

# A NEW INTERNATIONAL ENGAGEMENT FRAMEWORK FOR NORTH KOREA?

Contending Perspectives

Editors: Ahn Choong-yong, Nicholas Eberstadt, Lee Young-sun



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## **Strategic Dimensions of Economic Assistance for North Korea**

**Paul Bracken**

North Korea's atomic bomb program and the U.S. response to it provide a case study in long-term crisis management. The defining characteristic of a crisis is that it contains turning points, sometimes many of them. In crisis management there are surprises and mistakes. Tight control of policy and especially over the words that go with it are necessary.

Dealing with North Korea's bomb program is a problem in crisis management. It is not a political negotiation or an exercise in economic reform. Although political negotiation and economic reform are part of crisis management, the main reason for outside involvement in North Korea is to forestall its nuclear armaments. Better political relations between the United States and North Korea and major economic reform may happen, but if they happen absent Pyongyang's nuclear disarmament, a major policy failure with implications far beyond Northeast Asia will have taken place.

The main argument of this paper is that crisis management becomes more difficult as it becomes more multilateral. The single-mindedness of the objective—preventing Pyongyang from getting the bomb—is likely to be dissipated. Extraneous issues can be introduced by other parties. The policy of using multiparty talks is likely to become an end in itself instead of a means to an end. Finally, response to North Korean actions becomes more difficult and likely more conservative. A North Korean nuclear test, for example, is a real possibility, but during multilateral talks Washington will likely view this subject as far too complicated to even think through in advance.

U.S. performance in dealing with North Korea over the past 10 years has been quite good. This conclusion will strike some people as astonishing, but much of the criticism of how the United States has managed the North Korean proliferation crisis seems to focus on short-term disagreements between individuals in and out of government and between the United States and

other countries. Week-to-week polemics and disputes give too much attention to the immediate but not to the important. This is a bad approach in health care, in buying stocks, and for disarming North Korea.

Policy analysis with a weekly scorecard misses the larger picture. What has happened over the past decade is the discrediting of the North Korean regime, institutionalization of a new coalition bent on stopping its bomb program, a weakening of North Korea's conventional military power, and a contraction of its economy. The disarming of Iraq and Libya and the precedent of using force to replace a regime in Baghdad that violated proliferation standards are major changes in the strategic context of policy toward North Korea. They are having an enormous impact on North Korea's perception of the international environment.

The international economic engagement of North Korea brings new actors and groups (businesses and nongovernmental organizations [NGOs], for example) into the picture much more than in the past. It is a useful development to resolve the North Korean problem as long as it is recognized that the problem remains one of crisis management. One risk is that international economic assistance programs take on an internal momentum of their own that swamps the political objectives for which they were established. This happens in so many different areas that it is virtually a theorem of political science. Policy shapes the politics, rather than politics shaping the policy (Lowi 1964, 677–715). There are clear signs that this dynamic is already in place in the six-party talks dealing with North Korea.<sup>1</sup>

The strategic purpose of international economic assistance—the disarming of North Korea—could be lost sight of because it brings more countries and groups into the picture. A long-term crisis management framework can go a long way toward making sure this does not happen.

## **Engagement of North Korea and Atomic Weapons**

The United States did not engage North Korea until the early 1990s. What typified the U.S.-North Korea relationship before this time was a begrudging relationship forced on Washington to secure the return of the crew of the USS *Pueblo*, a U.S. Navy reconnaissance vessel seized in international waters by North Korea in 1968. The negotiations were vitriolic. Each denounced the other. The United States even disavowed its “apology” to North Korea at the very moment it was signed.

This relationship changed in the early 1990s, when the fact that North Korea might be on track to get atomic weapons began to seep into the consciousness of U.S. leaders. In three years the U.S. policy of isolation was reversed to a policy of engagement. It is surprising how quickly this turn-about came.

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<sup>1</sup> Participants in the six-party talks are China, Japan, North Korea, South Korea, Russia, and the United States.

