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Assessing Engagement: Why America's Incentive Strategy toward North Korea "Worked" and Could Work Again

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Abstract

This paper will explain what economic incentives are, how they work as a policy instrument, when they work, and the scope and limits of their effectiveness. Armed with a realistic understanding of incentives, we are then in a position to accurately assess the incentive strategy of 1994-2002. Drawing the right lesson from this historical period is critical, because, should a future American administration conclude that long-term efforts aimed at encouraging cooperative policies from the North are the only viable alternative, it will need a correct understanding of the previous incentive strategy to fashion a new strategy of engagement. This article concludes with lessons learned from this period that could be used to strengthen the likelihood of success in any future engagement with North Korea.

Key Words: economic incentives, North Korea, technology transfer, engagement, statecraft

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"It ain't what you don't know that gets you into trouble.
It's what you know for sure that just ain't so."
—Mark Twain, American humorist and author

Introduction

As Mark Twain reminds us, it is important to question our received truths. In official Washington, the assertion is made that the US policy of economic incentives vis-à-vis North Korea during 1994-2002 offered in exchange for suspending its nuclear programs was a "failure," as evidenced by the North's alleged secret uranium program.[1] This conclusion is incorrect: the incentive strategy worked surprisingly well as will be explained below. The American-led incentive strategy was abandoned by the Bush Administration not because incentives had failed, they had not, but because the goals of American policy had changed. Instead of pursuing long-term cooperation in restraining North Korea's development of nuclear weapons, American policy changed to seeking confrontation with the North. By 2002, the Bush Administration asserted that North Korea represented a threat to the United States and the region and that regime change caused by internal collapse or foreign military intervention would be the preferred course of events. As the ends of America's policy changed, so too did the means—from multilateral incentives to unilateral threat, sanction, and opprobrium. The consequences of this policy shift were unfortunate: North Korea evicted international weapons inspectors, restarted the nuclear reactor at Yongbyon, unlocked the containers holding the spent fuel rods and moved them

[1] For a recent example see the statements of Senator John McCain (R-AZ) in "Test Byproduct: Quick Scramble to Point Fingers," *The New York Times*, October 11, 2006.

to a reprocessing facility, and, by most estimates, rapidly began building nuclear devices. Washington hectored North Korea, but with no good military alternatives, little international support for sanctions, and limited interest in diplomacy, turned its attention elsewhere, to Iraq.

This paper will explain what economic incentives are, how they work as a policy instrument, when they work, and the scope and limits of their effectiveness. Armed with a realistic understanding of incentives, we are then in a position to accurately assess the incentive strategy of 1994-2002. Drawing the right lesson from this historical period is critical, because, should a future American administration conclude that long-term efforts aimed at encouraging cooperative policies from the North are the only viable alternative, it will need a correct understanding of the previous incentive strategy to fashion a new strategy of engagement. This article concludes with lessons learned from this period that could be used to strengthen the likelihood of success in any future engagement with North Korea.

What are Economic Incentives and How and When do they Work?

Economic incentives—trade, technology transfer, aid, and investment—are a mode of power exercised through the promise or giving of an economic benefit to induce a state to change its political behavior.[2] Although not overtly "coercive," incentives clearly aim to influence the recipient state's behavior in the sender's preferred direction. Incentives contrast with economic sanctions, which aim to force an alteration in the target's behavior by impeding its welfare.

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[2] See generally, William J. Long, *Economic Incentives and Bilateral Cooperation* (Ann Arbor: University of Michigan Press, 1996).

Incentives are not just weak sanctions, however, they are a distinctive policy instrument that by nature best serve policies that seek medium to long-term cooperation,[3] as will be explained below. Sanctions are better suited for other political purposes: punishment, short-term prevention, or demonstration of resolve.

Incentives encourage cooperation at two levels. First, by shaping the recipient's external payoff environment, they offer an exchange of economic gains from trade, technology transfer, or aid for political concessions.[4] Distinct from sanctions, which are necessarily a "lose-lose" economic proposition, incentives in the form of trade expansion for example, can change the external environment in a way that offers economic benefits to *both* the target and the sender state. Where the recipient's need for the sender's goods is great and the sender has market power in the incentive goods, the potential for external influence is enhanced.

