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**Background**  
**Executive Summary**

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## TIME FOR A NEW NORTH KOREA POLICY

*DARYL M. PLUNK*

Prospects for peace on the Korean Peninsula appear more uncertain following a recent deadly naval clash between North and South Korean ships in the Yellow Sea over border intrusions and fishing rights. North Korea's Stalinist regime often provokes the South and resists entering talks with Seoul on reunification issues despite receiving large amounts of international aid and support. When President Bill Clinton welcomes South Korean President Kim Dae Jung to a summit in Washington, D.C., on July 2, the Administration will have an opportunity to focus on new policy initiatives that link any future "rewards" for North Korea to clear concessions from Pyongyang that will lead to peace.

The Korean Peninsula—the most heavily militarized spot on earth—is the only place where an outbreak of war would result in the swift and heavy loss of American lives. The \$419 million in aid that the United States has sent to North Korea since 1995 has not reduced the threat of conflict on the Peninsula. Despite a tattered economy and rampant starvation, North Korea maintains one of the world's largest standing armies. Its forward-deployed forces require the continued presence of 37,000 U.S. troops in South Korea at a cost to the American taxpayer of about \$3 billion per year. And the tension surrounding the June 14 incident in the Yellow Sea, in which a North Korean boat

was sunk and 30 soldiers from the North may have died, caused the United States to reinforce its military forces in South Korea with aircraft and submarines.

The North is not a willing partner in achieving peace. Stories about North Koreans' infiltrating the South and even attacking the South's government officials have been reported for decades, and several serious North Korean provocations have occurred in the past two years. Moreover, Pyongyang is rapidly developing intercontinental ballistic missiles (ICBMs) that may soon be capable of reaching the United States, and it continues to sell long-range missile technology to rogue regimes like Iran. The North, in effect, uses the threat posed by its nuclear weapons and long-range missile development program to extort U.S. and international assistance.

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Despite such belligerence, the Clinton Administration generally submits to the North's bribery diplomacy. The occasional concessions the Administration extracts from North Korea come at a great price. For example, Pyongyang recently allowed the United States to inspect a suspected nuclear weapons site after the Administration promised to provide \$200 million worth of grain. But this and other concessions failed to promote the paramount U.S. goal of tension reduction on the Peninsula. In fact, the North's military threat has grown in recent years, even as Pyongyang has become one of the largest recipients of U.S. foreign aid. Since 1995, the Administration has spent nearly half a billion dollars on the North in the form of humanitarian food assistance, money for the right to search for the remains of U.S. soldiers lost in the North during the Korean War, and energy assistance required under the 1994 U.S.–North Korea nuclear deal known as the Agreed Framework.

The Administration's current policy toward North Korea has failed. The North continues to threaten South Korea, refuses to engage in meaningful dialogue with the South, and continues to build dangerous missiles. Members of Congress understandably are increasingly frustrated with Administration policies that give aid to Pyongyang and produce no results. The July 2 summit offers the Administration an important opportunity to change these policies by considering steps to:

- **Promote discussions with South Korea, Japan, and other allies on a substantial package of**

**trade and aid offers to North Korea.** This package should be based on a consensus of the donors, and the aid should be targeted to North Korea's real needs. For example, assistance to Pyongyang for light-water nuclear reactors should be reconsidered and perhaps spent instead on conventional power plants and upgraded power transmission lines.

- **Make future aid to North Korea dependent on real concessions.** A substantial package of trade and aid offers to the North must be linked directly to Pyongyang's efforts to reduce military tensions, abandon its ICBM program, and resume peace talks with the South. Future North Korean missiles could reach the United States, and Pyongyang's trafficking in missile technology is allowing rogue states like Iran to pose a growing threat to Israel.
- **Consider forming a "peace corps" for North Korea.** Such an organization would ensure that future international assistance gets to the North Korean people who most need it.
- **Appoint a senior U.S. negotiator as a special envoy to Pyongyang to oversee these policy adjustments and to coordinate policy with all concerned countries.** This official would provide consistent U.S. policy leadership in North Korea and work with U.S. allies to coordinate a united approach toward Pyongyang.

