U.S. House of Representatives
Permanent Select Committee on Intelligence

Recognizing North Korea as a Strategic Threat: An Intelligence Challenge for the United States

(North Korean television)

Staff Report of the House Permanent Select Committee on Intelligence Subcommittee on Intelligence Policy

September 28, 2006

PETER HOEKSTRA, MICHIGAN, CHAIRMAN

RAY LaHOOD, ILLINOIS, VICE CHAIRMAN
TERRY EVERETT, ALABAMA
ELTON GALLEGLY, CALIFORNIA
HEATHER WILSON, NEW MEXICO
JO ANN DAVIS, VIRGINIA
MAC THORNBERRY, TEXAS
JOHN M. McHUGH, NEW YORK
TODD TIAHRT, KANSAS
MIKE ROGERS, MICHIGAN
RICK RENZI, ARIZONA
DARRELL ISSA, CALIFORNIA

JANE HARMAN, CALIFORNIA, RANKING MEMBER

ALCEE L. HASTINGS, FLORIDA
SILVESTRE REYES, TEXAS
LEONARD L. BOSWELL, IOWA
ROBERT E. (BUD) CRAMER, JR., ALABAMA
ANNA G. ESHOO, CALIFORNIA
RUSH D. HOLT, NEW JERSEY
C.A. DUTCH RUPPERSBERGER, MARYLAND
JOHN F. TIERNEY, MASSACHUSETTS

EX-OFFICIO MEMBERS
J. DENNIS HASTERT, SPEAKER OF THE HOUSE
NANCY PELOSI, DEMOCRATIC LEADER

U.S. HOUSE OF REPRESENTATIVES

PERMANENT SELECT COMMITTEE
ON INTELLIGENCE

H-405, THE CAPITOL
WASHINGTON, DC 20515
(202) 225-4121

MICHAEL MEERMANS
MAJORITY STAFF DIRECTOR

DAVID BUCKLEY
MINORITY STAFF DIRECTOR

September 25, 2006

The Honorable Peter Hoekstra
Chairman,
House Permanent Select Committee
on Intelligence
H-405 The Capitol
Washington, DC 20510

The Honorable Jane Harman
Ranking Member,
House Permanent Select Committee
on Intelligence
H-405 The Capitol
Washington, DC 20510

Dear Chairman Hoekstra and Ranking Member Harman:

I am pleased to send to the full committee the attached staff report, *Recognizing North Korea as a Strategic Threat: An Intelligence Challenge for the United States*. This report is in response to your request for subcommittee reports that illustrate the wide variety of serious threats that face our nation in the post-9/11 world and describe the methods by which policymakers can help the Intelligence Community address these threats.

Recognizing North Korea as a Strategic Threat: An Intelligence Challenge for the United States provides an unclassified assessment, based on open source materials, of the threat posed by North Korea to its neighbors in Northeast Asia to the United States. It also discusses the need for better intelligence on North Korea and some areas where this intelligence should be improved.

We invited the U.S. Intelligence Community to provide its input on the report and it again provided us with extensive and helpful comments. I am particularly grateful to Director of National Intelligence North Korea Issue Manager Joseph DeTrani who took the time to meet with majority and minority staff to discuss Intelligence Community feedback on the report, calling it "objective, not biased, and not excessively harsh."

I am disappointed to report that following participation in initial drafts of this report, the Minority staff earlier this month chose to no longer participate in producing this valuable report. While the decision of the Minority is regrettable, I believe the report can make a useful contribution to the ongoing debate over this critical national security issue. I therefore forward *Recognizing North Korea as a Strategic Threat: An Intelligence Challenge for the United States.*

I carefully reviewed this report and believe that consideration of it will help us in our oversight role. I believe the American people, Members of Congress, and the U.S. Intelligence Community will also benefit from this report.

Sincerely,

Mike Rogers (MI)
Chairman, Subcommittee on Intelligence Policy

cc: Members, House Permanent Select Committee on Intelligence

"The United States should consider the danger that we could transfer nuclear weapons to terrorists, that we have the ability to do so."

North Korean Vice Foreign Minister Kim Gye-Gwan
April 2005[1]

Cover: Photo broadcast on North Korean television of what is believed to be the Taepo Dong-1 missile or space launch vehicle that North Korea fired over Japan in 1998. Pyongyang attempted to fire a similar missile or space launch vehicle, the Taepo Dong-2, on July 4, 2006.

Executive Summary

North Korea poses a serious threat to its neighbors and the United States. North Korea's July 2006 firing of seven missiles, including a two or three-stage missile or space launch vehicle that could reach targets as far away as California, and recent press reports that North Korea could soon conduct a nuclear weapons test demonstrate Pyongyang's willingness to engage in military provocations to test the will of the international community. The U.S. Intelligence Community has made the following unclassified assessments about the North Korean threat[2]:

- North Korea's million man army and missile arsenals continue to threaten South Korea and U.S. forces along the Demilitarized Zone (DMZ).

- North Korea has produced nuclear weapons and is pursuing fissile material through two processes, plutonium separation and uranium enrichment.

- North Korea probably has active biological and chemical weapons programs and probably has chemical and possibly biological weapons ready for use.

- North Korea has an aggressive ballistic missile program and is developing missiles or space launch vehicles capable of hitting the continental United States.

- North Korea generates hard currency by proliferating ballistic missiles and associated technology as well as conventional weapons. It has sold ballistic missiles to other states, including Iran and Syria.

- North Korea has engaged in a range of illegal activities more typical of an organized crime entity than a nation-state, including kidnapping, narcotrafficking, and counterfeiting U.S. currency.

- North Korea's leadership has impoverished the nation and created refugee flows. North Korean refugees are a minor problem for neighboring states at this time but could precipitate a regional crisis if the North Korean regime were to someday fall.

North Korea's security policy is erratic and unpredictable. It is less susceptible to diplomatic pressure than other states and seems more willing to engage in provocative actions. This makes North Korea a potential strategic threat on which the United States requires high-quality warning intelligence to prepare for North Korean provocations and determine Pyongyang's intentions.

The Six Party Talks on the North Korean nuclear program pose unusual challenges for U.S. policymakers. Since late 2005, Pyongyang has refused to return to the talks because of U.S. actions aimed at stopping North Korean counterfeiting of U.S. currency and other illegal activities. Other Six Party Talks participants have been prepared to overlook Pyongyang's illegal activities and want the United States to drop its financial actions so the talks can resume. North Korea's July 2006 missile launches were probably an attempt to pressure the United States to drop its actions. A future nuclear test could also be intended to serve this purpose. The U.S.

Intelligence Community has an important role to play in providing quality and timely intelligence on these dynamic developments. American intelligence agencies may be especially helpful in producing information that can be shared with China and other Six Party states regarding North Korean counterfeiting and other illegal activities.

Intelligence Gaps and Why Resolving Them is Critical

Accurate and comprehensive intelligence against potential strategic threats is critical for the development of good policy. There is a great deal about North Korea that we do not know. It would be irresponsible to list the specific intelligence gaps in an unclassified paper, as identifying our specific shortcomings would provide critical insights to the North Korean government. The United States does, however, lack critical information needed for analysts to make some key judgments about North Korea with confidence and there are significant information gaps. The U.S. Intelligence Community must collect more and better intelligence on a wide range of North Korean issues -- its political dynamics, the status of its nuclear, biological, and chemical weapons efforts, and many other topics of interest. The national security community must dedicate the personnel and resources necessary to better assess North Korea's plans, capabilities and intentions, and the Director of National Intelligence (DNI) must identify, establish, and report on intelligence goals and performance metrics to measure progress on critical fronts. The DNI's decision to create a North Korea Issue Manager was an important step toward improving the U.S. Intelligence Community's performance in this area.

This report provides an unclassified assessment of the dangers posed by North Korea to help the American public understand the seriousness of this threat and to suggest ways that U.S. intelligence analysis and technical collection against Pyongyang must be improved.

The Kim Jong Il Regime

North Korea has been ruled since July 1994 by Kim Jong Il, known to the North Korean people as the "Dear Leader." Kim Jong Il, a mercurial and erratic authoritarian leader who has opted for near-total isolation and rarely meets with foreign dignitaries, is surrounded by a personality cult that treats him as the center and owner of the nation. His late father Kim Il Sung, the "Great Leader," is officially the "eternal president" of the state and the head of the Kim dynasty. The Department of State 2005 Human Rights Report gave the following description of the Kim Jong Il regime:

> The regime justified its dictatorship with unabashed nationalism and demanded a near deity-like reverence for both Kim Jong Il and the late Kim Il Sung. The military first policy and "our-style socialism" mark the twin pillars of the government's ideology under Kim Jong Il's direction. Military first touts the People's Army as the main ideological force of the revolution, and "our style socialism" emphasizes the supposed superiority of North Korean method of governance.[3]

North Korean Leader Kim Jong Il (AP)

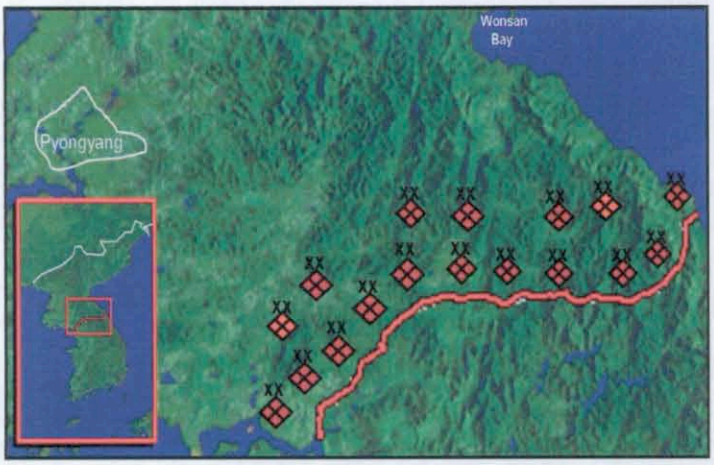
North Korea has a centralized government under the rigid control of the communist Korean Workers' Party, to which all government officials belong. A few minor political parties are allowed to exist in name only. Kim Jong Il was named General Secretary of the Korean Workers' Party in October 1997, and in September 1998, the Supreme People's Assembly reconfirmed Kim Jong Il as Chairman of the National Defense Commission and declared that position as the "highest office of state." Little is known about the actual lines of power and authority in the North Korean Government despite the formal structure set forth in the constitution.[4]

