

# Why Bush is seeking Confrontation with North Korea

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North Korea's nuclear test and UN sanctions have brought relations between the U.S. and North Korea to their lowest point since President Bush took office. Yet it was only little more than a year ago that for one brief moment hopes were kindled for a diplomatic settlement of the nuclear dispute. At the six-party talks on September 19, 2005, a statement of principles on nuclear disarmament was signed between the U.S. and the Democratic People's Republic of Korea (DPRK – the formal name for North Korea). The Bush Administration, however, viewed its signature on the agreement as only a tactical delay. During negotiations it had firmly rejected the statement, and was brought around only when the Chinese delegation warned that it would announce that the U.S. was to blame were the six-party talks to collapse.

The ink was barely dry on the document when the U.S. immediately violated one of its main points. Although the U.S. was required under the agreement to begin normalizing relations with North Korea, on literally the very next day it announced the imposition of sanctions on North Korean accounts held in the Macao-based Banco Delta Asia, allegedly because they were being used to circulate counterfeit currency.

Whether there was any substance to the accusation or not has yet to be shown, but there are at least some grounds for skepticism. German counterfeit expert Klaus Bender believes that since U.S. currency is printed on specially made paper in Massachusetts, using ink based on a secret chemical formula, "it is unimaginable" that anyone other than Americans "could come by these materials." The printing machines that North Korea obtained three decades ago, Bender says, are "outdated and not able to produce the USD supernote, a high tech product." He strongly implied that the CIA could be the source of the counterfeit currency as it "runs a secret printing facility equipped with the sophisticated technology which is required for the production of the notes." That the CIA has the capacity to print money does not prove that it has done so. It would, however, have a motive, and the source has not been traced. Wherever the counterfeit supernotes came from, the Bush Administration was ardently using the issue as a pretext to take action against North Korea. Despite that, Bender reports, "the opinion of experts" is that the U.S. allegation against North Korea "is not tenable." (1)

Banco Delta Asia was quick to deny the charge, saying that its business relations with North Korea were entirely legitimate and commercial. Over a year later, the U.S. has yet to complete its investigation. As long as the investigation remains unresolved, the U.S. can continue to freeze the DPRK's funds. Russian Ambassador to South Korea Gleb Ivashentsov called for the U.S. to present evidence to back its accusation. Yet all the Russians received was "rumor-level talk." U.S. Treasury officials met with a North Korean delegation in New

York in March 2006, but provided nothing to back the charge. DPRK delegation head Ri Gun remarked afterwards, "There were neither comments nor discussion" about evidence. At that meeting, he proposed creating a joint U.S.-DPRK consultative body to "exchange information on financial crimes and prepare countermeasures." The North Koreans said they would respond to evidence of counterfeiting by arresting those who were involved and seizing their equipment. "Both sides can have a dialogue at the consultative body through which they can build trust. It would have a very positive impact on addressing the nuclear issue on the Korean peninsula," Ri said. The delegation also suggested that a North Korean settlement account be opened at a U.S. financial institution and placed under U.S. supervision, so as to allay suspicions. (2)

Not surprisingly, the North Korean offers were rejected. By raising the issue of alleged counterfeiting, the Bush Administration sought to use this as a means to justify economic warfare against the DPRK. It was not an agreement with North Korea that the Bush Administration wanted, but regime change, and further action was soon to come. The U.S. went on to impose sanctions on several North Korean import-export firms, on the unsubstantiated charge that they were involved in the arms trade. Then more sanctions were announced, this time against several Indian and Russian firms doing business with the DPRK, along with yet more North Korean companies. (3)