There are important reasons that North Korea's nuclear-weapon acquisition sounded the Klaxon in Washington:

- North Korea was a stable regime—but only on the surface. Its behavior toward its people violated every canon of human rights. It was moving toward a hereditary succession of power, and it was easy to imagine atomic weapons playing a role in some inscrutable power game inside North Korea.
- North Korea threatened to undermine the whole fabric of Washington's nonproliferation policies. North Korea's sale of critical technologies throughout the 1990s shows that Washington was quite prescient on this point.
- A North Korea with nuclear weapons had to be seen against the background of a widespread breakdown in the nonproliferation regime established in the late 1960s. In the 1990s, India, Pakistan, China, Iraq, Israel, and Iran advanced their atomic weapons programs—that these countries are not usually grouped together is beside the point. Nuclear programs—including research and development, bombs, and missiles—were spreading fast, and the momentum had to be broken before it became irreversible.

## **What Game Is Being Played?**

What emerged in the 1990s was an engagement framework that can best be called a politics of exchange. With the United States in the lead, the West would give something to the North, and, in exchange, the North would give up its nuclear weapons. Security guarantees, diplomatic recognition, food, and economic assistance have been offered at different times (Cha and Kang 2003). There was not and is not precise agreement on many details. And neither North Korea nor the United States at various times wanted to admit an exchange was going on.

One has to be careful here. This politics-of-exchange framework for disarming North Korea is accepted only grudgingly by some in the United States. An interesting feature of two U.S. administrations—as the Clinton and George W. Bush administrations have proceeded with oil and food transfers and participate in multilateral talks dealing with security assurances for the North—is how far they have gone out of their way to explain to domestic audiences that they are not rewarding North Korea for bad behavior.

But a politics of exchange has developed during two U.S. administrations because the alternatives to it are so unpromising. Pointing out its flaws and inconsistencies is easy. Constructing an alternative is hard. The parties in the framework, both within and between governments, are not united and are often uncomfortable with each other.

Sometimes the politics of exchange is called a grand bargain.<sup>2</sup> Sometimes it is called “oil for nukes.” The late 1990s can be viewed as a reconnaissance, an experimentation to discover what exactly North Korea wants. Emergency food and oil shipments certainly looked to be of high priority to Pyongyang then. A problem here is that the North Korean government, which for practical purposes means Kim Jong-il, does not appear to have carefully thought through the politics of exchange. Certainly it is easy to define what Pyongyang wants: status, recognition, aid, and nuclear weapons. But Pyongyang gives every sign of not systematically thinking through the trade-offs and the order of these wishes when it cannot attain them all. It is my strong bet that, when the insider diplomatic history of North Korea’s posturing is written, a picture of chaos will emerge. The North Korean side does not understand its own trade space—what it is willing to give up for what it might get in return.

Despite this, a surprising degree of convergence exists about the outlines of the negotiating framework. Salient thresholds quickly appeared, as they usually do. This isn’t evident from the week-to-week conflicts and disputes—among policy specialists and government officials or between the United States and other countries. But principles and structure have developed, and they will be hard to overturn.

**Number of bombs.** North Korea should not be allowed to acquire any substantial number of atomic bombs. (The wording is carefully chosen here.) Some countries, and some individuals, argue that if North Korea has only one or two “contraption” bombs—those of such a low reliability that they are for all practical purposes unusable—the situation would be not too bad. Nearly all responsible parties, allies, critics, and government officials agree that North Korea should not be allowed to get a substantial number of atomic bombs. The exact number that becomes “substantial” seems to be nowhere defined, reflecting the short-term focus of much of the discussion.

Others argue that even one bomb is completely unacceptable. But this unqualified statement is not clear, at least to me, given the well-known uncertainties about estimating weapons of mass destruction. More important, saying that even one bomb is unacceptable and that we should go to war over it leaves out of the discussion once again an enormous number of additional factors that need to be considered.

**Specialization of roles within the politics of exchange framework.** The United States is (usually) the bad cop. China is (often) the good cop. Japan and South Korea are important interlocutors. Other countries are drawn in for special reasons. For example, Russia can sell oil more easily to North Korea because Russia’s own economic needs are widely recognized. The role of NGOs is to speak informally with the North, offer trial balloons, and also

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<sup>2</sup> O’Hanlon and Mochizuki (2003) provides many variations of possible grand bargains.

persuade some elements of public opinion in the West. NGO observations about famine, health, and social cohesion have been important factors in formulating U.S. government policy.

There is already an internal caucus developing in the six-party talks. The United States tends to consult first with South Korea and Japan before approaching other members. In addition, a silent partner is the European Union. The United States has skillfully set up a "credit line" with the EU that could be tapped to provide assistance to North Korea. This aid could be brought in when needed.

