

Face-Saving, Reference Point, and North Korea's Strategic Assessments*

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· **Keywords** : North Korea, Six-Party Talks, negotiating behavior, face saving, reference point

ABSTRACT

This article emphasizes the importance of 'face-saving' and 'reference point' in understanding North Korea's strategic assessment. The concept of face-saving has been often discussed in explaining North Korea's negotiating behavior. The regime is known to fight because it prefers to save face, which somewhat explains Pyongyang's aggressiveness and brinkmanship even when it is in a disadvantageous position. Nevertheless, North Korea rarely sacrifices its strategic benefit. Both saving face and gaining benefit are important to the North Korean regime. But which takes precedence? In order to explain the North Korean rationality, this article hypothesizes that North Korea's face-saving is closely connected with its attempts to gain benefits. In other words, the North Korean regime is more likely

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to feel humiliated and lose face when it believes that it has failed to gain the benefit originally expected. This article examines the concept of 'reference point', arguing that recognizing Pyongyang's reference point provides a better picture of its internal and external perception and behavior.

I . Understanding North Korean Rationality

Some negotiations with North Korea go nowhere and situations escalate into crises because the North Korean mindset has been misread. In explaining North Korea's behavior, some have characterized North Korea as aggressive, reckless and irrational,¹ while others have tried to recognize its unique internal logic and motives.² Although many have sought to explain Pyongyang's perspectives and policy attitudes in a systematic way, they have failed to read the North Korean mindset and explain the North Korean-style rationality.

This article emphasizes the importance of 'face-saving' and 'reference point' in understanding North Korea's strategic assessment. In fact, the concept of face-saving has been often discussed in explaining North Korea's negotiating behavior.³ North Koreans are said to have great self-respect and therefore hate to be humiliated. The North Korean regime will fight to save face, which somewhat explains Pyongyang's aggressiveness and brinkmanship even when it is in a disadvantageous position. Nevertheless, North Korea rarely sacrifices its strategic benefit. At times the regime even appears quite practical and displays great effort to maximize its benefit. Both saving face and gaining benefit are important to the North Korean regime. But which one takes precedence when a choice has to be made? Though the regime's choice may sometimes seem irrational in the eyes of westerners, it may be a rational one by North

1) Chuck Downs, *Over the Line: North Korea's Negotiating Strategy* (Washington, D.C.: AEI Press, 1999); Victor D. Cha, "Hawk Engagement and Preventive Defense on the Korean Peninsula," *International Security* 27-1 (2002).

2) Scott Snyder, *Negotiating on the Edge: North Korean Negotiating Behavior* (Washington, D.C.: United States Institute of Peace Press, 1999); David C. Kang, "Why Are We Afraid of Engagement?" in Victor D. Cha and David C. Kang, eds., *Nuclear North Korea: Debate on Engagement Strategies* (New York: Columbia University Press, 2003); Leon V. Sigal, *Disarming Strangers: Nuclear Diplomacy with North Korea* (Princeton: Princeton University Press, 1998).

3) Snyder (1999); Carin Zissis, "About Face on North Korea," *Council on Foreign Relations Daily Analysis*, March 7, 2007.

Korean thinking.

In order to explain the North Korean rationality, this article hypothesizes that North Korea's face-saving is closely connected with gaining benefit. In other words, the North Korean regime is more likely to feel humiliated and lose face when it believes that it has failed to gain the benefit originally expected. For this purpose, this article turns its attention to the concept of 'reference point.'

'Reference point' is the cost that a person thinks that he can hardly concede. When people gain more than what they expect, they are happy; however, when the outcome falls short of what they originally anticipated, they are disappointed. If the North Korean regime achieves its reference point, it is satisfied. However, if its reference point is threatened or appears impossible to attain, it is likely to be seriously provoked and become aggressive, because it may feel it is losing face. Thus the identification of the reference point is critical in understanding Pyongyang's strategic mindset, and helps us understand its rational calculation of costs and benefits.

In short, this article argues that recognizing Pyongyang's reference point provides a better picture of its internal and external perception and behavior. Thus we examine the North Korean regime's objective situation on the Korean peninsula and its official perceptions and statements in the state-run newspaper and news agency, *Rodong Sinmun* and *Korean Central News Agency*, respectively.

II. Recognizing North Korea's Reference Point Bias

1. The Meaning of 'Saving Face'

The concept of saving face is present in all societies, but it is often more emphasized in Asian cultures. Most of all, China is overly sensitive about 'face'.⁴ If the Chinese believe that China's national 'face' is not respected in the international community, their nationalism tends to be strongly stimulated. For example, the Chinese saw the U.S. bombing of the Chinese embassy in Belgrade in May 1999 as a loss of face.