Second, incentives operate *internally* through shaping the preferences of the sender and recipient states in a manner that may enhance the possibilities for cooperation. In the sender state, societal actors such as private firms who stand to gain economically from expanded trade may lend support to the incentive policy over time, thereby improving its legitimacy and endurance. Sanctions, in contrast, invariably cost societal actors in the sender state and create conflict between state and societal economic interests.

Incentives also operate differently than sanctions in the domestic politics of the recipient state. The sanctions literature repeatedly asserts that domestic antidotes generated in the recipient state limit the power of economic sanctions. The two antidotes most

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[3] "Cooperation," in this context, means policy coordination where "actors adjust their behavior to the actual or anticipated preferences of others." Robert Keohane, *After Hegemony* (Princeton, NJ: Princeton University Press, 1984), p. 51.

[4] R. H. Wagner, "Economic Interdependence, Bargaining Power, and Political Influence," *International Organization*, Vol. 42, No. 3, 1988, pp. 461-483.

often cited are the tendency of economic sanctions to (1) unify the target country to an external threat; the so-called "rally-round-the-flag" effect[5] and (2) compel the target country to search for commercial alternatives. Both reactions move the target country away from the preferences of the sender's desired policy concession, that is, they impede cooperation. Incentives do not produce these antidotes. Because incentives are less overtly coercive instruments and provide tangible material benefit that some recipient actors can appropriate (as well as non-tangible benefits such as recognition or legitimacy), they do not threaten the target state to instinctively provoke rally-round-the-flag reactions, and they find natural allies in the recipient state who reinforce the sender's message and influence. Likewise (and unlike sanctions), the offer of an economic incentive that will provide new gains from trade, technology transfer, or aid, does not create in the recipient a strong desire to undermine the influence attempt by seeking an alternative supplier, nor does it encourage third-party suppliers to offset the potential influence attempt.

Incentives have greater cooperative potential than sanctions at the level of national decision-making as well. Threats and the possibility of loss often lead decision makers to be insensitive to information critical of their policies, contribute to defensive avoidance of the sender's message, and aggravate misperceptions or cognitive

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[5] Specifically, the rally-round-the-flag effect has two dimensions. Politically, because sanctions are a threat to harm the target state, its leader can marshal popular support and suppress societal dissent by an appeal to national pride and survival. Economically, a sanction, by raising the domestic price of a sanctioned import, will cause the target government to intervene more extensively in the market to organize trade in that sector as a monopsonist and capture some of the economic rents generated by the sanctions. The target government then can use the difference between domestic and world prices to ration the good as a political resource and to consolidate its ruling coalition by offering access to the sanctioned good to preferred domestic groups in return for political allegiance. D. M. Rowe, *Manipulating the Market Understanding Economic Sanctions, Institutional Change, and the Political Unity of White Rhodesia* (Ann Arbor, MI: University of Michigan Press, 2001).

pathologies in the target. Unlike sanctions punishment or opprobrium that threaten a decision-maker in the recipient state with loss (both tangible economic loss and loss of reputation), incentives are less likely to produce defensive, rigid, or obstinate reactions that impede clear communication and policy adjustment between countries over the long term. Incentives, by highlighting the desired policy adaptation sought in the recipient, rather than singling out the undesired direction in another state's policies, may convey more precise and constructive information than sanctions. Punishments may have value in indicating the sender's displeasure, blocking the actions of the target, or satisfying the sender's desire for justice or revenge, but they are less than ideal for communicating the desire or direction for long-term cooperation and quickly lead to communication gridlock. If long-run cooperation is the goal, incentives communicate more precisely and are less likely to be avoided or misconstrued than sanctions.

In sum, incentives may be the preferred policy instrument if the goal is long-term cooperative influence because they possess some unique cooperation-inducing effects at both the domestic and international level, and they are less costly than military options or economic sanctions. Sanctions serve other goals somewhat better. Sanctions are valuable instruments for indicating a sender's displeasure, blocking a target's actions or increasing its costs in the short term, satisfying the sender's desire for revenge, demonstrating outrage or resolve to foreign audiences, or fulfilling a political or psychological need to "do something" without incurring the cost of military intervention. If cooperation is the aim, however, then incentives may be a more appropriate policy instrument.