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# Backgrounder

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## TIME FOR A NEW NORTH KOREA POLICY

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When South Korean President Kim Dae Jung visits Washington, D.C., on July 2 for a summit with President Bill Clinton, the discussion of “rewards” for North Korea should be linked to clear concessions from Pyongyang that lead to peace. The Korean Peninsula—the most heavily militarized spot on earth—is the only place where an outbreak of war would result in the swift and heavy loss of American lives.

Despite \$419 million in aid to North Korea since 1995, the Clinton Administration has not achieved any reduction in the threat North Korea poses to the South, the region, and the United States. On August 31, 1998, for example, North Korea launched a Taepo Dong-1 missile over Japan, achieving intercontinental range. On June 14, 1999, its ships exchanged fire with the South’s ships in the Yellow Sea—the first such exchange since the Korean War. Future aid to the North must be linked to real concessions that reduce the likelihood of such belligerence and promote lasting peace on the Peninsula.

Although North Korea has made occasional concessions since signing the October 1994 Agreed Framework with the Clinton Administration, it has failed to change its aggressive behavior. Concessions—such as recently allowing the United States to inspect a suspected nuclear weapons site—have come at too great a price. For example, to gain access to this site, the Adminis-

tration pledged to provide the North with \$200 million worth of grain. To date, the United States already has given the North nearly half a billion dollars in foreign aid. Congress is justifiably frustrated in funding policies that fail to reduce tension on the Peninsula.

It is time for the United States and South Korea, as well as Japan, to consider alternative methods of helping North Korea take real steps toward peace. They should consider offering Pyongyang a substantial package of trade and aid that is accompanied by a road map for ending its ballistic missile program and reducing tensions with the South. To ensure that international aid reaches needy North Koreans, Washington and Seoul should consider creating a new “peace corps” for North Korea. And to coordinate their efforts and provide much-needed policy leadership, the Clinton Administration should appoint a senior U.S. official to serve as special envoy to North Korea.

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## THE FAILURE OF THE AGREED FRAMEWORK

Early in his first term in office, President Clinton grappled with North Korea's renegade nuclear weapons program. After many months of tedious negotiations, the first U.S.–North Korea political agreement was signed in October 1994. This Agreed Framework marked a sharp break with the established policy that had governed relations with North Korea for decades. With the signing of this Framework, the United States entered a major agreement with Pyongyang that did not include the South. Such direct political ties had been a key North Korean diplomatic goal for years.

In the Agreed Framework, the Administration offered improved trade and political ties that eventually would end the U.S. economic embargo on the North and lead to the beginning of formal diplomatic relations. But more important, for the first time the United States pledged economic aid to the North, including \$50 million per year for fuel oil and the construction of two nuclear reactors valued at about \$5 billion. Together with a consortium of about a dozen nations, the United States is raising funds to support this process, although Seoul pledged to pick up most of the tab. This approach was justified by the Administration because it would promote greater North–South economic interaction and increase the chances of an eventual peaceful unification.

The United States has given or pledged nearly \$500 million in various kinds of aid to North Korea, including food assistance, fuel shipments, funds to secure the North's weapons-grade nuclear material, and money for the right to search for the remains of U.S. soldiers lost in the North during the Korean War. Other countries have given substantial amounts of aid as well.

North Korea's economy is in a downward spiral. Successive years of backward socialist agricultural policies have combined with bad weather to cause widespread starvation in some areas. The Pyongyang regime refuses to implement desperately needed economic reforms, even ones that would affect its political control only slightly. The aid the

regime receives from abroad allows it to feed politically loyal subjects and fund a massive million-man military force. Meanwhile, although there is little reliable information on the North's internal situation, some estimates place North Korean deaths from starvation at around 300,000 over the past five years.

The Clinton Administration hailed the Agreed Framework as an historic opportunity to end the state of war that has smoldered on the Peninsula since the 1953 Korean War cease-fire. Yet concerns are mounting that the North could explode into war or that political instability could lead to a violent collapse of its regime. The Administration's initial hope of guiding the North into a "soft landing" appears improbable at best.

The Agreed Framework clearly has failed to achieve its intended goals. North Korea has not suspended its nuclear program, has not sought reconciliation with the South, and now poses new threats to the world in the form of its long-range ballistic missiles.