The North Korean concept of 'face saving' has also been shaped by its unique experiences as well as the Confucian Asian culture. Since the establishment of the North Korean regime, the concept of *juche* (self-reliance) and the defense of sovereign rights have been emphasized. While *juche* was originally developed to deal with the

4) Peter Hayes Gries, *China's New Nationalism: Pride, Politics, and Diplomacy* (Berkeley: University of California Press, 2005).

Sino-Soviet conflict during the Cold War, it eventually became the guiding ideology for North Korean society and the principle guiding its domestic and foreign policies.⁵⁾ A malleable philosophy that addresses North Korea's pursuit under the regime of an independent foreign policy, self-sufficient economy, and self-reliant defense posture, *juche* ideology has determined Pyongyang's strategic assessment.

After the end of the Cold War, *juche* ideology has remained relatively unchanged. So for North Korea, substantive concessions or submission in a negotiation would be unacceptable. If the regime were to yield under foreign pressure, it would lose face and compromise *juche*. North Korean leaders have often told Americans, "Saving face is as important as life itself for us."⁶⁾ Thus, when the North Korean regime is troubled by the worsening situation and inevitably needs to offer a concession or change its position for a strategic reason, it normally requires a means to save face.⁷⁾ For example, U.S. negotiators saw that the 1994 Agreed Framework provided an opportunity for North Korea to break out of its security dilemma and save face.⁸⁾

The significance of saving face can be seen most strongly in North Korean attitude toward sovereign rights. Because the concept of sovereign rights has been closely connected to *juche* ideology and has influenced critically North Korea's policy decisions, the violation of its sovereign rights by foreign countries is regarded as a humiliation. The North Korean media often says that "Infringing our sovereign rights and dignity is an act of insult and crime that can never be tolerated,"⁹⁾ so that "we are always ready to chastise ruthlessly those who provoke us."¹⁰⁾

2. From Face-Saving to Reference Point Bias

In order to save face, North Korea may often run risks and appear to behave irrationally. However, saving face does not come at the expense of its strategic interests. For North Korea, to lose something of strategic interest would be a face-losing loss in itself. In this sense, North Korea's face-saving attitude is closely related to securing its

5) Han S. Park, *North Korea: The Politics of Unconventional Wisdom* (Boulder: Lynne Rienner, 2002).

6) Don Oberdorfer, *The Two Koreas: A Contemporary History*, new edition (New York: Basic Books, 2001), p. 278.

7) Snyder (1999), p. 90.

8) Joel S. Wit, Daniel B. Poneman, and Robert L. Gallucci, *Going Critical: The First North Korean Nuclear Crisis* (Washington, D.C.: Brookings Institution, 2004), p. 390.

9) DPRK Foreign Ministry Statement, *Korean Central News Agency (KCNA hereafter)*, May 29, 2009.

10) Press conference by General Staff of the Korean People's Army, *KCNA*, April 18, 2009.

reference point, which is an act of defending its important strategic position. Because the reference point is the lowest level of expectation that they can tolerate, it is important to know whether the reference point is threatened or not in the negotiation. If the point cannot be defended, the North Koreans would be much offended and become further aggressive. The reference point is normally the status quo or one's current position, but in some cases, it may be one's expectation or aspiration level.¹¹

The North Korean regime is more sensitive to defend its original reference point. Suffering losses in a negotiation is perceived as a loss of face, and every effort is made afterward to recoup those losses. However, if the regime's negotiating counterpart takes the regime's loss as a *fait accompli*, the regime becomes much more belligerent. As it has shown, North Korea hardly yields an inch from its original position. As a result, North Korea's reference point tends to rise continuously as time passes. The identification of North Korea's reference point is particularly important because it can have a critical effect on the change in its perception and choice.

III. Assessing North Korea's Reference Point in 2009

The issue of saving face in negotiations with North Korea has been widely discussed in policy circles. U.S. officials and media also have acknowledged quite often North Korea's face-saving behavior. For example, regarding the April 2009 rocket launch, U.S. officials analyzed that "the North Koreans have pretty much backed themselves into a corner," so that "they are certain to go ahead with the launch" because "it is now an issue of saving face."¹² Policy analysts on North Korea also emphasize the significance of saving face in understanding North Korea's policy, saying such things as "It will be difficult for the North to back down from its threat unless a face-saving solution can be found."¹³

However, understanding the importance of saving face is not enough. One must also be able to identify North Korea's reference point. U.S. attempts to give North Korea a

11) Daniel Kahneman and Amos Tversky, "Prospect Theory: An Analysis of Decisions under Risk," *Econometrica* 47-2 (1979), p. 286; Barbara Farnham, ed., *Avoiding Losses/Taking Risks: Prospect Theory and International Conflict* (Ann Arbor: University of Michigan Press, 1994); Rose McDermott, *Risk-Taking in International Politics: Prospect Theory in American Foreign Policy* (Ann Arbor: University of Michigan Press, 1998).

