needed to solve such a complicated problem as the nuclear issue on the Korean peninsula... the door of talks is not closed but there is some room and possibility for dialogue."[64] In this article, Pyongyang especially stressed that "maintaining dialogue and negotiation is an efficient way of solving problems" rather than UN sanctions and military confrontations.

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[61] *Far Eastern Economic Review*, June 23, 1994.

[62] "We will never allow the IAEA's arrogant maneuvers," Statement by North Korea's Ministry of Foreign Affairs spokesman, *Rodong Sinmun,* June 14, 1994.

[63] *Rodong Sinmun*, April 1 and 2, 1994.

[64] *Rodong Sinmun*, June 11, 1994.

Pyongyang also made several conciliatory suggestions which contrasted with its hard-line statements. In the face of the U.S. military buildup on the peninsula, Pyongyang proposed a new peace meeting to the U.S. and expressed its desire to discuss a new peace assurance structure to prevent military buildup and recurrence of war.[65] On the other hand, North Korea's chief nuclear negotiator Kang Sok-ju said in a June 3 statement, which was announced unusually as his own, and not under rubric of the Ministry of Foreign Affairs, that North Korea was going to propose a package deal in the third round of high-level talks with the U.S. that would include all questions in which the U.S. might be interested, such as Pyongyang's agreement to the IAEA's routine and ad hoc inspections, its return to the IAEA, and the dismantlement of its reprocessing plant when light-water reactors replaced the existing facilities.[66] Many U.S. officials also believed at the time that Kang's statement was a new step and advanced offer that intended to resolve the worsening crisis (Wit, Poneman and Gallucci 2004: 213; Oberdorfer 2001a: 321). Kim Il-sung also referred to such an offer in an interview with American newspapers.[67] Furthermore, such an offer was repeated to Selig Harrison[68] and Jimmy Carter in June 1994, when they separately visited Pyongyang and met with Kim Il-sung.

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[65] "The U.S. should respond to our peace proposal," statement by the North Korean Ministry of Foreign Affairs, *Rodong Sinmun*, April 29, 1994. Pyongyang confirmed this proposal again on May 23. See *Rodong Sinmun*, May 24, 1994.

[66] "Our path will be different if the U.S. chooses a coercive way," *Rodong Sinmun*, June 4, 1994.

[67] *Washington Times*, April 15,1994. Lena H. Sun, "North Korea Doesn't Have Nuclear Arms, Leader Says," *Washington Post*, April 17, 1994; T.R. Reid, "N. Korea's Kim Says U.S. Blocks Progress," *Washington Post*, April 19, 1994.

[68] For Selig Harrison's visit to Pyongyang in June 1994, see Harrison (2002: 222-24) and Mazarr (1995a: 2-3).

Such conciliatory behavior looked different from that of previous periods and appeared to show how much Pyongyang was troubled by the worsening situation and how deeply it was concerned about finding an exit out of the crisis while also saving face (Snyder 1999: 89-91). According to Hwang Jang-yup (2001: 286-87), Kim Il-sung and Kim Jong-il were extremely worried about the possibility of a U.S. attack at the time and eagerly welcomed Carter's visit to Pyongyang. They also laid great hopes on the summit meeting with South Korean President Kim Young-sam. Although Kim Jong-il continuously appeared to take a tough stance and practice brinkmanship, Hwang testified that Kim feared the U.S. very much, saying that only the U.S. was to be feared. Hwang even contended that if the U.S. had declared an ultimatum at the time, Pyongyang would have had to surrender because its leaders had become risk-averse in the face of a U.S. attack and wanted to avoid regime collapse at the time. As noted earlier, Kim Il-sung feared U.S. military attack, saying that if North Korea fired on it, the U.S. would kill the Korean people (Sigal 1998: 34).

In short, in 1994 North Korean leaders began to perceive the situation as becoming extremely worse to the extent that direct military confrontation with the U.S. might occur. As explained, there was a high probability that military confrontation with the U.S. would lead to a major war on the Korean peninsula and result in the end of the North Korean regime, the outcome that North Korean leaders wished to avoid. As Kim Il-sung and Kim Jong-il acknowledged, North Korean leaders were situated in the domain of extreme losses in June 1994. Prospect theory predicts that if national leaders see themselves in a catastrophic situation (i.e., in the domain of extreme losses), they become risk-averse to avoid a worst-case scenario

and are not likely to accept the risk associated with the catastrophe. Just so, as the domain of action moved toward catastrophic loss, Pyongyang's risk-taking attitude also moved from risk-acceptant to risk-averse. North Korean leaders suddenly became risk-averse in June 1994 and tried to avoid a worst-case scenario.

Pyongyang Changes Its Course of Action: June 1994

The frame of Pyongyang's situation changed dramatically in June 1994, when its leaders recognized the imminent UN sanctions and U.S. military options. Reframing of the situation placed the North Korean leaders in the domain of extreme losses in which the catastrophic outcome – regime collapse – might occur as the result of external forces. This section explains the change in Pyongyang's policy that changes of perception and risk-taking attitude produced.

From confrontation to engagement

Although several policy options may have been available to Pyongyang, the key question facing North Korean leaders in June 1994 was whether they should continue the existing policy or not: to go on confronting the U.S. with its nuclear program or not.[69] However, because the existing policy was not sustainable owing to

[69] Theoretically, Pyongyang might also have chosen to initiate a preemptive or preventive war. However, given the military balance and the presence of U.S. troops on the Korean peninsula, this option must have been less attractive to Pyongyang because the North's domestic situation was still sustainable, as explained below. Kim Il-sung once expressed such an opinion: "Comrade Kim Il-sung affirmed that the DPRK does not intend to attack South Korea, nor could it. More than 1,000 US nuclear warheads are stored in South Korea, ostensibly for defense, and it would take only two of them to destroy the DPRK." See "Document No. 11: Report on the Visit by Erich Honecker to the DPRK, 18-21 October 1986," in *CWIHP*. Kim's pessimistic opinion of the military option was also confirmed by Hwang Jang-yup (2003: 113).

the possibility of the catastrophic outcome, North Korea could not but choose to change its course of action.

In this situation, the first North Korean nuclear crisis was suddenly resolved right after former President Carter visited Pyongyang and met with Kim Il-sung in June 1994. In this meeting, Carter proposed a freeze of the North Korean nuclear program monitored by the IAEA, and Kim accepted it (Wit, Poneman and Gallucci 2004: 221-226; Oberdorfer 2001a: 326-336; Sigal 1998: 155-162). Kim Il-sung agreed to freeze his nuclear program, accept IAEA monitoring, and return to the NPT if the U.S. would help the North replace the old graphite-moderated reactors with new light-water reactors, and asked the U.S. for a guarantee that there would be no use of force against North Korea. In fact, Kim's offer was exactly the same as what Kang Sok-ju had publicly offered to the U.S. on June 3 and what Kim Il-sung had told Selig Harrison. However, what clearly demonstrates Pyongyang's policy change was that Pyongyang did not reject a new version of the U.S. offer, although the U.S. tried to interpret the Carter-Kim deal to Washington's advantage by expanding the definition of nuclear freeze and imposing additional conditions. In an official confirmation letter to Kang Sok-ju in June 20, U.S. negotiator Robert Gallucci declared "Your willingness to freeze the nuclear program means that the DPRK will not refuel the 5-MW reactor nor reprocess spent fuel while U.S.-DPRK talks continue."[70] Although

[70] Text of Gallucci's letter to Kang in June 20, cited in Wit, Poneman and Gallucci (2004: 238).

such a demand was beyond what Kim Il-sung had offered and much beyond the legal restraints of the Non-Proliferation Treaty,[71] Pyongyang accepted it.

In North Korea's official reply to Gallucci's letter two days later, Kang Sok-ju stated that "we would like to assure you that, for the sake of the third round of the DPRK-USA talks, we are prepared neither to reload the five-megawatt experimental reactor with new fuel nor to reprocess the spent fuel."[72] Given that North Korea had utterly refused to comply with such demands before, and also that Kang Sok-ju himself objected to those conditions even in a meeting with Carter, arguing that North Korea would need to reprocess the spent fuel in the cooling ponds within three months (Sigal 1998: 161), Pyongyang's acceptance of the new U.S. demand was a surprise in itself and proved that Pyongyang was willing to change its nuclear policy. Such an unconditional acceptance was unprecedented in North Korea-U.S. nuclear negotiations. As one American diplomat said, "Never before during the North Korean nuclear crisis had Pyongyang simply accepted the key U.S. demands without reservation or counteroffer" (Wit, Poneman and Gallucci 2004: 239).

Pyongyang had confronted the U.S. with the nuclear issue through the early 1990s, but in June 1994 it was suddenly willing to accommodate the U.S. demand in the face of the extremely risky outcome for regime survival implied by UN sanctions and a prospective U.S. attack. As Oberdorfer (2001a: 336) has explained, "In the spring of 1994, the growing power of the forces arrayed against it strongly suggested

[71] Even Carter objected to the U.S. new demand, arguing that these new conditions had not been mentioned before his trip and that he had not presented them to Kim Il-sung and others in Pyongyang (Oberdorfer 2001: 332).

[72] Text of Kang's reply to Gallucci's letter in June 22, cited in Wit, Poneman and Gallucci (2004: 239).

that further escalation of tension would be dangerous and not necessarily to North Korea's advantage. By the time Carter arrived, Kim Il-sung was seeking a way to end the crisis without losing face or surrendering his bargaining card, and the former president provided the means." U.S. officials who participated in this deal also shared this view and made the following observation:

> Pyongyang had to know that if it passed up the face-saving exit and continued to defy the international community, it would experience increasing isolation and hardship. In 1994 this coercive side of diplomacy came to the fore through a gradual military buildup on the peninsula and efforts to seek global support for economic sanctions. Ominous signals from Beijing at the time must have undermined the North Koreans' confidence that China would intervene to insulate Pyongyang from the effect of UN Security Council sanctions. These efforts put pressure on North Korea to back down when the crisis crested in June 1994. Arriving in Pyongyang at the critical moment, former President Jimmy Carter gave the North Koreans a face-saving way out. They took it (Wit, Poneman and Gallucci 2004: 398).

As suggested in Chapter 2, Pyongyang became risk-averse in the domain of extreme losses in June 1994 and chose to change its policy and resolve the crisis to avoid a worst-case scenario. To keep confronting the U.S. with the nuclear program was an extremely risky option, as may be seen in Table 4-3.

Table 4-3. North Korea's Policy Change in June 1994

	Nuclear confrontation	Resolving the nuclear crisis
Positive outcome	Protecting national pride and nuclear sovereignty and receiving economic aid	Avoiding the worst outcome, securing nuclear energy and receiving economic aid.
Negative outcome	UN sanctions, U.S. military attack and regime collapse	Loss of nuclear sovereignty and nuclear weapons program
Relative riskiness	Extremely risky	Less risky

North Korea's Domestic Situation and Nuclear Policy: 1989-1994

During the first North Korean nuclear crisis, many worried that North Korea might lash out against the international community, as its domestic situation grew worse. Indeed, Pyongyang's risk-taking attitude may have been influenced to a certain degree by domestic political developments. As noted above, the importance of domestic politics in prospect theory is that a nation's foreign policy might be strongly influenced by the logic of its domestic dynamics, possibly in terms of its gains and losses in domestic politics (Levy 2000: 213). In fact, if the North's domestic situation had actually deteriorated in the early 1990s to the point of threatening its regime survival, Pyongyang might have been tempted to engage in some risky foreign policy behavior in order to resolve its domestic instability. In such a serious situation, Pyongyang would have found itself to be in the domain of losses created by a deteriorating status quo in domestic politics and might have chosen a risky foreign policy in an attempt to restore the domestic status quo. The question here is whether the North's domestic situation in the early 1990s had deteriorated to the extent that its leaders had to be seriously concerned about regime collapse from the inside and so might choose to lash out externally in a desperate mindset of "double or nothing" logic (Cha 2002: 54). Because North Korean leaders clearly knew, as noted before, that a war on the Korean peninsula would probably mean the end of their regime, they must have explored risk-taking in foreign policy cautiously in terms of their domestic considerations. Moreover, because North Korea

has been as extremely controlled and closed as any other society in history, its leaders might control the domestic situation relatively easily.

Domestic stability

Indeed, North Korea's domestic situation became significantly worse in the early 1990s. Its economy especially was rapidly deteriorating. Starting in 1990 North Korea suffered several consecutive years of economic decline, its GNP falling by an average of about 10 percent each year. As a result, North Korea's GNP contracted by one-third in this period, from $25.8 billion in 1989 to $16.96 billion in 1994. Furthermore, energy shortages made the already difficult situation worse. The abandonment of subsidized trade with the Soviet Union in 1990 and China in 1992 occurred in this period, and fuel shortages caused by these cuts were undermining both military capability and economic viability. In fact, Pyongyang conceded that its domestic situation had indeed become difficult. In early December 1993, the Central Committee of the North Korean Workers' Party announced that the major targets of the seven-year economic plan had not been met, and that the North's economy was in a grave situation. (Oberdorfer 2001a: 297-98). Kim Il-sung also himself admitted in his 1994 New Year's Address that "we encountered considerable difficulty and obstacles in the economic construction due to the unexpected international events and the acute situation created in the country."[73]

However, it is very doubtful that North Korea's domestic situation in this period grew so much worse as to threaten the regime's survival from the inside and

[73] *Rodong Sinmun*, January 1, 1994.

make its leaders more risk-acceptant externally to restore the domestic status quo. In reality, there were few overt signs of internal opposition or rebellion against the regime. Although there were some reports of starvation and food riots, they may have been exaggerated (Merrill 1993: 47, 1994: 15). Rather, Pyongyang had long been aware of such domestic causes of regime instability and had kept any dissent relatively suppressed with strong social control system (Oh and Hassig 2000: 127-47).[74]

Leadership succession

The North's domestic stability also can be seen from the smooth leadership change from Kim Il-sung to Kim Jong-il in the 1990s. If the North's domestic politics had been unstable, Kim Jong-il's status should have been relatively weak and he would have had some difficulty in succeeding to power, but he moved up without much difficulty as chairman of the National Defense Commission and supreme commander of the Korean People's Army (Merrill 1993: 43, 1994: 12). Although there were reportedly some rumors of a power struggle, they were never confirmed. Preparations for succession to leadership had been regular and steady, and there had been evidently a division of responsibility in the early 1990s, with Kim Il-sung taking charge of foreign and inter-Korean relations while Kim Jong-il attended to domestic affairs (S. Kim 1995: 14-18). Kim Il-sung himself said in an interview that "As far as

[74] According to Hwang Jang-yup (2001: 72-73), there are two different police organizations in North Korea. One is the department of social security, which is known to the public, and the other is the department of national security protection, which is the secret police. The number of personnel in these two departments was 300 thousand in 1990, more than one percent of the total population.

the internal affairs of our country are concerned, everything is dealt with by Kim Jong-il," although he continued to carry on external work.[75] Furthermore, according to Hwang Jang-yup (2001: 88-89, 1999b: 317), even Kim Il-sung could not impose his will upon Kim Jong-il in the 1990s because his son had substantially assumed power in almost all areas. Suh Dong-kwon, who was director of the South Korean intelligence agency and met with Kim Il-sung and Kim Jong-il in October 1990, also noticed that Kim Il-sung "appeared to seek to read his son's face during the meeting."[76] Hence, the change of leadership in the North Korean regime was relatively smooth during this period.

Domestic politics and foreign policy

North Korea's domestic situation continued to worsen in the early 1990s, but it was not so serious that the leaders anticipated a loss of social control and considered externalizing the domestic pressure. It appears that the threat that North Korean leaders perceived in domestic politics was smaller than the threat they perceived in foreign affairs. This means that Pyongyang's political structure was still solid enough to withstand the readjustments and realignments during the economic

[75] "Q&A: We don't need nuclear weapons," *Washington Times*, April 15, 1992. Kim Yong-sun once said to American diplomats in early 1992 that Kim Jong-il was then in charge of North Korea's foreign relations as well as the military (Oberdorfer 2001: 266). North Korean chief nuclear negotiator Kang Sok-ju also made it clear to a Korean-American journalist Myung-ja Moon (2000a) who asked him the prospect of negotiation between North Korea and the U.S. after Kim Il-sung's sudden death that there would be no problem because Kim Jong-il had substantially taken care of the nuclear issue.

