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## CAPITOL ANALYSTS NETWORK, INC.

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### **NORTH KOREA: BROKE, COLD, HUNGRY, AND DANGEROUS**

In early October 2002, North Korea told the State Department that it was resuming work on its nuclear weapons program. This year, the news has only gotten worse – as South Korea's falling stock market, down 14 percent since January, reflects. On November 19, 2002, the CIA distributed an unclassified report to Congressional aides asserting that North Korea probably has possessed one or two nuclear bombs since the early 1990s. In three-way talks last month with China and the U.S., North Korea proclaimed what the West has feared; North Korea "joined the club" without an invitation.

The North overcame the obstacle that few others have, acquiring sufficient fissile material, by reprocessing plutonium from their 5 million watt (5MWe) reactor at Yongbyon. Adding to the tension, the Democratic People's Republic of Korea (DPRK) is known to possess 8,000 spent nuclear fuel rods produced by the reactor which are believed to contain another 55 to 66 pounds of plutonium. After reprocessing, this is enough material to make five or six more nuclear bombs. At the three-way talks, Pyongyang was vague about whether its scientists had already cracked open the rods and started making more bombs, but left the impression they would complete the process soon. If Kim Jung Il is determined to do so, five or six nuclear weapons could be sitting atop North Korean rockets that can hit Japan – and possibly the continental U.S. – in five to ten months.

#### **A Literal "Ticking Time Bomb"**

North Korea with six or eight nuclear bombs is far more dangerous than North Korea with one or two. Having an inventory of six or more, the DPRK can credibly threaten to fire one or two and leave the rest in reserve to deter a retaliatory strike. If North Korea fires their only two now, their victims will respond, making the DPRK attack suicidal. This is why the North's provocative announcement that reprocessing of the fuel rods has, or soon will begin, has set off alarms in Japan, South Korea, China, Russia, and the United States.

On a more distant timetable, the DPRK can produce one more bomb per year by restarting the 5MWe reactor. However, freshly generated fuel rods must cool before they can be reprocessed, meaning additions to weapons-grade plutonium inventory can't be made until 2007. Even more disturbing, in several years the North also can complete construction of two much more powerful reactors. Their combined capacity is 605 pounds of plutonium per year, according to the CIA memo – enough to make 55 bombs annually.

North Korea's ability to deliver nuclear weapons also is growing. It has a formidable ballistic missile development program, and its arsenal includes the Taepo Dong 2 missile, which

can hurl a 3,000 pound nuclear warhead 4,000 miles. With a lucky shot, a 450 pound bomb sitting atop a Taepo Dong 2 missile could theoretically hit Washington D.C. which is 10,700 miles away.

North Korea is no slouch at conventional war readiness, either. Although only 21 million live in this country a little smaller than Mississippi, they have fielded an army of 1 million men, making it the fourth largest army in the world. Another 4.7 million serve in the reserves. Most active troops are stationed near the “demilitarized zone” (DMZ) that separates the North and South along the 38<sup>th</sup> parallel. The South’s capital, Seoul, a city of 9.8 million, lies only 25 miles south of the DMZ. Strategists debate whether the North’s army, advancing in unison with 3,500 main battle tanks, could overrun Seoul in a surprise attack. However, there is little doubt that the North’s 10,400 artillery pieces, which are pointing south, can set Seoul afire.

### **North Korea is Broke, Cold, and Hungry**

North Korea has earned its nickname, the Hermit Kingdom. At \$50 per capita, it exports less per person than most sub-Saharan countries. Earning little foreign exchange, imports are negligible too, although buttressed somewhat in the past by foreign aid from China, Japan, South Korea, Russia – and the U.S. Choosing economic isolation, North Korea paid a terrible price when its communist economy fell off the tracks in the 1990s. The DPRK does not volunteer precise statistics, but it is believed that its economy fell by one-third between 1990 and 1998, a Great Depression style collapse. South Korea’s central bank estimates that a mild rebound is underway with growth in the North of 1.3 percent in 2000 and 3.7 percent in 2001.

Pyongyang’s temperature falls below 32 degrees 95 percent of the time during December, January, and February. With the economy in shambles, domestic coal output has dropped by one-third. Coal provides 86 percent of the North’s primary energy according to the Department of Energy; North Koreans heat their homes and commercial buildings with coal. If the Stalinists that run North Korea permitted Santa to visit, this is one place where children would be enthusiastic about getting coal in their stockings.

It’s possible the children, though, would prefer Santa leave them food. The United Nations reported that 42 per cent of North Korea’s children are malnourished. During the 1990s, ten percent of the population, an estimated 2 million people, died of starvation. Broke, North Korea must still rely on the kindness of strangers for one-third of its food supply. The United Nations administers much of the aid through the World Food Program.

### **Kim Jung Il’s Predicament**

The last fifteen years have been unpleasant ones for North Korea’s communist leaders. When the Berlin Wall fell and Yeltsin’s revolution triumphed in Russia, North Korea lost its ability to play Russia and China off against each other. Russian aid now has slowed to a trickle. Perhaps more damaging to the DPRK, in 1992 China recognized its mortal enemy, South Korea, and even began emulating its capitalist rival. During subsequent years, matters have gotten

almost completely out of hand as Chinese-South Korean economic cooperation has flourished. While Russia and China turn toward capitalism and the West, North Korea is increasingly isolated; Castro's Cuba is its only ideological soul mate. Meanwhile, the '90s boom brought record prosperity to South Korea, where a population more than twice the size of North Korea's now enjoys living standards approaching those of the first world.