12) "Obama Slams North Korea's 'Provocative' Launch Plans," *CNN*, April 3, 2009.

13) Jon Herskovitz, "Analysis: North Korea Seeks Upper Hand with Nuclear Threat," *Reuters*, May 1, 2009.

face-saving exit without considering its reference point are likely to end in failure, because the North Koreans may not think that they can save face from a proposal the U.S. provides. This may be one of the reasons that so many negotiations with North Korea go awry in the first stage.

In this sense, this article tries to explain North Korea's recent reference point by tracing its strategic assessment on the Korean peninsula in 2009. The examination includes three important issues of North Korea's internal and external policies: the nuclear issue, domestic politics, and inter-Korean relations.

1. North Korea's Reference Point in the Nuclear Issue

1) North Korea refers the nuclear crisis to U.S. hostile policy toward North Korea

North Korea has never said that it will keep its nuclear weapons program forever. It contends that "We will not need nuclear weapons any longer when America's nuclear threat on North Korea is removed and its nuclear umbrella on South Korea does not exist." The regime argues that North Korea developed nuclear weapons not because it really wanted them but because the United States pursued a hostile policy toward the North; with the threat of U.S. nuclear weapons hanging over North Korea, the regime believes that any nation in North Korea's place would understand why the North is developing nuclear weapons. Thus, the implication is that the North will never give up its nuclear weapons without the fundamental elimination of U.S. hostility and nuclear threat.¹⁴⁾

In fact, North Korea has argued this for a long time. Kim Il-sung once said that "It is the U.S. that raised the suspicion of the North's non-existent nuclear development and also that actually brought nuclear weapons into the Korean peninsula and threatened us."¹⁵⁾ From the North Korean perspective, the nuclear issue remains defined by Cold War politics, so they call it the "nuclear issue on the Korean peninsula," not the 'North Korean nuclear crisis,' highlighting the introduction of U.S. nuclear weapons into South Korea during the Cold War.¹⁶⁾ North Korea's current position is no different from that which Kim Il-sung held. It argues that "The nuclear issue on the Korean peninsula was produced by U.S. hostility and nuclear threat toward North Korea, not vice versa."¹⁷⁾

14) DPRK Foreign Ministry Statement, KCNA, January 13, 2009; DPRK Foreign Ministry Press Conference, KCNA, June 13, 2009.

15) Kim Il-sung's New Year's Address, *Rodong Sinmun*, January 1, 1994.

16) For U.S. involvement in the nuclear issue on the Korean peninsula during the Cold War, see Peter Hayes, *Pacific Powderkeg: American Nuclear Dilemmas in Korea* (Lexington: Lexington Books, 1991).

In short, given North Korea's reference point that the possession of nuclear weapons is its policy of last resort to maintain its state and regime security, it is improbable that the current North Korean regime would move first and make a concession in the nuclear negotiations. If North Korea moves first, it will not only destabilize its state and regime security but also cause the regime to lose face by appearing as though it were surrendering to the United States. Thus, it says that North Korea "can live without the diplomatic normalization with the U.S. but cannot live without the nuclear deterrence."¹⁸⁾

However, from the American perspective, whether Republican or Democratic administration, resolving the North Korean nuclear issue is a prerequisite for diplomatic normalization and the transformation of U.S.–North Korea relations. The Obama administration continues to impose diplomatic and economic sanctions on North Korea to punish its rogue behaviors. The Obama administration has not yet started talking with North Korea despite its initial statement that it will sit face to face to resolve the nuclear issue. U.S. behavior toward North Korea thus seems contrary to the U.S. effort to accommodate other nations, like Cuba.¹⁹⁾ It is unlikely that the United States, even under the Obama administration, would accept North Korea as a nuclear weapon state.²⁰⁾ This can be easily seen from President Obama's speech in Prague right after North Korea's rocket launch on April 5, 2009:

We were reminded again of why we need a new and more rigorous approach to address this threat. North Korea broke the rules once again by testing a rocket that could be used for long-range missiles. This provocation underscores the need for action?not just this afternoon at the U.N. Security Council, but in our determination to prevent the spread of these weapons. Rules must be binding. Violations must be punished. Words must mean something. The world must stand together to prevent the spread of these weapons. Now is the time for a strong international response, and North Korea must know that the path to security and respect will never come through threats and illegal weapons. All nations must come together to build a stronger, global regime. And that's why we must stand shoulder to shoulder to pressure the North Koreans to change course.²¹⁾

17) DPRK Foreign Ministry Statement, *KCNA*, January 13, 2009.

18) DPRK Foreign Ministry Press Conference, *KCNA*, January 17, 2009.

19) Sheryl Gay Stolberg and Damien Cave, "Obama Opens Door to Cuba, but Only a Crack," *New York Times*, April 14, 2009.