A glorified version of Kim Jong Il's life is required study in North Korean schools and he is regularly feted in large stadium shows. Any disrespect for Kim Jong Il can result in a prison sentence or death. He is believed to be a ruthless leader who, according to press accounts, ordered the 1987 bombing of a Korean Airlines plane, killing 115 -- which caused the United States to designate North Korea in 1987 as a state sponsor of terror -- and a 1983 bombing in Burma that killed 17 South Korean officials.[5]

North Korea's Conventional Military Threat

North Korean soldiers on parade (Katsumi Kasahara/AP)

Despite the focus of international attention on North Korea's nuclear weapons program, Pyongyang's conventional military remains a serious security threat to stability in the region. North Korea remains technically at war with United Nations forces in the South and has made clear that it is willing to launch preemptive conventional military attacks against the South.[6]



Map of the Korean DMZ area prepared by the Department of Defense

- North Korea has an active duty force of 1.2 million men that is obligated under universal conscription to serve eight to twelve years, as well as a five million-strong reserve and civil defense force. The overwhelming majority of its conventional forces are based along or near the Demilitarized Zone (DMZ), thus significantly reducing the warning time in the event of a military strike.[7]

- Impervious to the global reduction in defense expenditures that occurred in the aftermath of the Cold War, North Korea remains the world's most militarized state. Despite an increasingly impoverished population and an industrial infrastructure on the verge of collapse, the CIA estimates that 33.9% of North Korea's fiscal year 2002 gross domestic product (GDP) was dedicated toward military expenditures. No other nation approaches such a high level of defense expenditure. Israel, by contrast, a state that might arguably be considered to be threatened by some of its neighbors, spent 8.7% of its fiscal year 2002 GDP on defense, and Taiwan registers a bare 2.7%. Such comparisons are of course difficult, for the North Korea's economic base is so low. However, the 1.2 million man standing army is drawn from a population of 22 million. Taiwan, whose population is similar in size to North Korea and could be considered to face a real threat from the People's Republic of China, maintains an active duty force of 290,000. As far as its

neighbor on the Korean Peninsula, South Korea has a force of 680,000 out of a population of 48 million.[8]

- The North has a massive special operations force, estimated to number around 100,000, which receives priority funding.

- North Korea continues to upgrade its long-range artillery, including the forward deployment of a large number of 240mm multiple rocket launchers and 170mm self-propelled artillery guns. According to the Commander of U.S. Forces in South Korea General Burwell Bell, these weapons put the South Korean capitol and much of its population at serious risk.[9]

Photo taken of a North Korean soldier at the Korean DMZ, February 2006. (Photo by Representative Peter Hoekstra)

Although impressive in sheer numbers, the conventional military threat from North Korea has declined in the face of growing economic hardship and the slow pace of technical modernization. Furthermore, the conventional capability of South Korea has improved, as has the capability of United States, and other international forces serving under U.N. command. Therefore, the prospect of a successful North Korean conventional attack against South Korea may not be high. However, these conventional forces serve as a potent adjunct to North Korea's active nuclear, missile, and weapons of mass destruction (WMD) programs, and have been used over the decades to threaten the stability of the entire region.

The most significant concern today is not that North Korea will launch conventional military strikes without warning -- although such a possibility cannot be ruled out -- but that Pyongyang's leadership will miscalculate by instigating a minor provocation that escalates into a major incident. As demonstrated by the July 2006 missile launches, Kim Jong Il seems intent to push the limits of tolerable behavior without triggering a regime-threatening response from his neighbors. But he is certainly capable of miscalculating his adversaries. Other examples of North Korean provocations include:

- In the spring of 1999, North Korean naval and fishing vessels began testing South Korea's willingness to defend its long-recognized maritime border, almost leading to armed conflict.

- In 1996, a North Korean submarine ran aground deep behind South Korean lines, reportedly while on a mission to spy on South Korean military installations. The resulting gun battles killed a number of South Korean civilians and most of the North Korean intruders.

- In the 1960s, 1970s, and 1980s, there were repeated efforts by North Korean assassins to decapitate the South Korean leadership.

- On January 23, 1968, North Korea seized the *USS Pueblo*, resulting in the death of one crewman and 82 taken prisoner. The surviving crew was subjected to 11 months of brutal captivity until they were released.

- North Korean special forces engaged on many occasions over the last 40 years in espionage, murder, kidnapping and sabotage in South Korea and Japan.

NORTH KOREAN MILITARY FORCES: WHAT POLICYMAKERS NEED FROM U.S. INTELLIGENCE AGENCIES

Because the Korean Peninsula is a dangerous and volatile region, it is absolutely essential that our leaders possess accurate and timely information about North Korean intentions. Up-to-date information is needed on the size and capabilities of the North Korean military and leadership intentions. Reliable warning intelligence is needed to predict and analyze the meaning of possible future North Korean military and other provocations.

The Threat from the North Korean Nuclear Weapons Program

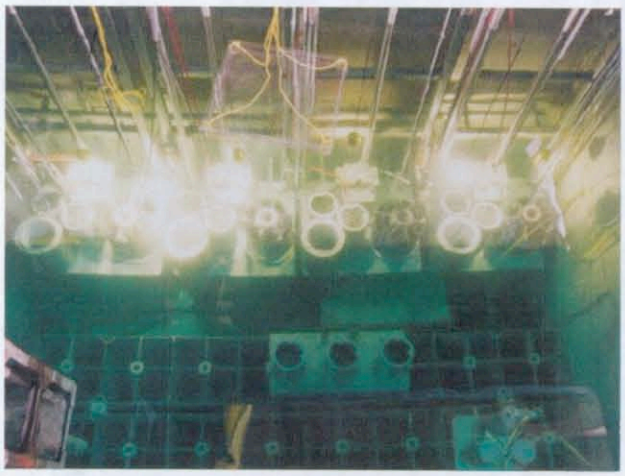
"What we can say to you definitely right now is that we currently have nuclear weapons."
North Korean General Ri Chan-Bok
September 2005[10]

North Korea remains committed to its longstanding nuclear weapons program. North Korea probably views nuclear weapons as fulfilling many roles, including regime survival, international status, a blackmail tool, and a weapon it might employ in an offensive military campaign. Pyongyang has paid a high price, both financially and in terms of international status, to conduct a covert nuclear weapons program.

- Despite agreeing to cease its pursuit of nuclear weapons under the 1994 Agreed Framework, North Korea violated this agreement by launching a covert uranium enrichment program in the 1990s. In doing so, North Korea forfeited major incentives it won in the Agreed Framework, which included the lifting of economic sanctions, heavy fuel oil deliveries and two light-water reactors to be constructed by the Korea Peninsula Energy Development Organization (KEDO), a group comprised of the United States, South Korea, Japan, and the European Union. The light water reactor project was to cost $4.6 billion. KEDO had spent $1.55 billion when the project was suspended in 2003.[11]

- North Korea's nuclear weapons program has seriously undermined its relations within the region and beyond by destabilizing East Asia and could lead South Korea and Japan to develop their own nuclear weapons capabilities, especially if North Korea conducted a nuclear test.

- Pyongyang's nuclear weapons program has contributed to the nation's difficulties finding legitimate trade partners and convincing financial institutions to invest in the country.



This photo of spent nuclear fuel rods from the Yongbyon reactor was taken before North Korea moved these rods, allegedly to a facility to reprocess them to extract weapons-grade plutonium. If reprocessed, the rods could produce enough plutonium for five nuclear weapons. (AP photo)

IS A NORTH KOREAN NUCLEAR TEST ON THE HORIZON?[12]

Press reports surfaced in August and September 2006 that North Korea may soon conduct an underground test of a nuclear device. North Korea is not believed to have conducted a nuclear weapons test in the past, although some experts believe Pyongyang has conducted non-nuclear high-explosive tests as part of its nuclear weapons research.[13]

U.S. Assistant Secretary of State Christopher Hill met with Chinese officials in Beijing on September 6, 2006 to discuss the possibility of a North Korean nuclear test. Russian diplomats were quoted in the London *Sunday Telegraph* on September 10th that a North Korean nuclear test is "highly probable" and that Pyongyang would face "severe punishment" if it conducted a test.[14] The article also reported that Kim Jong Il had personally spoken about his plans to conduct a nuclear test with Chinese and Russian diplomats. Itar-Tass, the Russian Government news service, reported on September 11, 2006 that the Russian embassy in Pyongyang would not confirm nor deny the *Sunday Telegraph* article.[15]

Despite the July 2006 missile tests and reports that Pyongyang is planning a nuclear test, China has not publicly reduced its support for North Korea. Beijing expressed its disapproval of sanctions imposed against North Korea on September 19th by Australia and Canada and refuses to participate in informal talks the United States plans to hold in New York on North Korea during the 2006 UN General Assembly. That said, it is possible that China no longer enjoys the level of influence over Kim Jong Il that it has traditionally enjoyed. Assistant Secretary Hill recently noted that "the Chinese are seriously trying to find a diplomatic solution but it seems they are meeting difficulties."[16]

