AN INSTINCT FOR THE CAPILLARIES

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An unerring instinct for the capillaries -- that's the Bush administration's policy on North Korea. Instead of going for the jugular by testing the North's stated willingness to abandon its nuclear weapons and existing weapons programs through diplomatic give-and-take, a hard-line cabal of unilateralists are imposing sanctions and keeping U.S. negotiator Christopher Hill from even meeting alone with his North Korean counterpart Kim Gye-gwan.

Such a meeting, proposed by Pyongyang in January, would have opened the way to resumption of six-party talks. North Korea's emphasis on direct talks is understandable. Will the United States ever end enmity or respect its sovereignty if it will not even deign to meet one-on-one?

In Washington, the D.P.R.K.'s refusal to return to six-party talks has reinforced the belief, long espoused by hardliners, that the North is determined to arm and will never trade away its weapons programs. Their assessment of the North's intentions is worse than faith-based: it is a self-fulfilling prophecy. Without a serious U.S. effort to negotiate, they are certain to be right.

Their idea of a deal is no deal at all. The North has to

capitulate -- disarm first before the United States provides any political or economic inducements. They hope to use sanctions to block talks while they wait for North Korea to collapse.

Regime change is a fantasy that hardliners mistake for a strategy. For five years they have huffed and puffed but failed to blow Kim Jong-il's house down. Instead, all their hot air has succeeded only in thawing North Korea's frozen plutonium program. The North had one or two bombs worth of plutonium in 2001. It now has nine or ten bombs worth. If they keep the reactor at Yongbyon running, it will yield five or six bombs worth more by 2008. If they shut the reactor down later this year, they can extract enough plutonium for another bomb or two.

The hardliners' uncompromising stance has had pernicious political consequences in Northeast Asia as well. It has led some in Seoul and Tokyo to wonder whether they can rely on Washington for their security. Their doubts threaten to unravel U.S. alliances in Northeast Asia and have enhanced China's stature.

In fall 2001, concluding that the path to reconciliation with Washington ran through Seoul and Tokyo, Pyongyang began sustained diplomacy with them. It has continued to do so both as a hedge against renewed confrontation with Washington and a way to raise the political cost to Washington of not negotiating.

Pressure from Japan and South Korea produced a breakthrough in the fourth round of six-party talks last September. U.S.

negotiators finally met directly with the North Koreans for sustained discussion of their concerns. Isolated at the talks, the administration grudgingly accepted a joint statement that incorporates the main goal sought by Washington, Pyongyang's pledge to abandon "all nuclear weapons and existing weapons programs." The agreement also commits the North to observe and implement the 1992 Joint Declaration of the Denuclearization of the Korean Peninsula, which prohibits "enrichment facilities."

Does North Korea mean what it says? Nobody knows, with the possible exception of Kim Jong-il. But the surest way to find out is sustained diplomatic give-and-take to implement the accord.

Pyongyang is not about to settle for fine words any more than Washington is. It insists on phased reciprocal steps by Washington to reconcile -- end enmity -- as it eliminates its nuclear programs. The September 19, 1995 joint statement embodies that point: "The six parties agreed to take coordinated steps to implement the aforementioned consensus in a phased manner in line with the principle 'commitment for commitment' and 'action for action.'" The accord laid out some of the steps Pyongyang sought in general terms. The United States undertook to "respect [the D.P.R.K.'s] sovereignty," diplomatic code for not attempting to overthrow its government. That is a pledge Washington made in the first-ever U.S.-D.P.R.K. joint statement of June 1993 but one that the Bush administration had hitherto refused to reiterate.

The Bush administration went further than Clinton's ever had when it said it "has no intention to attack or invade the D.P.R.K. with nuclear or conventional weapons." But, like Clinton, it stopped short of agreeing to normal relations, committing itself only to "take steps to normalize their relations subject to their bilateral policies." The administration wants to hold up normal relations until the North reduces its forces along the DMZ and embraces human rights. It will have to normalize sooner than that -- as the North eliminates its nuclear and missile capabilities.

Washington also balked at "respecting" Pyongyang's right to nuclear power. Under the Faustian bargain at the heart of the nuclear Nonproliferation Treaty, members in good standing have that right -- including the right to reprocess plutonium and enrich uranium. Under pressure from China and others it "agreed to discuss at an appropriate time the subject of the provision of light-water reactors to the D.P.R.K." The North is not entitled to the reactors until it eliminates its weapons and weapons programs to the satisfaction of the International Atomic Energy Agency and rejoins the NPT as a member in good standing.