The measures taken against Banco Delta Asia deprived North Korea of a major access point to foreign exchange, and served also as a mechanism for magnifying the effect of sanctions. By blacklisting Banco Delta Asia, the U.S. caused other financial institutions to curtail dealings with the bank, until it was forced to sever relations with North Korea. The campaign soon took on global significance. The U.S. Treasury Department sent warning letters to banks around the world, resulting in a worldwide wave of banks shutting down North Korean accounts. Fearing U.S. retaliation, banks felt it prudent to close North Korean accounts rather than risk being blacklisted and driven out of business. U.S. Treasury Under Secretary Stuart Levey observed that sanctions and U.S. threats had put "huge pressure" on the DPRK, leading to a "snowballing...avalanche effect." U.S. actions were meant to undermine any prospect of a peaceful settlement. From now on, a senior Bush Administration official revealed, the strategy would be: "Squeeze them, but keep the negotiations going." But talks, the official continued, would serve as nothing more than a means for accepting North Korea's capitulation. A second U.S. official described the goal of talks as a "surrender mechanism." Indeed, even before the signing of the September 19 agreement, the U.S. had already decided "to move toward more confrontational measures," claims a former Bush Administration official. (4)

As general manager of Daedong Credit Bank, a majority foreign-owned joint venture bank operating in Pyongyang and primarily serving importers, Nigel Cowie was in a position to witness the effect of the Treasury Department's letters. "We have heard from foreign customers conducting legitimate business here, who have been told by their bankers overseas to stop receiving remittances from the DPRK, otherwise their accounts will be closed." To illustrate the lengths to which U.S. officials were prepared to go, Cowie described an operation that involved his own firm, from which, he said, "you can draw your own conclusions." An account was opened with a Mongolian bank. Arrangements were made for legal cash transactions. But when the Daedong Credit Bank's couriers arrived in Mongolia, they were detained by Mongolian intelligence officials, and their money confiscated. Accusations were made that the couriers were transporting counterfeit currency from North Korea. A leak to the news media from an unidentified source led to

reports charging that “North Korean diplomats” had been arrested for smuggling counterfeit currency. After two weeks, the Mongolian “intelligence officials in a meeting with us finally conceded that all the notes were genuine; the cash was released.” In the final meeting, Mongolian intelligence officials “appeared rather embarrassed that they had been given incorrect information.” It requires little imagination to guess the source of that incorrect information. (5)

U.S. actions were meeting with resounding success. “For our part,” Cowie explains, “we are only conducting legitimate business, but have nonetheless been seriously affected by these measures. A large amount of our and our customers’ money – not just in USD, but in all currencies – has effectively been seized, with no indication of when they’ll give it back to us.” The fate of Banco Delta Asia served as an object lesson. “Banks with any kind of U.S. ties are just terrified to have anything to do with any North Korean bank,” Cowie said. After the majority interest in Daedong Credit Bank was purchased by British-owned Koryo Bank, the new owner, Colin McAskill, asked U.S. officials to examine the bank’s records in order to prove that its funds are legitimate and should be unfrozen. “We will take on the U.S. over the sanctions standoff,” he said. “They’ve had it much too much their own way without anyone questioning what they are putting out.” (6)

Warning letters to banks were often followed by personal visits from U.S. officials. Bankers and American officials say that the messages contained a mix of implicit threats and explicit actions. Consequently, it was not long before nearly all of North Korea’s accounts held in foreign banks were closed, with a deleterious effect on the DPRK’s international trade. U.S. officials were inflicting serious economic harm on North Korea, but planned to do much more. “We’re just starting,” said Treasury Under Secretary Stuart Levey several months ago. In many cases, no pretense was made that the actions were related to illegal financial transactions. U.S. officials were now openly pressing financial institutions to sever all economic relations with the DPRK. “The U.S. government is urging financial institutions around the world to think carefully about the risks of doing any North Korea-related business,” Levey said. By September 2006, the U.S. had sent official dispatches to each UN member state, detailing plans for harsher economic sanctions. The planned measures were so strong that several European nations expressed concern, and it was said that the plans aimed at nothing less than a total blockade on all North Korean trade and financial transactions. (7)

Concerned over the direction events were heading, Selig Harrison, director of the Asia Program at the Center for International Policy, visited the DPRK and reported on what he saw. “I found instances in North Korea authenticated by foreign businessmen and foreign embassies 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.” Harrison said the message he heard from North Korean officials was essentially, “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, then it should show us in other ways that it has got its act together and is giving up the regime change policy.” (8)