Complete agreement about these roles does not exist, but a structure is taking shape. Ten years ago this structure didn't even exist. Few outsiders were allowed into North Korea. There was a high level of uncertainty about the role of China back then. Now the basic structure of who the actors are and what their roles are is in place.

**Increasing institutionalization of the alliance arrayed against the North Korean nuclear program.** The alliance has become institutionalized because norms, formal procedures, and standards have emerged over time. These norms mean that states go beyond the calculation of their own immediate interest. China and Japan, for example, are less likely to offer breakthrough proposals without consultation.

Attempts by North Korea to drive a wedge through this coalition have failed. This is no guarantee that this coalition will hold together in the future, of course, but it is going to be very difficult for North Korea to divide it. China has so many relations with the United States today that, although it is possible that China might radically alter its role with respect to North Korea, such a development does not seem likely. Although it is the norm to list issues like Taiwan and human rights on the U.S.-China agenda, as a business school professor I add another one: China supplies \$40 billion per year to the Wal-Mart corporation alone, an amount that is about the size of the entire North Korean gross domestic product. A sharp break with the United States over North Korea would put at risk in China real money and jobs, not just principles.

There are disputes and disagreements within this coalition and within the United States government, but the broader point is that North Korea over the past decade has failed to stop the emergence of an increasingly institutionalized coalition formed to stop her nuclear program. It is difficult to overstate the importance of this development.

This is an outstanding achievement of U.S. foreign policy. The Soviet Union could not stop the creation of the North Atlantic Treaty Organization (NATO) in the late 1940s, and Moscow could never recover from this reversal. The coalition arrayed against North Korea's nuclear program is not nearly as institutionalized as NATO, but it is a great deal more developed than it was ten years ago. Absent a rupture over a policy area that has nothing to do with

North Korea (like Taiwan), the coalition is strengthening. North Korea's erratic statements have helped a great deal here.

## **Strategic Dimensions of Economic Engagement**

There are two approaches to engaging North Korea:

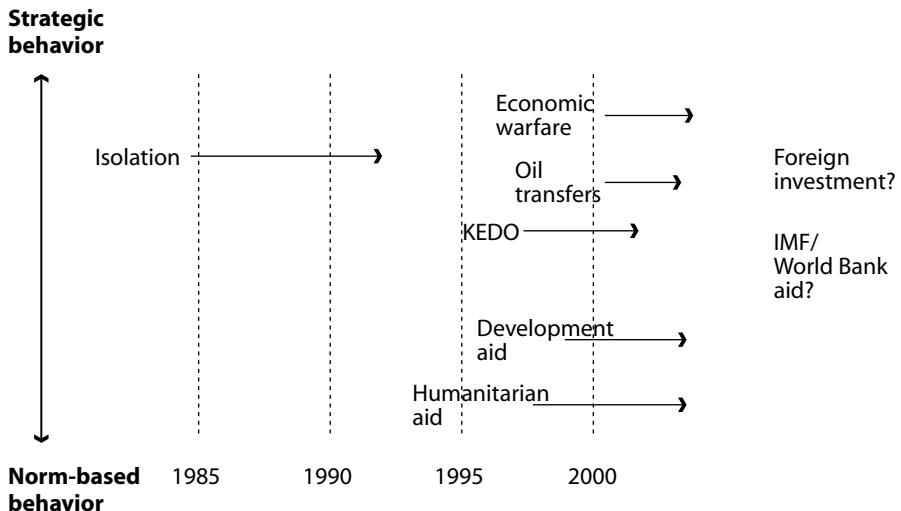
- **Strategic approach.** Washington could take a strategic approach, with the clear goal of disarming the North in exchange for economic assistance, security guarantees, and investments. Here the issues are those of determining the wants of North Korea and applying threats and coercion where needed if the North fails to take the offer.
- **Norm-based approach.** Washington could take a multilateral approach of international economic engagement, which would entail accepting at least partly the international norms that have developed within the multilateral community. This approach means relying on authoritative rules and principles to govern economic assistance toward the North (Lancaster 2004). The issues are issues of conformance with international norms and coordination with allies, possibly with the use of existing or newly created multilateral institutions.