[76] "Secret Meeting Between Suh Dong-kwon, Kim Il-sung and Kim Jong-il," *Monthly Chosun*, August 1994.

difficulty and leadership succession process (Harrison 1994: 18). Contrary to many western beliefs, Pyongyang's domestic time horizon in this period was not short.[77]

Summary

During the early 1990s, North Korean leaders perceived North Korea's status quo to be deteriorating, so they framed their external situation in the domain of losses and became risk-acceptant, taking a more risky foreign policy option in an attempt to restore the status quo (Proposition 1). In June 1994, however, they perceived military confrontation to be imminent on the Korean peninsula, so they became risk-averse in the domain of extreme losses and sought to engage the U.S. to avoid the certain catastrophic outcome of war (Proposition 2). On the other hand, because they perceived in the early 1990s that domestic stability was still sustainable and controllable, the international situation seemed to have a more critical influence in determining their nuclear policy and decision making. If they had perceived a serious threat to their regime from the inside and believed that domestic stability was not sustainable, they might have become risk-acceptant in the international arena to restore the domestic status quo and might have seriously considered externalizing the domestic tensions regardless of the international situation (Proposition 3). However, this was not the case for North Korea in June 1994. Finally, Table 4-4 is a reproduction of Table 2-1 in Chapter 2 with some modifications. In the matrix, North

[77] Hwang Jang-yup says (1999a: 325-26) that a rumor of war was spread inside North Korea, not in 1994 but in 1996 when domestic situation suddenly became much worse due to floods, drought and starvation.

Korea's risk-taking attitudes moved from cell 1 to cell 2 in terms of changes in its domestic and international situations.

Table 4-4. Pyongyang's Foreign Policy Risk-Taking Attitudes, 1989-1994

		International situation	
		Losses	Extreme losses
Domestic situation	Sustainable	Risk-acceptant (cell 1: pre-June 1994)	Risk-averse (cell 2: June 1994)
	Unsustainable	Highly risk-acceptant (cell 3)	Highly risk-acceptant (cell 4)

CHAPTER 5

FROM ENGAGEMENT TO CONFRONTATION: THE AGREED FRAMEWORK AND THE SECOND NUCLEAR CRISIS

> The Agreed Framework is a historical document that resolves the abnormal hostile relations and builds trust between the two countries and contributes to peace and security on the Korean peninsula and Asia.[1]
>
> Bush's absurd speech [on the "axis of evil"] clearly shows why the Bush administration threw away the possibility of solving the nuclear and missile issues through dialogue that the Clinton administration had built.[2]
>
> We are supposed to have not only nuclear weapons but also something more than them in order to defend our sovereignty and security against the mounting U.S. nuclear threat.[3]

Introduction

After the grand deal between Kim Il-sung and Jimmy Carter in June 1994, on July 8 the U.S. and North Korea resumed the third round of high-level talks in Geneva, signed the Agreed Statement on August 12, and finally the Agreed Framework on October 21.[4] In this accord, the United States and North Korea pledged to normalize political and economic relations and resolve the nuclear issues.

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[1] Statement by North Korea's chief nuclear negotiator, Kang Sok-ju, in *Rodong Sinmun*, October 24, 1994.

[2] Statement by North Korean Ministry of Foreign Affairs spokesman, "We will sharply observe America's suspicious move," *Rodong Sinmun*, February 1, 2002.

[3] Statement by North Korean Ministry of Foreign Affairs spokesman, "Concluding a non-aggression pact between North Korea and the U.S. is the way to solve the nuclear issue," *Rodong Sinmun*, October 26, 2002.

[4] Its official title is the "Agreed Framework Between the United States of America and the Democratic People's Republic of Korea, Geneva, October 21, 1994." The full text of the Agreed Framework can be found on KEDO's webpage, <http://www.kedo.org>.

The United States agreed to "provide formal assurances to the D.P.R.K. against the threat or use of nuclear weapons by the U.S.," to "undertake to make arrangements for the provision to the D.P.R.K. of an LWR [Light-Water Reactor] project" that would be financed and constructed through the Korean Peninsula Energy Development Organization (KEDO), a multinational consortium, and to provide heavy fuel oil to offset the energy shortage due to the suspended operation of North Korea's existing nuclear reactors. In response, North Korea agreed to "freeze its graphite-moderated reactors," and "remain a party to the NPT" and "allow implementation of its safeguard agreement and to "implement the North-South Joint Declaration on the Denuclearization of the Korean Peninsula" concluded on December 31, 1991. Although the Agreed Framework was criticized as incomplete and flawed,[5] it was widely recognized that the North Korean nuclear crisis would have been worse without the Agreed Framework because it successfully froze North Korea's further production of plutonium.

The Agreed Framework, the Clinton Administration and North Korea: Post-June 1994

Pyongyang's improving international situation

The Agreed Framework

[5] In particular, many officials in the Bush administration have criticized that the Agreed Framework did not end North Korea's nuclear program but accepted the possibility that North Korea would have one or two nuclear devices, and that it did not discuss North Korea's development of conventional weapons like the Taepodong missiles (Armitage 1999). The Clinton administration did not deny such limitations of the Agreed Framework (Perry 1999).

After North Korea resolved the first nuclear crisis peacefully in 1994, its perception of the international situation appeared to be improving in the second half of the 1990s, although it did not completely move to the domain of gains. Pyongyang believed that the Agreed Framework would help improve the North's international situation. North Korea's chief nuclear negotiator, Kang Sok-ju, stated that "the Agreed Framework sufficiently includes our just position and active proposal to solve the nuclear issue, so we value the Agreed Framework positively. It is also a historical document that solves the abnormal hostile relations, builds trust between the two countries, and contributes to peace and security on the Korean peninsula and in Asia."[6] Rodong Sinmun also expressed such hope in the 1995 Joint Editorial that "if the U.S. gives up its hostile policy toward the North and sincerely implements the Agreed Framework, the abnormal hostile relations will be resolved and trust will be built, leading to the fundamental solution of the nuclear issue and the denuclearization on the Korean peninsula."[7] Of course, the Agreed Framework did not completely change U.S.-North Korean relations, but did define the overall context of relations during the Clinton administration. Although North Korea continued to denounce America's Korea policy[8] and often complained about the delay in the implementation of the Agreed Framework,[9] its international situation in the second

[6] Statement by North Korea's chief nuclear negotiator Kang Sok-ju in *Rodong Sinmun*, October 24, 1994.

[7] "Joint Editorial," *Rodong Sinmun*, January 1, 1995. Since 1995 after Kim Il-sung died, Rodong Sinmun began issuing a joint editorial on New Year's Day with other North Korean newspapers that replaced Kim Il-sung's New Year's address.

[8] "Joint Editorial," *Rodong Sinmun*, January 1, 1996 and 1997.

[9] "Regarding Five Years After the Agreed Framework," *Rodong Sinmun*, October 21, 1999.

half of the 1990s was considerably different from what it had been before the nuclear deal in 1994. Given Pyongyang's previous statements and behaviors, a new situation that North Korean leaders perceived demonstrated Pyongyang's decreased threat perception and the improving relations between Pyongyang and Washington.

Improving relations between Pyongyang and Washington

In particular, such a change was prominent in the late 1990s. Pyongyang began to view positively the Clinton administration's efforts to engage North Korea. When the U.S. agreed to lift some of its economic sanctions on September 17, 1999, after a meeting with North Korean representatives in Berlin, Pyongyang welcomed the change and pledged that it would "respond to America's substantial moves in ending its hostile policy toward the North and improving relations."[10] North Korean leaders complained that "such a step seems a little late and not complete," but they recognized that easing economic sanctions "reflects America's political will to move toward ending its hostile policy and improving relations and creates a positive environment to solve the current issues between North Korea and the U.S. through negotiation." In response to Clinton's conciliatory policy, Pyongyang announced, "While North Korean-U.S. talks continued, we will not test-fire missiles for a better environment of the meeting."[11]

[10] "The U.S. Announced It Would Ease Its Economic Sanctions on North Korea," *KCNA*, September 21, 1999. However, sanctions were not actually lifted until June 2000.

[11] "North Korea Will Not Test-fire Its Missiles While North Korean-U.S. Talks Continue," *KCNA*, September 24, 1999.

The environment of appeasement was cultivated by former U.S. Secretary of Defense William Perry's visit to Pyongyang in May 1999 as a designated U.S. presidential envoy to North Korea and his policy report in October 1999. During his visit to Pyongyang, Perry suggested several conciliatory proposals to North Korean leaders in order to achieve a breakthrough in relations, and submitted his report to Congress in September. His report, released the next month, suggested a systematic testing of North Korean intentions by offering Kim Jong-il a choice between confrontation and engagement. The report recommended that the U.S. should "adopt a comprehensive and integrated approach to the DPRK's nuclear weapons- and ballistic missile-related programs" and "specifically initiate negotiations with the DPRK based on the concept of mutually reducing threat" in a "step-by-step and reciprocal fashion" (Perry 1999). Such an engagement mechanism might include the normalization of diplomatic relations with North Korea and the relaxation of trade sanctions. North Korean leaders seemed quite satisfied with Perry's visit and proposals, and their response was "positive" (Albright 2003: 458).[12]

The friendly environment continued in 2000, and Pyongyang's relations with Washington were never more propitious than they were in the final year of the Clinton administration. After the summit meeting between Kim Dae-jung and Kim Jong-il in June 2000, North Korea and the United States shared the view that the environment on the Korean peninsula has been greatly changed by the North-South summit meeting. The new détente between Pyongyang and Washington led to the visit by Jo Myung-rok, First Deputy Chairman of North Korea's National Defense

[12] See also "Talks Between Kang Sok-ju and William Perry," *KCNA*, May 28, 1999.

Commission, to the White House in October 2000. In the joint communiqué issued after the meeting, both countries announced that "new opportunities for completely improving relations between North Korea and the U.S. have been created," and that each side "will have no hostile intention toward the other and will make every effort to establish a new relationship and get out of the past antagonism."[13]

Jo's visit to Washington was immediately followed by U.S. Secretary of State Madeleine Albright's visit to Pyongyang and meeting with Kim Jong-il in the same month in order to prepare the ground for Clinton's possible visit to Pyongyang. According to Albright (2003: 460-70), Kim Jong-il told her that North Korea would suspend its production and export of missiles if the U.S. guaranteed compensation. He said "If there's no confrontation, there's no significance to weapons," so that "missiles are now insignificant." Albright herself believed that North Korea was willing to accept several significant restraints on its missile programs in exchange for the normalization of relations with the United States. Also, regarding the presence of American troops on the Korean peninsula, Kim said that because "American troops now played a stabilizing role," the North Korean government had changed its view after the Cold War, and "the solution rested with the normalization of relations." After meeting with Kim Jong-il, Albright described him as "very decisive and practical and serious." Contrary to American belief, he was "not irrational and unpredictable," but "a very good listener and a good interlocutor." She said that because Kim Jong-il "was quite clear in explaining his understanding of U.S.

[13] "Joint Communiqué between the Democratic People's Republic of Korea and the United States of America, October 12, 2000." A full text of the Joint Communiqué can be found at <http://www.kcna.co.jp>.

concerns," serious talks with him "were a very good way to learn more about his intentions," and they actually made "important progress."[14] Pyongyang was also quite satisfied with Albright's visit and the meeting with Kim Jong-il.[15]

In the late December 2000, President Clinton decided not to go to Pyongyang due to the confrontations in the Middle East, but invited Chairman Kim Jong-il to Washington. Although Kim did not accept this invitation, the Clinton administration's efforts to engage North Korea clearly made a positive impression. Thus, Pyongyang's improving security environment must have decreased its threat perception from the U.S. during the Clinton administration. Although North Korean leaders' perception of the relations with Washington cannot be said to have moved completely into the domain of gains, they were actually enjoying a relative gain in this period,[16] so their domain of action in this period was moving toward to the domain of gains.

Pyongyang's foreign policy: engaging the U.S.

North Korea's perception of decreasing threat led directly to its more conciliatory foreign policy in the second half of the 1990s. In fact, North Korea took several steps to avoid confrontation and engage the United States in this period.

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[14] Press Conference of Secretary of State Madeleine K. Albright, Koryo Hotel, Pyongyang, Democratic People's Republic of Korea, October 24, 2000. <http://secretary.state.gov/www/statements/2000/001024b.html>

[15] "Chairman Kim Jong-il met U.S. Secretary of State," *KCNA*, October 23 and 24, 2000.

[16] Even a personal commentary in Rodong Sinmun that had been consistently used to denounce the U.S. in spite of changes in other North Korean statements rated the North Korea-U.S. relations very positively. "Our Principal Position Regarding the Issue between North Korea and the U.S.," *Rodong Sinmun*, November 7, 2000.

Implementation of the Agreed Framework

During the Clinton administration after the Agreed Framework was signed, North Korea sought to fulfill, or at least to appear externally to be fulfilling, its commitments under the accord. Pyongyang promised that it would sincerely implement the Agreed Framework and contended several times that it had actually done so.[17] Reviewing the five-year implementation of the Agreed Framework, North Korea stated that it had "fulfilled our responsibility by immediately suspending all our nuclear activities and lifting the ban on economic relations with the U.S.," although "the U.S. has dealt with the Agreed Framework very unfaithfully."[18] In fact, the IAEA confirmed in November 1994 that North Korea had begun implementing the freeze.[19] In reality, North Korea could not be said to have completely fulfilled its responsibility[20] and suspicions of a new covert nuclear activity – a uranium enrichment program – that appeared to be under way in this period were confirmed later,[21] North Korea did not reactivate the once-suspended nuclear reactors until the

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[17] "Joint Editorial," *Rodong Sinmun*, January 1, 1995.

[18] "Regarding Five Years After the Agreed Framework," *Rodong Sinmun*, October 21, 1999.

[19] Reuters, "U.N. Says North Korea Halted Nuclear Program," *New York Times*, November 29, 1994.

[20] North Korea had been very selective in implementing ancillary parts of the Agreed Framework. For example, North Korea was very reluctant in the 1990s to open a liaison office for a regular U.S. diplomatic presence in Pyongyang (Pollack 2003: 20), and Hwang Jang-yup (1999a: 315) confirmed such reluctance inside North Korea at the time. Moreover, North Korea was not actively engaging in North-South dialogue.

[21] Doug Struck and Glenn Kessler, "Hints on North Korea Surfaced in 2000," *Washington Post*, October 19, 2002. However, Harrison (2005a) suspects the Bush administration's claim that North Korea had cheated because the administration "misrepresented and distorted the data."

end of 2002 (IISS 2004).[22] Particularly in the late 1990s, North Korea began to question Washington's seriousness about the Agreed Framework and argued that the North was losing patience with American unwillingness to fulfill its commitments (Harrison 2002: 227), but it did not yet renounce the accord.

One of the most striking examples of the North's implementation of the Agreed Framework was its response to mounting U.S. concerns about a suspicious nuclear facility at Kumchangri. In the summer of 1998, U.S. intelligence reportedly began to suspect that North Korea appeared to have constructed a secret underground nuclear facility.[23] When the U.S. demanded to inspect the site, North Korea insisted that the U.S. would have to provide appropriate payment for a visit, but the North first permitted the U.S. inspection team to visit the suspected site in May 1999 before receiving 600,000 tons of food through the U.N. (Oberdorfer 2001a: 411-14). Although Pyongyang also had to receive the food through the U.N. because the U.S. continued to reject the requirement of direct compensation for the visit (Pollack 2003: 21), it seemed satisfied with the result, saying that "we permitted the U.S. visit to Kumchangri because the U.S. response corresponds to our interests." The U.S. inspection team visited Kumchangri again in May 2000 but found no evidence of nuclear activity or violation of the Agreed Framework. As a result, North Korea

[22] North Korea announced that it would reactivate its nuclear reactor in mid-December 2002 after the Bush administration's revelation of the North's uranium enrichment program. See the statement by North Korean Ministry of Foreign Affairs spokesman, *Rodong Sinmun*, December 13, 2002.

[23] David Sanger, "North Korea Site an A-Bomb Plant, U.S. Agencies Say," *New York Times*, August 17, 1998.

exploited the Kumchangri issue as propaganda to publicize its full implementation of the Agreed Framework as well as to get economic benefits from the U.S.[24]

Missile moratorium

On the other hand, Pyongyang negotiated missile issues with the U.S. and decided in September 1999 to suspend its testing for the duration of talks.[25] After North Korea successfully test-fired its Nodong-1 missile in the East Sea (Sea of Japan) in May 1993, the missile program surfaced as another issue, and North Korea began to negotiate with the U.S. early in 1996 toward a possible agreement, as it had on the nuclear issue. From the beginning of negotiations, Pyongyang demanded that the U.S. make further financial compensation for the North's suspension of additional missile tests and weapons exports.[26] The Clinton administration repeatedly rejected Pyongyang's demand, so the missile issue became more serious after North Korea shot a three-stage Taepodong-1 ballistic missile over Japan on August 31, 1998, insisting that it was intended to carry an artificial satellite.[27] This led to Perry's visit to Pyongyang in May 1999 for a review of U.S. policy toward North Korea. His visit was followed by several serious discussions between Pyongyang and Washington that

[24] "Verified that the Kumchangri Underground Facility Has Nothing To Do With Nuclear Activity," *KCNA*, June 9, 1999.