20) The Office of the President-Elect, *Obama-Biden Plan*, 2008.

21) The White House, Office of the Press Secretary, "Remarks by President Barack Obama," April 5, 2009.

In this sense, North Korea does not think that the Obama administration is different from the former Bush administration.²²⁾

2) North Korea insists on negotiating with the U.S. bilaterally rather than returning to the Six-Party Talks

North Korea has constantly insisted that the nuclear issue should be bilaterally negotiated with the United States. Kim Il-sung once emphasized the inevitability of bilateral talks with the United States, given the origin of the nuclear issue on the Korean peninsula.²³⁾ Also during the first nuclear crisis in the 1990s, North Korea's Foreign Ministry often contended that the "UN Security Council is not a place in which our nuclear problem is discussed,"²⁴⁾ and "Japan and South Korea do not have to pay attention to the DPRK-U.S. talks."²⁵⁾ In fact, the first nuclear crisis was resolved by bilateral talks, which produced the Geneva Agreed Framework.

After the second nuclear crisis erupted in the fall of 2002, North Korea was reluctant to participate in multilateral talks. When the North had three-party talks with China and the United States in early 2003, it actually perceived the talks to be a bilateral U.S.-DPRK negotiation in which China merely helped.²⁶⁾ Although North Korea finally joined the six-party talks in August 2003, it continuously attempted to negotiate with the United States. Yet for the first two years the talks went nowhere because the United States avoided talking with North Korea directly.

North Korea believes that six-party talks trample on its sovereign rights and dignity, in particular because the participants to the talks (i.e., China, Japan, Russia, South Korea and the U.S.) have joined in the UN Security Council sanctions against the North—sanctions imposed in response to North's satellite launch and nuclear test.²⁷⁾ Particularly, North Korea's Foreign Minister Pak Ui-Chun stated that North Korea will neither come back to the six-party talks nor be bound by any agreement of the talks.²⁸⁾ This is because North Korea perceives that "the six-party talks agreed on the denuclearization of the whole Korean peninsula, but only the northern part of it," and that what they agreed to in the September 19, 2005 joint statement was "not the

22) DPRK Foreign Ministry Statement, *KCNA*, May 4, 2009.

23) Kim Il-sung's New Year's Address, *Rodong Sinmun*, January 1, 1994.

24) DPRK Foreign Ministry Statement, *Rodong Sinmun*, April 11, 1993.

25) DPRK Foreign Ministry Press Conference, *Rodong Sinmun*, June 26, 1994.

26) Charles L. Pritchard, *Failed Diplomacy: The Tragic Story of How North Korea Got the Bomb* (Washington, D.C.: Brookings Institution, 2007), pp. 101-102.

27) DPRK Foreign Ministry Statement, *KCNA*, April 14, 2009.

28) Statement by DPRK Foreign Minister Pak Ui-Chun, *KCNA*, May 2, 2009.

improvement of relations through denuclearization but the denuclearization through the normalization of relations."²⁹⁾

It implies that the United States and North Korea share the statements coming out of the six-party negotiations, but interpret them in completely different ways, which is closely related to their different perspectives in the origin of the nuclear issue. North Korea feels a loss of face because U.S. interpretation of statements coming out of the six-party talks falls short of the reference point that the North Koreans expected. In fact, the statements are stated ambiguously to avoid conflicts among participating nations and to emphasize reciprocity; but the reality is no one is ready to accept the ambiguity. North Korea continuously insists that the nuclear issue should be negotiated bilaterally between North Korea and the United States because it is the U.S. that threatens the North. In this sense, North Korea tries to continuously exclude South Korea from the nuclear talks.³⁰⁾

Although North Korea recently showed its willingness to participate in multi-party talks including the six-party talks, it continues to prioritize the need for U.S.-DPRK bilateral talks. Kim Jong-il made it clear when he met with Chinese prime minister Wen Jiabao by saying that North Korea may return to the six-party talks on the condition that the U.S.-North Korean negotiation goes smoothly.³¹⁾ Even when North Korea returns to the six-party talks, it is not likely to accept the talks as they are, because it has shown strong objection to the framework.

3) North Korea attempts to make its position as a nuclear weapons state a *fait accompli*

North Korea now declares that "the essence of [the] nuclear issue on the Korean peninsula is U.S. nuclear weapons versus our nuclear weapons."³²⁾ It implies that North Korea is now a nuclear weapons state, irrespective of whether the U.S. and international society accept it or not.³³⁾ It also states that North Korea will not give up its nuclear weapons even if the U.S.-DPRK relations are diplomatically normalized. This statement is somewhat different from its previous official position that it may give up its nuclear weapons program if the U.S. promises not to use nuclear weapons against the North and assures the regime of its security.³⁴⁾

29) DPRK Foreign Ministry Statement, *KCNA*, January 13, 2009.