Having given a qualified endorsement of incentives as potentially influential, low-cost options for cooperation, one should not overestimate the political concessions or degree of cooperation that can be purchased through economic incentives. Certain political concessions are not for sale and other political concessions that may be for sale carry a price that is too steep for the sender state. As to outcomes, one should recognize that "success" in obtaining any foreign policy objective is always a matter of degree and a matter of cost relative to other policy options. The relevant consideration for a policymaker or policy analyst is, "How successful are incentives compared with the cost and benefits associated with other available policy options or strategies?"[6] Considered in this light, incentives work reasonably well for some cooperative ends at reasonable cost, but like all policy instruments, have clear limitations.

What Conditions are Necessary for, or Contribute to, a Workable Incentive Strategy?

The necessary conditions for economic incentives include the existence of, or potential for, a bilateral exchange relationship. Further, the relationship must be one in which the sender country has in some way impeded the full recognition of the gains from trade or capital or technology transfer available to the potential recipient (such as embargo, tariff or non-tariff barrier, capital restriction, or other impediment). In addition to the existence of an economic market, the existence of a minimum degree of trust or confidence in the bilateral relationship may also be a necessary condition for the successful use of an economic incentive. Just as an economic market between the parties is necessary, a "political market" for exchange may be necessary, too. In a relationship characterized by an atmosphere of hostility, mistrust, and misunderstanding, ambitious incentives are unlikely to succeed without confidence-building measures.

Other factors contribute to, or detract from, the success of economic incentives. At the level of international exchange, market

[6] David Baldwin, *Economic Statecraft* (Princeton, NJ: Princeton University Press, 1985).

power is an important condition favoring the success of an incentive. Unlike sanctions, market power is not a strict necessity (any gainful relationship and any governmental policy that affected the distribution of the gains from trade in favor of itself creates a potential avenue for political influence). Nonetheless, more market power in the incentive good creates a larger potential economic benefit that can be exchanged for the desired political concession. The incentive also is more likely to be influential if the recipient state values highly the incentive and the acquisition of the incentive is linked to abiding state interests.

Domestic conditions in the sender and recipient state also affect the likelihood of success that policymakers must consider in weighing the possible use of an incentive strategy. First, incentives, if accepted by the recipient in the sense that the recipient indicates a likelihood of cooperating, *require steady and protracted implementation on the part of the sender*. This feature of incentives is in contrast with sanctions, which require swift and sure implementation when the recipient indicates an intention *not* to adapt its policies in the direction desired by the sender.[7] The "burden of implementation" means that an effective incentive policy will require sustained inter-branch and inter-bureaucratic coordination and follow-through. Second, because incentives create economic gains that can be captured by both parties, policymakers should recognize that incentives are more successful when domestic partners can be identified and mobilized in support of the strategy and when the incentive strategy appeals beyond narrow economic or political interests to more broadly held ideals or aspirations.

Domestic conditions favoring or disfavoring successful operation of incentives in the *recipient* state are also critically important considerations for policymakers. Because incentives create partners in the recipient state who favor executing the incentive policy and will

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[7] Ibid.

exert internal pressure for the desired political adaptation, policymakers should identify and target those groups or individuals for rewards and support.

Finally, because incentives possess superior communication potential relative to sanctions, policymakers should make the most of this function by delivering a clear message of the desired policy adaptation. Sometimes, it may be better to make this demand quite specific and directly reciprocal with the incentive and at other times, the strategy may seek more diffuse reciprocity. Either way, because incentives can give a precise and non-threatening signal of the desired policy adaptation, the sender should be clear and purposeful as to its message.

Assessing the Incentive Strategy of 1994-2002: Inauspicious Conditions, Auspicious Results

How does the American-led incentive strategy of 1994-2002 toward the Democratic Peoples' Republic of Korea (DPRK) stack up when measured against what incentives can reasonably achieve and with an understanding of the necessary and favoring conditions for effective incentives generally? A short answer is that the strategy worked remarkably well despite many factors that impeded its prospects for success.