Recent press reports that North Korea could be planning a nuclear test may not be accurate as similar reports surfaced in May 2005. North Korean diplomats have threatened to test nuclear weapons in the past, including at the August 2003 "Six Party Talks." *(The Six Party Talks are multilateral negotiations on North Korea's nuclear program that have been hosted by China since 2003. The six parties are North Korea, South Korea, China, Japan, Russia, and the U.S.)*

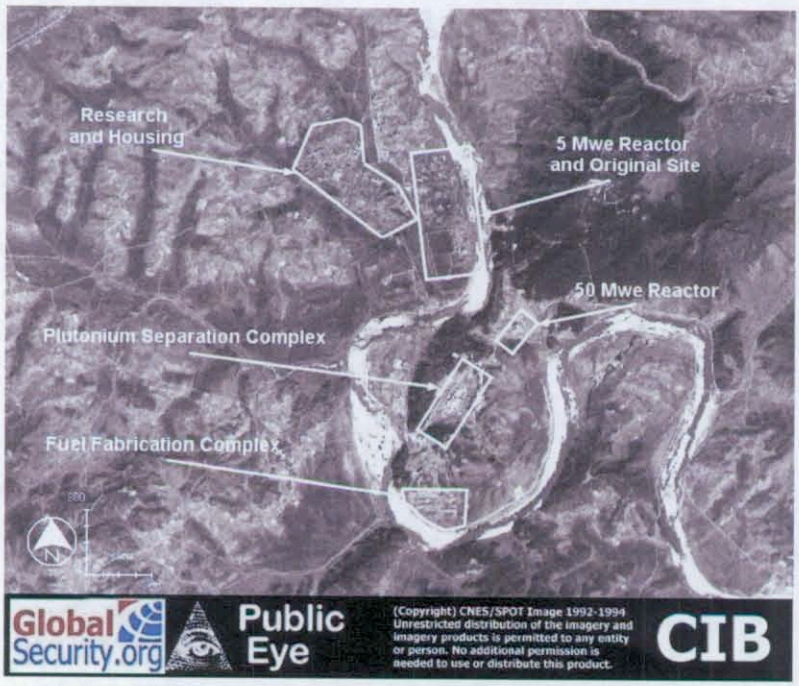
A North Korean nuclear test could have serious repercussions.

- A North Korean test could significantly set back diplomatic efforts with North Korea. The Six Party talks have not resumed since November 2005 because of North Korean opposition to U.S. financial actions to stop North Korean counterfeiting of U.S. currency. North Korea test fired seven missiles -- including a missile that may have been a long-range ballistic missile -- in July 2006, possibly to intimidate Six Party Talk members to restart the talks by pressuring the United States to drop its financial actions. The missile launches had the opposite effect and resulted in a UN Security Council resolution rebuking North Korea, seriously damaged Pyongyang's relations with Japan, and hurt its relations with regional states. A nuclear test likely would further alienate regional states.

- A nuclear test would violate the commitment that Pyongyang made at the Six Party Talks in September 2005 when it agreed to abandon all nuclear weapons programs and existing nuclear programs and rejoin the Nuclear Nonproliferation Treaty.

- Most importantly, a North Korean nuclear test could have serious implications for regional security as it might spur Japan, Taiwan, and possibly South Korea to begin their own nuclear weapons programs.

- U.S. Intelligence agencies are watching this matter very closely. U.S. officials obviously need both time-sensitive reporting on this issue and high quality analysis on North Korean plans and intentions behind a possible nuclear test.



A satellite view of the Yongbyon complex. Pyongyang the restarted Yongbyon reactor in 2003.

A note on numerical data cited in this report

This report cites a significant amount of numerical data and estimates on North Korean's nuclear program and possible numbers of nuclear weapons. This data was reviewed by U.S. intelligence analysts and the authors accepted all of their suggested changes to this data.

PLUTONIUM PROGRAM

North Korea is believed to have successfully produced weapons-grade plutonium for nuclear weapons from the spent fuel rods of its Yongbyon 5-megawatt reactor. According to U.S. intelligence agencies, Pyongyang separated sufficient plutonium from the Yongbyon fuel rods for one, possibly two, nuclear weapons by the 1990s. The potential amount of plutonium North Korea currently possesses or could produce in the near future is probably higher.

- North Korea restarted its 5-megawatt Yongbyon reactor in 2003. Selig Harrison, an American expert on North Korea, stated at a September 23, 2006 press conference in Beijing that a North Korean Vice Foreign Minister told him several days earlier during a

visit to North Korea that Pyongyang is planning to unload the fuel rods from the Yongbyon reactor "beginning this fall and no later than the end of the year." Harrison characterized this as "a significant new development because it underlies that North Korea is enhancing its weapons capability."[17] The fuel rods from the Yongbyon reactor could produce enough plutonium for about one nuclear weapon per year.[18]

- North Korea is constructing a 50-megawatt nuclear reactor and a 200-megawatt reactor. The spent fuel rods of these reactors could produce approximately 275 kilograms of plutonium per year, enough for as many as 50 nuclear weapons, if completed.[19]

- In 2003, North Korea removed 8,000 spent fuel rods that had been under International Atomic Energy Agency (IAEA) monitoring and claimed to reprocess them into weapons-grade plutonium fuel. If reprocessed, the 8,000 fuel rods could produce enough plutonium for approximately five nuclear weapons.[20]

Satellite image of North Korea's 200-megawatt nuclear reactor under construction in Taechon. (Digital Globe)

North Korea has pursued two routes to produce fissile fuel for nuclear weapons.

Plutonium production has been Pyongyang's principal method to producing fissile fuel, material that can be used in a nuclear weapon. Plutonium can be separated from irradiated nuclear material such as "spent" fuel rods from a nuclear power reactor. North Korea is believed to have separated plutonium from "spent" fuel rods from its Yongbyon nuclear reactor.

North Korea is also believed to be pursuing the production of weapons-grade fissile material using a process known as uranium enrichment. This method involves spinning gaseous uranium hexafluoride (UF6) in large numbers of centrifuge machines to increase the fraction of uranium-235 (U-235), the uranium isotope that can be used as weapons fuel. Naturally occurring uranium contains only a very small fraction of this isotope (0.71%), thus the need for the enrichment process. Weapons-grade uranium contains about 90% U-235.

URANIUM ENRICHMENT PROGRAM

North Korea pledged in the 1994 Agreed Framework to freeze its nuclear program and work toward the denuclearization of the Korean peninsula. Despite receiving funding to abide by the Framework, North Korea began a covert program in 1990s to produce fissile material for nuclear weapons by enriching uranium in centrifuges.[21] On October 4, 2002, North Korean First Vice Foreign Minister Kang Suk Ju stated that North Korea had a "covert" uranium enrichment program after a U.S. delegation confronted him on the existence of this program. Kang Suk Ju told the U.S. delegation that his country had "a uranium enrichment program for nuclear weapons" and added that North Korea had "even more powerful weapons."[22] The latter assertion has never been explained. North Korea later denied that Kang Suk Ju made the uranium enrichment program admission.

- Pyongyang's covert uranium enrichment program was a troubling discovery since it provided North Korea with a second route to produce bomb-grade nuclear fuel and would be harder to detect than the plutonium route.

- North Korea's uranium enrichment program could also have provided Pyongyang with the means to exploit the Agreed Framework to produce weapons-grade fuel by extracting enriched uranium from fuel rods intended for the reactors with which North Korea was to be provided as part of the Agreed Framework.[23] The Nuclear Policy Education Center stated in a 2004 report that starting with such low enriched uranium, an enrichment plant could produce weapons-uranium in as little as one-fifth the time it would require starting with natural uranium.[24] North Korea refused to agree to an Additional Protocol with the IAEA that would have given IAEA inspectors additional authority to detect the diversion of fuel rods for this purpose.

- North Korea received assistance for its uranium enrichment program from Pakistani nuclear scientist A.Q. Khan.[25] Dr. Khan is the father of the Pakistani nuclear weapons program and ran a shadowy procurement network that provided nuclear bomb plans to Libya and nuclear centrifuge technology to Iran and Libya.

HOW MANY NUCLEAR BOMBS DOES NORTH KOREA HAVE?

North Korea claims to have nuclear weapons, a claim the U.S. Intelligence Community assesses is probably true. How far the North Korean nuclear weapons program has progressed is unknown. The below chart illustrates various factors that could affect the size of North Korea's nuclear arsenal.

Weapons-grade plutonium[26]		
Already thought to have:	7-10 kg	1-2 nuclear weapons
If the 8,000 spent fuel rods that had been under IAEA monitoring were reprocessed:	25-30 kg	Another 5 nuclear weapons
If fuel rods from the restarted Yongbyon reactor are reprocessed:	6 kg per year	About 1 nuclear weapon per year
Reprocessed fuel rods from the Yongbyon-2 and Taechon reactors, which could come online between 2012 and 2014:	200-275 kg	40-65 nuclear weapons per year
Highly-enriched uranium (HEU)[27]		
HEU plant (using unenriched UF6)	Unknown, since the status of North Korea's HEU program is unknown and the number of centrifuges it may have is unknown. 3,000 centrifuges, the number which Iran claims it will have by next year, could theoretically produce enough fissile fuel for **two or more** nuclear weapons per year. Since North Korea's covert centrifuge program is older than Iran's, it is reasonable to estimate that North Korea has an HEU plant with at least this many uranium centrifuges.	
HEU plant (enriched uranium harvested from unused fuel rods of one LWR) (Notional)[28]	Unknown, but an HEU plant using fresh fuel rods could produce fissile fuel **five times faster** than using unenriched UF6, possibly producing enough weapons-grade uranium for five nuclear bombs per year.	