30) Press conference by General Staff of the Korean People's Army, *KCNA*, February 2, 2009.

31) "Secretary Kim Jong-Il Met with Chinese Prime Minister Wen Jiabao," *KCNA*, October 5, 2009.

32) Press conference by DPRK Foreign Ministry, *KCNA*, January 17, 2009.

33) DPRK Foreign Ministry Statement, *KCNA*, June 13, 2009.

34) DPRK Foreign Ministry Statement, "Concluding a Non-aggression Pact between North

North Korea now deals with the nuclear issue as a nuclear weapons state. North Korea now does not intend to give up its nuclear weapons in return for U.S. diplomatic normalization and economic assistance. It rather insists that nuclear disarmament talks among nuclear weapons states including North Korea is the only means to resolve the nuclear issue on the Korean peninsula.³⁵⁾ Although North Korea still states that the nuclear issue may be resolved if the U.S. hostility comes to an end, it is unrealistic under the current relations between the U.S. and North Korea. In this sense, North Korea now attempts to negotiate the nuclear issue as if it had the same status as the United States. Because North Korea sees the issue from the perspective of equal sovereign rights,³⁶⁾ the nuclear issue is getting much harder to resolve. From this perspective, North Korea justifies its nuclear test as a legitimate right from a nuclear weapons state.³⁷⁾

North Korea's reference point is no longer abandonment of its nuclear program but rather nuclear disarmament as a nuclear weapons state. Because North Korea perceives that only nuclear weapons can guarantee its sovereign rights in the international arena, it is unlikely to abandon its nuclear weapons under the current regime.³⁸⁾

However, the United States is not likely to accept North Korea as a nuclear weapon state. Rather, the Obama administration has set out to reinforce the global nonproliferation regime.³⁹⁾

2. North Korea's Reference Point in Domestic Politics

1) North Korea sees the leadership succession as a key to regime stability

Since the mid-1990s, many scholars and policy analysts believed that the North Korean regime was eventually about to collapse.⁴⁰⁾ Kim Jong-il himself was also concerned about the possibility of political chaos,⁴¹⁾ and many experts on North Korea discussed several scenarios for the country's future.⁴²⁾ However, the regime turned out to

Korea and the U.S. Is the Way to Solve the Nuclear Issue," *Rodong Sinmun*, October 26, 2002.

35) DPRK Foreign Ministry Statement, *KCNA*, January 13, 2009. See also the press conference by General Staff of the Korean People's Army, *KCNA*, February 2, 2009.

36) DPRK Foreign Ministry Statement, *KCNA*, March 24 and April 14, 2009.

37) Statement by Committee for the Peaceful Reunification of Korea, *KCNA*, May 27, 2009. See also DPRK Foreign Ministry Statement, *KCNA*, May 29, 2009.

38) DPRK Foreign Ministry Statement, *KCNA*, May 4, 2009.

39) The White House Office, Press Secretary, "Remarks by President Barack Obama," April 5, 2009.

40) Nicholas Eberstadt, *The End of North Korea* (Washington, D.C.: AEI Press, 1999).

41) "Transcript of Kim Jong-il's speech at Kim Il-sung University's Fiftieth Anniversary," *Monthly Chosun*, April 1997.

be strong enough to still “muddle through” its domestic crisis.⁴³ Rather, Pyongyang had long been aware of such domestic causes of regime instability and had kept any dissent relatively suppressed by reinforcing its control over society.⁴⁴ Because North Korea is an extremely controlled and closed society, its leaders might be able to control the domestic situation in a relatively easy manner. The regime has continued to focus on political education and the exertion of systematic social control, so much of the domestic pressure has been managed quite efficiently.⁴⁵ In fact, the North's domestic stability can be attributed to the smooth leadership change from Kim Il-sung to Kim Jong-il in the 1990s. If the North's domestic politics had been unstable, Kim Jong-il's status should have been relatively weak and he would have had some difficulty in succeeding to power, but he moved up without any difficulty as chairman of the National Defense Commission and supreme commander of the Korean People's Army. In fact, the North Korean People's Army (KPA) continued to express its strong support for Kim, emphasizing that it would continue to favor his “military-first” policy and follow him.⁴⁶ Kim Jong-il also stressed the importance of the military, saying that “my power comes from the military.” Hence, the change of leadership in the North Korean regime was relatively smooth in the 1990s.