### **Failure #1: The Agreed Framework provides no assurance that North Korea has suspended its nuclear program.**

In return for assistance, the North agreed to freeze its current nuclear program, preventing it from processing any more weapons-grade plutonium than it already has. This freeze was to be monitored by the International Atomic Energy Agency (IAEA). Today, the Clinton Administration proclaims that the nuclear threat has been checked, but there are noteworthy caveats. Washington backed down from its earlier demand that the North provide a full accounting of its enriched plutonium stockpile. Inspection of storage sites, which the North is obliged to allow under other international treaty obligations, is delayed for years to come.

As a result, the North already may have assembled nuclear bombs in secret. Senior Clinton Administration officials have admitted this publicly. The nuclear deal in the Framework offered much-needed economic support to the North, but it also allowed Pyongyang to keep its nuclear card

for years to come. And though Pyongyang technically is obliged to allow for full nuclear transparency just before completion of the two reactors, the construction project may take 10 years or more to complete.

In a 1998 report, the U.S. General Accounting Office (GAO) stressed that the IAEA had “identified several problems affecting its ability to determine whether North Korea is complying fully with... aspects of the nuclear freeze.”<sup>1</sup> For example, the North “has not allowed the IAEA to implement required safeguard measures on the liquid nuclear waste tanks” at the Yongbyon nuclear facility. The report found that “the Agreed Framework allows North Korea to continue operating certain nuclear facilities not covered by the freeze.” It also noted that a December 1996 cable from the U.S. Department of State had expressed “deep concern about whether North Korea will fulfill critical components of the Agreed Framework.”<sup>2</sup>

Further undermining the Agreed Framework’s credibility is a 1996 GAO study which found that the North’s existing power grid or infrastructure is not nearly capable of distributing the power that will be generated by the new reactors. The report quotes State Department sources as saying that upgrading this grid will cost about \$750 million,<sup>3</sup> which is considered a very conservative estimate. The United States and its allies refuse to pay for this enormous project, and given North Korea’s economic crisis, it is certain that Pyongyang will not soon be in a position to pay for it. According to the GAO report, “North Korea could exert pressure on others to pay for the grid.”

## **Failure #2: The Agreed Framework has not reduced North Korea’s threats and use of extortion.**

The Administration’s failure to insist that North Korea fulfill its part of the Agreed Framework has allowed the North to extort additional money from the West. North Korea’s extortion tactics, for example, were evident in the confrontation surrounding the suspected nuclear site at Kumchang-ri. When the existence of the large underground facility was publicized last August, it quickly provoked congressional criticism of the purported nuclear “freeze,” forcing the Administration to insist on inspections of the site. The North initially demanded \$300 million in exchange for the inspections. In the end, Pyongyang received most of what it demanded. The latest U.S. shipment of food assistance to the North—pledged just weeks before the March 16 Administration and Pyongyang Joint Press Statement on the Kumchang-ri issue—is valued at nearly \$200 million.<sup>4</sup>

In announcing the inspection agreement, Secretary Madeleine Albright proclaimed that the North had agreed to “multiple site visits” by U.S. officials at Kumchang-ri.<sup>5</sup> But it soon became clear that the United States had secured only an invitation to conduct a single inspection in May 1999. A two-month delay ensued before the U.S. team inspected the site. It is reasonable to question the Administration’s failure to secure immediate inspections. By May, the North certainly would have had time to sanitize the site. The next “multiple” inspection will not take place until May 2000.

A March 18 commentary in the *Choongang Ilbo*, a daily newspaper in Seoul, described the deal as follows:

1. U.S. General Accounting Office, *Difficulties in Accomplishing the IAEA’s Activities in North Korea*, GAO/RCED-98-210, July 7, 1998.
2. *Ibid.*
3. U.S. General Accounting Office, *Implications of the U.S.-North Korean Agreement on Nuclear Issues*, GAO/RCED/NSIAD-97-8, October 1996.
4. “Statement by Secretary of State Madeleine Albright,” press release, U.S. Department of State, March 16, 1999.
5. *Ibid.*

In effect, North Korea traded a cave for gifts equivalent to a third of its annual trade.... The US came away with nothing, *not even face* [emphasis added].... The US backed away big time, too, from its original refusal to pay any compensation to the North. The US-North Korea agreement, to be sure, contains no mention of compensation, but nobody is fooled by that. The agreement is a straight forward exchange of assistance for visits. Meanwhile, of course, North Korea has carted away any evidence at Kumchang-ri and US “visits” are unlikely to turn up anything.

