

*Selig S. Harrison, "Report on North Korea," presented at the U.S.-Korea  
Institute, Johns Hopkins University School of Advanced International Studies,  
Washington, September 28, 2006*

I would like to add to Don's introduction to explain how it is that I can go to North Korea. In 1972, I was the Washington Post Bureau Chief in Northeast Asia. In May 1972, Harrison Salisbury of the New York Times and I were the first Americans admitted to North Korea after the Korean War. I met the late Kim Il Sung on that first visit, and again in June 1994. Those meetings with Kim Il Sung gave me a special status there. The North Koreans have known me a long time and that's why I have access.

I met seven North Korean leaders during my 4 day visit. Four were particularly important:

- General Ri Chan Bok, representative of the Korean People's Army at the DMZ, 2 hours.
- Vice President Kim Yong Dae of the Supreme People's Assembly, the number 3 official in the hierarchy, 2 hours.
- Foreign Minister Paik Nam Soon, 1 hour.
- Vice Foreign Minister Kim Kye Gwan, their chief negotiator in the six party talks, 6 hours, in his office and in two dinner discussions.
- I also met two foreign businessmen resident in Pyongyang, British and Australian, and the three EU ambassadors in Pyongyang representing the U.K., Sweden, and Germany.

The most important thing I learned is that North Korea is planning to unload the fuel rods again in the Yongbyon nuclear reactor to reprocess more plutonium. They last unloaded it in

June 2005 and technically, they don't have to unload it again until June of 2007. But Vice Foreign Minister Kim Gye Gwan said the unloading will begin "during this fall" and "not later than the end of the year."

Why are they speeding it up? Because they want to use Yongbyon as a bargaining chip in bilateral negotiations with the U.S. to resolve the stalemate over resumption of the six party talks. North Korea does want to return to the six party talks. Kim Gye Gwan said "it's very important to us to resume the six party talks because we would be the big beneficiaries if the September 19, 2005 Beijing declaration is implemented." But first they want to negotiate an end to the financial sanctions imposed by the U.S. right after the September 19 agreement which they regard as a violation of the agreement. The financial sanctions are very severe. We have in effect asked all the banks in the world not to deal with North Korea or to handle any transactions involving North Korea.

The administration says that it is only carrying out law enforcement against money laundering and counterfeiting and seeking to stop transactions relating to weapons of mass destruction. But the treasury department has made clear that the idea is to cut off all North Korean financial intercourse with the rest of the world. Here's what Undersecretary of The Treasury Stuart Levey told the wall street journal on August 23: "the U.S. continues to encourage financial institutions to carefully assess the risk of holding any North Korea-related accounts." On August 29 he said, "They're having a very difficult time finding banking services. You're seeing a near complete isolation." On September 9 he said "the line between North Korea's licit and illicit money is nearly invisible, and the U.S. government is urging financial institutions around the world to think carefully about the risks of doing any North Korea – related business."

I found instances in North Korea in which legitimate imports of industrial equipment for light industries making consumer goods have been blocked. The North Koreans understandably see this as a regime change policy designed to bring about the collapse of their regime through economic pressure. They think the U.S. government is so divided between Vice President Cheney and the state department that it's incapable of carrying out the September 19 agreement. What they're saying is, We want the U.S. to show us it is ready to move toward normal relations in accordance with the September 19 agreement. If the U.S. won't lift all of the financial sanctions, all at once, they say, then it should show us in other ways that it has got its act together and is giving up the regime change policy.

What they have in mind are bilateral negotiations without preconditions leading to a package deal that would be followed by the six party talks. For example, the U.S. would lift some or all of the sanctions in return for North Korean concessions such as a freeze of the Yongbyon reactor, a missile testing moratorium, and a commitment not to transfer nuclear weapons or fissile materials to third parties. Or the U.S. would offer incentives such as energy aid and removal from the terrorist list in return for a North Korean compromise on aspects of the financial sanctions.

Here is what Kim Gye Gwan said: "I am optimistic that the bush administration will climb down in the near future and return to the September 19 agreement. They have no choice, since we are the ones who hold the key to the six party talks. The administration is under pressure from china and South Korea. So previously they said the financial sanctions were law enforcement and could not be discussed in the six party talks. Now they are changing their tune. Previously they said there could be no bilateral contacts before the six party talks. Now they are

sending signals suggesting bilateral contacts. We are trying to find out whether they are ready for serious discussions without seeking to impose preconditions.”

My own view is that the only way to break the deadlock in the six party talks is to find some way to resolve the sanctions issue through bilateral negotiations. There is no chance of North Korea capitulating without some face saving compromise.

Now, a word about the impact of the financial sanctions. They are seriously impeding North Korean efforts to open up to the outside world and to carry out economic reforms because they are blocking foreign investment and trade. They are slowing down economic growth. They are hurting certain individual rich North Koreans. But there is no sign whatsoever that the sanctions are undermining the Kim Jong Il regime as the administration hopes. North Korea is stable and there is more economic activity in Pyongyang than I have ever seen, more cars and bicycles, more people in the streets, better dressed people, more restaurants, more small mom and pop stores, above all more interest in making money. That’s the result of government reform policies that give more autonomy and profit incentives to economic enterprises. Everything is still formally owned by the state, but enterprises are leased to managers who pay less to the state than they used to and can keep much more if they make money.

The idea of a collapse is connected to the idea that North Korea is an economic basket case but they do have significant natural resources like gold and iron ore that china is buying in large quantities, and there is evidence of major seabed oil and gas reserves both in the yellow sea and in the Sea of Japan off the east coast. On this visit I heard top officials speak for the first time about the petroleum potential in the Sea of Japan where Russian and U.S. companies already have struck it big to the north of North Korea off the coast of Sakhalin and Kamchatka.

North Korea signed an exploration agreement with china for the yellow sea last december and they are in touch with Russia about the Sea of Japan.

Now finally, turning to the issue of nuclear tests. North Korea wants to keep the world guessing about the possibility of a nuclear test explosion. None of those I met made any threats of a test or would comment directly about reports of preparations for a test. They would neither confirm nor deny. All of them said it was a military matter about which they had no information. However, all of them emphasized that North Korea already has functioning nuclear weapons, implying that a test is not necessary. General Ri Chan Bok said “we’re a very small country and we can’t have a nuclear test above ground like Russia or the U.S. in Nevada, which are big countries. If we have an underground test it could have radioactive leakage. These rumors are spread by U.S. agencies to smear us. I have never heard indications of a nuclear test in our government or armed forces.” My conclusion is that the issue is still being debated and that whether North Korea tests or not will depend on how relations with the U.S. develop, whether or not they feel increasingly cornered.

i will conclude with a sobering comment by Kim Gye Gwan. As we were ending our farewell dinner, he said, “we really want to coexist with the United States peacefully, but you must learn to coexist with a North Korea that has nuclear weapons. You have learned how to live with other nuclear powers, so why not us?” I replied, “That doesn’t sound like you are really committed to denuclearization.” “You misunderstand me,” he said, “we are definitely prepared to carry out the September 19 agreement, step by step, but we won’t completely and finally dismantle our nuclear weapons program until our relations with the United States are fully normalized. That will take some time, and until we reach the final target, we should find a way to coexist.”