Recall briefly the origins of the incentive strategy. In 1994, the United States prepared to seek United Nations economic sanctions against North Korea for threatening to defy the international community over its nuclear program. North Korea had threatened to withdraw from the Nuclear Non-Proliferation Treaty and convert the fuel rods at its nuclear reactor at Yongbyon into weapons-grade plutonium. Tensions escalated rapidly as Kim Il Sung declared that sanctions would mean war, prompting US military preparations. The crisis was averted when former President Jimmy Carter went to Pyongyang and negotiated a freeze in the North's nuclear program. In exchange for the North's suspension of its nuclear program as monitored by the International Atomic Energy Agency (IAEA), the terms of what would quickly become the "Agreed Framework" provided:

- The United States would take the lead in replacing North Korea's graphite-moderated reactors with light water reactor (LWR) power plants to be financed and supplied by an international consortium (later identified as the Korean Peninsula Energy Development Organization or KEDO);
- The United States would provide several shipments of fuel oil for North Korea's energy needs in advance of the reactor construction;
- Both sides would work together to store and then dispose safely spent fuel from a five-megawatt reactor that would avoid reprocessing in North Korea;
- The two sides would move toward full normalization of political and economic relations and the United States would pledge not to invade North Korea or use nuclear weapons against it; and
- Both sides agreed to work together for peace and security on a nuclear-free Korean Peninsula and strengthen the nuclear non-proliferation regime.

Further, upon delivery of the first LWR in 2003, North Korea would permit intrusive inspections of suspected nuclear sites and on receipt of the second LWR, North Korea would ship the spent fuel rods out of the country.

The agreement was remarkable in both its spontaneity and scope. Two nations on the brink of war and with half a century of deep distrust and misunderstanding launched in a few days, and completed in a few months, a sweeping agreement calling for North Korea's to dismantle its nuclear weapons capability in exchange for the reopening of trade and technology transfer, security guarantees, and political recognition from the United States. The ad hoc nature of the agreement and the lack of any political foundation for it, were not promising, however. The remarkable ambition of America's policy objective added to the likelihood of failure. The United States sought to dismantle nuclear programs that the recipient state saw as important to its national security, survival, and prestige. Notably, the United States offered an incentive package in exchange for adjustment by North Korea in sensitive military and security matters (so-called "high politics") as opposed to seeking cooperation in an area of "low politics," such as economic or technological cooperation. The Agreed Framework was not a case of attempted cooperation in a trivial, secondary, or routine policy arena, this was a high-stakes game.

The subsequent failure of the United States to live up to the "burden of implementation" called for in the Agreed Framework complicated the possibility for success. The American Congress balked at financing the energy shipments, which forced President Clinton to rely on emergency funds, and the LWRs were never funded. The unwillingness of prior governments in South Korea and Japan to provide the necessary financing contributed to the delays in the construction of the LWRs.[8] In the years 1997-1999, the United States was frequently late in the delivery of the heavy fuel it had promised, and the DPRK formally registered complaints over this delay and the lack of progress toward construction of the light water reactors. Equally significant to the DPRK, the United States failed to deliver a formal assurance that it would not attack North Korea or use nuclear weapons in a dispute with it, nor did the United States pursue its offer of diplomatic recognition. Implementation was complicated first by ambivalence within the Clinton policy team over North

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[8] See Leon V. Sigal, "The United States and North Korea: Cooperative Security on the Agreed Framework and Beyond," in *Honey and Vinegar: Incentives, Sanctions, and Foreign Policy*, Richard Haas and Meghan L. O'Sullivan (eds.) (Washington, DC: Brookings Press, 2000), pp. 70-94.

Korean policy (in part because the Agreed Framework was not a treaty, and its obligations remained uncertain under international law),[9] then by the election of a Republican majority in the Congress in 1994 that took a more skeptical view of engagement with the DPRK than the Democratic president, and finally, by the change in the American administration with the election of George W. Bush in 2000.