On May 18, a 15-member U.S. inspection team arrived in Pyongyang and conducted a weeklong inspection of the site. On June 25, the Administration announced that the underground complex was empty. The State Department contended that “Kumchang-ri does not violate the 1994 U.S.–DPRK Agreed Framework.”<sup>6</sup> The department, however, left open a gray area by stating that the site is not suitable for “a [fuel] reprocessing plant.” It also admitted that the U.S. could not rule out the possibility that the site was intended for other nuclear-related uses. Coming four years after the North agreed to freeze its nuclear weapons program, the Kumchang-ri affair underscores the opinion of many that the North had no intention of actually freezing the program.

### **Failure #3: The Agreed Framework did not promote effective North-South dialogue.**

Section III of the Agreed Framework stipulates that “The DPRK [Democratic People’s Republic of Korea] will consistently take steps to implement the North-South Joint Declaration on Denuclearization” and “will engage in North-South dialogue, as this Agreed Framework will help create an atmosphere that promotes such dialogue.”<sup>7</sup> The Clinton Administration’s attempts to coax Pyong-

ang to the bargaining table with the South have been a slow and torturous process. The North, mired in a staggering economic crisis, repeatedly has demanded massive commitments of food aid from the United States and Seoul as a precondition of negotiations. Seoul, Washington, and the international community have provided enormous amounts of humanitarian assistance already. Yet Pyongyang consistently refuses to engage Seoul in political dialogue—violating the promise it made in writing more than four years ago in Geneva.

On March 17, 1999, the North made clear yet again its deliberate violation of Section III. Radio Pyongyang reportedly demanded that the South stop “toadying” to foreign powers, rescind the National Security Law that prohibits pro-North Korean activities in the South, and guarantee complete freedom of action in the South’s unification movement. The North indicated that these were absolute conditions that must be met before North-South dialogue can begin. Pyongyang’s demands reportedly were restated in the North Korean Communist Party newspaper on June 9. This attitude violates both the spirit and the letter of the Agreed Framework and could be considered grounds for the United States to abandon its commitments under the agreement.

### **Failure #4: The Agreed Framework has not reduced North Korea’s growing military threats.**

As discussed above, the failure of the Framework to assure the full suspension of the North’s nuclear program is highlighted by the fact that the North’s military threat has grown more ominous since the agreement was signed. Instead of devoting resources to feeding its starving people, Pyongyang is spending funds to build ICBMs. Its test flight of the Taepo Dong-1 missile directly over Japan last August shocked that island nation. The missile has an estimated range of at least

6. “Report on the U.S. Visit to the Site at Kumchang-ri,” press release, U.S. Department of State, Office of the Spokesman, June 25, 1999.

7. “Agreed Framework Between the United States of America and the Democratic People’s Republic of Korea,” signed in Geneva on October 21, 1994.

1,200 miles. Within several years, the North may field a new version of the Taepo Dong that could carry a nuclear, chemical, or biological warhead to the United States.

Moreover, North Korea is one of the world's most prolific sellers of missile technology to rogue nations. In 1996, Pyongyang sold Scud mobile missile launchers to Iran. Soon afterward, the North may have sold its 600-mile-range Nodong missile to Iran and Pakistan, both of which tested missiles almost identical to the Nodong in 1998. There are suspicions that the Taepo Dong or its essential technology already may be on the way to Pakistan.

Since 1997, the Clinton Administration has engaged in dialogue with Pyongyang to try to curb the North's missile program. North Korea's contempt for this effort was made clear when U.S. congressional staff members visited Pyongyang in August 1998 and were told by a senior official that North Korea's missile sales would be suspended in return for \$500 million in U.S. aid per year.<sup>8</sup>

North Korea also continues its provocative military action against South Korea on a regular basis. On June 7, the North sent fishing ships and gunboats into South Korean territorial waters. The standoff continued until June 15, when South Korean ships returned the fire of the North Korean vessels and sank a torpedo ship. Moreover, there are frequent news reports of infiltration into the South by the North's commandos and agents. One such mission in September 1996 led to violence when mechanical troubles forced the commando-carrying submarine's crew and North Korean troops who were aboard to flee into the South. Ensuing battles resulted in the deaths of 16 South Koreans and all but two of the 26 North Koreans.<sup>9</sup>

## TIME TO REFRAME THE AGREED FRAMEWORK

The failures of the 1994 Agreed Framework point to the need for the Clinton Administration to revise its policies toward North Korea. The Administration has only been successful in enticing Pyongyang to engage in talks by offering a multibillion-dollar energy infrastructure construction project, with pledges of additional limited aid and political ties. Now the United States and other nations are responding to the North's severe economic crisis with food aid.