[25] "North Korea Will Not Test-fire Its Missiles While North Korean-U.S. Talks Continue," *KCNA*, September 24, 1999. Before its missile moratorium, Pyongyang once cancelled a missile test planned for October 1996 after U.S. satellites spotted preparations at the launch site and had several meetings with North Korea (Harrison 2002: 227).

[26] "Nobody Has a Right to Slander Our Missile Policy," *KCNA*, June 16, 1998.

[27] "North Korean Foreign Ministry Refers to the Successful Launching of an Artificial Satellite," *KCNA*, September 4, 1998.

resulted in the North's missile moratorium in September 1999. During his visit to Pyongyang, Perry broached some proposals to address U.S. security concerns regarding North Korean nuclear activities outside the scope of the Agreed Framework and ballistic missile development and proliferation in exchange for the lifting of U.S. sanctions, the normalization of diplomatic relations, and potentially some form of security guarantee (Albright 2003: 458). North Korea showed strong interest in his proposal and held several serious talks with the U.S. in the following months.[28] As a result, in September 1999 in Berlin the North agreed to a moratorium on further missile tests for the duration of talks with the U.S., while the Clinton administration agreed to the lifting of sanctions.[29] Kim Jong-il also evaluated Perry's visit to Pyongyang very positively and stated his plan to send a high-level special envoy to the U.S.[30]

Reaching out to Washington

Perry's visit to Pyongyang in May and his report in October 1999 accelerated the Clinton administration's active efforts to achieve a breakthrough in relations with North Korea. Such an environment of détente in the late 1990s produced Pyongyang's most conciliatory foreign policy gestures ever in the final year of the

[28] "Whether the Four-Party Talks Succeed or not Depends on the U.S.," *KCNA*, August 12, 1999.

[29] "The U.S. Announced It Would Ease Its Economic Sanctions on North Korea," *KCNA*, September 21, 1999; "North Korea Will Not Test-fire Its Missiles While North Korean-U.S. Talks Continue," *KCNA*, September 24, 1999.

[30] Kim Jong-il made this clear in his interview with Myung-ja Moon (2000b). Moon is a Korean-American journalist who interviewed Kim for the first time on June 30, 2000.

Clinton administration, including the first summit meeting between the two Koreas in June, Vice Chairman Jo's visit to the White House in October as a Kim's special envoy, and finally Secretary of State Albright's visit to Pyongyang in the same month to prepare for a possible visit by President Clinton. In June 2000, North Korea reaffirmed its moratorium on missile tests after the summit meeting with South Korea, and reconfirmed it in the joint communiqué that was signed in October when Vice Chairman Jo visited the U.S., announcing that North Korea "will not test-fire any long-range missile for the duration of talks with the U.S. regarding missile issues."[31] In this communiqué, North Korea pledged to the U.S. that it would not only fulfill its responsibility in the Agreed Framework more sincerely but also fundamentally improve relations with the U.S. In this visit, Vice Chairman Jo delivered a letter from Kim inviting Clinton to Pyongyang, and his delegation, in particular First Vice Minister of Foreign Affairs Kang Sok-ju, outlined some constructive proposals related to the North's missile program, including restraints on future missile development and export (Albright 2003: 459-60).

When Albright visited Pyongyang, Kim informed her that North Korea would refrain from further tests of the Taepodong-1 missile. Moreover, he told her that North Korea would be prepared to negotiate an immediate freeze on long-range missile testing and development and to stop all exports of missiles and missile components, provided that the United States offered sufficient economic aid and other inducements in return, including arrangements to launch North Korean scientific research and communications satellites (Harrison 2002: 228). Regarding Kim's offer,

[31] "Joint Communiqué between Democratic People's Republic of Korea and the United States of America, October 12, 2000."

Albright was at the time "reasonably confident that North Korea would agree to a deal ending the potential threat posed to us by long-range missiles and nuclear arms," that "they would agree to export restrictions that would make it harder for Iran and the DPRK's other customers to acquire weapons that threaten our allies," and that "North Korea would also agree not to deploy new missiles that could strike Japan and South Korea." Thus, she concluded, "North Korea seemed willing to accept more significant restraints on its missile programs than we had expected" (Albright 2003: 467-69). President Clinton decided not to visit Pyongyang in December but confirmed Kim's offer in public again, saying that during the Albright visit "Chairman Kim put forward a serious proposal concerning his missile program. Since then, we have discussed with North Korea proposals to eliminate its missile export program as well as halt further missile development."[32]

Avoiding losses and seeking gains

North Korea did not practice a fully conciliatory policy during this period and was sometimes involved in confrontational activities. However, what was different in this period from the previous periods was the way in which North Korea dealt with those confrontations. Most of all, North Korean leaders tried to avoid escalating confrontations and damaging the improving relations with the U.S., while they had previously been ready to take the risk of confronting the U.S.

For instance, when the North Korean submarine incursion occurred on the east coast of South Korea in September 1996, North Korea initially argued that the

[32] White House, Office of the Press Secretary, Washington D.C., December 28, 2000.

submarine had developed engine trouble and drifted south and that there was no intention of armed conflict.[33] As the clash deepened, Pyongyang even threatened to retaliate against the South and resume its nuclear program. At length it issued an unusual statement of deep regret for the submarine incursion and a pledge that such an incident would not occur again.[34] After this incident, North Korea cooperated to resume on preserving the fuel rods that had been unloaded from its nuclear reactor and also agreed to attend the four-party peace talks, which began in December 1997 and were held again in March 1998. In response, the U.S. agreed to resume the supply of heavy fuel oil, and South Korea permitted work to resume on the light-water nuclear reactors promised under the 1994 Agreed Framework (Oberdorfer 2001a: 389-93). Again, when serious naval clashes between two Koreas occurred in the Yellow Sea in June 1999 over crab-fishing boats, North Korea tried not to escalate the clashes into a serious confrontation, although the U.S. quickly dispatched additional naval forces to the Korean peninsula to cope with the first serious naval altercations since the Korean War. Despite its fierce rhetoric, North Korea neither put its armed forces on alert nor reinforced them near the battle zone (Oberdorfer 2001a: 423-24) but instead promoted the North-U.S. talks, producing the Berlin talk in September where the U.S. agreed to lift its economic sanctions on North Korea and North Korea agreed to a moratorium on missile development.

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[33] Statement by North Korea's Armed Forces Ministry Spokesman, *Rodong Sinmun,* September 24, 1996.

[34] "The spokesman of the Ministry of Foreign Affairs of the DPRK is authorized to express deep regret for the submarine incident in the coastal waters of Kangnung, South Korea, in September 1996 that caused the tragic loss of human life... The DPRK will make efforts to ensure that such an incident will not recur and will work with others for durable peace and stability on the Korean Peninsula," *KCNA*, December 30, 1996.

In short, North Korea appeared in this period to be seeking to avoid confrontations in order not to hurt its improving relations with the U.S. In fact, Pyongyang's perception in the international arena was improving in the late 1990s. Although Pyongyang's external situation was still in the domain of losses despite the nuclear deal, its situation was moving toward the domain of gains, and its risk-taking attitude changed into risk-averse, or at least less risk-acceptant with conciliatory foreign policy. As the situation improved, the North's foreign policy slowly shifted its focus from confrontation to engagement. In short, Pyongyang reached out to the Clinton administration in the second half of the 1990s, because it perceived that the environment around the Korean peninsula was improving, so that their external situation was improving, though still in the domain of losses.

The Agreed Framework, the Bush Administration and North Korea: Pre-October 2002

Pyongyang's changing situation: returning to losses

Pyongyang's increasing threat perception

As explained above, North Korean leaders saw the North's external situation get better during the Clinton administration and hoped that such an improvement could continue.[35] However, the North's perception of the U.S. began to revert to the domain of losses after the Bush administration took office in January 2001. As

[35] Statement by a North Korean Ministry of Foreign Affairs spokesman, "We are ready to respond to any U.S. policy toward North Korea," *KCNA*, February 21, 2001.

opposed to the positive perception only a few months before,[36] Pyongyang began to demonstrate quite aggressive attitude toward the U.S. from the beginning of the Bush administration, although it still maintained some expectation of improving relations. When Secretary of Defense Colin Powell made a statement that described Kim Jong-il as "North Korea's dictator," a spokesman for the North Korean Ministry of Foreign Affairs denounced it, saying that "we cannot help but believe that this statement reflects American hawks' impure intention of getting benefits from fixing DPRK-U.S. relations in a state of hostility and belligerency... We value the recent development of the DPRK-U.S. relations that we have achieved so far with rational Americans through negotiation, [but] we will not expect anything from those who do not like the development."[37] Also regarding the Bush administration's overall attitude toward the North, North Korea responded very harshly, contending that "the new U.S. administration's national security team is amplifying their hawkish attitudes toward us, saying that they will pursue a gradual approach and conditional and complete reciprocity contrary to the Clinton administration... and that they call us a rogue state and will advance their national missile defense system to defend against our missile threats."[38] Kim Jong-il himself denounced the Bush administration as having

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[36] "Our Principal Position Regarding the Issue between North Korea and the U.S.," *Rodong Sinmun*, November 7, 2000.

[37] Statement by a North Korean Ministry of Foreign Affairs spokesman, "We are fully ready to cope with whatever policy the U.S. administration adopts," *KCNA*, January 25, 2001.

[38] "We are ready to respond to any U.S. policy toward North Korea," *KCNA*, February 21, 2001.

resumed the once-scrapped hawkish and hostile policy against North Korea and blocked the improvement of DPRK-U.S. relations.[39]

On the other hand, the rate of North Korea's complaints about the U.S. delay in implementing the Agreed Framework accelerated during the Bush administration, as the 2003 target date for installation of the first nuclear reactor approached. "Because of America's hard-line and hawkish approach, the possibility of providing us with nuclear reactors according to the Agreed Framework is becoming smaller, so it is greatly threatening us who suffer from a serious shortage of electricity."[40] Although Pyongyang also complained of the delay during the Clinton administration, it now denounced the Bush administration for seeking to violate the accord intentionally because the administration argued that "North Korea should permit the special inspection right away even before the construction of light-water reactors."[41] Thus, North Korea threatened that "it would not be bound to the accord any more unless the United States honestly implements the Agreed Framework,"[42] and declared that "the Agreed Framework is in danger of collapse due to the delay in the LWR provision."[43]

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[39] "Kim Jong-il's response to Russian ITAR-TASS New Agency's questions," *Rodong Sinmun*, July 28, 2001.

[40] "Ministry of Foreign Affairs spokesman demands that the U.S. should substantially implement the Agreed Framework," *KCNA*, March 3, 2001.

[41] "The U.S. can never get out of its responsibility of compensating for power loss," commentary in *KCNA*, June 5, 2001.

[42] Statement by a North Korean Ministry of Foreign Affairs spokesman, "We are ready to respond to any U.S. policy toward North Korea," *KCNA*, February 21, 2001.

[43] Statement by a North Korean Ministry of Foreign Affairs spokesman, *Rodong Sinmun*, June 19, 2001.

The Bush administration's perception of North Korea

In fact, the Bush administration appeared to have seen North Korea as a reckless and aggressive expansionist state with which the United States would not be able to negotiate and achieve a satisfactory result. While Secretary of State Albright described Kim Jong-il as a "very practical and serious" negotiating partner, as noted above, President Bush has had a deep animus toward Kim and said that he loathes him and has a "visceral reaction" to him (Woodward 2002: 340). Bush has not trusted North Korea's self-described peaceful intentions, and clarified his position to South Korean President Kim Dae-jung in March 2001 when he visited Washington to persuade Bush to support his "sunshine policy," the South Korean policy of engagement with North Korea. Bush emphasized the need for a realistic view of North Korea and its leader. He said, "I do have some skepticism about the leader of North Korea... I am concerned about the fact that the North Koreans are shipping weapons around the world... There's no question in my mind that the President of the Republic of Korea is a realist."[44] In fact, Bush was somewhat skeptical about President Kim's sunshine policy and strongly emphasized at the meeting that the South Korean president should be "under no illusions, take a realistic view of Kim Jong-il, and make certain as to whether or not North Korea is keeping all terms of all agreements," because he was very skeptical about whether or not he could verify an

[44] "Remarks by President Bush and President Kim Dae-Jung of South Korea," Office of the Press Secretary, March 7, 2001. <http://www.whitehouse.gov/news/releases/2001/03/20010307-6.html>.

agreement with a country that doesn't enjoy the freedoms and the free press that Americans have.

Most officials of the Bush administration have also doubted whether North Korea could be induced to cooperate. Condoleezza Rice, who was the Bush administration's first National Security Advisor and later became Secretary of State, argued that "the North Korean regime is malign, and has little to gain and everything to lose from engagement in the international economy" (Rice 2000: 60-61). Robert B. Zoellick, who later became Deputy Secretary of State, wrote that because "North Korea is still evil, the United States needs to offer a consistent long-term strategy that will deter North Korea and even replace its brutal regime" (Zoellick 2000: 76). With regard to the Bush administration's North Korea policy, former Clinton administration officials observed that even before North Korea's revelation of its nuclear program in 2002, the Bush administration did not honor the Agreed Framework.[45] Indeed, Rice (2000: 60-61) contended that "the Agreed Framework attempted to bribe North Korea into forsaking nuclear weapons, but there is a trap inherent in this approach because the possibility for miscalculation is very high." Deputy Secretary of Defense Paul Wolfowitz (1996) also stated that the Agreed Framework "does not solve the North Korean nuclear problem," but "simply postpones that problem and may, in the process, make its solution ultimately more difficult." On the other hand, some conciliatory statements were made by Bush officials. In particular, Secretary of State Powell said that the Bush administration

[45] Wendy R. Sherman, "Dealing With Dictators," *New York Times*, July 18, 2002. Wendy R. Sherman was the State Department's counselor in the Clinton administration and has special responsibility for negotiation with North Korea.

"does plan to engage with North Korea to pick up where President Clinton and his administration left off."[46] He also confirmed that the Bush administration was "continuing to live within the constraints of the Agreed Framework,"[47] and saw "no reason to change their position right now."[48] In reality, the Bush administration continued to ship heavy fuel oil to North Korea according to the accord. However, given the Bush administration's hard-line approach toward North Korea, Pyongyang's perception of the United States in this period necessarily changed from that of the previous period.

September 11 and the "axis of evil"

Therefore, Pyongyang responded with much reservation to the Bush administration's announcement that it wished to resume talks with the North. In a statement on June 6, 2001, President Bush announced that after a review of policy the U.S. had decided to pursue bilateral talks with North Korea "in the context of a comprehensive approach to North Korea which will seek to encourage progress toward North-South reconciliation, peace on the Korean peninsula, a constructive relationship with the United States, and greater stability in the region."[49] Powell

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[46] "Press Availability with Her Excellency Anna Lindh, Minister of Foreign Affairs of Sweden" U.S. Department of State, March 6, 2001. <http://www.state.gov/secretary/rm/2001/1116.htm>.

[47] "Briefing on Trip to East Asia," U.S. Department of State, July 21, 2001. <http://www.state.gov/secretary/rm/2001/4347.htm>.

[48] "Remarks with Republic of Korea Foreign Minister Han," U.S. Department of State, June 7, 2001. <http://www.state.gov/secretary/rm/2001/3374.htm>.

[49] "Statement by the President," Office of the Press Secretary, June 6, 2001. <http://www.whitehouse.gov/news/releases/2001/06/20010611-4.html>.

made clear at that time that the Bush administration did not set any preconditions on the talks and was prepared to "have an open dialogue on all of the issues that are of concern."[50] North Korea evaluated the U.S. decision but was still very suspicious of its intention. It stated that "considering that the U.S. suggests agenda that we can never accept, we are very suspicious of whether they truly want to talk and are willing to solve the problem through dialogue," and declared that "such a proposal is in nature one-sided and pre-conditional and intentionally hostile."[51]

Although Bush announced his decision to resume bilateral talks with the North, he did not engage in any constructive bilateral talks with North Korea, possibly under the influence of the terrorist attacks in September 11. In fact, President Bush's 2002 State of the Union address hinted that the administration would regard North Korea as an emergent and potentially much larger danger after the terrorist attacks and adopt a harder-line policy (Pollack 2003: 27-28). In this address, Bush announced that North Korea formed an "axis of evil" with Iraq and Iran, because "North Korea is a regime arming with missiles and weapons of mass destruction while starving its citizens" and might provide these arms to terrorist groups to threaten the peace of the world.[52] He suggested that the new national security strategy of the U.S. would also be applied to North Korea despite South

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[50] "Remarks with Republic of Korea Foreign Minister Han," and "Briefing on Trip to East Asia."

[51] Statement by a North Korean Ministry of Foreign Affairs spokesman, *Rodong Sinmun*, June 19, 2001.

[52] "President Delivers State of the Union Address," Office of the Press Secretary, January 29, 2002. <http://www.whitehouse.gov/news/releases/2002/01/20020129-11.html>.