A first draft of the September 19 agreement was tabled by China before the February 2004 round of talks, but Vice President Cheney intervened to turn it down, arguing, "We don't negotiate with evil. We defeat it."

The ink was hardly dry when Cheney and his hard-line cabal

struck again, undoing the September 19 deal and hamstringing U.S. negotiators. In a closing statement made immediately after accepting the accord, Hill announced a decision, dictated by the hardliners, to "terminate KEDO," the international consortium set up to construct the reactor. Later that day, Secretary of State Rice implied that the "appropriate time" for discussion was when hell freezes over: "When the North Koreans have dismantled their nuclear weapons and other nuclear programs verifiably and are indeed nuclear-free ... I suppose we can discuss anything."

Pyongyang reacted sharply. "The basis of finding a solution to the nuclear issue between the D.P.R.K. and the U.S. is to wipe out the distrust historically created between the two countries and a physical groundwork for building bilateral confidence is none other than the U.S. provision of LWRs to the D.P.R.K.," a Foreign Ministry spokesman said, "The U.S. should not even dream of the issue of the D.P.R.K.'s dismantlement of its nuclear deterrent before providing LWRs, a physical guarantee for confidence-building." Alternatives to the LWRs as a "physical groundwork for building bilateral confidence" or "physical guarantee" are conceivable, so whether Pyongyang will insist on Washington's commitment to provide reactors before it begins elimination remains to be seen. It is unlikely to do so without U.S. participation in South Korea's offer to provide equivalent electricity, as promised under the Agreed Framework but never

delivered.

Even worse, having declared in the September agreement that it had "no intention" of attacking the North "with conventional or nuclear weapons" and having pledged to "respect [D.P.R.K.] sovereignty," renouncing military attack and regime change, the administration backed away. Under pressure from hardliners, Hill undercut those commitments in Congressional testimony days later by sounding the old refrain, "all options remain on the table."

The hardliners also gave Hill little leeway to negotiate. A comprehensive deal is not yet negotiable because neither side is ready to put all their bargaining chips on the table, but a first step is possible. The most urgent need is to restore inspectors' control over the plutonium reprocessed since 1994 and shut down the reactor at Yongbyon which is generating more plutonium in its spent fuel. Satellites and other technical means can monitor a freeze of the Yongbyon reactor and reprocessing plant but not enrichment sites at unknown locations. Inspections of these sites, as desirable as they are, will take time to arrange. They can wait. The North cannot produce highly enriched uranium in bomb quantities, U.S. intelligence estimates, until the end of the decade at the earliest, allowing time to arrange for access.

The North has offered to freeze the reactor and reprocessing plant, including the return of all the 1994 batch of plutonium to inspection. But the cabal has refused to settle for a freeze and

is blocking the U.S. reciprocity necessary to do anything else. Their reasoning is as simple as ABC -- anything but Clinton. The cabal is likely to keep Hill from amassing the bargaining chips for an alternative that will give both sides something concrete to show for their efforts -- what might be called freeze-plus -- some token elimination either some of the post-1994 plutonium or some gas centrifuges.

That has left Hill little choice but to seek an initial declaration in which Pyongyang lists all its plutonium and uranium facilities, fissile material, equipment and components, which can then be cross-checked against what U.S. intelligence has already ascertained. While Hill will cast that as the start of a negotiating process, in which any omissions can be cleared up, hardliners will use the declaration to play gotcha, seizing on any omissions as conclusive evidence of North Korean cheating and grounds for breaking off talks. Having a freeze in place and some elimination under way would make it less likely for them to get their way.

Worse yet, when Hill wanted to go to Pyongyang to jump-start discussion of elimination by seeking an initial declaration, he needed something to offer, like U.S. participation in the supply of electricity to the North, further relaxation of sanctions, and a willingness to normalize relations sooner. Instead, hardliners set a precondition for talks. Hill was instructed not to go

unless the North shut down its Yongbyon reactor, assuring that no talks took place. That decision apparently remains in place, keeping Hill from meeting from Kim Gye-gwan in Tokyo last month.

Worst of all, the administration began to take steps under the Illicit Activities Initiative putting more hurdles in Hill's way. The United States is right to try to prevent counterfeiting of U.S. currency and other illicit activities by North Korea. But proponents of so-called "defensive measures" -- sanctions by another name -- have much more than that in mind.

