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Why Is This Man Smiling?

By Takashi Yokota

During the nuclear negotiations with the U.S. in the early 1990s, Kim Gye Gwan always seemed to be in a cranky mood. “He always looked like he had an upset stomach,” says a former U.S. negotiator at the time. Fast forward to today—now the chief North Korean delegate to the six-party talks, Kim is beaming with smiles during photo-ops and waving to reporters at every meeting.

And for good reason. Last Monday, the North Korean Foreign Ministry abruptly announced that “the U.S. decided to take such political and economic measures for compensation as delisting the DPRK as a terrorism sponsor and lifting all sanctions that have been applied to the Trading with the Enemy Act.” The U.S. State Department quickly denied the North Korean statement. But what’s certain is that Pyongyang is growing ever-more confident that it is a matter of time before they are taken off the U.S. State Sponsors of Terrorism list—a move that would open numerous economic doors for the impoverished nation to get much-needed cash from the international community.

Since the 1950s, North Korea has been under American sanctions by the Trading with the Enemy Act. On top of that, Pyongyang was designated as a state sponsor of terrorism in 1988 for blowing up a Korean Airlines flight the year before, in addition to providing refuge to four members of the Japanese Red Army—not to mention the systematic abduction of Japanese and other nationals. Taken together, the set of sanctions forbid Americans to trade or invest in North Korea, and also blocks Pyongyang from getting loans from international financial organizations like the World Bank and the International Monetary Fund.

Christopher Hill, the top American negotiator, is now trying to use the

situation as a carrot to prod Pyongyang to fess up about its nuclear capabilities and “disable” related facilities. Technically, all that’s needed to delist a nation from the terrorism list is an executive order by the President of the United States. Any resolution at the United Nations or an agreement between members of the six-party talks is not needed. Meanwhile, Tokyo has been fretting that the Bush administration might back down from its support on the abduction issue in turn for making progress on denuclearization to score diplomatic points. To quell such concerns, Hill recently assured his Japanese counterpart Kenichiro Sasae that 「日米関係を悪くするような形で（テロ支援国家の）指定解除はしない」, according to a senior Japanese Foreign Ministry official.

Yet some former American diplomats and intelligence officials believe that Hill might have in fact struck a secret deal with the North at its bilateral “working group” session in Geneva two weeks ago. For one, North Korean Foreign Ministry statements are regarded by diplomats and experts as the most reliable source on Pyongyang’s real position and demands. Another is that Hill’s denial can’t always be taken at face value. “Chris Hill’s denials have been similar to the meeting in Berlin, where he said there was no agreement, but shortly after there was a six-party agreement in Beijing,” says former CIA analyst Bruce Klingner, referring to the Berlin meeting in January in which Hill and Kim struck a deal behind closed doors. “What may have occurred in Geneva is a lowering of the bar and some sort of pre-agreement between the United States and North Korea, which we won’t really know about until we see plenary session of the six-party talks presumably later this month.”

Now, there seems to be subtle signs of possible progress on the abduction issue too. Compared to previous meetings, the Japan-North Korea working group last week showed a small window of opportunity. While the North Korean delegates maintained their position that the abduction issue is solved, they agreed to continue talks and even touched on the eventual possibility of providing a venue to discuss the return of the Japanese Red Army Yodo hijackers and reopening investigations to account for the missing abductees. “There is a continuing effort underway now to discuss the details of a possible understanding (between Tokyo and Pyongyang),” says Kenneth Quinones, a

former State Department negotiator who now teaches at Akita International University. “We won’t have a breakthrough right away, but if matters continue on the positive track indicated at the meeting by both sides, then it is possible that after the September meeting in Beijing there could be some agreement.”

What’s more, a concrete policy scenario for a possible resolution of the abduction issue is now being considered by Tokyo and Pyongyang, Newsweek Japan has learned. According to diplomatic sources close to the process, Hill earlier this year told Kim Gye Gwan that Washington will delist North Korea if they return the Japanese Red Army Yodo hijackers and reopen investigations into the missing abductees. Tokyo was displeased for being kept out of the loop and initially rejected the idea. But in recent months, Tokyo has begun to consider the two conditions behind closed doors, and that is perhaps why the North Koreans touched on the two issues after the Japan-North Korea working group. “The deal would make it possible for the Abe administration to make some positive statement about significant progress on the abduction issue, while at the same time allow the United States to justify removing North Korea from the terrorism list,” the source says.

To be sure, the outlook is still uncertain. While various officials of the Japanese government continue to review the details of the scenario, Tokyo also remains hesitant to publicly display a thawing of relations, which could give Pyongyang an excuse to once again refuse to discuss the abduction issue. Indeed, following the Japan-North Korea working group, Tokyo refused to take a softer line to Pyongyang by rejecting Chongryong’s (朝鮮総連) request to dock North Korean ships to Japanese ports to transport aid materials to flood-ravaged North.

But if the terrorism-sponsor designation were to be in fact to be lifted, North Korea will get big chances to get big bucks. For one, it would allow American companies to invest in North Korea. The North could also export commodities like textiles to the United States, though goods will face steep duties and be limited by a quota, as it still would not be eligible for Most Favored Nation status.

From Pyongyang’s eyes, perhaps the biggest spoils would be access to

low-interest rate loans from organizations like the World Bank and the Asia Development Bank. North Korea is flush in natural resources like iron ore, uranium and rare metals like tungsten and magnesite— key materials widely used in automobiles and electronic devices. Yet it is struggling to turn those resources into money. While several Chinese firms have already secured excavation rights in the North, those projects still have yet to take off largely because of the lack of necessary infrastructure to excavate and transport such commodities. For example, Chinese traders can only import North Korean iron ore by truck loads, rather than by railroad. But if the North is delisted from the terrorism list, it could open the door for them to apply to low-interest rate loans to fund infrastructure projects for those purposes. Tungsten prices, for example, have tripled to about \$250 per 10 kg in the past three years.

All of this comes down to the question—for what price? That's yet to be known. The denuclearization agreement is riddled with ambiguities that give North Korea room to make different interpretations on its commitments. Pyongyang has recently begun playing semantic games in last week's Foreign Ministry statement. While Hill describes the North's obligation as "disablement" of its nuclear capabilities, Pyongyang characterized it as "neutralization." As ambiguous as those two words already are, "neutralization" would be short of dismantlement, and at best could merely mean to freeze its nuclear facilities rather than scrapping them for good. Meaning, the reactors could be restarted if Pyongyang doesn't like what it sees. That would be a far cry from what Hill expects. And no wonder Kim can't help but laugh.

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