Korea's strong opposition.[53] The Bush administration's view of North Korea turned even harsher with its new policy announcement. The "Nuclear Posture Review" included the prospective use of nuclear weapons in a major Korean contingency,[54] and *the National Security Strategy of the United States of America* described North Korea as one of the U.S.'s defining national security threats (White House 2002: 13-16).

The Bush administration's hard-line policy significantly altered Pyongyang's threat perception of the U.S. In reference to Bush's State of the Union address, North Korean Ministry of Foreign Affairs complained bitterly that "Bush's absurd speech of the axis of evil clearly shows why the Bush administration threw away the possibility of solving the nuclear and missile issues through the dialogue that the Clinton administration had constructed."[55] It claimed, moreover, "President Bush seeks to forcefully link the countries that he does not like to terror and oppress them... [But] it is well known that after the Bush administration took office, the U.S. has had increasing confrontations with other countries and that international relations has fallen into unprecedented disorder. This results completely from the Bush administration's one-sided and self-righteous foreign policy, political inexperience, and moral corruption." In particular, Pyongyang claimed that "this time the U.S.

[53] South Korea strongly opposed to link North Korea to the antiterrorism campaign. John Larkin, "Seoul Balks at U.S. Push to Link North to Terror," *Wall Street Journal*, December 14, 2001.

[54] Department of Defense, "Nuclear Posture Review," January 9, 2002. Excerpts from this review can be found in <http://www.globalsecurity.org/wmd/library/policy/dod/npr.htm>. See also William M. Arkin, "Secret Plan Outlines the Unthinkable," *Los Angeles Times*, March 10, 2002.

[55] Statement by a North Korean Ministry of Foreign Affairs spokesman, "We will closely observe America's suspicious move," *Rodong Sinmun*, February 1, 2002.

demonstrated its reckless plan to attack the North militarily." Also regarding the "Nuclear Posture Review," North Korea contended that the Bush administration was attempting "to throw away the bilateral agreements and use nuclear weapons against North Korea in order to remove regime and extinguish the entire Korean people."[56]

In short, North Korean leaders' perception of the U.S. deteriorated seriously after the Bush administration took office.[57] As noted above, Pyongyang clearly preferred the Clinton administration's policy to that of the Bush administration.[58] According to prospect theory, it is plausible to argue that after the conclusion of the Agreed Framework and the Clinton administration's engagement policy toward the North, Pyongyang renormalized its reference point around its new gains and began to feel the potential for more losses in the face of the Bush administration's hard-line policy. As a result, Pyongyang's domain of action in this period was reverting to the domain of losses.

Pyongyang's nuclear policy: from engagement to restraint

As the situation deteriorated, so did Pyongyang's perception of threat. Although Pyongyang did not change its course of action at that time, its nuclear policy did become more aggressive.

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[56] Statement by a North Korean Ministry of Foreign Affairs spokesman, "Completely reconsidering all agreements with the U.S.," *Rodong Sinmun*, March 14, 2002.

[57] "Joint Editorial," *Rodong Sinmun*, January 1, 2002.

[58] According to former U.S. ambassador to South Korea Donald P. Gregg who visited Pyongyang in early April 2002, North Koreans asked him "why does President Bush hate President Clinton?" and "expressed regret that President Clinton had not visited Pyongyang, asserting that a visit at that level would have solved many difficult issues." See United States Senate, "Testimony of Donald P. Gregg before the Committee on Foreign Relations of the U.S. Senate, February 4, 2003."

In fact, even though the North Korean leaders did not like the Bush administration's North Korea policy, they were not going to throw away all agreements with the U.S. at once. Nevertheless, they did not wish to be bullied by the Bush administration. Thus, Pyongyang's initial approach to the Bush administration was to declare that North Korea was ready to respond to whatever policy the Bush administration adopted.[59] However, Pyongyang began to lose patience with America's unwillingness to engage in peaceful negotiation and threatened that it might not be willing to be bounded further by its agreement with the U.S. Regarding to the delay of the LWR provision, Pyongyang contended that "it is clear that we can sustain indefinitely neither the fulfillment of the Agreed Framework nor the missile moratorium that we decided in good faith at the DPRK-U.S. talks."[60] In regard to bilateral talks, it declared, "If the Bush administration sets preconditions on the talks, it means in reality that they do not want talks. The U.S should clearly recognize this and had better treat us with a proper attitude."[61] North Korean Foreign Minister Paik Nam-sun said in a personal meeting with Selig Harrison in May 2001 that "the mere fact that certain possibilities were explored in the context of the Clinton administration does not necessarily mean there is a basis for picking up where we left off then. We will have to take a fresh look at the whole missile issue in the context of

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[59] "We are fully ready to cope with whatever action the U.S. administration takes," *KCNA*, January 25, 2001; "We are ready to respond to any U.S. policy toward North Korea," *KCNA*, February 21, 2001.

[60] "Ministry of Foreign Affairs spokesman demands that the U.S. should substantially implement the Agreed Framework," *KCNA*, March 3, 2001.

[61] "The DPRK's principal position regarding the Bush administration's attitude toward the North Korean-U.S. talks," *Rodong Sinmun*, June 4, 2001.

the overall posture of the Bush administration toward us" (Harrison 2002: 229). Pyongyang implied that whether the North would engage or confront the U.S. depended upon the Bush administration's North Korea policy.

However, as the situation became worse following the terrorist attacks of September 11, the U.S. foreign policy approach became tougher, and so did Pyongyang's. Contrary to its conciliatory behavior during previous period, North Korea began to threaten a military option after President Bush's "axis of evil" address, saying that it might consider a "military strike" against the U.S.[62] and would "make full preparations for war because to have to fight against the U.S. someday is inevitable."[63] Also after the Bush administration released the "Nuclear Posture Review," North Korea argued that it might reconsider completely all agreements with the U.S. and take substantial measures against America's plan for nuclear attack, implying that it might renounce the Agreed Framework and resume its nuclear program.[64]

Nevertheless, Pyongyang actually neither abandoned the Agreement Framework nor closed all doors to negotiations with Washington. Right after the Bush administration announced its decision to resume bilateral talks with Pyongyang, North Korea decided to resume its involvement in the talks. Although Pyongyang expressed much reservation, the North Korean representative to the UN, Li Hyong-chol, met with U.S. special envoy Jack Pritchard in New York on June 13, 2001 to

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[62] "We will closely observe America's suspicious move," *Rodong Sinmun*, February 1, 2002.

[63] "America's deceitful statement for dialogue," a commentary in *KCNA*, March 5, 2002.

[64] Statement by a North Korean Ministry of Foreign Affairs spokesman, "Completely reconsidering all agreements with the U.S.," *Rodong Sinmun*, March 14, 2002.

make arrangements for bilateral talks.[65] Pyongyang also sought not to irritate the U.S., informing a visiting European Union delegation in early May that it would extend its promised missile moratorium until 2003.[66] Kim Jong-il reiterated this pledge in a meeting with Russian President Putin on August 4, 2001.[67] Furthermore, after September 11, North Korea very quickly issued unprecedented official condolences and declared its anti-terrorist position, signing several international anti-terrorist protocols to prove that it had no relation to any terrorist groups.[68] North Korea continued to threaten to walk away from its obligation under the Agreed Framework due to the unwillingness of the U.S. to fulfill its commitments, but it was not going to abandon the accord unilaterally and resume its suspended nuclear program.

North Korea still engaged in talks with the U.S. in April 2002 about the provision of the LWRs,[69] and Secretary of State Powell also confirmed at a Senate Foreign Relations Committee hearing in early February 2002 that Pyongyang continued to "comply with the moratorium that they placed upon themselves, and

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[65] Steven Mufson, "North Korea, U.S. to Hold Talks Today on Missiles," *Washington Post*, June 13, 2001.

[66] Doug Struck, "North Korea Unilaterally Extends Missile Test Moratorium to 2003," *Washington Post*, May 4, 2001.

[67] Peter Baker, "N. Korea Leader, In Moscow, Says Missile Plan is No Threat," *Washington Post*, August 5, 2001.

[68] "No change of position against terror/ regarding large-scale terrorist attacks in the U.S.," *KCNA*, September 12, 2001; "The DPRK joins major anti-terrorist protocols," *KCNA*, November 3, 2001.

[69] "North Korea contacted the U.S. and decided to resume talks with the KEDO," *KCNA*, April 3, 2002.

they stay with the KEDO Agreement," that is, the Agreed Framework.[70] Moreover, on July 31, 2002, North Korean Foreign Minister Paik Nam-sun met Powell briefly in Brunei possibly to arrange for the visit of a U.S. envoy to North Korea,[71] and on August 7, Pritchard visited Kumho, the site of the LWR project, to attend a ceremony to mark the pouring of the concrete for the first LWR. He was the highest U.S. official in the Bush administration to visit North Korea.[72] On the other hand, one of the most striking events in this period was Japanese Prime Minister Junichiro Koizumi's surprise visit to Pyongyang and meeting with Kim Jong-il in September 2002. In this meeting, Kim unprecedentedly admitted and apologized for the North's past abductions of Japanese citizens and expressed his aspirations for diplomatic normalization. Moreover, Kim promised that North Korea would indefinitely extend its moratorium on missile testing as part of the North Korea-Japan Pyongyang Declaration.[73]

In short, Pyongyang did not substantially change its course of action in this period. It neither walked away from the Agreed Framework nor broke its promise of a missile moratorium. However, it was evident that Pyongyang was losing patience and restraining itself at most, denouncing the uncooperative attitude of the U.S.

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[70] United States Senate, "Secretary of State Colin Powell's testimony to the Senate Foreign Relations Committee, February 5, 2002.

[71] Todd Purdum, "Powell Meets with North Korean Counterpart in Brunei," *New York Times*, July 31, 2002.

[72] Howard French, "Work Starts on North Korea's U.S.-Backed Nuclear Plant," *New York Times*, August 8, 2002.

[73] "The DPRK-Japan Pyongyang Declaration, September 17, 2002," at <http://www.kcna.co.jp>. See also Howard French, "North Koreans Sign Agreement with Japanese," *New York Times*, September 18, 2002.

toward the North. Although North Korea did not yet completely switch its U.S. policy to confrontation, it threatened that it would abandon its commitments at any time if the U.S. failed to take its commitments seriously. Thus, North Korea's foreign policy in this period can be said to have moved from engagement to restraint.

The Collapse of the Agreed Framework: October 2002

Re-framing Pyongyang's domain of action: losses

The Kelly visit and the HEU program

Pyongyang's perception of its external situation turned conclusively from bad to worse and clearly reverted to the domain of losses after Assistant Secretary of State James Kelly's visit to Pyongyang in early October 2002. Pyongyang originally anticipated that his visit might lead to a breakthrough for U.S.-DPRK relations because the Bush administration told Pyongyang that it would discuss its comprehensive policy approach to the North,[74] but Kelly's visit resulted in a complete breakdown of relations. Kelly confronted North Korean officials with U.S. intelligence findings that North Korea had been pursuing a highly enriched uranium (HEU) program for more than two years.[75] If U.S. intelligence findings were accurate, Pyongyang had clearly been violating not only the NPT and the IAEA safeguards agreement but also the 1994 Agreed Framework that Pyongyang had always claimed

[74] "U.S. President's special envoy arrived," *KCNA*, October 3, 2002; "Regarding American President's special envoy's visit to North Korea," *Rodong Sinmun*, October 8, 2002. See also David Sanger, "In Policy Shift, U.S. Will Talk to North Korea," *New York Times*, September 26, 2002.

[75] David Sanger, "North Korea Says It Has a Program on Nuclear Arms," *New York Times*, October 17, 2002.

to value. According to Kelly,[76] North Korean officials initially denied that Pyongyang had any HEU program, claiming that it was a U.S. fabrication, but soon admitted that the North "was proceeding with an HEU program and that it considered the Agreement Framework to be nullified," blaming this situation on U.S. policy under the Bush administration. However, North Korean officials denied to a private U.S. delegation that they had admitted to Kelly that they had an HEU program, although they never denied seeking such a program. According to Oberdorfer, who visited Pyongyang and talked with North Korean officials in early November,[77] "First Deputy Foreign Minister Kang Sok-ju told Kelly and the U.S. delegation that the reclusive nation is entitled to have nuclear weapons to safeguard its security in the face of a growing U.S. threat. After a debate of their own, the Americans interpreted the statement to be an admission that Kelly's charge was true."

Pyongyang did not initially publicize the detailed information of Kelly's insistence on the existence of a new covert nuclear program, but just denounced the Bush administration's hostile North Korea policy as usual.[78] After the U.S. released the information later in mid-October, however, Pyongyang provided its own version of the meeting. Pyongyang claimed that "U.S. special envoy argued with no evidence that we have pursued the highly enriched uranium program and violated the Agreed

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[76] James A. Kelly, "United States To North Korea: We Now Have a Pre-Condition," *YaleGlobal Online*, December 12, 2002. <http://yaleglobal.yale.edu/display.article?id=566>. This article was adapted from Kelly's remarks at the Woodrow Wilson Center on December 11, 2002.

[77] Don Oberdorfer, "My Private Seat at Pyongyang's Table," *Washington Post*, November 10, 2002.

[78] "Regarding American President's special envoy's visit to North Korea," *Rodong Sinmun*, October 8, 2002; "The purpose of visit to North Korea by U.S. President's special envoy was to force us to give in," a commentary by *KCNA*, October 12, 2002.

Framework, and that if we do not suspend it, there will be no North Korea-U.S. talks, and especially both the North Korea-Japan and the North-South relations will lead to catastrophe... We clearly informed U.S. special envoy that we are supposed to have not only nuclear weapons but also something more than them in order to defend our sovereignty and security against the mounting U.S. nuclear threat."[79] Pyongyang announced that "it was the Bush administration that nullified the Agreed Framework and the Joint Communiqué by characterizing North Korea as part of the 'axis of evil' and as a prospective target for preemptive nuclear strike that clearly implied a declaration of war against the North." In this sense, Pyongyang perceived the Bush administration as having prepared a "hostile plan to oppress us by force" and argued, "Our survival has been threatened the worst in history due to the Bush administration's reckless maneuver of political, economic and military pressure, so a serious situation was created on the Korean peninsula."

Pyongyang's subsequent perception of the U.S.

After the Kelly visit, many officials in the Bush administration, including President Bush himself, reiterated that the U.S. had neither hostile intent nor intention to invade North Korea and that they would pursue a peaceful resolution through

[79] Statement by a North Korean Ministry of Foreign Affairs spokesman, "Establishing a non-aggression pact between North Korea and the U.S. is a way of resolving the nuclear issue," *Rodong Sinmun*, October 26, 2002. According to former U.S. Ambassador to South Korea Donald Gregg who led a delegation to North Korea in early November, North Korean officials considered this statement to be the authoritative representation of North Korea's policy (Pollack 2003: 48). In fact, all subsequent North Korean statements referred and adhered to this statement. For examples, see *Rodong Sinmun*, November 3 and 22, 2002, and January 12, 2003.

diplomatic channels,[80] but Pyongyang's perception of the U.S. became much worse after Kelly's confrontation. In subsequent statements, Pyongyang argued that "distrust and confrontation between North Korea and the U.S. became extremely acute after the current administration took office," so that "the North Korea-U.S. relationship is at its worst... The U.S. demand that we give up the nuclear program first causes a new confrontation and pushes us to pursue the response comparable to it."[81] Especially after the KEDO, pressured by the U.S., suspended further delivery of heavy fuel oil to North Korea beginning in December,[82] Pyongyang declared that the Agreed Framework had completely collapsed, arguing that the oil delivery was only part of the four articles in the accord that the United States had ever carried out.[83] The KEDO decision must have had a huge impact on North Korea, which was already suffering from a serious energy shortage.[84] After the Kelly visit Pyongyang perceived that such confrontational policies obviously demonstrated that the Bush

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[80] Peter Slevin and Glenn Kessler, "Bush Emphasizes Diplomacy Toward North Korea," *Washington Post*, October 18, 2002; Glenn Kessler, "U.S. Takes North Korea's Nuclear Plan in Stride," *Washington Post*, December 12, 2002; David Sanger, "Bush Welcomes Slower Approach to North Korea," *New York Times*, January 7, 2003; "U.S. Willing to Talk to North Korea," briefing remarks by State Department Spokesman Richard Boucher, January 7, 2003.

[81] "U.S. claim for our giving up the nuclear program first causes a new confrontation," *Rodong Sinmun*, November 3, 2002. See also the statement by North Korea's representative to the UN at the UN General Assembly 57th meeting on November 11, in *Rodong Sinmun*, November 19, 2002.

[82] Don Kirk, "Korea Leader Backs Plan to Block Oil to the North," *New York Times*, November 16, 2002.

[83] Statement by a North Korean Ministry of Foreign Affairs in *Rodong Sinmun*, November 22, 2002.