MANIPULATING NUCLEAR DIPLOMACY

North Korea has gamed international negotiations on its nuclear program to win economic concessions and to buy time to continue its covert weapons effort. This began with the Agreed Framework, an agreement the Clinton Administration signed with Pyongyang in 1994.

- In the Agreed Framework, North Korea pledged to freeze its nuclear program in exchange for two light-water reactors and deliveries of heavy fuel oil. Specifically, North Korea promised to "consistently take steps" to denuclearize the Korean peninsula, freeze its plutonium production, and place spent fuel rods under IAEA monitoring.

- However, not long after North Korea signed the Agreed Framework, it began a covert uranium enrichment program. Secretary of State Colin Powell stated during a March 6, 2003 Senate Appropriations subcommittee hearing that North Korea started a program to enrich uranium "as the ink was drying" on the Agreed Framework.[29]

- Moreover, North Korea violated the Agreed Framework by not fully cooperating with IAEA inspectors. Pyongyang allowed IAEA inspections of its graphite-moderated reactor and 8,000 spent fuel rods, but IAEA inspectors were refused access to most North Korean facilities, prevented from undertaking other inspection activities to verify North Korea's nuclear declarations, and kept on tight restrictions by North Korean officials. As a result, the IAEA Director General reported to IAEA members on August 16, 2002 that it "has never been allowed by the Democratic People's Republic of Korea - a party to the Nuclear Nonproliferation Treaty since 1985 - to verify the correctness and completeness of the DPRK's initial declaration of nuclear materials subject to safeguards under the agreement."[30] As a result of the IAEA Director General's report, the IAEA Board of Governors passed a resolution on September 20, 2002 expressing concern that because of North Korea's lack of cooperation with IAEA inspectors, the Board "was therefore unable to conclude that there had been no diversion of nuclear material."[31]

The Agreed Framework collapsed in October 2002 when North Korea admitted having a covert uranium enrichment program to U.S. diplomats. Heavy fuel oil deliveries were suspended in November 2002 in response to the admission. Pyongyang responded to the fuel oil suspension by announcing in December 2002 that it would restart the Yongbyon reactor and expelled IAEA inspectors from the country. In January 2003, Pyongyang announced the completion of its withdrawal from the Nuclear Nonproliferation Treaty. Construction of the light water reactors promised under the Agreed Framework to North Korea was formally suspended in November 2003.

In April 2003, the United States, Russia, Japan, China, and South Korea agreed to hold "Six Party Talks" with North Korea to find a multilateral solution to the North Korean nuclear program. To avoid another flawed agreement like the Agreed Framework that North Korea could secretly violate, the Bush Administration has insisted on "complete, verifiable, and irreversible dismantlement" of all nuclear activity in North Korea at the Six Party Talks. The United States also has firmly opposed the construction of light water reactors in North Korea as part of any new agreement.

One goal of the Six Party Talks is to take advantage of China's leverage with North Korea. Beijing is Pyongyang's closest ally and provides it with vital fuel and food shipments. China has hosted the talks in Beijing, five rounds of which have been held since 2003.

Negotiations on North Korea's nuclear program have proven to be a diplomatic challenge that North Korean diplomats have stymied with threats, demands, and by erratically reversing themselves without warning.

- At the tripartite U.S.-China-North Korea talks in April 2003, a North Korean negotiator stunned American and Chinese diplomats when he privately told Department of State Assistant Secretary James Kelly that his nation possessed nuclear weapons and threatened to transfer nuclear weapons to other states.[32]

- At the first round of Six Party Talks in August 2003, North Korean representatives threatened to test nuclear weapons and demonstrate Pyongyang's ability to deliver them.

- At the third round of Six Party Talks in February 2004, North Korea offered to give up its nuclear program but demanded to retain one nuclear reactor for "peaceful purposes."

- At the fourth round of the Six Party Talks in September 2005[33], the six parties issued a joint statement in which North Korea committed to abandon all nuclear weapons and its existing nuclear program and return to the Nuclear Nonproliferation Treaty (NPT). However, the details on implementing this statement have yet to be negotiated.

- North Korea has opposed resuming the Six Party Talks in 2006 to protest U.S. efforts to cut off Pyongyang's illicit financial transactions and counterfeiting of U.S. currency.

- On July 4-5, 2006, North Korea launched seven missiles into the Sea of Japan, including a long range ballistic missile, possibly in an effort to pressure the other Six Party Talks states to resume the talks on Pyongyang's terms, such as by having the United States drop its financial actions against North Korea.

- In August and September 2006, press reports surfaced that North Korea was planning its first nuclear test. If this occurs, it likely would be a provocation intended to achieve the same goals as Pyongyang's July 2006 missile launches.

North Korean behavior during negotiations with the Bush and Clinton Administrations on its nuclear program demonstrates the enormous challenges of negotiating with the Pyongyang regime. Better intelligence is needed to understand the motivations of the North Korean leadership concerning security issues and goals. If an agreement can be reached with Pyongyang on its nuclear program, the U.S. Intelligence Community will need to devote substantial collection and analytical assets to monitor North Korea's full compliance.

North Korea's Chemical and Biological Weapons Programs

Despite the focus on North Korea's nuclear program, it also possesses significant chemical and biological WMD programs.[34]

- The Commander of U.S. Forces in South Korea General Burwell Bell testified to the Senate Committee on Foreign Relations in March 2006 that "the size of North Korea's chemical weapons stockpile is likely significant. We assess North Korea is probably capable of weaponizing chemical agents for conventional weapons systems, missiles, and unconventional delivery. Some reports suggest that Pyongyang may have a biological weapons research program."[35]

- According to an unclassified report by the U.S. Intelligence Community, North Korea aggressively pursued a chemical weapons production program in the 1980s and into the 1990s. Pyongyang appears to have produced quantities of nerve and blister agents, as well as chemical blood and choking munitions. Such a chemical arsenal probably includes mustard gas, phosgene, sarin, and V-agents. North Korea continues to acquire dual-use chemicals that could be used to support a chemical weapons program.[36]

- The U.S. Intelligence Community believes Pyongyang has an active biological weapons program and may already have biological weapons. Biological agents North Korea is believed to have pursued include anthrax, botulism, plague, and smallpox. There is evidence to suggest that Pyongyang continues to enhance its biological warfare program as it adds to its legitimate biotechnology infrastructure.[37]

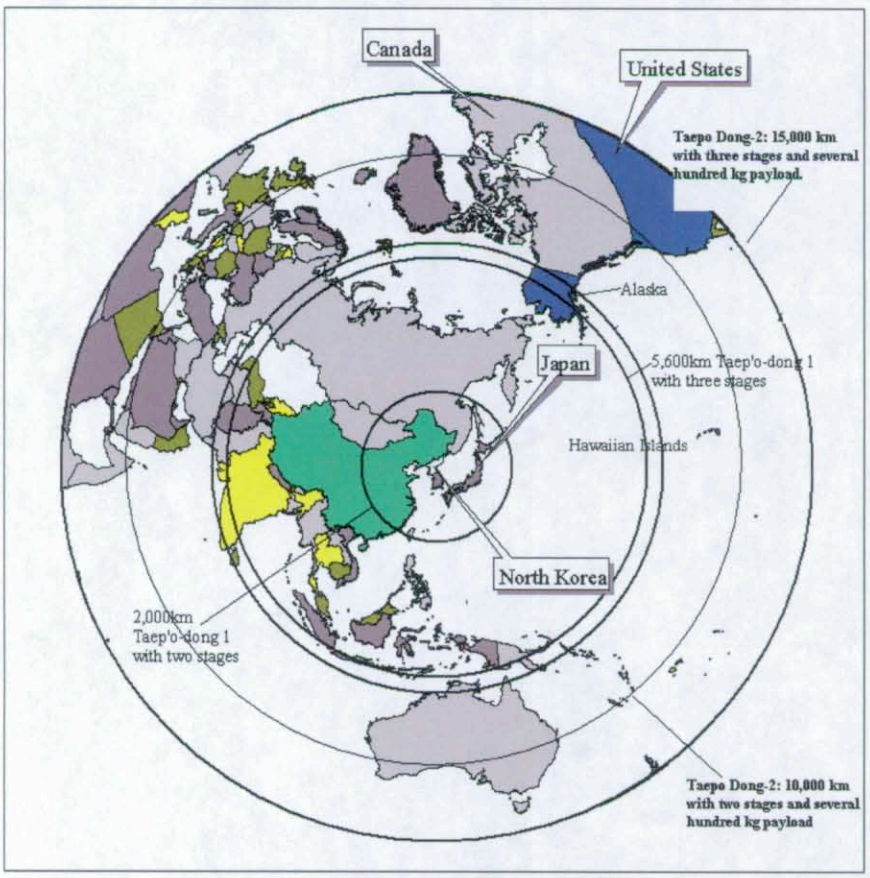
- The United States should assume that North Korean conventional artillery and missiles could deliver chemical munitions into major South Korean population centers. North Korean military forces are prepared to wage war in a contaminated battle space and routinely train to operate in a chemical environment.[38]

North Korean Missiles – A Strategic Threat

On July 4-5, 2006, North Korea test-fired seven missiles, including a mix of six short-range SCUD and medium range No Dong missiles plus a long-range, multistage Taepo Dong-2 missile or space launch vehicle. It is unknown whether the shorter range missile launches were successful. The Taepo Dong-2 launch apparently failed shortly after lift-off.