Leadership succession is still an important test case for the North Korean regime stability. The North Korean regime is again said to be preparing for the leadership change from Kim Jong-il to one of his sons.⁴⁷ Moreover, it appeared as though the regime would accelerate the succession after Kim Jong-il suffered a stroke in August 2008. What is unclear is whether the leadership succession will go as smoothly this time around, not only because the designated successor, Kim Jong-un, is thought to be too young and inexperienced to assume the leadership, but also because he is basically unknown to the North Korean people (compared to how well known Kim Jong-il was in the mid-1990s). Even before the death of Kim Il-sung, Kim Jong-il's power was strong and he was actively taking charge of most internal and external affairs.⁴⁸ He was also worshiped greatly as a “Dear Leader” by the North Korean people—a situation Kim

42) Kongdan Oh and Ralph C. Hassig, *North Korea Through the Looking Glass* (Washington, D.C.: Brookings Institution, 2000).

43) Marcus Noland, “Why North Korea Will Muddle Through,” *Foreign Affairs* 76-4 (1997).

44) Hwang, Jang-yup, *Sunshine Taking the Dark's Side Cannot Brighten the Dark* (in Korean), (Seoul: Monthly Chosun, 2001), pp. 72-73.

45) Oh and Hassig (2000), pp. 127-47.

46) “Ten Years after Becoming Highest Commander,” *KCNA*, December 23, 2001.

47) David Sanger, “North Korean Leader is Said to Pick a Son as Heir,” *New York Times*, June 3, 2009.

48) Hwang (2001), pp. 88-89.

Jong-un does not enjoy at this time. As a result, many scholars have started discussing again the possibility of regime collapse or sudden change in North Korea.⁴⁹⁾

2) North Korea sees its economic recession as an obstacle to regime security

North Korea's economy also appears to be getting much worse. The North's economic situation appeared to have passed through the worst of the "arduous march" by the end of the 1990s, mostly thanks to economic aid and cooperation from the South Korean government and international society.⁵⁰⁾ According to South Korea's National Statistical office, North Korea's annual economic growth rate turned positive in 1999. Moreover, the economic aid by the South Korean government during Kim Dae-jung and Rho Moo-hyun governments helped the North Korean economy recover in the 2000s, as shown in Table 1. However, the North Korean economy is now predicted to worsen after the Lee Myung-bak government took office in South Korea in 2008. Most of all, North Korea's main sources of income from South Korea—that is, the Mt. Geumgang Tourist project and Kaesong Industrial Complex (KIC)—are in serious difficulty. The Mt. Geumgang tour stopped after a South Korean female tourist was shot and killed by North Korean guards in June 2008, and the stability of the operation of the KIC worsening. Moreover, after North Korea's rocket launch and nuclear test in 2009, international sanctions have been reinforced, and economic cooperation with South Korea is getting more difficult. In fact, South Korea's economic aid to North Korea in 2008 was cut by almost one-fourth. This is likely to have a strong negative impact on the North Korean economy, which in turn will have clearly a bad influence on its regime stability.

49) Paul B. Stares and Joel S. Wit, "Preparing for Sudden Change in North Korea," Council on Foreign Relations Special Report, No. 42, January 2009.

50) Hwang (2003), pp. 64–65.

Table 1. South Korea's Economic Aid to North Korea, and North Korea's Annual Economic Growth Rate

Year	South Korea's economic aid (in thousands US dollars)	North Korea's economic growth rate (%)
1997	47,230	-6.3
1998	31,850	-1.1
1999	46,880	6.2
2000	113,770	1.3
2001	135,390	3.7
2002	134,920	1.2
2003	157,630	1.8
2004	247,910	2.2
2005	212,540	3.8
2006	300,550	-1.1
2007	323,040	-2.3
2008	85,440	3.7

Source: Korea National Statistical Office, <http://www.nso.go.kr/>.

For this reason, the North Korean regime makes much more effort to stabilize its domestic regime. It is often assumed that the rocket launch and nuclear test were also designed to deliver a strong message for domestic solidarity.⁵¹⁾ Especially because the support of North Korea's military is essential in the regime's leadership succession, some assume that the nuclear test reflects the regime's hope that it will help ensure a smooth transition of power by showing solidarity with the powerful military groups. On the other hand, others believe that the North Korean regime hopes that a display of technological prowess could serve the domestic regime stability by strengthening the North Korean people's support for the regime. In fact, the North Korean media has repeatedly praised the regime highly for the accomplishment,⁵²⁾ and the regime even held mass rallies in Pyongyang to celebrate the successful test of nuclear weapons.⁵³⁾ In this rally, participants made several speeches that the successful nuclear test was such an achievement of the "military-first" policy, which defends the regime's highest interest

51) Martin Fackler, "Test Delivers a Message for Domestic Audience," *New York Times*, May 26, 2009.

52) Editorial, "Heralding a Great Prosperous and Powerful Nation," *Rodong Sinmun*, April 7, 2009.

53) "Mass Rally in Pyongyang for 2nd Successful Nuclear Test," *KCNA*, May 26, 2009.

and secures North Korea's dignity and sovereign rights.