[84] According to one estimate, KEDO-supplied fuel oil accounted for about 10 percent of North Korea's total energy needs. See "U.S. Allies Vote to Cut Off North Korea Oil," *New York Times*, November 15, 2002. Pyongyang also contended that the KEDO decision caused a serious gap in electric power production. See statement by North Korean Ministry of Foreign Affairs in *Rodong Sinmun*, December 13, 2002.

administration was trying "to disarm us by force and overthrow our system in an overt way."[85] Pyongyang also believed that the U.S. had threatened it with a blockade and military strike and so had in effect made a declaration of war, so the last chance to resolve the nuclear issue peacefully had disappeared, and it would not simply accept the situation and wait to be attacked without taking countermeasures.[86]

Pyongyang changes its course of action: from restraint to confrontation

Oberdorfer wrote after his visit in November 2002 that he got the distinct impression that Pyongyang still "wishes to end the conflict and would give up its uranium program if face-saving arrangements could be made."[87] However, the Bush administration showed its unwillingness to resume direct negotiations with North Korea, and Pyongyang was equally unwilling to resolve the new confrontation first. As it became evident that the Bush administration regarded the Agreed Framework to be "dead,"[88] Pyongyang also put an end to its eight years of engagement and restraint and resumed its nuclear confrontation with the U.S., claiming that the U.S. "wants us to give in, but that means death, so this inevitably leads to confrontation."[89]

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[85] Statement by North Korean Ministry of Foreign Affairs in *Rodong Sinmun*, December 13, 2002.

[86] Editorial, *Rodong Sinmun*, January 12, 2003.

[87] Don Oberdorfer, "My Private Seat at Pyongyang's Table," *Washington Post*, November 10, 2002.

[88] David Sanger, "U.S. to Withdraw from Arms Accord with North Korea," *New York Times*, October 20, 2002.

[89] Press conference by North Korea's ambassador to China, *Rodong Sinmun*, November 3, 2002.

Consequently, Pyongyang began deliberately to escalate the crisis again step by step. First of all, in a retaliatory measure against the KEDO's decision to suspend fuel oil delivery, North Korea announced on December 12 that it would "end the nuclear suspension and immediately resume the activity and construction of nuclear facilities necessary for electric power production," claiming acute energy shortages following the suspension of the oil shipments.[90] This December 12 announcement initiated a succession of aggressive policy decisions that brought Pyongyang back into nuclear confrontation, ending the restraint it had been practicing since 1994. On the same day, North Korea sent a letter to the IAEA and requested that the IAEA "remove the seals and monitoring equipment from its nuclear facilities as soon as possible," and also warned on December 14 that it "would take unilateral action" and remove the seals and monitoring cameras "if the IAEA does not act," arguing that "reactivating the nuclear activity is a serious and special measure to defend our sovereignty and survival against U.S. threats."[91] As the IAEA did not accept the North's demand, Pyongyang finally announced on December 22 that it had begun to remove all seals and disrupt IAEA surveillance equipment and to reactivate its nuclear facilities.[92] An IAEA spokesman confirmed on December 26 that North Korea was removing spent plutonium fuel rods from their storage pond at Yongbyon and moving fresh fuel rods into the reactor, suggesting that the reactor might be

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[90] Statement by North Korean Ministry of Foreign Affairs in *Rodong Sinmun*, December 13, 2002.

[91] "Requesting the IAEA to remove the monitoring cameras from nuclear facilities," *Rodong Sinmun*, December 15, 2002.

[92] "Beginning immediately to remove all seals and monitoring equipment," *Rodong Sinmun*, December 23, 2002.

restarted soon.[93] North Korea sent another letter to the IAEA on December 27, notifying it of the decision "to expel the IAEA inspectors because their responsibility came to an end after the suspension of the nuclear facilities was over."[94] The IAEA inspectors actually left North Korea on December 31. After gradually stepping up the nuclear confrontation, North Korea at last announced, on January 10, 2003, its "automatic and immediate" effectuation of its withdrawal from the NPT and its "complete freedom from the restrictions of the IAEA safeguards agreement."[95] Although North Korea promised that it "does not intend to make nuclear weapons, but that the nuclear activity at this stage will be limited only to the peaceful purpose of producing electric power," it made clear that its decision was a necessary measure for self-defense against a mounting U.S. nuclear threat. Pyongyang continued to denounce the U.S., claiming that "it is only the U.S. that threatens our sovereignty and survival and is responsible for and capable of removing it."[96]

In short, the renewed nuclear confrontation was Pyongyang's aggressive response to the deteriorating situation after Kelly's visit and subsequent U.S. decisions. Pyongyang's policy change resulted from the Bush administration's hostile policy toward North Korea, whose purpose in reviving the confrontation was to effect change in the U.S. administration's policy. Pyongyang is said to have

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[93] Peter Goodman, "N. Korea Moves to Activate Complex," *Washington Post*, December 27. 2002.

[94] "The DPRK decides to expel the IAEA inspectors," *Rodong Sinmun*, December 28, 2002.

[95] Statement by the Democratic People's Republic of Korea Government, *Rodong Sinmun*, January 11, 2003.

[96] *Rodong Sinmun*, January 26, 2003.

started the HEU program well before the beginning of the Bush administration, as U.S. officials contended (Kelly 2002), and Hwang Jang-yup had made the same claim long before Kelly's visit, arguing that North Korea "continued to develop nuclear weapons using the uranium-235 isotope since 1996 even after suspending the graphite-moderated reactors" (Hwang 2001: 218). However, after 1994 North Korea had actually exercised restraint regarding the nuclear issue and had sought to avoid confrontation with the U.S. for the sake of gaining some benefit, although it seems to have been cheating during those years. After Kelly's visit, however, Pyongyang resumed the nuclear confrontation, making an open and intentional policy change.

As prospect theory predicts, Pyongyang must have seen the end of American fuel oil deliveries and the collapse of the Agreed Framework as a serious loss, given that since 1994 North Korea had reframed its reference point around the realization of the Agreed Framework. Thus, after suffering a loss, North Korean leaders must have been ready to become risk-acceptant in a desire to return to that reference point even at the risk of suffering a greater loss in the future.

The Second North Korean Nuclear Crisis: Post-October 2002

Pyongyang's domain of action: growing losses

After the second North Korean nuclear crisis began with the Bush administration's revelation of the new, covert HEU program, Pyongyang's perception of the U.S. went from bad to worse. The U.S. continued to refuse to negotiate directly with North Korea unless it first abandoned the nuclear program and disarmed itself, and often warned Pyongyang that it would "keep all military options open,"

although it also stated that it had "no intention of invading" North Korea.[97] Furthermore, the U.S. asked the IAEA to find Pyongyang in violation of international nuclear agreements, whereupon the IAEA adopted a resolution that accused Pyongyang of non-compliance with its obligations under the NPT and reported the problem to the UN Security Council,[98] taking the first step toward possible UN sanctions and U.S. military action. Pyongyang accused the IAEA of interfering in the North's domestic affairs.[99] In this situation, Pyongyang, while never willing to move first, perceived the Bush administration's military threats increasingly serious.

The Iraq war

Pyongyang must have perceived the Bush administration's military intention s even more serious after the assault on Iraq in March 2003. Well before the invasion, North Korea had developed a heightened suspicion of U.S. military movements. When U.S. Secretary of Defense Donald H. Rumsfeld described North Korea as a "terrorist regime" that might sell nuclear weapons technology and materials to terrorists and rogue nations,[100] Pyongyang responded very harshly, claiming that "this statement shows that the U.S. decided unofficially to invade us as the next target of its anti-terrorist campaign," and that in this situation "our course becomes more and

[97] David Sanger, "U.S. Sees Quick Start of North Korea Nuclear Site," *New York Times*, March 1, 2003.

[98] Glenn Kessler, "IAEA Sends N. Korea Issue to Security Council," *Washington Post*, February 12, 2003.

[99] "The IAEA's decision to refer the nuclear issue to the UN Security Council is an intervention in the domestic affairs," a commentary by *KCNA*, February 13, 2003.

[100] James Dao, "Bush Administration Defends Its Approach on North Korea," *New York Times*, February 7, 2003.

more clear,"[101] possibly implying nuclear armament. Pyongyang compared Iraq's situation with its own and hinted strongly at its need for nuclear weapons, stating that the situation "informs us of what we should do more, while we prepare what we can do for self-defense."[102] What made the war in Iraq especially more threatening to North Korea was that "the U.S. made it clear that the main purpose of the war is to remove the Iraqi leadership."[103] North Korean leaders could not overlook the implication that the U.S. was ready to wage war to change a regime that it did not like. Therefore, Pyongyang concluded that "the Iraq war taught us that it is inevitable that we will possess strong material deterrence in order to prevent war and defend the country's security and national sovereignty."[104]

Six-party talks

While Pyongyang perceived an increased threat, the Bush administration was still unwilling to engage in bilateral negotiations with North Korea. The trilateral talks including the U.S., China and North Korea were held on April 2003 in Beijing but ended in an impasse without any agreement. In this meeting, North Korean officials are reported to have privately told the U.S. delegation that North Korea had reprocessed the spent fuel rods from the nuclear reactor at Yongbyon, already

[101] "Denouncing U.S. Secretary of State's statement of terror regime," *Rodong Sinmun*, February 13, 2003.

[102] "U.S. invasion of Iraq is a serious violation of sovereignty," *Rodong Sinmun*, March 22, 2003.

[103] "No one gave the U.S. a right for regime change of other nations," *Rodong Sinmun*, March 30, 2003. see also "What is the lesson from the Iraqi conflict?" A commentary by *KCNA*, March 18, 2004.

[104] "Referring to holding the DPRK-US talk," *Rodong Sinmun*, April 19, 2003.

possessed nuclear weapons, and might test and export them.[105] However, North Korea did not comment on this issue in public but continued to denounce the U.S. for reiterating its previous demand.[106]

On the other hand, the first round of six-party talks was held in Beijing in late August 2003 for a possible resolution of the North Korean nuclear issue among six neighboring nations: the U.S., Japan, Russia, China and the two Koreas. The United States reconfirmed that it had no intention of invading North Korea, but North Korea did not trust the U.S. promise and warned that unless the U.S. agreed to a non-aggression pact, it would continue to build a nuclear deterrent. In fact, the Bush administration held to its previous position that North Korea must first dismantle its nuclear program before starting any serious negotiations, stressing a "complete, verifiable and irrevocable" dismantlement (CVID) of Pyongyang's nuclear program.[107] Pyongyang proposed the "principle of simultaneous actions based on a package deal" in this meeting, but the U.S. rejected it and adhered to the precondition of CVID. Consequently, Pyongyang viewed this meeting as negative, denounced the Bush administration for its continued rigid position, and declared that the North "is no longer interested in such useless talks," because the U.S. "has no willingness to improve relations and change its policy but continuously seeks to disarm us."[108] At

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[105] David E. Sanger, "North Korea Says It Now Possesses Nuclear Arsenal," *New York Times*, April 24, 2003.

[106] "Proposing a new and lofty solution," *Rodong Sinmun*, April 26, 2003.

[107] John Pomfret, "U.S. North Korea Don't Bend on Arms," *Washington Post*, August 28, 2003.

[108] "We have no more interest or expectation in the six-party talks," *Rodong Sinmun*, September 1, 2003.

the end of the meeting, China as a host country intended to issue a joint statement signed by all six nations, but North Korea reportedly refused to sign it at the last minute.

Because of the hard-line U.S. position and Pyongyang's strong reservation about U.S. preconditions, the second round of six-party talks could not be held until late February 2004. In the meantime, the KEDO decided to suspend the LWR project in North Korea for one year under the influence of the Bush administration, beginning December 1, 2003. This decision made Pyongyang very angry, so it demanded compensation for the breaking of the Agreed Framework and declared that it would not allow any facilities in the construction site to be taken out before the U.S. and the KEDO provided such compensation.[109] In the second round of talks, however, the six nations made some progress by agreeing to hold a third round by the end of June and to form a working group to discuss technical matters for subsequent talks.[110] Although the atmosphere of this meeting was less hostile than that of the first round six months earlier, they still failed to reach any substantial agreement on the nuclear issue. According to some media reports, President Bush himself instructed the U.S. delegation in Beijing to make it clear that the administration's patience in diplomacy could run out,[111] so Bush's personal intervention reportedly halted Chinese effort to issue a joint statement. North Korea again disapproved of the rigid U.S. position and

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[109] "Demanding a compensation from the KEDO and the U.S. for breaking the promise of a nuclear plant," *Rodong Sinmun* November 29, 2003.

[110] Joseph Kahn, "U.S. and North Korea Agree to More Talks," *New York Times*, February 29, 2004.

[111] Glenn Kessler, "Bush Signals Patience on North Korea is Waning," *Washington Post*, March 4, 2004.

complained that the Bush administration "seeks to keep putting pressure upon us and buy time, waiting for our collapse."[112]

Although two working group meetings made no serious progress, the third round of six-party talks was held in late June 2004 as scheduled. In this meeting, the U.S. softened its hard-line stance by offering North Korea fuel oil for its energy needs, a provisional security guarantee, and the lifting of some sanctions, but the offer was provisional because under the American plan North Korea would have had to disclose its nuclear program fully, submit to inspections, and pledge to begin eliminating the program after a "preparatory period" of three months.[113] On the other hand, Pyongyang demanded that the U.S. should give up the precondition of CVID, lift sanctions and provide substantial energy aid as compensation for loss from its nuclear freeze. Although the six nations again failed to issue a joint statement, they made some progress by agreeing to regard the North's nuclear freeze as the initial step toward its nuclear dismantlement and to hold the fourth round of talks by the end of September. North Korea also regarded this meeting as somewhat "constructive," stating that "this meeting was different from previous ones," because "each provided several proposals and found something in common that might lead to progress."[114] In particular, North Korea thought much of the U.S. statement that it would carefully study the North's proposal of "freeze versus compensation," saying that "this

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[112] "It depends on U.S. policy change whether the nuclear issue will be resolved or not," *Rodong Sinmun*, March 1, 2004.

[113] Joseph Kahn, "U.S. Offers North Korea Aid if It Phases Out Nuclear Program," *New York Times*, June 23, 2004.

[114] "Referring to the third round of the six-party talks," *Rodong Sinmun*, June 29, 2004.

agreement regarding simultaneous action is a positive progress in this meeting," though still expressing reservations about the U.S. proposal.

Deepening crisis

The conciliatory environment of the third round of the six-party talks was not sustained long but moved into a confrontational impasse in the second half of 2004, producing no fourth round of talks scheduled in the fall (Park 2005). After a mid-August informal talk in New York, North Korea declared that "the U.S. reversed all agreements and common understanding and brought back its precondition of CVID... and actually has no interest in making the dialogue fruitful but only tries to look s though it is making efforts to resolve the issue."[115] Furthermore, the stalemate was accentuated by passage of the North Korean Human Rights Act of 2004 in the U.S. Congress, and President Bush's signing of the Act into law on October 18, 2004. According to this Act, the U.S. authorizes up to $24 million annually through 2008 to promote North Korean's human rights through humanitarian aid and to protect North Korean refugees by providing humanitarian and legal assistance and helping them obtain political asylum in the U.S.[116] North Korea denounced the U.S. harshly,

[115] "Referring to the prospect of the fourth round of the six-party talks," *Rodong Sinmun*, August 17, 2004.

[116] "Law Allows Grants, Aids to North Koreans," *Washington Times*, October 19, 2004. See also President Bush's statement, <http://www.whitehouse.gov/news/releases/2004/10/20041018-5.html>. A full text of this Act can be found in <http://www.theorator.com/bills108/hr4011.html>.

arguing that this Act was the legalization of the U.S. intention to topple the North Korean regime so that it made all dialogue on the nuclear issue meaningless.[117]

At the same time, Secretary of State Rice identified North Korea as one of the "outposts of tyranny" to which the U.S. must help bring freedom.[118] To North Korea, Rice's comment was not only reminiscent of President Bush's characterization of North Korea as one of the "axis of evil" in 2002, but also a reflection of a statement in his second inaugural address that "it is the policy of the United States to seek and support the growth of democratic movements and institutions in every nation and culture, with the ultimate goal of ending tyranny in our world... We will defend ourselves and our friends by force of arms when necessary."[119] Pyongyang argued that Rice's comment made clear what "tyranny" Bush was referring to.[120] To Pyongyang, Bush's statement and Rice's comment were much more hostile than any earlier statements by the administration, because it ignored North Korea as a negotiating partner in the six-party talks. Pyongyang consequently became much more suspicious that the U.S. was not interested in negotiating with the North but just

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[117] "A hostile declaration against the DPRK intending to topple our regime, <North Korean Human Rights Act>," *Rodong Sinmun*, October 18, 2004.

[118] Nicholas Kralev, "Rice Targets 6 'Outposts of Tyranny'," *Washington Times*, January 19, 2005. These nations include North Korea, Iran, Cuba, Burma, Zimbabwe and Belarus. For a short summary of U.S. relations with these nations, see "At-a-glance: 'Outposts of tyranny' BBC News World Edition, January 19, 2005. <http://news.bbc.co.uk/2/hi/americas/4187361.stm>.