Although Pyongyang openly admits to its economic woes and publicly appeals for international support, it continues aggressive actions and abstains from substantive direct talks with the South in an effort to extract maximum concessions from the United States and its allies. But this is a futile game. Meeting the North's needs requires much more than Washington and Seoul are willing to provide. Massive aid to a nation that poses a clear and present military threat is hardly an acceptable option. As the North continues its slide toward economic collapse, it should expect only limited aid under the current circumstances. Even its multibillion-dollar bonanza in nuclear reactors will not materialize for years.

**The Package Deal.** A crucial principle that Washington must reintroduce in its dealings with Pyongyang is reciprocity: Rewards will only follow concessions from the North that lead to peace. This principle has been lost since the signing of the Agreed Framework.

During talks with the North in 1993 and 1994, U.S. policymakers spoke of a "package deal" under which Pyongyang would reap substantial rewards for giving up its nuclear weapons ambitions and pursuing a lasting peace on the Peninsula. The key to this proposal was real linkage between North Korea's actions and rewards.

8. Interview by author with Peter T. R. Brookes, Senior Advisor for East Asian Affairs, Committee on International Relations, U.S. House of Representatives, June 28, 1999.

9. "North Korea Apologizes for Submarine Infiltration," Deutsche Presse-Agentur, December 29, 1996.

The Heritage Foundation, among others, supported this approach at the time, and called for a generous trade and aid package from the United States, South Korea, Japan, and other concerned parties in return for Pyongyang's cooperation. Instead, the Clinton Administration put forth a scheme for power plant construction. What the North desperately needs is financial assistance and economic reform, not the prospect of enhanced electric power capabilities 10 years from now. What the United States urgently needs is an unambiguous end to the North's nuclear threat and rapid tension reduction in Korea.

**Congressional Frustration.** Continued North Korean belligerence toward the South has caused great frustration in Congress, which is asked to appropriate hundreds of millions of dollars to support the Administration's North Korea policies.

Late last year, in approving the Administration's request for the annual funding of its North Korea policy, Congress stipulated certain conditions. For example, the White House is required to certify that the North has frozen its nuclear program, that it will end its aggressive missile development program, and that it will stop stonewalling talks with the South. The Administration is also required to conduct a review of its current policies. Former Secretary of Defense William Perry, who was selected to lead this assessment, has indicated that the findings will be publicized in late June.

In the meantime, congressional support for current Administration policies is eroding. On June 9, Perry presented an interim report to Representative Benjamin Gilman (R-NY), chairman of the House International Relations Committee. On the same day, Gilman issued a strong statement criticizing the Administration for moving ahead with "quiet diplomatic initiatives with North Korea without the close consultation with Congress that last year's legislation intended."<sup>10</sup>

Representative Gilman was alluding to a new policy initiative about which Congress had yet to be consulted. What this new initiative entails has not been made public, but presumably the policy will be announced by the White House in the very near future. Gilman accused the Administration of undermining development of "a bipartisan policy which would be supported by the Congress and the White House."<sup>11</sup>

On June 9, Representative Gilman also announced his intention to move forward with the North Korea Threat Reduction Act of 1999 (H.R.1835), which would impose a new reciprocity requirement on future funding of the Administration's North Korea policy initiatives. U.S. food assistance would be approved only after assurances that the aid would not be diverted to North Korea's military. U.S. trade embargo measures would remain in place until the North abandons its missile program. The bill also would establish stiff requirements that the North prove its adherence to its nuclear freeze pledge.

Current Administration policies toward North Korea should be changed to reflect the critical goals sought by these requirements. Although this change would require careful diplomacy with Pyongyang, there are no legal barriers to such action. In October 1996, the GAO reported to Congress that the Agreed Framework is not legally binding or enforceable under either U.S. or international law.<sup>12</sup> The GAO quoted State Department officials as admitting that the deal was structured in this manner since "the United States wanted the flexibility to respond to North Korea's policies and actions."