We could debate endlessly which is the better approach, but a crisis management framework points to the conclusion that both are necessary. That is, in a crisis there are so many unpredictable developments and so many cases of miscommunication and counterintuitive behavior by different actors that flexibility and agility are needed during the negotiations. Crisis management cannot be conducted with formal plans drawn up in advance. Such plans are too rigid, and they miss too many developments.

*Figure 1* shows a framework for incorporating the strategic dimensions of international economic engagement. Figure 1 combines the strategic approach and the norm-based approach, here restricted to international economic assistance and excluding other kinds of exchange such as security assurances, which could be added to the framework without much difficulty.

Call the first approach "strategic behavior" and the second "norm-based behavior." Each has its own logic, its own rules, and its constraints. It is important to understand, however, that, while the logics of the two are different, they are differences of degree. A program such as food shipments can be interpreted as part strategic and part humanitarian.

Regarding the strategic policies of economic assistance toward North Korea, key points of Figure 1 are that solutions based on pure strategy alone will almost certainly not succeed. For example, if Washington refused to abide by even minimal norms of humanitarian assistance, its refusal would likely weaken the coalition arrayed against North Korea. If the United States declared openly that it was tightening the noose around North Korea to starve

**Figure 1: Strategic Dimensions of Economic Engagement****Notes:**

Time lines and programs are illustrative.

Programs (KEDO and humanitarian aid, for example) are listed according to their starting years. Suspensions and terminations of programs are indicated by the end of each arrow.

New programs that are under discussion but not yet started are shown on the figure without arrows. Because economic warfare is a form of negative economic assistance, that too is listed with an arrow. Economic warfare against North Korea would encompass activities to deny the North needed parts for its weapons program, critical supplies, and money to buy them.

its people into revolt against their governing regime, the resulting worldwide outcry would be justified.

Alternatively, if the United States announced that it was turning over all aspects of economic assistance to either the United Nations, the market, or companies seeking to invest there, every incentive for North Korea to change its behavior would be removed.

The strategic dimension of economic assistance arises from the manipulation of the tensions between the two approaches. This is both the skill and the art. Anyone can pontificate about broad principles, but the mistake is in thinking that getting these right solves the problem. It usually does not. Details matter; and in a crisis that could spill over into war, details matter a lot.

Crises cannot be planned in advance; if there is one conclusion to decades of studies about crisis management, it is that rigid plans almost always lead to trouble. What seemed like an irrefutable fundamental principle six months ago can lead to an unwanted war.

No plan can describe in advance what is going to happen because it is the nature of crises to be fluid, unpredictable, and dangerous. A framework that

shows leaders how they can quickly shift up or down toward more strategic or more multilateral approaches, depending on circumstances, offers options that can be adjusted to conditions that can never be known in advance. For example, the termination of food transfers to North Korea is a fairly clear signal that tensions have increased. An increase in economic warfare programs—to disrupt North Korean sales of dangerous technologies or to limit its gains from smuggling, for example—is another signal that could be important to send depending on the circumstances.

Another feature of Figure 1 is that it factors big, complex bargaining proposals into smaller manageable ones. Development aid and humanitarian aid can be separated but at the same time can be understood as part of the larger overall economic engagement. This protects against policies from driving politics too much. For example, the United States has a real tendency to let gestures such as humanitarian aid become self-referential programs, good on their own terms. Despite this tendency, it is the job of U.S. government officials to make sure it does not happen. Officials must look at the larger composite picture.

As more countries consider economic dealings with North Korea, it is essential to not lose sight of the overall objective. Crisis management that preserves the strategic dimensions of economic assistance to North Korea amounts to starting, halting, expanding, contracting, and delaying program elements in a large economic portfolio.

## **Organizational and Command-and-Control Issues**

There are some technical but important issues of how the United States and other countries coordinate their engagement policies with North Korea. The technical issues are sometimes forgotten as different parties argue about whether the United States should follow a unilateral or a multilateral approach.

The need for coordination is increasing as a function of the complexity of the proposals put forward and as a function of the number of countries involved in the negotiations. U.S. governmental structures that have worked over the past few years may be stressed as the number of international actors increases. Serious thought needs to be given to the creation of new structures and to how certain dynamics could develop, dynamics that might overwhelm countries' ability to manage events.

One of the basic doctrines of good crisis management is the requirement for centralized control.<sup>3</sup> The reasons are fairly obvious. In a crisis, the actors are in a heightened state of vigilance, their suspicions are high, and the tendency to shut out new sources of information increases. A mistaken signal can trigger an eruption of violence that is neither desired nor intended.