[119] President Bush's inaugural address for his second term, "President Sworn-In to Second Term," Office of the Press Secretary, January 20, 2005. <http://www.whitehouse.gov/news/releases/2005/01/20050120-1.html>.

[120] A memorandum by North Korean Ministry of Foreign Affairs, *Rodong Sinmun*, March 3, 2005.

sought to isolate the North in the following six-party talks. In this situation, Pyongyang announced, "We have no reason to go back to the six-party talks."[121]

Likewise, Pyongyang argued that due to the Bush administration's hard-line North Korea policy, the threat from the U.S. was getting worse. Declaring that "another acute nuclear crisis was created due to the hostile U.S. policy against North Korea," Pyongyang emphasized that the North should not have any illusions about the U.S. but be prepared to counter American force with its own.[122] Compared with the North's increasingly positive perception of the Clinton administration just a few years before, its view of the Bush administration was continuously deteriorating, especially after Kelly's confrontation in October 2002, bringing Pyongyang back to the domain of losses.

Pyongyang's nuclear policy: Deepening the nuclear confrontation

The second North Korean nuclear crisis after October 2002 is quite similar to the first North Korean nuclear crisis in the early 1990s in terms of Pyongyang's perception of the U.S. and its policies. Washington would not accept Pyongyang's proposal of a nuclear freeze unless Pyongyang dismantled its nuclear program first in a "complete, verifiable and irreversible" manner, and Pyongyang would not act first. Also during the first North Korean nuclear crisis, as explained in Chapter 4, Washington was not willing to accept Pyongyang's proposal of a freeze without filling in the gap in Pyongyang's nuclear history that the IAEA had found, and

[121] Statement by North Korean Ministry of Foreign Affairs, *Rodong Sinmun*, February 11, 2005.

[122] "Joint Editorial," *Rodong Sinmun*, January 1, 2004.

Pyongyang was never willing to accept U.S. demands without U.S. obvious security guarantee and economic compensation. In both crises, as Pyongyang's perception of threat intensified, so did its policy of nuclear confrontation.

As it had in the early 1990s, Pyongyang began to escalate the nuclear crisis again step by step beginning in October 2002. After the U.S. terminated the provision of fuel oil under the Agreed Framework, Pyongyang quickly declared the collapse of the Agreed Framework and subsequently announced the reactivation of the suspended nuclear program and the expulsion of the IAEA inspectors. Pyongyang also announced that it would withdraw from the NPT and be completely free from the IAEA safeguards agreement. Although Pyongyang was involved in several nuclear talks including the six-party talks, it was continuously unwilling to accept the U.S. demand of "complete, verifiable and irreversible dismantlement" of its nuclear program before its demand of a security guarantee and economic compensation was accepted by the U.S. In this stalemate, as Pyongyang's view of U.S. policy toward North Korea became more negative, its policy attitude toward the U.S. also became much more aggressive and confrontational. Pyongyang argued, "When U.S. hostile policy toward the North is dissolved, we can also freeze and give up our nuclear program. Because U.S. hostile action is increasing, however, we cannot freeze our nuclear program, not to speak of giving it up,"[123] and pledged that it would "take any necessary steps more quickly."[124] As it perceived the situation to be

[123] "Referring to the prospect of the fourth round of the six-party talks," *Rodong Sinmun*, August 17, 2004.

[124] "It depends on U.S. policy change whether the nuclear issue will be resolved or not," *Rodong Sinmun*, March 1, 2004.

deteriorating, it escalated the nuclear confrontation, finally declaring in public on February 20, 2005 that it possessed nuclear weapons.[125]

In fact, neither side acted in a vacuum. As Cha and Kang (2003: 135) have acknowledged, both the U.S. and North Korea reacted to each other's position, and the interaction produced a spiral of mistrust and misunderstandings, although the interaction was not necessarily a simple matter of give-and-take. Washington's threat has always given a negative influence on Pyongyang's perception, and this has led to Pyongyang's hard-line nuclear policy, which in turn has had a negative impact on U.S. side. According to Harrison (2005b), who visited Pyongyang in April 2005, North Korean officials told him that Pyongyang would "no longer prepared to discuss the dismantlement of its existing nuclear weapons as part of the six-party process in Beijing until the United States normalizes its economic and political relations with Pyongyang and makes a credible commitment not to continue promoting regime change." This implies that as the Bush administration raises its pressure on the North, Pyongyang is also likely to continue escalating the nuclear crisis.

Revisiting North Korea's Domestic Situation: 1995-2005

Again, North Korea's domestic stability was a concern to the outside world throughout the second half of the 1990s and the early 2000s. Because Pyongyang's risk-taking attitude might be strongly influenced by its domestic situation, it is important to examine the North's domestic stability in this period. In particular, the sudden death of Kim Il-sung in July 1994 raised fundamental questions about the

[125] Statement by North Korean Ministry of Foreign Affairs, *Rodong Sinmun*, February 11, 2005.

continuity of the North Korean regime under Kim Jong-il, and many believed that the leader's death would eventually lead to the collapse of the North Korean regime and the reunification of two Koreas (S. Kim 1995; Eberstadt 1999). In fact, the North's domestic situation went from bad to worse very quickly after 1995 and might have threatened the regime's survival from the inside (Eberstadt 1999; Noland 2000). The questions here are how the deteriorating domestic situation in North Korea influenced its foreign policy in this period and also how the international environment affected its domestic stability.

Food crisis and "arduous march": 1995-1998

Although North Korea's domestic situation had already gone bad in the early 1990s, it became dramatically worse during the second half of the 1990s, mainly due to consecutive natural disasters, which Pyongyang called a period of "arduous march."[126] In the early fall of 1995, Pyongyang informed the international community that severe floods had devastated its agricultural production and caused widespread food shortages (S. Kim 1996: 61). What made matters worse was that this flood was followed by another great flood and drought in the subsequent years, resulting in a serious food crisis. North Korea had long suffered from food shortages, which had in general resulted from the North's dysfunctional economic system and policy, but the consecutive natural calamities made the food shortage especially acute. Kim Jong-il himself candidly described this food shortage as a serious threat to the North Korean regime. In a speech delivered on the occasion of the fiftieth

[126] "Joint editorial," *Rodong Sinmun*, January 1, 1996.

anniversary of Kim Il-sung University on December 7, 1996, Kim emphasized that "the most urgent issue to be solved at present is the food problem."[127] He warned that "a state of anarchy" had arisen in the North due to the food problem. "Streets are crowded with people who are looking for food... Due to the bad harvest for the past three years, we have received food from international agencies, and we are having a very hard time due to the food problem."

The food crisis led directly to the worst humanitarian disaster ever in the North Korean history, seriously threatening the stability of the regime. Due to the food shortage, appalling numbers of North Korean people died of starvation in this period. Although North Korean officials stated that only 220 thousand people had died between 1995 and 1998,[128] the estimated number of deaths reportedly rose to 3 million, which corresponds to more than one-tenth of the North's total population. According to one estimate based on surveys near the North Korean border in China (Natsios 2001: 201-206), approximately 2 or 3 million North Korean people were believed to be dead in this period. The South Korean intelligence agency also reported in February 1999 that North Korea's total population had fallen by between 2.5 and 3 million.[129] The estimated numbers of death varied, but such estimation was largely confirmed by Hwang Jang-yup, who claimed that according to the North Korean statistical agency, approximately 1.5 million people were reported to have

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[127] "Transcript of Kim Jong-il's speech at Kim Il-sung University's fiftieth anniversary," *Monthly Chosun*, April 1997.

[128] "North Korea Says 220,000 Dead in Famine," *Associated Press*, May 10, 1999, cited in Natsios (2001: 205).

[129] "North Korea loses 3 million to famine," *BBC News*, February 17, 1999, <http://news.bbc.co.uk/1/hi/world/asia-pacific/281132.stm>.

died from starvation in 1995 and 1996 only, and more than 2 million were presumed to have died in 1997 and 1998 (Hwang 1999a: 305-6).

Such a serious food crisis and famine must have been a great threat to the North Korean regime, as Kim Jong-il himself described it as "a state of anarchy." In order to control the chaotic situation from the food crisis, the North Korean department of social security issued a decree on hoarding and the theft of food on August 5, 1997, declaring that "those who steal grain shall be executed by shooting... and those who engage in trade using grain shall be executed by shooting" (Natsios 2001: 119). Kim warned that in the present situation "we cannot be sure that there will be no riot," and emphasized the importance of the political and ideological education of the people.[130] Also regarding the military, Kim stressed that "it is more important than anything to strengthen the military in the present complex situation... but we are not able to send rice to the army because we do not have sufficient rice."

Seeking help and saving the regime

In such a desperate situation in which Pyongyang was seriously troubled by growing instability in domestic politics, North Korean leaders might have been strongly tempted to adopt a risky foreign policy in an attempt to restore the domestic status quo, as prospect theory explains. In fact, Hwang Jang-yup observed that war was seriously emphasized more in this period than before mostly due to the economic difficulties (Hwang 2001: 156, 1999a: 293). North Korean military leaders even

[130] "Transcript of Kim Jong-il's speech at Kim Il-sung University's fiftieth anniversary."

claimed that "it is advantageous to start a war as soon as possible because it would be more difficult as time goes by."

However, it appeared that North Korea was actually in no position to take a confrontational stance against the international community. Far from planning to lash out against the outside world, North Korea appeared to have actively pursued engagement with the international community to alleviate its domestic pressure, asking for international aid. As explained earlier in this chapter, Pyongyang's perception of external affairs had been improving following the nuclear deal in 1994, and in this period Pyongyang sought to bring in as much international aid as possible.[131] Depending on the improving relations with the outside world, Pyongyang seemed to have chosen to safeguard the regime from the prospect of domestic revolt. In fact, North Korea had put into practice a number of diplomatic measures that showed good faith in the second half of the 1990s. Its conciliatory moves included the continued suspension of the nuclear program under the Agreed Framework, the moratorium on missile development, and diplomatic overtures to Washington, as noted above. With a policy of engagement, North Korea could secure plentiful aid from South Korea and the U.S. as well as China (Oberdorfer 2001a: 398). Kim Jong-il himself expressed "high gratitude for the humanitarian assistance received from the peoples of the world including South Korea, the U.S., Japan, and so forth" (Moon 2000b). Hwang Jang-yup (2003: 64-65) also contended that the North Korean regime "was nearly on the point of collapse between 1995 and 1998." Owing to the Clinton

[131] "Grain stock is 167,000 tons, Task Force for Flood Damage says," *KCNA*, March 2, 1998. The article stated, "We appreciate that the international community is going to continuously provide us with food this year, too."

administration's engagement policy and South Korea's sunshine policy, he argued, North Korea could avoid regime collapse and reduce its domestic pressure, so it could not help but continue to depend on the U.S and South Korea rather than lash out (Hwang: 2003: 113).

In short, during the second half of the 1990s North Korea was domestically situated in the domain of extreme losses mainly due to the food crisis and famine resulting from the consecutive natural calamities. In its desperate domestic situation, North Korea might have lashed out on the Korean peninsula. However, it did not pursue a risk-acceptant confrontational foreign policy but rather chose a risk-averse move, possibly because the North Korean leaders still perceived their domestic regime to be sustainable and also because they intended to depend on the improving relations with the outside world to restore domestic stability. If Pyongyang's perception of the external situation had been situated in the domain of losses in this period, Pyongyang might have become much more risk-acceptant in its foreign policy decision than it was in the early 1990s, but it did not have in mind the logic of "double or nothing."

North Korea under Kim Jong-il

As noted, Kim Jong-il himself was concerned about the possibility of political chaos during the food crisis, but no obvious internal disorder occurred. Experts on North Korea discussed several scenarios for the country's future (Oh and Hassig 1999), but the regime turned out to be strong enough still to "muddle through" its domestic crisis (Noland 1997, 1998). Although hundreds of thousands of people

starved to death in only a few years, and rumors spread of purges and executions (Brown 1999), there was neither an apparent popular uprising nor a military coup. The regime continued to focus on political education and the exertion of systematic social control,[132] so much of the domestic pressure was managed quite efficiently (Hwang 1999a: 364; Oh and Hassig 2000: 127-47). As Kim wished, his regime was also strong enough to control the military, and several times he overweighed the military in his economic and diplomatic efforts in this period (Oberdorfer 2001a: 375). Kim strongly implied that he had complete hold over the military when he met U.S. Secretary of State Albright in October 2000, saying that "the military wants to update its equipment, but we won't give them new equipment. If there's no confrontation, there's no significance to weapons. Missiles are now insignificant" (Albright 2003: 463). When he met South Korea's media executives in August 2000, he reportedly told them very confidently, "I decide of my own will regarding the military."[133] Especially with regard to connecting the North-South railway, Kim even stated that he would "pull out two army divisions of 35,000 troops near the DMZ and put them in the construction site."[134] In fact, the North Korean's People's Army continued to express its strong support for Kim, emphasizing that it would continue to favor his

[132] "Transcript of Kim Jong-il's speech at Kim Il-sung University's fiftieth anniversary."

[133] "8 media executives' accounts of travel to the North," *Sindonga* September 2000.

[134] "Speedy North-South reconciliation and inter-cooperation begun," *Weekly Donga*, August 24, 2000.

military-first policy and follow him,[135] and Kim also stressed the importance of the military, saying that "my power comes from the military."[136]

On the other hand, in the midst of the food crisis, Kim began to officially centralize the power he had inherited from his father.[137] In October 1997, he was elected general secretary of the North Korean Workers' Party and on September 5, 1998, was also named Chairman of the National Defense Commission, which was declared to be the nation's highest post. This meant that Kim had gained complete control of both the party and the military. This was exactly what Hwang Jang-yup (1999a: 308-9) confirmed, and what U.S. special envoy William Perry (1999) also recognized after his trip to Pyongyang. It implies that Kim demonstrated strong leadership to his own nation and to the world during the difficulties of the "arduous march." When Albright met Kim, she observed that "he didn't seem a desperate or even a worried man," but rather "confident" despite North Korea's wretched condition and believed that Kim "was not going to go away and his country, though weak, was not about to fall apart" (Albright 2003: 467).

Restoration of domestic stability in the 21st century

As Kim told Albright in October 2000, North Korea was still internally "in dire straits, trapped in a vicious circle," ruined by flood, drought and famine from the

[135] "Ten years after becoming highest commander," *KCNA*, December 23, 2001.

[136] "Speedy North-South reconciliation and inter-cooperation begun."

[137] Kim was already referred to as the top leader in North Korea in 1994 right after Kim Il-sung's death. See a statement by North Korea's chief nuclear negotiator, Kang Sok-ju, in *Rodong Sinmun*, October 24, 1994.

second half of the 1990s along with the continuing economic difficulties (Albright 2003: 466). However, the North's domestic politics appeared to have passed through the worst of the "arduous march" by the end of the 1990s. According to the Bank of Korea, North Korea's annual economic growth rate turned to the plus in 1999, getting out of the long depression of the 1990s.[138] Kim himself expressed a strong interest in the North's economic development and visited China in May 2000, praising its rapid economic growth (Moon 2000b).[139] However, he seemed to be more interested in the Swedish and Thai models of economic development than the Chinese one, because the former is basically socialist model and the latter seeks to combine its political tradition with the market economy (Albright 2003: 466). His opinion implied that he wished to reform the North Korean society and open its economy while preserving its sovereignty and its regime.

Therefore, while undertaking large-scale construction in order to minimize the damages of flood and drought and to restructure the agricultural area to resolve the food shortages, the North Korean government began to pursue several new policies to reform and stabilize its domestic politics (Noland 2004; Ahn 2002, 2003). The so-called "economic management improvement" measure was introduced in July 1, 2002, in an attempt to overcome economic difficulties by improving economic management.[140] Furthermore, Pyongyang decided to construct several new industrial

[138] North Korea's annual economic growth rate was improving from –6.3% in 1997 and –1.1% in 1998 to 6.2% in 1999 and 1.3% in 2000. <http://www.bok.or.kr/index.jsp>.

[139] See also "General Secretary Kim Jong-il's unofficial visit to China," *KCNA*, June 1, 2000.

[140] North Korean officials reportedly told the western diplomats that this measure was as important as the land reform after liberation from Japanese colonial rule in 1945. See <http://unibook.unikorea.go.kr/bukhandb/bukhandb_06_69.jsp>.

zones. North Korea not only agreed with the South Korean conglomerate Hyundai in 2000 to construct an industrial park in Kaesong that is located near the Demilitarized Zone, but also in September 2002 announced the establishment of a special district in Sinuiju, a border town near China, and declared that the zone would lie completely outside North Korea's usual legal structures.[141] In September 2003, the North Korean government sought to step up its economic reform, recruiting younger and reform-minded technocrats into the leadership. These changes in political leadership also signaled that Pyongyang's reform drive would be accelerated by younger, well-educated and pragmatic technocrats (Park 2004: 145).