Regardless of the degree of success of the July 2006 missile launches, they reminded the world that North Korea has a ballistic missile program that could pose a significant threat to regional states. North Korea currently possesses missiles with the range to hit Japan and all of South Korea.[39] Although the inaccuracy of these missiles would make it difficult for Pyongyang to strike U.S. bases in Japan, such an attack probably would cause significant Japanese civilian casualties. The data Pyongyang gained from its July 2006 missile tests moves it closer to the day when it will be able to successfully test a missile that could deliver a warhead against the continental United States.

Potential North Korean Long-Range Missile Capabilities



This Congressional Research Service map was updated on September 19, 2006 to reflect comments by the U.S. Intelligence Community.

North Korea's missile arsenal is believed to be composed of more than several hundred ballistic missiles, including SCUD missiles of various types and medium-range No Dong missiles. It may have several long-range Taepo Dong X missiles and several short-range KN-02s (a new solid propellant, short range missile).[40]

The U.S. Intelligence Community said in an unclassified 2004 report that North Korea was nearly self-sufficient in developing and producing ballistic missiles and continues to procure needed raw materials and components from various foreign sources.[41]

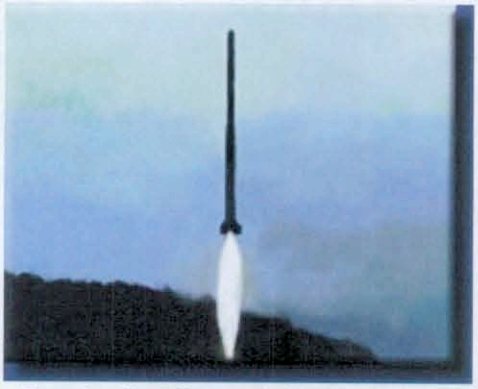


Photo from North Korean television reported to be the 1998 launch of the Taepo Dong-1 missile.

NORTH KOREA'S RAPID PROGRESS ON ITS BALLISTIC MISSILE PROGRAM CAUGHT INTELLIGENCE AGENCIES OFF GUARD.

- In August of 1998, the U.S. Intelligence Community was taken by surprise that North Korea's Taepo Dong-1 missile had a third stage and was launched as a space launch vehicle. According to former National Intelligence Officer Robert Walpole, "the intelligence community had locked itself into believing only a certain configuration of the Taepodong missile, the Taepodong-2, would have intercontinental range."[42] The declared purpose of this launch was to place a small satellite into orbit. The missile overflew the Japanese mainland and fell into international waters more than 1,500 kilometers from the launch site. While the Taepo Dong-1's final stage failed, other aspects of the launch appeared to have been successful. Analysts have speculated that, had the third stage functioned properly, the Taepo Dong-1 could have delivered a payload as far as 5,900 kilometers. This launch also carried a larger payload than anticipated by U.S. intelligence agencies.[43]

- The U.S. Intelligence Community reports that it was aware of preparations for the July 2006 launches of the Taepo Dong-2 and that launches of shorter-range missiles were a possibility. However, Pyongyang's ultimate decision to launch seven missiles caught some other countries by surprise.

Until its July 2006 missile launches, North Korea had been honoring a voluntary long-range missile launch moratorium it adopted in 1999 in response to concerns about its 1998 Taepo

Dong-1 launch. However, despite the moratorium, Pyongyang continued to work on its ballistic missile program across a broad front.

- Missile testing had been halted as a result of Pyongyang's self-proclaimed long-range missile launch moratorium, but the government continued to pursue its missile-related activities through the procurement of raw materials and components, and by providing assistance to the Iranian missile program.

- In February and March 2003, North Korea tested anti-ship cruise missiles. The February 2003 test was provocative in that it occurred the day before the inauguration of South Korean President Roh Mu Hyun and the same day that U.S. Secretary of State Colin Powell arrived in Seoul to attend the inauguration. Both missiles landed in the Sea of Japan.

- Earlier this year, North Korea tested a pair of its new solid propellant short-range KN-02 ballistic missiles. The switch to solid fuel could provide North Korean missiles with greater reliability and mobility. According to General Burwell Bell, the KN-02 missiles marked a "quantum leap" in terms of performance.[44]

NORTH KOREA'S WMD PROGRAMS: WHAT POLICYMAKERS NEED FROM U.S. INTELLIGENCE AGENCIES

North Korea, being a denied area with active denial and deception efforts, is a difficult target for intelligence analysis and collection. There are many unknowns about the North Korean WMD and ballistic missile programs. For classification reasons, these unknowns cannot be discussed in this report. The U.S. Intelligence Community needs to continue to make North Korea's WMD efforts top collection and analytical priorities. The North Korea Mission Manager should spearhead the coordination of this effort.

A Corrupt Criminal Enterprise

North Korean refugees attempt to push past Chinese guards to enter the Spanish embassy in Beijing in 2002. (Ng Ham/AP)

Diplomatic efforts by the United States and its allies to end the North Korean nuclear program have been met with limited success due to the nature of the regime of Kim Jong Il, which generally ignores international public opinion and the norms of modern civilized society. The policies of the North Korean state include fierce repression, massive diversion of the nation's industrial base toward the military, drug trafficking, counterfeiting, and selling ballistic missiles to Iran, Syria, and other states. These policies have resulted in economic ruin and starvation.

- Dealing with a Stalinist regime possessing a large military and a nuclear weapons program poses near impossible challenges for U.S. officials, who need strong intelligence support to anticipate North Korea's erratic behavior and craft diplomatic initiatives to end the North Korean nuclear program.

- North Korea's involvement in criminal activity principally undermines international security by financing Pyongyang's WMD programs. These activities, especially counterfeiting and drug trafficking, also harm the people of regional states, the U.S. economy, and the international financial system.

STARVATION AND OPPRESSION

North Korea is an extremely repressive and poor nation of 22 million people. Pyongyang's stagnant centrally-planned economy is hobbled by poor leadership, the financial drain of developing nuclear weapons and ballistic missiles, and maintaining a million-man army. Little investment in farming and manufacturing equipment has left both sectors of the economy in desperate shape. An estimated 2 million North Koreans have died of starvation since 1995; malnutrition remains rampant throughout the country. Many areas of North Korea are prone to

flooding and natural disasters and its population further suffers from a government that fails to adequately plan for such contingencies.

- Pyongyang expelled the World Food Program (WFP) in December 2005, claiming it was no longer needed because of food deliveries from South Korea and a good harvest. According to press accounts, Pyongyang actually expelled the WFP because it wanted to assert more control over the WFP's distribution of food. Pyongyang agreed to readmit the WFP in May 2006 amid new reports of starvation, but limited its access to a single county.

- North Korea's food crisis became critical after rain storms on July 15-16, 2006 caused massive flooding that severely damaged crops, and South Korea suspended food shipments due to North Korea's missile launches ten days earlier. North Korea made urgent appeals to the WFP and South Korea for emergency food aid due to the floods. South Korea indicated the resumption of food aid would be contingent on Pyongyang's return to the Six Party Talks, but in late August pledged substantial aid, including 100,000 metric tons of rice. The WFP made increased aid contingent on Pyongyang allowing it to thoroughly assess the damage from the flooding and monitor food aid to ensure that the people who needed the aid received it. North Korea at first rejected the WFP's conditions, but changed its mind in August.

- North Korea is a brutal dictatorship that denies its people fundamental freedoms. An estimated 150,000 to 200,000 North Koreans are held in detention camps, many for political crimes. Disappearances, arbitrary detention, torture, and unlawful deprivation of life are commonplace.[45]

- The dire political and humanitarian situation in North Korea has led large numbers of its citizens to flee the country. This has created economic burdens on neighboring countries that are hard-pressed to accommodate North Korean refugees. Given the desperate economic conditions in North Korea and lack of food, if the North Korean government were to fall, a mass migration of North Korean refugees to South Korea and China could occur, creating a regional crisis.

LEADERSHIP LUXURY IN A LAND OF STARVATION

While the vast majority of North Koreans suffer under extreme poverty and oppression, North Korean Leader Kim Jong Il lives in luxurious splendor. According to press accounts, the North Korean dictator is worth an estimated $4 billion, at least partially amassed through drug and missile sales and counterfeiting. Kim Jong Il's lavish tastes include being the world's leading buyer of Hennessey cognac, on which he is believed to have spent as much as $720,000 per year, and owning 200 Mercedes S Class vehicles worth $20 million. Kim Jong Il has spent vast sums on his interest in movies and movie making. Kim Jong Il kidnapped a leading South Korean actress and a South Korean director in 1978 to make movies in his personal movie studio.[46]

CRIMINAL ACTIVITIES

Five Japanese citizens kidnapped by North Korea in the 1970s and 80s. Pyongyang returned them to Japan in 2002. (AP)

It is likely that North Korea engages in extensive criminal activity to generate hard currency to shore up its economy and at least in part to finance its WMD programs. According to David Asher, a former senior advisor on North Korea for the State Department, "North Korea is the only government in the world today that can be identified as being actively involved in directing crime as a central part of its national economic strategy and foreign policy."[47] Better intelligence is needed to understand the full range of alleged North Korean illegal activities and the involvement of the Pyongyang government. Alleged North Korean illegal activities include:

- Kidnapping. Pyongyang is believed to have kidnapped more than a dozen Japanese and nearly 500 South Koreans since 1970. Most are believed to have been taken to assist North Korean agents with espionage training. As noted previously, two South Koreans were kidnapped to assist with Kim Jong Il's movie making venture and held for eight years. Some Japanese and South Korean women may have been seized to serve as wives for North Korean officials and spies.[48]

- Drug trafficking. North Korea has been involved in the production and sale of dangerous narcotics. The size of this operation and the involvement of North Korean leaders is unknown. However, North Korean diplomats have been caught using diplomatic pouches to transport illegal drugs.[49] Since 1990, at least 50 drug seizures in over 20 countries involved North Korean diplomats and trade officials. In April 2003, the North Korean ship "Pong Su" was seized off Australia attempting to unload 125 kilograms of heroin worth

Australia found 125 kilograms of heroin worth $125 million on the North Korean ship "Pong Su" in 2002. (AP photo)

$125 million. According to defectors, North Korea is cultivating opium poppies on as much as 17,000 acres of land. These claims have not been verified and there is no evidence that opium production is affecting North Korea food production in a major way. However, if true these claims would make North Korea the world's third-largest heroin producer and could be exacerbating North Korea's inability to feed itself since the poppy fields would be consuming scarce arable land and expensive fertilizers. North Korea also is suspected of producing methamphetamine and smuggling it into Japan, China, South Korea and Taiwan. Recent convictions in U.S. Federal Courts confirm that North Korean narcotics smuggling extends to the United States.[50]

Sean Garland, President of the IRA-affiliated Marxist-Leninist Worker's Party, was indicted by the United States in October 2005 for passing counterfeit $100 "supernotes" made by North Korea.