The irreconcilables in the administration see IAI as a bulwark against diplomatic give-and-take, which they oppose. They want to brand North Korea a "criminal state" because the way to treat criminals is to punish them, not negotiate with them. They would rather maintain the sanctions than get North Korea to end counterfeiting and other activities and have blocked efforts for direct talks on counterfeiting proposed by Pyongyang. By late summer, a senior official says, the administration had decided "to move toward more confrontational measures." A senior official says the strategy is, "Squeeze them, but keep the negotiations going." In the words of Undersecretary of State Robert Joseph, "We believe that they will reinforce the prospect for success of those talks." What does he mean by success? Another senior State Department official put it this way: IAI turns six-party talks into nothing more than "a surrender mechanism."

In contrast to the irreconcilables, the bargainers do want a deal. Many regard IAI as a source of leverage in six-party talks, not just a way to induce the North to end its counterfeiting of $100 bills, cigarettes, and drugs. These illicit activities may be shrinking in significance as North Korea's trade with South Korea and China soars. Last year, with competition heating up between the two to dominate the North Korean market, trade volume between North and South Korea rose 51.5 percent to $1.08 billion and North Korean exports to the South rose 32 percent to $375 million. The North's trade with China grew by 14.8 percent to $1.58 billion, although its exports to China, after growing by 50 percent a year for the previous three years, declined 14.3 percent to $499 million in 2005 -- much of it due to a drop in bonded or third-country trade destined for Japan. North Korean trade with Japan was down 22.9 percent to $195 million, but its balance of trade with Japan, unlike that with China or South Korea, remained favorable, with exports at $132 million and imports just $63 million. These are official figures and may understate the total, especially from off-the-books trade across the China border and remittances from ethnic Koreans in Japan.

Recent Congressional testimony by responsible U.S. officials suggests IAI proponents may be inflating how much North Korea currently profits from illicit activities and exaggerating what the U.S. government knows for sure about their extent. Take North

Korean profits from counterfeiting, for example. IAI proponents are fond of citing the face value of currency seized but most of the proceeds go to those who pass the notes. North Korea's take is likely to be less than 40 cents on the dollar. Its total take is small enough for Michael Merritt of the U.S. Secret Service to say in a prepared statement to the Senate Committee on Homeland Security and Government Affairs last week, "The high quality of the notes, and not the quantity circulated, is the primary concern of the Secret Service." Any amount, however small, is illegal and should stop, but that begs the question of whether the United States gets any negotiating leverage from making a big deal of counterfeiting.

Similarly, IAI proponents often cite estimates of North Korean heroin production based on defector reports of how much land is set aside for opium production, but Peter Prahar of the Bureau of Narcotics and Law Enforcement Affairs in the State Department testified last week, "We eventually stopped using these estimates ... because the United States was unable to confirm these estimates in the way it is able to confirm illicit drug production estimates elsewhere, either through United Nations or U.S. Government ground or satellite surveys and statistical analysis."

The North's profits from counterfeit cigarettes are also a matter of some uncertainty. Prahar testified, "According to

cigarette company investigators, beginning in 2002, China closed many factories manufacturing counterfeit cigarettes. Some of the manufacturing equipment and Chinese technicians relocated to North Korea to continue the illicit cigarette production free from the threat of legal action." Overall, Prahar's conclusion about the extent of illicit activities by the North is that "any estimates are necessarily highly speculative." Again, the issue is not whether illicit activities are going on in North Korea, but how much the state is profiting from them and whether IAI is a source of negotiating leverage for the United States.

The North's receipts from illicit activities may be less than the impact of freezing North Korean accounts -- many of them in legitimate businesses -- by Asian banking authorities. By freezing a major share of the North's hard currency reserves while refusing to negotiate their release, IAI proponents may be reinforcing the belief in Pyongyang that Washington would rather see it collapse than reform. Even worse, that may encourage the North to expand its illicit activities.

IAI proponents contend that freezing the North Korean bank accounts is crimping the elite's life style. Are they credulous enough to believe that the North Korean leadership can't extract the resources they need from North Korea's burgeoning trade?

Another way to evaluate sanctions as a source of leverage is to compare them to the benefits of engagement. Had the reactor

project gone ahead, how much more leverage would we have had now with a visible structure on the ground in Kumho awaiting North Korean compliance with its IAEA obligations, including on HEU, before the nuclear components could be delivered.

Whatever leverage Washington may have, leverage without negotiations makes no sense. It is time for President Bush to make a strategic decision freeing Chris Hill to meet with the North Koreans and arming him with real leverage that comes from making conditional promises and keeping them, not spouting airy threats.