In short, Pyongyang's domestic situation was in the domain of extreme losses in the late 1990s, but the regime seemed to have escaped the worst-case scenario in the 2000s. As David Kang (2003d: 116) argues, a country falling to pieces would not be able to engage in such long-term planning. The North Korean regime still faces difficulties, but the signs of imminent collapse from the inside are absent. Rather, the Kim Jong-il regime is still strong enough to manage many domestic challenges. Thus, North Korean leaders are unlikely to make risk-acceptant foreign policy moves influenced by their unstable domestic politics unless the country's domestic structure is aggravated extremely.

Summary

During the second half of the 1990s after the nuclear deal with the U.S. in 1994, North Korean leaders perceived Pyongyang's external status quo as improving,

[141] "Designating Sinuiju as a special district," *KCNA*, September 19, 2002.

so their domain of action was moving toward gains although it was still situated in the domain of losses. Thus, North Korean leaders became risk-averse rather than risk-acceptant and did not take a risky foreign policy option but rather sought to engage the U.S. in an attempt to avoid losses and improve the status quo (the counter-proposition of Proposition 1). After the Bush administration took office, however, Pyongyang's domain of action began to deteriorate again and finally returned to the domain of losses after October 2002. In this losing situation, North Korean leaders began to express a risk-acceptant attitude again and resumed confrontation of the international community with its nuclear program in order to restore the status quo (Proposition 1). On the other hand, North Korea's domestic situation went from bad to worse during the second half of the 1990s mainly due to the food crisis arising from the subsequent natural calamities. In the worsening domestic situation, North Korean leaders might have been tempted to adopt a risky foreign policy if the domestic situation had become extremely worse (Proposition 3), but Pyongyang instead chose to improve relations with the international community because the regime was still strong enough to muddle through the domestic crisis (the counter-proposition of Proposition 3). Finally, Table 5 summarizes North Korea's risk-taking attitudes between 1995 and 2005. In the matrix, North Korea's risk-taking attitude has shifted from cell 1 during the Clinton administration to cell 2 after the Kelly visit in October 2002 in terms of changes in its domestic and international situations, and its risk-taking attitude was moving between cell 1 and cell 2 in the pre-October 2002 period during the Bush administration.

Table 5-1. Pyongyang's Foreign Policy Risk-Taking Attitudes, 1995-2005

		International situation	
		Growing gains	Losses
Domestic situation	Sustainable	Risk-averse (cell 1: 1995~2000)	Risk-acceptant (cell 2: post-October 2002)
	Unsustainable	Risk-acceptant (cell 3)	Highly risk-acceptant (cell 4)

CHAPTER 6

CONCLUSION

This study started by proposing three questions for the purpose of analyzing North Korea's nuclear policy and policy change after the Cold War. This chapter presents summaries of answers to those questions based on the cases discussed in the previous two chapters. It also identifies a few policy implications for the current North Korean nuclear crisis and other potential international crises caused by weaker states. Finally, it finds some theoretical implications of the North Korean case for international relations and war studies.

Grand Summary

– Why did weaker North Korea initially choose to take the risk of standing up against the much stronger U.S. with its nuclear weapons program, even escalating the crisis to the point of risking a war rather than engage the U.S. from the beginning?
– Then, why did North Korea change its course of action in the midst of the crisis even though the initial security environment that led to the nuclear weapons program remained essentially the same?

First of all, in the early 1990s after the end of the Cold War, North Korean leaders perceived the North's status quo to be deteriorating on the Korean peninsula, so they began to frame their external situation in the domain of losses, became risk-acceptant, and confronted the U.S., taking a more risky foreign policy option in an attempt to restore the status quo.

Second, in June 1994, North Korean leaders began to feel that a U.S. military strike on North Korea might be imminent, and in the military confrontation with the

U.S., their domain of action suddenly shifted from loss to extreme loss. Because military conflict with the U.S. would probably lead to the end of the North Korean regime, North Korean leaders became risk-averse and sought to avoid the certainly catastrophic outcome of war. If North Korean leaders perceived a serious threat to regime survival from domestic politics in the early 1990s and believed at the time that the domestic regime could not be sustained, they might have become highly risk-acceptant and might have sought to externalize the domestic discontent in the mindset of "double-or-nothing." However, because they perceived that the regime was strong enough to manage the domestic issues, they did not choose to lash out in June 1994 but instead tried to resolve the crisis when they saw the international situation becoming extremely worse.

Third, during the second half of the 1990s after the nuclear deal with the U.S. in 1994, North Korean leaders perceived that Pyongyang's status quo in international politics was improving. As North Korean leaders perceived that their domain of action was moving toward gain, they began to show risk-averse foreign policy attitude and sought to engage the U.S. in an attempt to avoid loss and improve the status quo. On the other hand, because North Korea's domestic situation went from bad to worse due to the food crisis, North Korean leaders might have become more willing to adopt a risky foreign policy. However, they did not become risk-acceptant in an attempt to externalize domestic unrest, but rather decided to use the improving international situation and restore the status quo of domestic politics because the regime was still sustainable enough to muddle through the domestic crisis.

Fourth, after the Bush administration took office and continued a hard-line policy toward North Korea, North Korean leaders began to perceive the international situation as deteriorating. North Korea was also losing patience regarding America's unwillingness to fulfill the Agreed Framework. After the Bush administration revealed the North's new covert nuclear program in October 2002 and renounced the Agreed Framework, Pyongyang's domain of action finally returned to losses. In the newly established losing situation, North Korean leaders began to demonstrate their risk-acceptant attitude again and resumed the confrontation with an aggressive nuclear policy in an effort to restore their external status quo. On the other hand, the North avoided a worst-case domestic scenario of the second half of the 1990s, and its domestic situation did not strongly influence foreign policy decision making.

Table 6-1. Pyongyang's Situations and Foreign Policy Risk-Taking Attitudes

		International situation		
		Growing gains	Losses	Extreme Losses
Domestic situation	Sustainable	Risk-averse (cell 1) 1995~2000	Risk-acceptant (cell 2) pre-June 1994; post-October 2002	Risk-averse (cell 3) June 1994
	Unsustainable	Risk-acceptant (cell 4)	Highly risk-acceptant (cell 5)	Highly risk-acceptant (cell 6)

Table 6-1 is a summary of North Korean leaders' domain of action and foreign policy risk-taking attitudes. North Korea was initially situated in cell 2 and showed risk-acceptant foreign policy attitude during the first half of the 1990s, but its

situation moved to cell 3 in June 1994 and changed its attitude to risk-averse. During the second half of the 1990s, North Korea's situation might have moved to cell 4 if its domestic situation had become worse to the point of being unsustainable, but because the North's domestic politics did not collapse and also because the regime used the improving external relations to resolve the domestic situation, Pyongyang's domain of action moved to cell 1 in the second half of the 1990s. However, in the early 2000s after the Bush administration took office, Pyongyang's situation was shifting between cell 1 and cell 2 and finally moved into cell 2 again after October 2002.

Table 6-2. Pyongyang's Domain of Action and Nuclear Policy

Periods		Domain	Pyongyang's Policy
First crisis	1) Pre-June 1994	Loss	Confrontation
	2) June 1994	Extreme loss	Confrontation → Engagement
Interim	3) Post-June 1994 during the Clinton administration	Moving toward gain	Engagement
	4) Pre-October 2002 during the Bush administration	Returning to loss	Restraint
Second crisis	5) October 2002	Loss	Restraint → Confrontation
	6) Post-October 2002	Deteriorating loss	Confrontation

Finally, Table 6-2 summarizes Pyongyang's nuclear policy depending on its domain of action in six periods throughout the North Korean crisis. This table demonstrates that when North Korea was situated in the domain of loss, it became

risk-acceptant and showed confrontational policy regarding its nuclear program like the periods of pre-June 1994 and post-October 2002. Conversely, when North Korea's domain of action was moving toward gain during the Clinton administration, it became risk-averse and showed conciliatory engagement policy. It also shows how Pyongyang's nuclear policy shifted from one to the other when its domain of action shifted from one to the other as in June 1994 and October 2002.

Competing Explanations

This study has demonstrated that the domestic-international model based on the North's domain of action explains Pyongyang's nuclear policy and policy change throughout the crisis. This section compares the study's argument with other competing explanations noted in the literature review and discusses the particular value that this study adds to the analysis. As noted in Chapter 3, alternative explanations of Pyongyang's nuclear policy may be divided into three broad groups and also be broken down into several different explanations, as summarized in Table 6-3.

Table 6-3. Competing Explanations of Pyongyang's Nuclear Policy

Competing explanations		Early 1990s	June 1994	Post-June 1994 (Clinton)	Pre-October 2002 (Bush)	October 2002	Post-October 2002
Security-Based	Waltzian realism	Go nuclear	Go nuclear	Go nuclear	Go nuclear	Go nuclear	Go nuclear
	Offensive realism	Confrontation	Confrontation	Confrontation	Confrontation	Confrontation	Confrontation
	Defensive realism	Tit-for-tat (engagement)	Tit-for-tat (engagement)	Tit-for-tat (engagement)	Tit-for-tat (engagement)	Tit-for-tat (engagement)	Tit-for-tat (engagement)
	Reciprocity	Reciprocation (engagement)	Reciprocation (engagement)	Reciprocation (engagement)	Reciprocation (engagement)	Reciprocation (engagement)	Reciprocation (engagement)
	Changed nature	Engagement	Engagement	Engagement	Engagement	Engagement	Engagement
Domestic-Based	Domestic political structure	Alternation	?	Confrontation	Alternation	?	Alternation
	History and Culture	Alternation	?	Confrontation	Alternation	?	Alternation
Prospect theory	Preventive motivation (Cha)	Confrontation	Confrontation	Confrontation	Confrontation	Confrontation	Confrontation
	Domestic-international model (this study)	Confrontation	Confrontation → Engagement	Engagement	Restraint	Restraint → Confrontation	Confrontation

Security-based explanations include three different groups of a realist approach and two different liberal approaches. The first group is the Waltzian realist approach, which argues that North Korea has always been determined to go nuclear and will eventually possess nuclear weapons, although they cannot be used for any purpose then deterrence (Mack 1991, 1993; Waltz 1995). This approach suggests that North Korea may have a deception plan to hide its nuclear capability and to complete its nuclear weapons, but the policy prediction is always "going nuclear," explaining neither confrontation nor engagement. The second group is the offensive realist approach, which focuses on the North's expansionist ambition. Thus, this approach predicts that due to its expansionist ambition on the Korean peninsula, North Korea will continue to confront the U.S. with its nuclear weapons program (Spector and Smith 1991; Bracken 1993; Downs 1999). Thus, the most serious weakness of these two approaches is that they are static and do not explain why North Korea's nuclear policy changes from one to the other. The third group is the defensive realist approach, which argues that North Korea can change its course of action if the security dilemma is resolved (Kang 1994/95, 1995, 2003b, 2003d; Mazarr 1995a, 1995b; E. Kang 2003; Wit, Poneman and Gallucci 2004). According to this group, because North Korea's goal is not military confrontation but the persistence of the regime, it is more likely to engage the international community insofar as its security concerns are addressed and economic rewards offered. This implies that Pyongyang's basic nuclear policy is one of tit-for-tat, but that the purpose of its policy is always "engagement." Although its policy changes are explained by the reciprocal sequence of diplomatic moves, it is doubtful that when Pyongyang changed

its policy from confrontation to engagement in June 1994, it received the security guarantee and economic benefits that it wanted. In reality, its policy change appears to have been influenced more by U.S. diplomatic and military pressure than by any desire for engagement. Moreover, if Pyongyang's policy preference had been one of engagement, it might have accepted U.S. offers previous to 1994 and not escalated the crisis unilaterally after October 2002.

On the other hand, liberal approaches to Pyongyang's nuclear policy posit that North Korean leaders are more likely to engage the U.S. rather than confront it. Because North Korea wants to improve relations with the United States, Pyongyang is ready to give up its nuclear weapons programs in a diplomatic give-and-take (Sigal 1998; Smithson 1999; Newnham 2004; Cumings 1997, 2004). Those who claim that Pyongyang's attitude has changed argue that Pyongyang now has more active intention of engaging the U.S. than some American experts believe (Harrison 1994, 2002; Oberdorfer 2001a, 2001b). Thus, in the liberal view Pyongyang's default policy is that of engagement, only if it can get military and economic benefits from the outside, so that the U.S. is mainly responsible for the confrontation. However, this view underestimates Pyongyang's tendency to change its attitude depending on the situation, so it is basically static, and does not explain Pyongyang's internal logic of policy change. If this view were valid, the possibility of cooperation should have been enhanced when the U.S. offered some political and economic benefits in the early 1990s and the 2000s, but Pyongyang did not always choose to engage the U.S.

Explanations focusing on domestic determinants explain Pyongyang's nuclear policy as reflecting its changing domestic situations (Mansourov 1994a; Park 1997;

Snyder 1999, 2000; Harrison 1994, 2002; Park 1996, 2002). This approach may explain Pyongyang's policy changes in terms of the domestic political dynamics. However, it does not explain Pyongyang's policy changes in terms of the international determinants of June 1994 and October 2002, when domestic factors were constants. Moreover, if North Korean leaders had focused on domestic factors only, their foreign policy would have been even more aggressive during the second half of the 1990s, because its domestic politics became much worse, although the international situation improved.

Victor Cha (1999, 2002, 2003) has applied prospect theory to North Korea's foreign policy. He bases his argument on prospect theory and the motivation for preventive war and argues that the North Korean leadership may deem some limited use of force as rational despite the recognition that they have little chance of winning. Although he perceives North Korea's decisional frame to have been long throughout the post-Cold War period, and that its nuclear weapons program has much to do with its motivation for preventive war, his model cannot explain Pyongyang's policy changes at all. Although he acknowledges that Pyongyang's strategy has changed from prevailing on the Korean peninsula during the Cold War to ensuring regime survival after the end of the Cold War, he believes that its nuclear policy did not change at all, but continuously emphasized the need to acquire nuclear weapons and then confront the U.S. and South Korea from a stronger position.

In short, most competing explanations of Pyongyang's nuclear policy have not succeeded in accounting for Pyongyang's policy changes during the nuclear crisis. Although North Korea has apparently shifted its policy from confrontation to

engagement and vice versa, the theories do not explain such dynamics. Even if some explanations do account for the policy changes, they do not succeed in providing a causal mechanism for those policy changes. For this reason, the present model of this study adds explanatory power to prospect theory and explains Pyongyang's nuclear policy better.

Policy Implication and Application

The third question of this study has to do with the policy implication of the North Korean nuclear case: *what does this study imply for North Korea's future nuclear policy and other potential international crises involving weaker states?*

The current North Korean nuclear crisis

This study suggests a model of Pyongyang's nuclear policy based on prospect theory and two-level games. As summarized above, if North Korean leaders perceive that the North's domestic situation is not so sustainable as to handle its internal challenges, they are more likely to become risk-acceptant and choose a risky foreign policy option irrespective of their perception of international politics. However, as long as the North Korean regime is strong enough to muddle through the domestic pressures, Pyongyang's nuclear policy is more likely to be influenced by its leaders' perception of the international situation, whether the situation is in the domain of losses or gains (McDermott 2004b: 295-96). In this sense, the North Korean nuclear crisis is more likely to keep deteriorating during the second half of the 2000s unless the Bush administration drops its hard-line policy toward North Korea in the future,

although the situation may go through further ups and downs. Because Pyongyang will continue to respond to changes in the international situation, the Bush administration's North Korea policy will be a critical variable in the understanding of North Korean leaders' future perception of the international situation. Thus, if the administration continues its hard-line policy toward the North, Pyongyang will see the situation as deteriorating, and its nuclear policy will become more aggressive and confrontational.

On the other hand, if North Korean leaders perceive direct military confrontation with the U.S. to be imminent and the regime continues to be sustainable in domestic politics, as seen in June 1994, they will be more likely to be risk-averse in the domain of extreme losses to avoid the certainly catastrophic outcome of war. Also in the second nuclear crisis, this study presumes that North Korea will also become risk-averse and try to avoid a worst-case scenario if the situation deteriorates further and it perceives military confrontation to be impending. However, such a presumption does not directly lead to a simple conclusion that all that the U.S. has to do to resolve the North Korean nuclear crisis is to exacerbate the crisis to the point where North Korean leaders perceive that the U.S. is on the brink of launching a military strike. Although this study does not exclude such a coercive approach to resolving the crisis, it is not a desirable policy option either for the two Koreas or for East Asia.