- Counterfeiting. The United States believes North Korea has produced millions of dollars worth of high-quality counterfeit U.S. currency known as the "supernote."[51] Since 1990, U.S. officials have seized $45 million in supernotes, which Pyongyang is suspected of printing in over a dozen ways to keep pace with U.S. Treasury security upgrades. Pyongyang is believed to distribute supernotes through organized gangs and terrorist groups such as the Irish Republican Army. The United States first formally accused North Korea of producing supernotes in an October 11, 2005 indictment of Sean Garland, leader of the Marxist-Leninist Worker's Party, an arm of the Irish Republican Army.[52]

- Blackmarketing and Smuggling. North Korea has allegedly engaged in a variety of blackmarket and smuggling activities, including distributing counterfeit Viagra and cigarettes, and trademark violations. Many of these activities allegedly have been carried out in league with criminal gangs around the world.[53]

BALLISTIC MISSILE SALES AND PROLIFERATION

Director of National Intelligence Negroponte testified to the Senate Select Committee on Intelligence in February 2006 that, "Pyongyang sells conventional weapons to Africa, Asia, and the Middle East, and has sold ballistic missiles to several Middle Eastern countries, further destabilizing regions already embroiled in conflict."[54] Ballistic missile sales are an important source of hard currency for Pyongyang and earned it an estimated $1 billion in the 1990s, according to the Department of State, making Pyongyang the largest single exporter of ballistic missiles.

- According to press reports, since the mid-1980s North Korea is believed to have sold missiles and missile technology sales to Syria, Pakistan, Libya, and Egypt.[55] It allegedly attempted to sell missile technology to Nigeria in 2004 and recently may have attempted to sell missiles to Burma.[56]

- North Korea's missile sales have seriously undermined international security by providing rogue states with the know-how to build long-range missiles. Syria is believed to be developing long-range missile programs that rely on North Korean technology. North Korea is believed to have provided extensive assistance to the Iranian ballistic missile program, including assistance for missiles with ranges that could potentially strike Israel and Western Europe.[57]

COUNTERING NORTH KOREAN CRIMINAL ACTIVITY

Since 2001, the United States has taken a series of steps in response to illegal activity and WMD proliferation by North Korea. The focus of this effort is to convince North Korea to change its behavior and pressure states and private entities to cease questionable business transactions with Pyongyang. All of these steps have required the U.S. Intelligence Community to provide actionable intelligence to policymakers on a real-time basis.

- Interdiction. Interdicting suspicious cargoes on land, at sea, and in the air is an important method the United States and its allies are employing to stop illegal transactions by Pyongyang. Australia's seizure of the Pong Su in 2002 was an example of an interdiction at sea. *The Proliferation Security Initiative* (PSI) is a multinational effort the United States initiated in 2003 to interdict WMD shipments by North Korea and other rogue states. PSI has over 60 participating countries and conducted 22 exercises resulting in at least 11 successful interdictions.[58]

- WMD Sanctions. Since 2001, the United States has sanctioned North Korean companies on at seven occasions for assisting Iran's ballistic missile program. North Korea is subject to a series of other U.S. sanctions as a state sponsor of terror.[59]

- Cutting off Pyongyang's Access to Finance. The United States has taken a number of steps since 2001 to deny North Korea access to financial institutions. The most successful was a U.S. action on September 15, 2005 sanctioning the Macao bank *Banco Delta Asia* under the USA Patriot Act for a series of financial crimes involving North Korea, including working with a North Korean front company that allegedly was distributing counterfeit U.S. currency. The *Banco Delta Asia* sanction caused the North Korean regime significant hardship since it cut off what may have been one of North Korea's major links to international commercial finance. North Korean leaders are so distressed at this action that it has refused to resume Six Party Talks on its nuclear program until the U.S. stops its efforts to limit North Korea's access to finance.[60]

NORTH KOREA'S ILLEGAL ACTIVITIES: WHAT POLICYMAKERS NEED FROM U.S. INTELLIGENCE AGENCIES

Because illegal activity generates hard currency that keeps the North Korean regime afloat and finances its missile and WMD programs, it is essential that U.S. intelligence agencies provide high-quality and actionable intelligence support to assist American policymakers in pursuing

strategies to stop this activity. Policymakers also need a better understanding of North Korean leaders to improve the chances of using diplomacy to end North Korea's illegal activities.

North Korean Intelligence Operations

This unclassified report can say little about this subject for obvious national security reasons. We know that North Korea has an aggressive and ruthless intelligence service. Although there are no public reports of North Korean-orchestrated counterintelligence campaigns targeting Americans within the United States, North Korea's mission to the United Nations in New York and North Korean nationals working for the United Nations Secretariat almost certainly include a heavy contingent of intelligence officers devoted to carrying out espionage against America.

With no embassy and only a minimal diplomatic presence assigned to the United Nations, maintaining a significant espionage program run by North Korean diplomats in the country is problematic for Pyongyang. Nevertheless, North Korea supports its proliferation activities through the attempted acquisition of dual-use items, raw materials, and advanced components. It pursues such items through multiple sources around the globe.[61] North Korean agents also acquire large quantities of technical documents and literature. North Korea itself acknowledges this effort is designed for "national prosperity and the development of science and technology in the homeland."[62] Moreover, Pyongyang is known to employ "small armies" of internet hackers to acquire sensitive technology.[63]

Pyongyang has a long history of using its operatives to commit sabotage, assassinations, and terrorist actions against its Northeast Asian neighbors. Many Japanese and South Korean abductees were kidnapped from beaches by North Korean operatives. North Korean defectors in Japan and South Korea live in fear of being found and killed by North Korean agents.

Diplomatic Challenges

The stalemate in resuming the Six Party Talks, North Korea's July 2006 missile launches, and its alleged plans to conduct a nuclear test have created new challenges to diplomatic efforts to address the North Korean nuclear weapons program. North Korea's behavior in 2006 has hurt its relations with its neighbors, especially Japan. A recent reminder came on September 19, 2006 when Japan, together with Australia, imposed new financial sanctions on Pyongyang. Japan sanctioned 15 North Korean companies and one individual suspected of having ties to North Korea's weapons programs. Australia imposed sanctions on a number of companies and individuals that Australia believes is involved in financing North Korea's WMD programs.[64]

UN Security Council Resolution 1695, passed on July 15, 2006 in response to North Korea's July 2006 missile launches, rebuked North Korea and urged it to return to the Six Party Talks. The resolution did not, however, invoke Chapter Seven of the UN Charter at the insistence of China and Russia. A Chapter Seven reference would have declared North Korea's July 2006 missile launches a breach of international peace and security and opened the door to multilateral military or economic actions, most likely multilateral economic sanctions. A North Korean

nuclear test may be more than Russia and China are willing to tolerate and could push them to accept Chapter Seven sanctions against North Korea.

America's response to a possible North Korean nuclear test, missile launches, North Korea's WMD programs, ballistic missile proliferation, drug trafficking, proliferation of missile technology, and criminal activity must take into account our strong alliance with South Korea and Japan as well as our developing relationship with China. All of these states have unique interests and policies concerning North Korea and none of them want the North Korean situation to spin out of control.

South Korea is critical to our strategic policy in Asia. For almost 60 years, the United States has positioned military forces in Korea, joining with South Korea and others in the international community to protect and defend freedom and democracy in Asia. For its part, South Korea has historically reciprocated by providing strong support for U.S. international objectives. Despite domestic political objections, South Korea has provided support in Afghanistan and remains the third-largest contributor to Operation Iraqi Freedom, with about 3,000 troops deployed in Iraq. In both instances, Seoul has provided significant reconstruction assistance.

The government of South Korea has understandably sought conciliation with its brothers in the North. South Korean policy at the Six Party Talks has occasionally conflicted with the United States, with Seoul sometimes pressing Washington to make concessions to North Korea or engage in bilateral negotiations with Pyongyang. For its part, Pyongyang has insisted on a high price for conciliation with Seoul. Recent South Korean governments have made engagement and reconciliation the centerpiece of their foreign policy, granting Kim Jong Il an enormous amount of political leverage and showing tolerance to North Korean excesses, including its troublesome behavior during the Six Party Talks. The "sunshine policy" of former President Kim Dae-jung and the continued overtures by current President Roh Moo-hyun have not produced the desired reforms in the North. Instead, Pyongyang has reaped the financial rewards of engagement to maintain the Kim Jong Il dictatorship while cruelly manipulating sensitive issues such as family reunification.[65]

Improved relations between Seoul and Pyongyang have the potential to yield significant benefits to both states. Yet some aspects of this blossoming relationship should be carefully monitored. The United States must be cautious of North Korean efforts to exploit Seoul's desire for peace as a means to drive a wedge between the United States and South Korea.