North Korean officials were understandably miffed at the Bush Administration’s immediate violation of the September 19 agreement on principles. As the U.S. continued to tighten the screws, North Korea announced that it would not return to the six-party talks

until the U.S. honored the agreement it had signed. Sanctions would have to be lifted. At a minimum, dialogue should take place on resolving any questions surrounding the accusation of counterfeiting. U.S. officials said the sanctions were not up for discussion, and demanded North Korea's return to the six-party talks. The image presented to the American public was of North Korean obdurate behavior and refusal to negotiate. Unmentioned was how the Bush Administration had deliberately torpedoed the talks.

South Korean President Roh Moo-Hyun visited Washington in September 2006, asking for the U.S. investigation into Banco Delta Asia to be brought to a speedy conclusion. Roh said it was also important that the U.S. refrain from imposing further sanctions since such actions made the resumption of six-party talks impossible. (9) Predictably, his requests were rebuffed. Instead, the U.S. State Department allocated \$1 million to three radio stations to broadcast hostile programs into the DPRK. (10) "I think our sanctions have had real impact," Stuart Levey claimed in a speech before the American Enterprise Institute just one month before the DPRK's nuclear test, "but the real goal, I think, is to see a real change in North Korea. So we are not satisfied with what has happened so far." (11)

Any hope for a resumption of the six-party talks had vanished. The Bush Administration wanted regime change in North Korea and could be expected to increase tensions. The North Koreans had earned a reputation for their proclivity for responding in kind: by negotiating when approached diplomatically, and with toughness when threatened. North Korea decided to proceed with a nuclear test so as to discourage any thoughts in Washington of military action. A statement was issued by the DPRK Foreign Ministry, in which it was said that the U.S. was trying to "internationalize the sanctions and blockade against the DPRK." A nuclear test would be a countermeasure "to defend the sovereignty of the country" against the Bush Administration's "hostile actions." (12)

The nuclear test took place on October 9. There is still some mystery about the nature of the test. The yield was surprisingly small, estimated to be in the half kiloton to 0.9-kiloton range. The North Koreans had notified Chinese officials beforehand of an impending 4-kiloton test, far below the yields of other nations when they conducted their first tests. It could be that the DPRK was trying to conserve its limited supply of plutonium and to reduce the extent of radioactive emissions. The test is widely thought to have been a partial failure, due to an incomplete detonation of the nuclear charge. U.S. intelligence officials and weapons analysts believe that either a nuclear device (not a bomb) was tested and malfunctioned, or that a test was done only on a nuclear component. The DPRK still has far to go before it is capable of developing a functioning nuclear weapon. If the DPRK wanted to signal the U.S. that it had a nuclear deterrent, then it had accomplished the opposite, with the test revealing that its nuclear program was still in the early stages. (13)

It was always the goal of the Bush Administration to win international backing for UN sanctions against North Korea. There were those in the Bush Administrations who admitted that they were hoping that the North Koreans would conduct a nuclear test. Having maneuvered the DPRK into carrying out the only option it had, the U.S. swiftly seized its opportunity. (14)

The U.S. won approval in the UN Security Council for international sanctions against the DPRK. China and Russia did succeed in eliminating any phraseology that could lead to military action, but there are still inherent dangers in the UN resolution. For example, UN member states are called upon to take "cooperative action including through inspections of cargo to and from the DPRK." Both the Security Council and the sanctions committee were

given the right to expand the list of goods and technology that can be blocked, and the committee is to meet every 90 days to recommend “ways to strengthen the effectiveness of the measures.” (15) It can be expected that the U.S. will press for more draconian measures. U.S. officials were quick to point out that UN sanctions allowed the inspection of North Korean ships, and gave the go-ahead for a more aggressive campaign to force financial institutions to cut ties with the DPRK. The Bush Administration regards the Proliferation Security Initiative (PSI), a program said to be aimed at limiting the flow of nuclear, biological and chemical weapons, as the centerpiece of enforcement. (16)