With a clear record of failure and growing opposition in Congress to its increasingly expensive North Korea policy, the Clinton Administration should move quickly to formulate new policy initiatives. In close consultation with Seoul, Washington should take the following steps:

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10. "North Korea Policy Moving Forward 'Without Close Consultation with Congress,' Says Gilman," press release, Committee on International Relations, U.S. House of Representatives, June 9, 1999.

11. *Ibid.*

12. GAO, *Implications of the U.S.-North Korean Agreement on Nuclear Issues.*



- 1. Promote discussions with South Korea, Japan, and other concerned nations on a substantial package of trade and aid offers for North Korea.** This package should be large enough to entice the North to cooperate while meeting the needs of most North Koreans. For example, a significant portion of the billions of dollars pledged for the decade-long reactor construction project should be used now as leverage in negotiating with the North. Serious consideration should be given to scrapping the light-water nuclear reactor project in favor of a more practical and viable approach to solving the North's energy needs, such as the construction of conventional non-nuclear power generating facilities. These facilities are not only less expensive to build, but also more appropriate given the state of the North's energy distribution infrastructure. The non-binding nature of the Agreed Framework permits the United States and its allies to drop the nuclear reactor commitment.
- 2. Make future aid to North Korea dependent on real concessions.** In return for the new package of assistance, the Administration should call on the North to reduce military tensions, to abandon its ICBM program, and to resume the peace talks with the South. A new package of aid, which North Korea desperately needs, must be conditioned on the North's termination of its ballistic missile development and proliferation efforts. North Korean missiles could soon be capable of reaching the United States, and Pyongyang's trafficking in missile technology is allowing rogue states to pose a growing threat to their adversaries. Sales to Iran pose a threat, for example, to Israel.

In addition, the North must engage in serious, high-level peace talks with Seoul. The baseline for those talks should be the Basic Agreements ratified by the North and South Korean governments in 1992. Long ignored by the Clinton Administration, these pacts were negotiated by the prime ministers of the two sides and outline specific and practical steps toward easing political and military tensions,

including expansion of North-South trade, citizen exchanges, a pullback of troops from both sides of the border, and phased reductions in armaments and troops. Pyongyang should be pressed to initiate market-oriented reforms, starting with its agricultural sector.

- 3. Consider forming a "peace corps" for North Korea.** As part of this package deal, and with the goal of sparking systemic North Korean reforms, Seoul and its allies should consider creating a "peace corps" type of program for North Korea. The North has an enormous need for social and economic infrastructure revitalization, beginning with its agricultural sector. A consortium of concerned and interested nations should offer technical assistance in areas ranging from farming to health care, telecommunications, transportation, electric power generation, and business. A "peace corps" organization could ensure that future assistance helps the people of North Korea and is not siphoned off by the North Korean government or military.
- 4. Appoint a senior U.S. negotiator as a special envoy to Pyongyang to oversee these policy adjustments and to coordinate policy among the United States, South Korea, Japan, and other concerned nations.** The United States and Seoul will have to move decisively to "sell" this new arrangement to Pyongyang. A high-level envoy is necessary to convince North Korean leaders that the package deal serves the interests of all parties concerned and that the resolve of Seoul and its allies to end the threat to peace posed by Pyongyang's military machine is solid.

## CONCLUSION

The Cold War has ended, and North Korea no longer has China and the Soviet Union standing ready to support its military aggression toward the South. But even as its economy crumbles, the North poses a daily threat to the security of South Korea, as well as to the interests of the United States and Seoul's other allies. It is past time for these allies to offer reasonable incentives to

Pyongyang and at the same time press the North for substantive efforts and rapid progress toward peace and stability on the Korean Peninsula.

Formulating and successfully implementing policies will take time, perhaps months, but the alternatives are less attractive. The Administration's policies have done little more than preserve the status quo. This approach does not go far enough in promoting critical national security interests. The current meager amounts of assistance flowing into North Korea will neither stop its economic free-fall nor convince Pyongyang to take

deliberate steps to achieve confidence building and tension reduction.

Supplying appropriate and strictly conditioned assistance to the North now could expedite the quest for peace. It also could ease the suffering of the North Korean people and promote necessary economic reforms. This, in turn, could make the eventual reunification of the Koreas less complex and less expensive.

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