America's relationships with Japan and China also impact our policies toward North Korea. Japan's attitude toward North Korea soured significantly after the July 2006 missile launches. A North Korea nuclear test probably would severely damage its relations with Tokyo.

China's views toward North Korea are more complicated, involving a lukewarm desire to protect a client state and fellow communist regime, preventing North Korean refugee flows into China, and denying the United States a political victory that would increase its influence in the region. Despite North Korea's July 2006 missile launches and reports that it may test a nuclear weapon, China expressed its disapproval of recent Japanese and Australian sanctions against North Korea

and refused to participate in informal talks on North Korea the United States is holding in New York on the margins of the 2006 UN General Assembly.

Russia also elected not to attend talks during the 2006 UN General Assembly on North Korea. Moscow's friendship with Pyongyang cooled after the break-up of the Soviet Union, but it remains a friend of North Korea and the two nations share an interest in limiting U.S. influence in the region.

U.S. officials need quality and innovative intelligence analysis on the policies of South Korea, China, and Japan toward North Korea, next steps for the Six Party Talks, and how Pyongyang is manipulating the policies of regional states. American policymakers also will need quality analysis on how the world will react to future North Korean provocations, including a possible nuclear test.

Conclusions

North Korea presents complex policy and intelligence challenges. North Korea threatens U.S. interests globally through its ballistic missile sales, the prospect that it could sell weapons of mass destruction and related technology -- including nuclear weapons -- to other states or terrorist groups, and illegal activities. North Korea's ballistic missile arsenal could allow it to threaten U.S. forces and bases in Asia and the Pacific. North Korea's conventional military remains a serious security threat to the region.

Despite the significant military capability that Pyongyang has retained in the face of increasing economic hardship, military confrontation is by no means inevitable. Indeed, diplomatic efforts in recent years by the U.S., South Korea, Japan, and even China have been designed to reduce or eliminate the perceived threat from North Korea. There is a clear and unambiguous desire to resolve tensions on the Korean Peninsula in ways that address the security concerns of all sides.

Ascertaining North Korea's true intentions remains a challenge for the United States. A bigger challenge may be convincing some of America's Six Party Talks partners to temper their enthusiasm for a diplomatic solution to the North Korean nuclear program in the absence of a sincere desire by Pyongyang to change its ways by complying with civilized norms of behavior and honoring international agreements. North Korea's track record is one of squandered opportunities and deepening suspicions. After North Korea's missile tests in July 2006 resulted in a backlash against the country, a nuclear test probably would cause Pyongyang's relations with regional states to sink to a new low.

The United States cannot acquiesce to threats, provocations, or illegal activities by North Korea, especially counterfeiting of U.S. currency, because North Korea refuses to rejoin the Six Party Talks. U.S. intelligence agencies must continue to provide American officials with information on these activities to allow U.S. officials to judge the sincerity of North Korea's interest in reaching a diplomatic agreement and to evaluate new threats from the regime's activities.

Sharing information is vital to maintaining a united front against North Korea. Intelligence sharing between America's allies makes it harder for illegal activity by Pyongyang to go undetected and strengthens America's ability to convince its allies of the need for tough responses to North Korean provocations. This is especially true concerning efforts to cut off Pyongyang's access to foreign financial institutions. The Proliferation Security Initiative is addressing this issue by coordinating intelligence sharing on WMD transactions.

Recommendations for the Intelligence Community

U.S. intelligence agencies need to take a wide range of steps to fill intelligence gaps and improve their collection and analysis of information on North Korea, including:

1. Improve coordination on North Korea-specific issues. To make effective use of the full range of tools and capabilities at its disposal, the Intelligence Community must ensure that each agency's efforts are fully coordinated and deconflicted. On the recommendation of the WMD Commission, the Director of National Intelligence established a Mission Manager for North Korea to develop and implement a coordinated IC-wide strategy for North Korea. This function, while still new, needs a strong commitment from its leadership and interagency cooperation to succeed. At a more operational level, individual agencies must ensure that their staffs – operators, analysts, targeters, and others – share information with each other and with their counterparts in other agencies to ensure that resources are allocated effectively and efforts are not duplicated by multiple agencies. The Mission Manager must focus in particular on filling the many intelligence gaps that prevent a thorough understanding and assessment of critical issues.

2. Improve analysis. The Intelligence Community's analysis on vital national security issues like North Korea must be thorough and timely. Analysts must evaluate all contingencies and consider out-of-the box assessments that challenge conventional wisdom. North Korea WMD analysis could improve once the DNI North Korea and Counterproliferation Mission Managers integrate analysts more thoroughly with collectors and with their colleagues in other agencies.

3. Improve coordination on counterproliferation issues: The DNI has directed that the National Counterproliferation Center (NCPC), created by the Intelligence Reform and Terrorism Prevention Act of 2004, serve as the Intelligence Community's Mission Manager for Counterproliferation. The NCPC can potentially play an important advisory role in improving proliferation analysis and collection. The NCPC and North Korea Mission Manager must coordinate closely to ensure that they pursue consistent and complementary strategies on issues related to North Korea's potential WMD programs.

4. Enhance HUMINT capabilities. The DNI has recognized that the Intelligence Community needs to improve its human intelligence (HUMINT) capabilities writ large, both on foreign intelligence and counterintelligence matters. The Committee stands ready to support efforts to bolster HUMINT collection against North Korea.

5. Strengthen counterintelligence efforts. We must assume that North Korea attempts to collect intelligence on U.S. Government plans, strategies, and capabilities, as well as on sensitive technologies. The Intelligence Community must ensure that comprehensive counterintelligence training is given to professionals throughout the national security and scientific communities, both inside government and out, who are likely to be targeted by North Korean intelligence collectors.

6. Define goals and develop metrics. The DNI must clearly identify his goals for improving North Korea-related collection and analysis so members of the Community know what they are supposed to achieve. He must also promulgate detailed performance metrics so Community managers can assess, on an ongoing basis, whether they are improving capabilities and progressing toward their critical intelligence objectives. The Committee expects that the DNI will share these objectives and metrics with it so that the legislative branch can conduct meaningful, continuous oversight of its activities regarding this critical national security challenge.

[1] Mr. Selig Harrison, is an American expert on North Korea and Director of the Center for International Policy Asia Program. He stated at a press conference in Beijing on April 9, 2005 that Kim Gye-Gwan made this comment to him during a recent trip to Pyongyang. See Kyoto News Service, April 9, 2005, KYODO00020050409e1490060p.
[2] The below characterizations of unclassified assessments by the U.S. Intelligence Community were reviewed for accuracy by the Office of the Director for National Intelligence (ODNI) in September 2006. Some were altered at the request of the ODNI.
[3] U.S. Department of State, "2005 Country Report on North Korean Human Rights Practices," March 2006.
[4] Department of State Background Notes on North Korea, November 2005, http://www.state.gov/r/pa/ei/bgn/2792.htm.
[5] Birthday praise for N. Korea's Kim, CNN.com, February 16, 2004, http://edition.cnn.com/2004/WORLD/asiapcf/02/16/kim.birthday.reut/
[6] "N. Korean Army Threatens Pre-Emptive Attack," Reuters, March 14, 2006.
[7] General B. B. Bell, Testimony before the House Committee on Armed Services, March 9, 2006.
[8] Central Intelligence Agency, *The World Factbook, 2004*.
[9] Ibid.
[10] CBS "60 Minutes" January 15, 2006. The text of this quote can be found at http://www.cbsnews.com/stories/2006/01/12/60minutes/main1203973.shtml. Ri Chan Bok reportedly made this comment to Mr. Rather in September 2005.
[11] Annual Report-2005, Korean Peninsula Energy Development Organization, December, 2005, p. 14; "KEDO Plan Nixed for North Korea." AP via USA Today, May 31, 2006.
[12] This section, "IS A NORTH KOREAN NUCLEAR TEST ON THE HORIZON?," is a late addition to this report and was reviewed by the Congressional Research Service but not the U.S. Intelligence Community.
[13] Daniel A. Pinkston and Stephanie Lieggi, "North Korea's Nuclear Program: Key Concerns," Center for Nonproliferation Studies, February 12, 2003.
[14] Sergey Soukhorukov, *London Telegraph*, September 9, 2006, http://www.telegraph.co.uk/news/main.jhtml?xml=/news/2006/09/10/wkorea10.xml
[15] "Russian Embassy: No Comment Over UK Paper's North Korean Nuclear Test Claim," Moscow Itar-Tass in English, 1404 GMT 11 September 2006.
[16] Hon. Christopher Hill, "Press Availability at Beijing International Airport," U.S. Department of State press release, September 9, 2006; Pino Cazzanig, "Beijing tries to stop Kim Jong-il but save regime," *Asia News*, September 12, 2006.
[17] "Analyst: N. Korea Seeks Econ Concession in Talks with US," *Dow Jones Newswires*, September 26, 2006.
[18] Estimate provided to the Committee by the U.S. Intelligence Community.
[19] Global Security.org, http://www.globalsecurity.org/wmd/world/dprk/taechon.htm; http://www.globalsecurity.org/wmd/world/dprk/yongbyon-50.htm.
[20] Estimate provided to the Committee by the U.S. Intelligence Community.
[21] Director of Central Intelligence George Tenet, "The Worldwide Threat 2004: Challenges in a Changing Global Context," Statement before the Senate Select Committee on Intelligence, February 24, 2004.
[22] U.S. Department of State, Adherence and Compliance with Arms Control, Nonproliferation, and Disarmament Agreements, August 2005, pp. 88. This comment was confirmed to Committee staff by a State Department official who worked on this issue in 2002.
[23] See Victor Gilinsky, Marvin Miller, and Harmon Hubbard, "A Fresh Examination of the Proliferation Dangers of Light Water Reactors," Nonproliferation Policy Education Center paper, October 22, 2004, http://www.npec-web.org/Frameset.asp?PageType=Writings. Gilinsky et al contend that fresh, unused fuel rods intended for light water reactors could be crushed and the uranium oxide pellets they contained removed, fluoridated (which turns the pellets into a gas) and then enriched in centrifuges.
[24] Ibid.
[25] Secretary of State Condoleezza Rice with interview, Hearst Broadcasting Corporation, September 8, 2006; "Khan gave N Korea centrifuges," BBC News, August 24, 2005, http://news.bbc.co.uk/2/hi/south_asia/4180286.stm.
[26] This section of this chart uses data from Frank Barnaby and Nick Ritchie, "North Korea: Problems, Perceptions, and Proposals." Oxford Research Group, April 2004, p. 23, with some changes made by the U.S. Intelligence Community.