In short, regime stability for Kim's leadership is always one of the most important reference points for the North Korean regime, which can never be exchanged at any cost. The North Korean media says that North Korea's dignity and honor is at once Kim Jong-il's authority.⁵⁴⁾ Thus, any challenge to the Kim Jong-il regime is regarded by North Koreans as an unpardonable crime that infringes upon the nation's highest dignity and sovereign rights.⁵⁵⁾

3. North Korea's Reference Point in Inter-Korean Relations

Early this year, North Korea declared that all the agreements between the two Koreas turned out to be a dead letter because of the South Korean government.⁵⁶⁾ The North then tried to open completely different relations with the South. Why then does the North change its course of action, even sacrificing so much benefit as it has enjoyed for the previous 10 years, including the Mt. Geumgang and KIC projects? Although it is clearly because North Korea is provoked by the South Korean government's new policy toward North Korea, it is still meaningful to recognize what the North's unyieldable reference points are in terms of inter-Korean relations.

1) North Korea insists on the June 15 Joint Declaration and October 4 Declaration

The Committee for the Peaceful Reunification of Korea, which is North Korea's office to deal with South Korea, stated that the "June 15 Joint Declaration and October 4 Declaration are milestones for reunification that were adopted by the highest leaders of two Koreas and supported by both the Korean people and the world."⁵⁷⁾ Because the North Koreans regard "these two declarations as a general rule for inter-Korean relations that contain all the agreements so far," they argue that "denying the declarations is denying reunification and inter-Korean relations."

However, the Lee Myung-bak government takes more seriously the Inter-Korean Basic Agreement, which was agreed in 1991, than the June 15 Joint Declaration and October 4 Declaration. The North Korean regime strongly resists this. Because the Lee government perceives the "sunshine policy" of the former Kim Dae-jung and Roh Moo-hyun administrations as a faulty approach that supports the North unconditionally, Lee

54) Editorial, "1st Session of Supreme People's Assembly Hailed," *Rodong Sinmun*, April 9, 2009.

55) Joint Editorial, *Rodong Sinmun*, January 1, 2009.

56) Statement by Committee for the Peaceful Reunification of Korea, *KCNA*, January 30, 2009.

57) Statement by Committee for the Peaceful Reunification of Korea, *KCNA*, December 24, 2008.

proposed 'Vision 3000,'⁵⁸⁾ a new policy toward North Korea that emphasizes the reciprocity between the two Koreas. In this sense, the Lee government gives more priority on the inter-Korean Basic Agreement as it emphasizes reciprocity relatively more.

North Korea responded harshly to South Korea's new policy in a denouncing statement, "Who broke down the inter-Korean relations?"⁵⁹⁾ North Korea values more the June 15 Joint Declaration and October 4 Declaration not only because they are more beneficial and favorable to the North but also because these agreements were agreed upon by the "Dear Leader," Kim Jong-il. Moreover, the new South Korean policy focuses more on international coordination, in particular the U.S.-South Korean relations than inter-Korean cooperation, as opposed to the previous administrations' policies, which North Koreans believe defames the spirit of two declarations, 'by our nation itself.'⁶⁰⁾ It means that two declarations are North Korea's reference point that cannot be compromised, as noted above. On the other hand, the inter-Korean Basic Agreement was agreed on the ministerial level, not by the highest leader, and the North Koreans seem to feel somewhat humiliated because they believe that they conceded too much on the agreement.⁶¹⁾ As a result, North Koreans perceive a loss of face when the South Korean government emphasizes the Basic Agreement more than the two summit declarations.

2) North Korea attempts to secure its leverage and benefit from economic cooperation

As noted above, North Korea underscores the spirit of 'by our nation itself' on the Korean peninsula, because it may give the North some leverage in inter-Korean relations by emphasizing cooperation between the two Koreas.⁶²⁾ Also regarding the Mt. Geumgang and KIC projects, the North Korean regime states that they are preferential measures that it graciously granted to South Korea under the spirit of 'by our nation itself.'⁶³⁾ Although North Korea has benefited a lot more from economic cooperation with South Korea, it argues that it is a special favor to the South in deference to the June 15 Joint Declaration. However, North Korea recently declared the preferential measures to

58) The Lee Myung-bak government's 'Vision 3000' is composed of 'denuclearization, opening, and 3000,' which means that if North Korea fulfills the nonproliferation objective, South Korea will foster a genuine opening of North Korea and provide support to make the North's GDP per capita reach \$3,000 in 10 years.

59) Statement by Committee for the Peaceful Reunification of Korea, *KCNA*, December 24, 2008.

60) "The Basic System of Joint Editorial," *KCNA*, January 4, 2009.

61) An interview with a former South Korean government official.

62) Joint Editorial, *Rodong Sinmun*, January 1, 2009.