President Bush began his term by denouncing Kim Il Sung's son and successor, Kim Jong Il, as a "pygmy" and an "evildoer." In a conversation with reporter Bob Woodward, Bush added, "I loathe Kim Jong Il" and declared his preference for "toppling" the North Korean regime.[10] After some debate within the Bush Administration, it became clear that the Bush team would not continue serious negotiations with the DPRK. In late 2001, the *US Nuclear Posture Review* contemplated the prospective use of nuclear weapons in a major Korean contingency and singled out North Korea as part of the "axis of evil" in President Bush's 2002 State of the Union address. President Bush's June 2002 speech at the US Naval Academy and *The National Security Strategy of the United States of America*, released in September 2002, elevated North Korea to one of America's defining national security threats.[11] By October 2002, both the United States and North Korea announced their intention of withdrawing from the Agreed Framework. The United States stated that it withdrew from the agreement because of North Korea's admission that it was engaged in a uranium enrichment program, an activity that violated the terms (or at least the spirit) of the Agreed

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[9] The Agreed Framework was not submitted as a treaty because the Clinton Administration wished to side step a skeptical Senate and avoid the implication of diplomatic recognition of the DPRK implied by a treaty.

[10] Bruce Cummings, "Wrong Again," available on the Internet at http://www.zmag.org/content/print_article.cfm?itemID=4713&sect.

[11] Jonathan D. Pollack, "The United States, North Korea, and the End of the Agreed Framework."

Framework and also violated a 1991 agreement between the Republic of Korea and the DPRK that banned uranium enrichment facilities.[12] The North Koreans, on the other hand, claimed that the United States' decision to suspend oil shipments ended the agreement by reneging on the only condition of the agreement the United States had continued to uphold. In place of the Agreed Framework, the United States announced a new policy that opposed bilateral negotiations with North Korea until after North Korea verifiably dismantled its nuclear program.

As American policy shifted from economic and political engagement designed to elicit nuclear cooperation from North Korea to a policy of demands for unilateral concessions, the supporting structures for an engagement policy were dismantled or abandoned. The new administration's rhetoric inflamed distrust between the parties and created an insuperable "moral hazard" for any domestic politician or constituency that remained interested in a policy of engagement with North Korea. The Bush Administration was also uninterested in engaging potential allies within the DPRK that might have responded cooperatively to incentives. By 2002, North Korea had initiated a serious effort at economic liberalization that appeared to be gaining traction. These reforms were encouraged largely by the policies of South Korea, which had managed to open a transportation line between North and South Korea and create an industrial zone in the North. The opportunity to engage those internal actors with a stake in North Korea's economic openness or those political pragmatists in the North that favored a nuclear settlement (potential allies in the recipient state interested in economic exchange and

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[12] Regarding the allegation of a secret uranium program and its implications, see, Selig S. Harrison, "Did North Korea Cheat?" *Foreign Affairs*, Vol. 84, No. 2, January/February 2005, pp. 99-110; Jonathan D. Pollack, "The United States, North Korea, and the End of the Agreed Framework, *Naval War College Review*, Vol. 56, No. 3, Summer 2003, pp. 10-49.

political cooperation) was lost when the United States moved to a policy of denial.

In sum, the initial conditions for an effective incentive strategy were not favorable in 1994. Although the economic incentives held great utility for the recipient state, the Clinton Administration did not lay the political groundwork for an ambitious incentive strategy. The parties lacked a minimal level of trust and understanding. The situation was aggravated by the failure of the United States, the sender state, to deliver on its promises and North Korea undermined confidence in its compliance by the uncertainty created by its uranium activities that were first noted by the intelligence community in the late 1990s. Once launched, the sender state did not build a domestic constituency for the incentive strategy nor did it engage potential allies in the recipient state that might have encouraged cooperative adjustment in the recipient's policies. In this respect, the Clinton Administration pursued a policy of benign neglect and the Bush Administration a policy of malign neglect.[13]