As noted above, if the North Korean regime weakens further and its domestic situation grows extremely worse, its leaders may become risk-acceptant and choose a more risky foreign policy. If they perceive that the North's domestic situation is

unsustainable, they may begin to believe that they had better start a war rather than allow the regime collapse under internal pressure. As McDermott (2004a: 150) explains, this situation would be very similar to the mindset of terrorists who resort to suicide bombing, believing that they have nothing to lose. Because the Bush administration's hard-line policy makes the North Korean domestic situation much worse, it is more likely to backfire and lead to another major military conflict on the Korean peninsula. Such a result will never be desirable for the U.S. or for the two Koreas. The case of Iraq clearly demonstrates how negatively the continued hard-line policy impacts the domestic politics of a weaker state and how hard it is for the U.S. to handle the post-war situation. Furthermore, given the regional security dynamics in East Asia, a military conflict on the Korean peninsula would create much more difficult and complicated problems for the U.S. than the Iraqi case, involving several great powers such as China, Japan and Russia. Thus, the stability of North Korea's domestic situation must be much more significant than anything else for the East Asian regional stability as well as for the stability on the Korean peninsula.

Second, even if North Korea's domestic situation does not deteriorate to the point of threatening the survival of the current regime, the Bush administration's continued hard-line policy may have seriously negative influences on East Asian relations. If the U.S. threatens sanctions and the military strike on the North, serious tension among regional powers will inevitably rise, and such a tension will make East Asian relations much more unstable, given the current regional situation like China and South Korea's mistrust of Japan and American concerns about the rise of China. In fact, the hard-line policy of the United States has already damaged regional

stability, accelerating the North's nuclear program. Pyongyang announced in early 2005 that it had made nuclear weapons, and its possession of nuclear weapons will continue to exacerbate the security dilemma in East Asia by forcing other regional powers – South Korea, Japan and possibly Taiwan – to follow suit. Such a vicious cycle could perpetuate the negative spiral of relations among regional powers. Thus, there is always a greater risk associated with the hard-line policy than the conciliatory one: a greater downside cost despite a great upside benefit. Such cost increases mistrust and leads to a spiral of hostility and subsequently a greater chance of inadvertent military clashes among nations, as Copeland (2001: 14) emphasizes. In short, it is necessary that the U.S. continue to display the will and capability to resolve the North Korean nuclear crisis and hold back coercion as a last resort, but the hard-line U.S. policy is likely to push North Korean leaders toward a more risk-acceptant strategy, and then eventually backfire.

The recent development of the six-party talks highlights the difficulty of resolving the North Korea nuclear issue. North Korea agreed with the United States and four other regional powers in September 19, 2005 that it would end its nuclear weapons program in return for security, economic and energy benefits. The six nations signed the Joint Statement that stipulated the agreement of the fourth round of the six-party talks.[1] Such an agreement partially results from the somewhat weakened U.S. hard-line policy toward North Korea because Pyongyang mostly responds to changes in the external situation. However, it does not necessarily mean that North Korea has shifted it domain of action to gains. Pyongyang is still

[1] Glenn Kessler and Edward Cody, "N. Korea, U.S. Gave Ground to Make Deal," *Washington Post*, September 20, 2005.

suspicious of the Bush administration's real intention in dealing with the regime, and the North's situation still remains in the domain of losses. This means that the situation may go through ups and downs but will not change fundamentally because neither the Bush administration's North Korea policy nor Pyongyang's nuclear policy is now designed to lead to a meaningful transformation of the relationship between the two nations. As North Korea declared right after the deal was signed, it is not likely to fulfill any substantial obligations before it receives what it seeks from the U.S., while the Bush administration will not accept these demand from the North.[2] As a result, the subsequent six-party talks ended without any progress,[3] and it suggests that North Korea still remains in the domain of losses and is more likely to choose a risk-acceptant nuclear policy in the near future.

Implications for other cases

As Alexander George (1979: 43-49) noted, one can draw some lessons from a single historical case by applying theory and identifying the causal mechanism connecting variables and outcomes. In this sense, the significance of the North Korean case is that in the application of prospect theory to a weaker nation's decision making, North Korea is a "least-likely" case with regard to explanation of policy change. A "least likely" case strengthens the explanatory power of the theory by fitting the theory to a case where it should be weak (George and Bennett 2005: 120-

[2] Glenn Kessler, "Nations Seek to Hold North Korea to Text of Agreement," *Washington Post*, September 21, 2005.

[3] Philip P. Pan, "N. Korea Arms Talks End With Little Progress," *Washington Post*, November 12, 2005.

23). In fact, other theories of international relations, including realism or rational choice, have been criticized as having some difficulty in accounting for changes over time. However, prospect theory explains that as the domain of action shifts back and forth, national leaders' risk-taking attitude is also expected to shift in response to changes in the environment, producing policy changes (McDermott 2004b: 292). Because North Korea has been far more self-assertive and defiant than most other nations in the world, it has not been expected to change its course of action during confrontations with its enemies (Newnham 2004). Therefore, if North Korea's policy change can be explained, cases of less defiant and threatening nations may also be explained.

In summary, the implications of the North Korean nuclear crisis for other possible cases are as follows. First, when a weaker nation is situated in the domain of loss, it is more likely to become risk-acceptant and choose a more risky foreign policy than when it is in the domain of gain. Second, although leaders of a weaker nation will be less likely to engage in a major war that may lead to the extinction of the regime or nation, they may rather escalate a crisis into war if their regime is not strong enough to weather domestic challenges. Third, for this reason, the hard-line policy of a stronger state toward such a nation is likely to lead to a greater risk than a conciliatory policy, producing a greater negative downside cost of security dilemma and military confrontation despite achieving its positive upside policy objective of removing the present threat.

However, these policy implications may not simply be replicated for other weaker nations because every nation has different conditions and objectives. Thus,

the model of this study appears to have more explanatory power for nations that have been characterized by the U.S. as members of the "axis of evil" or "outposts of tyranny." Because such so-called rogue regimes have not only accepted the risk of defying the much stronger United States, which they perceive to threaten the security of nation and survival of regime, but also have continuously been troubled by problems of domestic stability and regime legitimacy, their foreign policy decision making has been influenced much more by the leaders' internal and external considerations. In this sense, the Iraqi foreign policy under Saddam Hussein and the recent nuclear policy of Iran will be good candidates for the model this study proposes. Especially, the experience of Iraq sheds on light on the current and future policies of Iran and North Korea.

Iraq under Saddam Hussein

During the Gulf War of 1991, why did not Saddam Hussein resolve but instead continued to escalate the crisis even though the United States made it clear that it would go to war unless Iraq withdrew from Kuwait? Then, why did he later decide to stop defying the U.S. and withdraw from Kuwait? Conversely, why did he choose to fight during the Iraq war of 2003 although he chose not to accept battle on Iraqi territory before? Saddam Hussein's foreign policies during the Gulf War and the Iraq war reflect the importance of his domestic and international consideration and risk-taking attitude. First of all, Saddam Hussein was clearly in the domain of gains after he invaded Kuwait in 1990, because the takeover of Kuwait would help Iraq recover its devastated economy after eight years of war with Iran by doubling

Iraq's oil assets and enhance political prestige of Iraq in the Middle East (Musallam 1996). However, the situation was getting worse and moving toward the domain of losses as international pressures intensified. When Iraq was confronting the UN and the United States after the invasion of Kuwait, it was about to lose what it had gained and was operating in the domain of losses. If Saddam Hussein had capitulated to the external pressures in such a losing situation, he would have faced tremendous losses to personal popularity, regime security and international prestige, as noted by Freeman and Karsh (1993: 275-278). Iraqi Foreign Minister Tariq Aziz also stated that "retreat meant a political and moral collapse," and that "this collapse would have a domino effect" (Mohamedou 1998: 148). Thus, Saddam Hussein was ready to gamble to secure his new status quo because his decision to invade Kuwait was, in Tariq Aziz's words, not only "to unite with Kuwait" but also " to resolve Iraq's economic problems with a lung open to the sea" (Mohamedou 1998: 134). Saddam was not willing to define the old status quo as an acceptable reference point because his concession might cost him many calamities including personal and regime survival. As a result, he accommodated his gains from the invasion of Kuwait very quickly, attempted to maintain his new status quo against external influence, and became risk-acceptant, waging a war against the U.S. and U.N. (Levy 2000: 206-7).

Second, Saddam appeared to believe that the Gulf War would be limited in Kuwait and not be expanded to the territory of Iraq, so that he might lose the war and give up Kuwait but not risk the survival of his regime. Moreover, he believed that a war with the U.S. would make him a hero respected by the Arab masses as a new Nasser, without risking his domestic regime (Freeman and Karsh 1993: 278).

However, when he lost the Gulf War and Kuwait, it appeared that he could not help but resolve the crisis to avoid expansion of the war into Iraqi territory and the end of his regime. In terms of prospect theory, he sought to avoid the catastrophic outcome.

Third, Saddam's road to the Iraq war as opposed to his previous decision may be explained by his domestic consideration. Although more research is necessary to understand how he framed his domestic domain, it is plausible to argue that his regime was no longer strong enough to be able to muddle through the domestic crisis. As Mohamedou (1998) explains, the Iraqi domestic situation kept deteriorating after the Gulf War, so a capitulation to external pressure might have led to a serious destabilization of domestic politics and even the collapse of Saddam's regime. Thus, it appears that the Bush administration's continued hard-line policy toward Iraq backfired and that Saddam Hussein chose to keep defying the U.S. in the mindset of double-or-nothing in the deteriorating domestic situation.

The Iranian Nuclear Program[4]

The IAEA discovered that Iran appears to have sought to acquire the capability to develop nuclear weapons. Although revelations of Iran's secret program have alarmed the international community, it seemed that Iran's relations with the West might improve due to Iran's recent effort and desire for political reform and economic development. However, Iran's presidential election of June 2005, in which the Iranians unexpectedly chose as their new president Mahmoud Ahmadinejad, a hard-line religious conservative, rather than Hashemi Rafsanjani, a pragmatic ex-

[4] This sections draws greatly on Takeyh (2003, 2005) and Pollack and Takeyh (2005).

president, produced the outcome least desirable to the West: Iran's return to the Islamic revolution of 1979. As a result, the West, especially the United States, appears to have to face another serious nuclear threat from that member of the "axis of evil." This study may give a few implications for Iran's current and future nuclear policy and U.S. response to this.

First, Iran is more likely to choose a risky nuclear policy in the future because it is situated externally in the domain of losses. Although Iran have sought to reform and develop its politics and economy under the presidency of Muhammad Khatami, the Bush administration has dismissed its reform movement and wish for improving relations with the West, and continued a coercive strategy with strong economic sanctions and political pressure. For this reason, Iran is not likely to give up its nuclear ambitions, and President-elect Ahmadinejad has already made it clear that Iran needs nuclear technology and that there is no need to improve relations with the "Great Satan."[5] Furthermore, the Bush administration's policy toward Iraq and North Korea has taught Iran a significant lesson. Because the U.S. invaded Iraq, which did not yet have nuclear capability, while it avoided the use of force against North Korea, which already had, Iranians may believe that nuclear weapons are the only viable deterrent (Pollack and Takeyh 2005). Thus, Iran is more likely to become more risk-acceptant in its nuclear policy and accept the risk of confrontation with the West.

Second, although Iran will take a more aggressive nuclear policy under the presidency of Ahmadinejad, it does not appear to wish to escalate the crisis to the point of military confrontation with the international community, contrary to the case

[5] "Victory for a religious hardliner in Iran," *Economist*, June 27, 2005.

of Iraq. In the face of the U.S. overthrow of Iran's two neighboring regimes in Afghanistan and Iraq, the Iranian government has adopted a very cautious position (Pollack and Takeyh 2005). Even the Ahmadinejad government does not seem likely to choose such an extreme policy, given the Iranian desire to develop its economy. However, this does not mean that the continued hard-line policy of the Bush administration is the most desirable policy for resolving the Iranian nuclear crisis. With regard to Iran's growing nuclear aspirations, the United States needs to demonstrate a strong will and capability of deterrence as it did in the first North Korean nuclear crisis of 1994, but keeping to a hard-line policy to Iran is more likely to backfire in this region and have further negative impact on the stability of Middle East.

For this reason, this study suggests that the U.S. needs to take advantage of a split in Tehran between hard-liners and pragmatists to achieve a peaceful resolution of the crisis. While hard-liners criticize economic and diplomatic considerations and care mostly about Iran's security concerns, pragmatists want to address Iran's diplomatic isolation and deteriorating economy. Because the election resulted in the seizure of power by hard-line religious conservatives in both administration and parliament, the U.S. needs to strengthen the pragmatists' position in Iran's domestic politics by promising strong diplomatic and economic rewards for nuclear compliance. If the Bush administration maintains its hard-line policy, the chance of Iran's becoming the next North Korea is very high under the Ahmadinejad regime.

Theoretical Implications

As McDermott (2004a: 160) notes, one of the central benefits of prospect theory is that it helps one see the world in a new different way and observe what one would not otherwise be able to. This is certainly the case with the North Korean nuclear crisis. One of the most significant benefits of this study is that by combining prospect theory and two-level games, it can explain North Korean policy changes that competing explanations have failed to. After the end of the Cold War, theories of international relations including realism have been criticized as having difficulty in accounting for dynamic change in world politics (Wohlforth 1994/95). This study seeks to overcome such a limitation of theory by adopting prospect theory, which allows for an explanation of dynamic change within the theory itself, because it focuses on the importance of situation in decision making: As the situation changes, so do the risk-taking attitude and the policy.

Second, this study introduces the analysis of two-level games into the framework of prospect theory and increases the explanatory power of theory. Many models of international relations place explanatory emphasis on structural factors such as the balance of power between states and domestic factors such as regime type. On the other hand, prospect theory starts at the individual level of analysis. By contrast, this study integrates all these structural and domestic factors as well as the individual level, adopting the analysis of two-level games. In particular, few empirical studies of prospect theory have placed sufficient emphasis on the role of domestic politics in decision-making process.[6] Although scholars of prospect theory

[6] McDermott's works on the Carter administration during the Iranian hostage crisis present an exception to this.

have discussed domestic politics in theory, they have focused mostly on the individual and international levels of analysis. In this sense, this study provides an important step toward bridging a gap between the theoretical explanation of domestic politics in prospect theory and its empirical studies.

Third, this study emphasizes the importance of resolving the security dilemma even in relations with rogue nations. The North Korean case demonstrates that Pyongyang's nuclear policies – confrontation and engagement – have been strongly influenced by its perception of threat on the changing situations of international relations rather than an aggressive desire to threaten and conquer on the Korean peninsula. Although North Korea has also pursued its own political and economic aims through the nuclear program, its main concern was how to stabilize its regime internally and defend its sovereignty and security externally in the face of the deteriorating situation. In fact, this is exactly what prospect theory explains regarding a nation's behavior: A nation pursues risky foreign policies to avert perceived loss. In this sense, the observation of prospect theory regarding a nation's motivation and behavior is somewhat consistent with defensive realism (Levy 2000; Taliaferro 2004b), which posits that nations maximize security by aiming to preserve the status quo rather than pursuing expansionist goals in the international system. As Waltz (1979: 126) observed that "in anarchy, security is the highest end," the North Korean case demonstrates that even rogue nations, which are normally characterized as showing the most threatening behavior in the current world politics, are driven more by the desire to secure the survival of regime and independence, so that the security

dilemma may arise in the relations with rogue regimes and make the resolution of crises more difficult.

Prospect theory implies that a nation's behavior is more likely to be determined by the concern about losses than the desire for gains. The North Korean case lends some credit to the argument of prospect theory that what you end up with is more important than how much you gain. As McDermott (2004a: 149-50, 2004b: 298) explains, this is often represented in theories of international relations as the difference between absolute gains and relative gains. While liberals are concerned with absolute gains that make every nation happy, realists emphasize the importance of relative gains that make nations worry about the relative strength of others (Baldwin 1993). In this debate, prospect theory supports realist argument by stressing relative positioning. However, this study argues that given the importance of loss aversion in prospect theory, more attention should be paid to relative losses than relative gains. This is why a nation's status quo matters in the discussion of prospect theory, as in defensive realism. With regard to understanding a nation's behavior, this study agrees with the emphasis of defensive realism on status quo and relative losses rather than that of offensive realism on relative gains and that of liberalism on absolute gains, as Jervis (1999) demonstrates.

Concluding Remarks

This study has explained Pyongyang's nuclear policies and policy changes on the basis of prospect theory and two-level games in international relations by tracing North Korean leaders' change of perception over time. North Korea's nuclear policy

has changed as the leaders' perception has changed. When they were situated in the domain of losses, they adopted a more confrontational nuclear policy, but when their situation moved toward gains, their nuclear policy also became conciliatory. Although this study has illustrated Pyongyang's policy changes, more work may be needed to clarify its behavior in the future. Because North Korea is still a closed society, it is inevitable that there are certain limitations in understanding its motivations and behavior. As North Korean society eventually becomes more open, a clearer picture of the North Korean decision-making process can be provided.

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