In 1950, the North launched a surprise attack that almost united Korea under a communist banner. Today, the North's communist leaders worry that their economy is caught in a black hole and that indifferent or hostile nations aren't interested in pulling it to safety. China reportedly has warned Pyongyang not to overplay its hand, lest it provoke a U.S. attack and find itself on its own. Under those conditions, Korea might be united – but it would be Seoul that comes out on top.

### **The View From China**

Throughout the '90s, as North Korea's position has deteriorated, China has acted with the primary objective of preventing the collapse of North Korea and the subsequent unification of Korea under Seoul's banner. Under these terms, unification comes with the alarming prospect that U.S. troops could be positioned on China's border. This outcome seems even less appetizing to Beijing after America's war in Afghanistan against the Taliban. Now, the U.S. has a military presence in Kyrgyzstan and Tajikistan, two countries that also border China. From Beijing's perspective, warming U.S.-Russian and U.S.-Indian relations seem consistent with an American strategic plan to encircle and contain China. This is a reasonable assessment, given the dominant view inside the Pentagon that China is a rapidly rising power, and it will compete with the U.S. for hegemony in the future.

China's Korea strategy until now has been clear: prop up North Korea economically to prevent its collapse and try to woo South Korea away from America. To this end, it meets 80 percent of the North's oil needs through gifts or sales at deep discounts. China also provides the North with more free food than any other nation, easing the North's chronic food shortfall. It now feeds at least one of every twenty North Koreans even as it builds broader economic ties with Seoul.

China professes astonishment that North Korea has one or two nuclear bombs, but this fact probably does not disturb the Chinese. Their country is the least likely target of such weapons, and the existence of two bombs may have deterrent value against a U.S. or South Korean attack on the North. However, it is probably not in Peking's interest for the DPRK to continue its brinkmanship over reprocessing spent fuel rods. America is unlikely to accept North Korea having a first strike capability against Japan and South Korea, and possibly the ability to strike the U.S. mainland. America could respond in several ways, including a military attack on North Korea, to China's detriment. This is a realistic fear, given the Bush Doctrine of preemptively attacking hostile nations thought to possess unauthorized weapons of mass destruction.

## **The View from Washington**

In 1994, North Korea and the U.S. signed a document implementing the “Agreed Framework.” This contract commits North Korea not to develop nuclear weapons and also to freeze development of nuclear power plants that can generate fissile material. In exchange, an international consortium led by the U.S., known as the Korean Peninsula Energy Development Organization (KEDO), agreed to provide the North with 500,000 metric tons of heavy fuel oil annually, about 3.3 million barrels, until the consortium had built two non-threatening nuclear power plants at an expected cost of \$4.6 billion, to be paid for mostly by Japan and South Korea. Since 1994, the U.S. has shipped the North \$377 million of heavy fuel oil, and KEDO’s overall fuel oil contribution has been \$494 million. Meanwhile, KEDO had spent \$1 billion building the reactors. Site preparation work was finished and the first concrete poured when the North confessed last October that it had not lived up to its end of the bargain. Specifically, the DPRK revealed it was building a secret stockpile of highly enriched uranium while all eyes were on the plutonium contained in fuel rods sitting in a Yongbyon cooling pond. KEDO suspended its work the next month.

The U.S. is unlikely to proceed without close consultations with South Korea, Japan, China, and Russia. Timely action will be required, given that the DPRK started a crisis clock ticking toward midnight with its professed plan to begin sorting weapons-grade plutonium from the spent fuel rods. These formal consultations soon will begin in earnest. South Korea’s new leader, Roh Moo-hyun, meets President Bush in eight days. Japan’s Leader, Junichiro Koizumi, is expected to meet with Bush at Camp David in sixteen days.

## **U.S.-China Relations are the Key**

For the last fifty years, the U.S. and China have kept an informal treaty. The U.S. would prevent, Japan, Taiwan, and South Korea from acquiring nuclear weapons that can strike China. In return, China would restrain North Korea from acquiring nuclear weapons that can strike South Korea or Japan. This implicit trade-off will come to an end if North Korea is allowed to fulfill its nuclear ambitions. If China permits this to happen, Japan may be forced to respond in ways that undermine Chinese security. Specifically, Japan may feel it has no choice but to become a nuclear power itself and develop a deterrent against North Korea’s nuclear missiles. Japan was unnerved when North Korea shot missiles over its air space in 1994 and 1998. Their level of fear will rise off the charts if North Korea proceeds to arm missiles with nuclear warheads.

Recently, Japan put two satellites into orbit. The Japanese understand rocketry. If it were to develop fissile material, Japan quickly could build nuclear tipped missiles capable of striking China. Many have overlooked the fact that Japan has a larger plutonium supply than the U.S. Lacking fossil fuel, Japan relies on nuclear power to supply half of its electricity. As a byproduct, Japan has enough plutonium to create 7,000 weapons. Later this month, Prime Minister Koizumi may share his contingency plans with Bush to “go nuclear” if North Korea won’t back down.

It would take a two-thirds vote in both houses of the Japanese parliament to amend Article 9 of their Constitution, which commands “no use of war to resolve international disputes.” Half of Japan already opposes Article 9 as written. If the prime minister committed his prestige to its repeal, Article 9 probably would be history – and so would the U.S.- China understanding.

Perhaps only China can convince North Korea to forbear and only the U.S. can stop Japan, and maybe even Taiwan, from developing nuclear weapons that would threaten China. The Chinese-U.S. dialog will shape much of global security policy in the 21<sup>st</sup> century. It’s about to start in earnest.

Cooler heads will prevail. Due to Chinese pressure and perhaps fear from seeing what happened to Saddam, North Korea will not cross America’s “red line” by building a first strike capability. This is a good time to buy South Korean equities. Fear in Seoul will recede.

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