Despite its ambitious objectives, unfavorable conditions, and flawed implementation, the incentive strategy was remarkably successful. The Agreed Framework froze Pyongyang's activities at its Yongbyon nuclear complex, including operation of a plutonium reprocessing facility. This cooperative adjustment by North Korea was an important security achievement. Left unconstrained, the reprocessing facility would have allowed North Korea to separate substantial quantities of weapons-grade plutonium from the spent fuel removed from the graphite-moderated reactor. Over the eight-year span of the Agreed Framework Agreement, North Korea would have been able to fabricate significant numbers of nuclear weapons, threaten regional nations, and market weapons-grade

[13] Peter M. Beck, "The Bush Administration's Failed North Korea Policy," Friends Committee on National Legislation, April 14, 2004. Available on the Internet at http://www.fcnl.org/issues/item_print.php?item_id=833&issue_id=34.

plutonium to third parties. Although North Korea may have secretly pursued uranium enrichment activities during this period, it remains unclear whether these efforts were directed at creating low-enriched uranium for reactor fuel or the more dangerous highly enriched uranium used in weapons manufacturing. In either case, the time and technical sophistication required to process significant quantities of highly-enriched uranium, ensured that, at worst, the uranium program presented a much more attenuated threat relative to the possibility of reprocessing spent reactor fuel into plutonium devices.

The results of the incentive strategy also can be appreciated by considering the consequences of its abandonment. Within a few months of the collapse of the Agreed Framework, North Korea reinvigorated its suspended nuclear program. The DPRK ordered the IAEA to withdraw its seals and cameras from the DPRK's nuclear facilities, removed or disabled locks on monitoring equipment at the reactor and reprocessing facility, announced its intention of expelling IAEA inspectors, notified the IAEA of its intention to reactivate its fuel reprocessing facility, and quit the NPT. The North announced that it was taking these steps to provide itself with a deterrent force in the face of US threats and the Unites States' "hostile policy." By mid-year 2003, North Korea claimed to have completed reprocessing of the spent fuel rods for use in bolstering its nuclear deterrent force, and in October 2006, North Korea tested a nuclear device.

The Once and Future Incentive Strategy

Although many things have transpired since time of the Agreed Framework—most notably the attempted North Korea nuclear test—the options open to the United States and its allies for dealing with North Korea have not substantially changed. To quote another great, if inadvertent, American humorist, Yogi Berra, "This is like deja vu all over again." The military option is no more viable than it was in 1994. A preemptive strike against the North would likely lead to cataclysmic war and could not ensure the full elimination of North Korea's nuclear facilities. America's ongoing involvement in Iraq and Afghanistan means that a war on the Korean peninsula is a less viable alternative than it was in 1994, and today it is possible that a primitive North Korean nuclear device could be used in such a confrontation. Economic sanctions, while symbolically important for the Bush Administration and tolerable for many other nations, will not be allowed to strangle North Korea. The humanitarian costs of greater deprivation in the North are more than the North Korea's neighbors—China, South Korea, and Russia—can abide, and a rapid collapse of the DPRK regime would create consequences greater than they can absorb. And, if the earlier episode has taught us anything, it is that North Korea is not likely to capitulate or collapse in the face of rhetorical demands in the near term.

Now, as then, America's least-worst option is to engage North Korea diplomatically, economically, and politically, in exchange for security-enhancing nuclear restraint. The real choice is between a policy of regime change or negotiation and engagement. The leverage needed for regime change—multilateral economic sanctions or military confrontation—is unavailable. The only actual and available sources of leverage—recognition, trade, technology transfer, and normalization — are those useful in diplomacy and economic engagement.

If, or when, the United States returns to a strategy of negotiation and economic incentives, it should extract some hopeful and cautionary lessons from the earlier period of engagement with North Korea. On the hopeful side, North Korea still appears willing, indeed anxious, to deal. Like the United States, North Korea has no other good option. As Bruce Cumings explains in a recent article, "For more than a decade, the North Koreans have been trying to get

American officials to understand that genuine give-and-take negotiations on their nuclear program could be successful based on the terms of a 'package deal' that they first tabled in 1993."[14] The outlines of that deal have been clear and consistent: the North provides a verifiable end to its nuclear programs (including its uranium enrichment efforts), an end to testing of nuclear or missile technology, a ban on the transfer of such technology, and, perhaps conventional force reductions and repositioning, and the United States provides a non-aggression pledge, diplomatic normalization, the lifting of economic and technology embargos, and economic incentives.