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<sup>3</sup> Among many excellent studies, see Craig and Alexander (1983).

North Korea presents special problems. The premise of economic engagement for strategic purpose developed in this paper, and also contained in many policy proposals, is that the bargaining framework factors a big problem into a sequence of smaller ones. North Korea could follow Libya in 2003 and 2004 in agreeing to a true grand bargain: the abandonment of its atomic weapons program in exchange for recognition as a normal state in the international system. This possibility should not, and cannot, be ruled out. It is not especially likely, however.

As the number of countries working with the United States to formulate policy increases, the difficulty of centralized control increases. Other countries may introduce extraneous issues having little to do with the goal of disarming North Korea. Marcus Noland (2004) has pointed out that the globalization of the South Korean economy has introduced new vulnerabilities arising from South Korea's growing dependence on financial markets. It is conceivable, for example, that an intense crisis like the 1994 showdown of Washington and Pyongyang could have destabilizing impacts on Seoul that would cause a sharp falloff of the South's economy.

The simultaneous coordination of economic, political, and military actions is a great deal harder than pure political-military crisis management. Introducing a third dimension—economics—complicates things, and there is at least some reason to believe that such coordination is not a strength of the United States. Most crises Washington deals with have been short, and financial and economic impacts were therefore negligible. But a crisis that drags on for years could mean that such economic factors become much more important.

A good historical example is the oil embargoes of the 1970s. This crisis continued for years. A number of studies have concluded that the United States did not perform particularly well, and its poor performance was in part due to the demand for coordination of economic, political, and military actions over many years' time. The lateral coordination mechanisms of interagency groups may not be able to manage the complex issues shown on Figure 1, at least over many years.

Another crisis management issue has not received due consideration: the command and control of a slow-motion crisis that cascades to become a fast-breaking one. In my judgment, the transition between the two kinds of crises has barely been considered. Since participating over the past few years in a number of crisis management games focusing on North Korea, I find it striking how artificial and, frankly, implausible was the play of South Korea, China, and Japan. The complexities of economic disruption were usually ignored, and temporizing behavior by allies that is likely in a real crisis was more or less overlooked. Even worse, most of the time the United States as a player quickly transitioned to a narrow military focus that effectively ignored the coalition that had been built to stop North Korea's bomb program.

Another crisis management lesson is the need to separate declaratory, programmed, and actual policy. Failure to clarify the distinctions among these has been a great source of difficulty in the past (Sigal 1988). It remains so. A failure to distinguish among the very different purposes of declaratory, programmed, and actual policy could make us the captives of our own rhetoric. This failure could happen at a time of extreme danger, in a context very different from the one in which the statements were made. In the case of North Korea, U.S. rhetoric that confuses these different policies could deeply alienate or even frighten allies.

The historical tendency in Washington is to view crisis management as largely between two players (Bracken 2003). The United States, working with its allies, should thoroughly examine existing crisis management organizations and command-and-control systems for their performance under a wide range of stressful scenarios. The multiple-player aspects of dealing with North Korea need to be included, and tests of the performance of this system under realistic conditions of peace, crisis, and war should not be postponed (Bracken and Shubik 2001, 47–60). A very good test case would be response to a North Korean atomic test. How would the six-party coalition behave? What economic and military actions would be taken? The questions are difficult, to be sure, but they deserve attention when they are not urgent, as they would be in the event of an actual test.

North Korea's own crisis management system is likely to be terrible. The North's statements about its uranium enrichment program and its threats about defending itself with all necessary means may well have been intended to scare the United States. They may have been designed to buy time so that North Korea could expand its atomic capability. But they did not achieve this effect. In Asia, Pyongyang's words increased the sense that Kim Jong-il was prone to erratic behavior at a time when he ought to have been on his best behavior. No country wants to be tied to a North Korea that plunges the region into war.

Imagining North Korea as a skillful manipulator of international politics, a country that uses the threat of war to extract concessions from the West, is likely to be a dangerous overestimation of the North's behavior if the crisis deepens.