Soon after the passage of the UN resolution, U.S. Ambassador Alexander Vershbow and Assistant Secretary of State Christopher Hill asked South Korea to review its economic relations with the North, with an eye to limiting contact. This was followed by a visit from Secretary of State Condoleezza Rice, who was there to reinforce the message. In particular, the U.S. wanted South Korea to halt cooperative projects in the North at the Kaesong industrial park and the Mount Kumgang tourist resort. (17) To its credit, South Korea refused to abandon the projects, as both are essential to long-range plans for the reunification of the Korean peninsula. “The decision is South Korea’s to make,” stressed South Korean security aide Song Min-soon. (18)

Condoleezza Rice’s trip also took her to Tokyo, Beijing and Moscow, where she urged officials to implement measures that would sharpen the effect of sanctions. Russian Foreign Minister Sergei Lavrov felt that Rice went too far in her demands, and afterwards commented, “Everyone should demonstrate realism and avoid extreme, uncompromising positions.” (19) Predictably, U.S. officials met with more success in Japan, which had recently imposed a total ban on trade with the DPRK. Japanese officials talked of submitting a new resolution to the UN if North Korea were to conduct a second test. The new resolution as envisaged by Japan would require UN member nations to block nearly all trade with the DPRK. More alarmingly, Article 42 would be invoked so as to permit military action. (20)

The furor over the partial failure of North Korea’s single, rather puny nuclear test made for an interesting contrast with the indifference that has greeted other nations’ nuclear arsenals. The U.S., of course, has a massive arsenal of nuclear arms at its disposal. There is no suggestion that the established nuclear states should disarm, nor have there been calls for sanctions against the newer nuclear states, India, Pakistan and Israel. The U.S. has even recently signed a nuclear deal with India. In all of these cases, the nuclear programs dwarfed that of North Korea’s. Yet only North Korea has been singled out for punishment and outrage. The basis for such a glaringly obvious double standard is that none of the other nuclear powers are potential targets for U.S. military forces. The operative principle is that no nation the U.S. seeks to crush can be allowed the means of thwarting an attack.

North Korea’s nuclear test was driven by the perceived need to reduce the risk of attack by the U.S., a real enough consideration given the fate of conventionally armed Iraq, Afghanistan and Yugoslavia. At the same time, the test played into the Bush Administration’s hands. The U.S. military is tied up to a large extent in the occupations of Iraq and Afghanistan, but UN sanctions are a cost-effective alternative for bringing ruin to North Korea and its people. How the Bush Administration interprets what the sanctions allow it to do is a question with potentially profound consequences. There have already been indications that the U.S. may go well beyond the letter of the resolution and implement measures that represent a real menace to peace. The UN resolution gives nations the legal backing to stop North Korean ships in foreign ports and waters. But U.S. Ambassador to the UN John Bolton has hinted at the possibility of stopping and searching North Korean ships in



international waters, an act lacking in any legal basis. If the U.S. decides to pursue that course of action, it risks inviting a military clash at sea. Japan is considering contributing destroyers and patrol aircraft to the U.S. plan to harass North Korean shipping. (21) This would be seen as an especially provocative act, given the bitter memories associated with the many years Korea spent under harsh Japanese colonial rule.

But then, confrontation is surely what the Bush Administration wants, viewing it as an opportunity for further punishment of the DPRK. Since demolishing the 1994 Agreed Framework, the Bush Administration has gone on to do everything in its power to worsen tensions. "The U.S. never intended to honor the Agreed Framework and did not fully fulfill any of its provisions," points out Alexander Zhebin of Russia's Institute of the Far East. "The U.S. would love to place a bursting boiler at Russia's doorstep. Americans would sit back and watch it explode on TV, and let Russians, Chinese and Koreans sort out the consequences." (22)

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<http://www.amazon.com/Strange-Liberators-Militarism-Mayhem-Pursuit/dp/1595265708>

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