The earlier period of engagement also cautions against assuming that implementing this agreement over the long term will be easy or trouble free. To improve the political environment and to increase the likelihood of the United States delivering on the burden of implementation, US policymakers must first refrain from demonizing North Korea as an affront to American values, a grievous violator of human rights, and the most dangerous possessor of weapons of mass destruction in the world today. Each of these characterizations may be accurate, but if the goal is long-run denuclearization of North Korea, we need instead to map out a positive direction for North Korean policy adjustment, make our expectations clear and consistent, and reward progress made by the regime along the way. Precisely because the DPRK constitutes the most immediate and destabilizing threat to regional and global security, we must focus on freezing and dismantling the North's nuclear activities and forego inflammatory rhetoric and moral grandstanding that has proven to be counterproductive in the past. In our rhetoric and in verifiable reality, we must describe North Korea that can be taken seriously and engaged purposefully and then we must demand that North Korea lives up to that ("face-saving") characterization. In the not too distant past, the United States has

[14] Bruce Cumings, "Wrong Again."

similarly engaged its regional partners, South Korea and the PRC, in mutually-rewarding security cooperation despite disputes over human rights.

Second, in addition to changing the tenor of the discussions, the United States and its partners must work to improve the political context for the negotiations and future engagement. Confidence building measures between the United States and North Korea are not unknown and should be pursued. The two countries have cooperated with some success on missing-in-action servicemen, famine relief, and technical assistance programs.[15] Non-governmental organizations have kept a lifeline open to North Korea and South Korea and other regional powers have avenues that might be developed to improve habits of cooperation with North Korea.

Third, to improve the staying power of the policy, the United States' executive must affirmatively develop a modicum of inter-branch and inter-party support for an extended, tough, but patient policy of engagement with North Korea. Despite the challenge of gaining consensus in a foreign policy community that is highly partisan and short-term in its thinking, achieving a consensus is not impossible. US leadership has designed, articulated, and sustained long-term policies of enlightened self-interest, for example the policy of engagement with China begun under President Nixon and carried out by several succeeding administrations, or even the policy of containment during the Cold War. Perhaps the situation on the Korean Peninsula has reached a level of seriousness such that opportunism and expediency will give way to a consensual long-term strategy. One can hope.

Fourth, the United States and its allies and friends must seek and then nurture economic and political reformist elements

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[15] See Mark E. Manyin, "US Assistance to North Korea," *CRS Report to Congress*, April 26, 2005.

within North Korea that have a real or potential stake in economic exchange and a reduction in political tension with the United States. North Korea's hardliners have been vindicated by the policy of estrangement and the rhetoric of regime change. Nothing serves a dictator better than a threat, real or imagined, to its nation's security. North Korean "moderates" must have something to show for their nuclear restraint. The opacity and ideological extremism of the North Korean regime will make this effort particularly challenging, but the need to engage an internal North Korean constituency for a policy of engagement and denuclearization is essential.

Finally, in moving forward on a policy of engagement, the United States and its allies should not abandon the threat or use of sanctions for non-compliance. Every incentive policy creates the possibility of threatened or actual denial. Sanctions, however, become more meaningful when the recipient state, its various factions, and its population have a stake in the health of its relationship with the sender state.

Conclusion

The use of history by policymakers is problematic not so much because history is ignored or forgotten but because policymakers draw the wrong lessons from history or apply the appropriate lesson uncritically. In the case of the incentive strategy of 1994-2002, we must avoid the false conclusion that incentives and engagement failed. We must also avoid the facile conclusion that a policy of engagement is easy or certain. A critical examination of the earlier incentive strategy counsels some optimism that even this dangerous and difficult issue might be addressed effectively through a policy of engagement. The prior effort was haphazard and poorly implemented, however, and any future incentive strategy should seek to strengthen the conditions for success both in the international environment and within the sender and recipient states. It is essential to draw the correct and cautious lesson from the earlier policy of engagement because any future strategy dealing with North Korea will present enough difficulties without the added burden of believing what just “ain’t so.”