[27] Victor Gilinsky, Marvin Miller, and Harmon Hubbard, "A Fresh Examination of the Proliferation Dangers of Light Water Reactors," Nonproliferation Policy Education Center, October 22, 2004. The authors also consulted with Dr. Gilinsky and Henry Sokolski, Director of the Nonproliferation Policy Education Center, on this section. This part of the table does not reflect the views of the U.S. Intelligence Community, which believes too little is known about North Korea's uranium enrichment effort to estimate its status or to confirm that it exists. A U.S. Government nuclear physicist who reviewed the nuclear section of this paper made the following comments concerning this section: "*We know the DPRK is pursuing enrichment, but we do not know that they have produced HEU. We also do not know that they haven't. The use of fuel from a future power plant is only useful in a breakout scenario. It would be very difficult to keep that step hidden.*"

[28] This is notional since North Korea is not judged to currently have any fresh fuel rods. The authors included this box to illustrate how many nuclear weapons Pyongyang could make in the unlikely event light water reactors were constructed for North Korea and fuel was provided to them. Such a provision was part of the 1994 Agreed Framework.

[29] Hon. Colin Powell, Testimony before the Senate Committee on Appropriations, Subcommittee on Commerce, Justice, State, and the Judiciary, March 6, 2003.

[30] "Implementation of the NPT Safeguards Agreement Between the Agency and the Democratic People's Republic of Korea: Report by the Director General to the General Conference," International Atomic Energy Agency, GC(46)/16, August 16, 2002.

[31] IAEA Board of Governors Resolution, GC(46)/RES/14, September 20, 2002.

[32] The authors confirmed this comment with the U.S. Intelligence Community and a State Department officer who worked on this issue in 2002.

[33] The fourth round of the Six Party Talks took place in two phases: July 26 – August 7, 2006 and September 13-18, 2006. The fifth round was held November 9-11, 2006.

[34] John Lauder, Special Assistant to the DCI for Nonproliferation, Testimony to the House Permanent Select Committee on Intelligence, March 3, 1999.

[35] General B. B. Bell, "Statement before the Senate Armed Services Committee," March 7, 2006.

[36] CIA Unclassified Report to Congress on the Acquisition of Technology Relating to Weapons of Mass Destruction and Advanced Conventional Munitions, 1 July Through 31 December 2003, November 2004.

[37] George J. Tenet, "The Worldwide Threat 2004," February 24, 2004.

[38] Proliferation: Threat & Response, Department of Defense, 2001.

[39] "Center for Nonproliferation Studies Special Report on North Korean Ballistic Missile Capabilities," Monterey Institute of International Studies, March 22, 2006, http://cns.miis.edu/pubs/week/pdf/060321.pdf

[40] General B. B. Bell, "Statement before the Senate Armed Services Committee," March 7, 2006; "Center for Nonproliferation Studies Special Report on North Korean Ballistic Missile Capabilities," Monterey Institute of International Studies, March 22, 2006, http://cns.miis.edu/pubs/week/pdf/060321.pdf

[41] Unclassified Report to Congress on the Acquisition of Technology Relating to Weapons of Mass Destruction and Advanced Conventional Munitions, 1 July Through 31 December 2003, November 2004.

[42] Statements made by Robert Walpole at a National Defense University Foundation breakfast, quoted in *Inside the Pentagon*, April 29, 1999.

[43] Robert Walpole, National Intelligence Officer for Strategic and Nuclear Programs, "North Korea's Taepo Dong Launch", CSIS, December 8, 1998.

[44] "N. Korea missiles tests are quantum leap: U.S. general," Reuters, March 10, 2006; See also, remarks of General Ronald Kadish in "N. Korea Missile Program Significantly Improved," Bloomberg News, July 1, 2004.

[45] U.S. Department of State, "2005 Country Report on North Korean Human Rights Practices," March 2006.

[46] North Korean leader loves Hennessey, Bond movies, CNN.com, January 8, 2003, http://www.cnn.com/2003/US/01/08/wbr.kim.jong.il/; Thomas Omestad, "Nuclear Bombast," US News and World Report, December 29, 2003, http://www.usnews.com/usnews/news/articles/031229/29kim.htm.

[47] Peter Brookes, "Mob Nation," Heritage Foundation commentary, January 17, 2006, http://www.heritage.org/Press/Commentary/ed011706a.cfm.

[48] U.S. Department of State, "2005 Country Report on North Korean Human Rights Practices," March 2006.

[49] Thomas Crampton, "Law Enforcers Link North Korea to Drug Trade: A Pyongyang Connection?" *International Herald Tribune*, March 27, 1998, http://www.iht.com/articles/1998/03/27/dope.t.php

[50] U.S. Department of Justice press release, "Southern California Man Pleads Guilty to Smuggling Narcotics, Cigarettes, and Money into the United States," April 19, 2006; Jay S. Albanez, "The Prediction of Organized Crime," Paper prepared for the U.S. Department of Justice, 2002, p. 38; U.S. Department of State 2006 International

Narcotics Control Strategy Report, Volume I: Drug and Chemical Control, March 2006; "Drug Trafficking for North Korea: Issues for U.S. Policy," Congressional Research Service, December 5, 2003; CNN.COM, "North Korean Drug Ship to be Sunk, March 22, 2006, http://www.cnn.com/2006/WORLD/asiapcf/03/22/nkorea.pongsu/index.html;

[51] U.S. Department of Justice press release, "Southern California Man Pleads Guilty to Smuggling Narcotics, Cigarettes, and Money into the United States," April 19, 2006.

[52] U.S. Department of Justice press release, "Leader of Irish Worker's Party and Irish Republican Army Official Arrested in United Kingdom on U.S. Indictment Charging Trafficking in Counterfeit Currency," October 2005. CNN.com, Macao Focus of Push on NK Activity, May 18, 2006, http://www.cnn.com/2006/WORLD/asiapcf/05/18/nkorea.macau/

[53] U.S. Department of State, "2005 Country Report on North Korean Human Rights Practices," March 2006.

[54] Director of National Intelligence John D. Negroponte, "Annual Threat Assessment of the Director of National Intelligence," Testimony to the Senate Select Committee on Intelligence, 2 February 2006.

[55] BBC News, October 13, 2003, http://news.bbc.co.uk/1/hi/world/asia-pacific/2564241.stm.

[56] NewsMax.com, January 28, 2004, http://www.newsmax.com/archives/articles/2004/1/28/112856.shtml; North Korea Missile Update, The Wisconsin Project, Volume 11 Number 6 (November-December 2005), http://www.wisconsinproject.org/countries/nkorea/missileupdate2005.html.

[57] Robert Walpole, "The Iranian Ballistic Missile and WMD Threat," Statement to the Senate Government Affairs Committee, September 21, 2000; Monterey Institute of International Studies, March 22, 2006, http://cns.miis.edu/pubs/week/pdf/060321.pdf; FoxNews.com, October 5, 2004, http://www.foxnews.com/story/0,2933,134550,00.html; "Missile Survey: Ballistic and Cruise Missiles of Foreign Countries." Congressional Research Service Report RL30427, March 5, 2004.

[58] "The Proliferation Security Initiative," U.S. Department of State, May 26, 2005.

[59] The U.S. imposed sanctions on North Korean companies seven times since 2001 for assisting Iran's ballistic missile program under the Iran Nonproliferation Act of 2000. See U.S. Department of State Web site list of Iran Nonproliferation Act sanctions, http://www.state.gov/t/isn/c15234.htm.

[60] U.S. Treasury Department notice, September 15, 2005, http://www.treasury.gov/press/releases/js2720.htm.

[61] George Tenet, "Worldwide Threat 2004," Testimony before the Senate Select Committee on Intelligence, February 24, 2004.

[62] "Overseas Koreans Contributing Technical Literature to DPRK," Office of the National Counterintelligence Executive, Volume 3, September 2001. See also, "U.S. Department of Justice press release, "Santa Monica Man Pleads Guilty to Failing to Register as an Agent of North Korea," October 23, 2003.

[63] Mr. Steven Walsky, Office of the National Counterintelligence Executive, Comments at the Meeting of the Business Awareness Council, May 24, 2005.

[64] Department of State Press Release, "Actions by Japan and Australia to Implement Resolution 1695, September 19, 2006; Choe Sang-Hun, "North Korea is capable of a nuclear test," *International Herald Tribune*, September 19, 2006.

[65] Interview with Hon. Richard Armitage, The Oriental Economist, March 2006.