Words matter in a crisis much more than they do in the day-to-day diplomacy of international relations. North Korea's April 2003 statements that it would sell weapons-grade plutonium to whomever it pleased made the North appear reckless and dangerous—even to countries that were seeking a peaceful resolution of the crisis. Words matter a great deal on the Korean peninsula, where the largest concentration of military power in the world pits the United States and South Korea against North Korea. At a time in 2003 when the bulk of U.S. military power was tied down in Southwest Asia, words were even more critical.

Kim Jong-il has led a life that makes Nicolae Ceausescu and Saddam Hussein look sophisticated by comparison. We know now that both these men were near delusional in the years before their falls. It seems entirely likely that the same description could apply to the North Korean leader. At the least, this possibility should be incorporated into our crisis management assessments.

## Conclusions

From the end of the Korean War until the early 1990s, Pyongyang was walled off from international relations with the West. Washington followed a policy of strict isolation. But when Pyongyang showed signs of developing atomic bombs, U.S. policy toward North Korea reversed from isolation to political engagement. The United States has done a good job of managing North Korea so far. Now international economic engagement is being considered, which creates a new level of complexity. A number of conclusions can inform this discussion.

First, if the North Korean regime collapses, thus ending its nuclear program, the benefits will far outweigh the costs. A nuclear North Korea is likely to be a very dangerous state. The North's erratic words should be understood as representing a government that is extremely unstable when subjected to stress.

Take the largest estimates of what it will cost to repair the North Korean economy. Double them. This is a cheap price to pay if it rids the world of North Korea's atomic weapons program. At the same time, an abortive economic assistance program that does not accomplish this is likely to exacerbate an already difficult problem.

Clemenceau famously said that revolutions come as a whole. We cannot go back to the French Revolution and select the parts of it we liked and reject the parts we did not like. The same thinking should be applied to North Korea. Although there are preferred ways of ending its arms program, the job is not likely to be one of optimally scheduling transition events so as to minimize the life-cycle cost to outside benefactors. Such schemes can be dangerously misleading because people may start to believe that they can schedule the regime's demise to coincide with economic cycles.

The United States can manage international economic assistance toward North Korea for strategic purpose, but a visible hand is needed—a guiding organization that coordinates programs and words into policy. A control group should be established within the U.S. government to ensure centralized control of North Korea issues. This is badly needed because disputes that already exist will become greater as more countries and more issues are brought into the politics of exchange with North Korea. Washington cannot ensure centralized control of a multilateral coalition, but it must at least insure central control of its own policies. Central control should include the words that are used to declare what these policies mean. The time to learn

how to do this is not when a slow-motion crisis accelerates into a fast-breaking one with decisions of war and peace in the balance.

Without central control, market forces alone are not likely to generate capital flows; if they happen to, they will be unconnected to strategic purpose. This is true whether capital comes from the market, South Korea, or international agencies.

Finally, grand bargains need to be decomposed into smaller problem chunks that can be managed better. They can also be negotiated better, which is important because of likely disagreements within the six-party coalition about goals, timing, and who pays the piper.

Too much attention is given to the broad principles needed to kick off multilateral-conference diplomacy, and not nearly enough to managing programs for strategic purpose. Conference diplomacy devoid of hard-edged crisis management systems and organizations may even offer North Korea a way of retaining its nuclear program while receiving outside assistance to pay for it. By cycling around agendas of great complexity, years could pass.

Absent improved organizational capacities in U.S. crisis management of North Korea's nuclear weapons program, the addition of multilateral diplomacy and international economic assistance to the picture risks turning what so far has been a good record into one that not only loses sight of its strategic purpose but also is much more dangerous.

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**Korea Economic Institute**  
1201 F Street, N.W., Ste. 910  
Washington, DC 20004  
Phone 202.464.1982  
[www.keia.org](http://www.keia.org)

**Korea Institute for  
International Economic Policy**  
300-4, Yomgok-Dong  
Socho-Gu, Seoul 137-747, Korea  
Phone 82.2.3460.1114  
[www.kiep.go.kr](http://www.kiep.go.kr)

mi-ōshima  
**American Enterprise Institute**  
1150 Seventeenth St., N.W.  
Washington, DC 20036  
Phone 202.862.5800  
[www.aei.org](http://www.aei.org)

**Chosun-Ilbo**  
61, 1-ga, Taepyong-no, Chung-gu  
Seoul, 100-756, Korea  
Phone 82.2.724.5275  
[www.english.chosun.com](http://www.english.chosun.com)