63) Message by Central Special Zone Development Guidance General Bureau, *KCNA*, May 15, 2009.

be void and called for a new negotiation, arguing that South Korea disavowed completely the spirit of 'by our nation itself.' Because the preference was possible by the declaration, it says that it cannot be granted any longer to those who deny the declaration.⁶⁴⁾

Thus, North Korea's reference point here is that it can have some leverage from economic cooperation with South Korea and gain benefit from it. Because the economic benefit and political leverage have been difficult to obtain under since the Lee government took power, North Korea has become aggressive.

IV. Policy Recommendations

This article attempted to explain North Korea's recent strategic assessment on the Korean peninsula after its rocket launch and nuclear test in 2009. The North Korean regime is thought to behave irrationally because it often accepts the risk of losing some gains, which others normally would not. This article argues that North Korea's choices reflect its own rationality, which involves defending its position and saving face around its reference point. If it is understood that the North Korean regime has a reference point bias to save face, it is possible to explain and predict its seemingly irrational behavior and to lay out some policy recommendations to guide policy makers in the United States, South Korea, and other neighboring countries.

First of all, it is of central importance to identify North Korea's reference point and its current situation. If North Korea's situation is placed above the reference point, it is more likely to be conciliatory, and its willingness to compromise will increase greatly. However, if its situation is perceived to be below the reference point, it is more likely to be aggressive and provocative, and it will be reluctant to compromise. Thus, it is necessary to recognize correctly North Korea's reference point and current situation before laying out any policies.

Second, after recognizing North Korea's reference point, the next step is to understand the reference point gap between North Korea and international society, because narrowing the gap is the key to the resolution of the conflict. If the gap is big and widening, the negotiation is more likely to come to deadlock. Moreover, if North Korea's overall situation appears to be worsening, widening the gap with its own reference point, the negotiation would be much more difficult. In this situation, there is little

64) Ibid.

chance for North Korea to make a compromise, and it is hard to negotiate when a situation is escalating toward crisis. North Korea normally tries to find an exit out of a crisis while saving face,⁶⁵⁾ but it may have much difficulty in backing down unless a face-saving way is provided by the international society. Conversely, if the gap is small, the negotiation is more likely to be successful because there is more chance to compromise.

As explained above and also shown in Table 2, there was a huge gap of reference point between North Korea and the international society in 2009. Moreover, North Korea's current situation is seen to be well below the reference point, and it has not reached its reference point after its rocket launch and nuclear test. Thus, North Korea is expected to continue its nuclear confrontation to defend its reference point and save face, meaning the crisis is likely to escalate. Thus, something must be done to narrow the reference point gap between the two camps.

Table 2. Reference Point Gap between North Korea and International Society in 2009

	North Korea's reference point	U.S. and South Korea's reference point
Nuclear issue	<ol style="list-style-type: none"> 1) North Korea refers the nuclear crisis to U.S. hostile policy toward North Korea 2) North Korea insists on negotiating with the U.S. bilaterally rather than returning to the six-party talks 3) North Korea attempts to make its position as a nuclear weapons state <i>fait accompli</i> 	<ol style="list-style-type: none"> 1) The U.S. and South Korea refer the nuclear crisis to North Korea's nuclear weapons program 2) The U.S. and South Korea insists on North Korea's returning to the six-party talks 3) The U.S. and South Korea would not accept North Korea's position as a nuclear weapons state
Domestic politics	<ol style="list-style-type: none"> 1) North Korea sees the leadership succession as a key to regime stability 2) North Korea sees its economic recession as an obstacle to regime security 	<ol style="list-style-type: none"> 1) The U.S. and South Korea believe that North Korea's unwillingness to give up its nuclear weapons program and open its society are major obstacles to regime security
Inter-Korean relations	<ol style="list-style-type: none"> 1) North Korea insists on the June 15 Joint Declaration and October 4 Declaration 2) North Korea attempts to secure its leverage and benefit from economic cooperation 	<ol style="list-style-type: none"> 1) South Korea takes more seriously the inter-Korean Basic Agreement of 1991 2) South Korea pursues reciprocity in economic cooperation

Third, it is recommended that negotiators provide North Korea with a face-saving way to narrow the reference point gap. It would be great if North Korea's reference point

65) Snyder (1999), pp. 89–91.

meshed with those of other nations from the beginning, but this is rarely the case. In particular, there was a huge gap of reference point in 2009, and it is necessary for both parties to readjust their reference points. In fact, North Korea's reference point is usually much higher than others expect. The dilemma here is that North Korea is unwilling to readjust its reference point while the international society cannot accept its reference point as it is. It is not only because accepting North Korea's unadjusted reference point is a major threat to world peace, but also because North Korea tends to invite further demand once the demand is accommodated. In this sense, it is necessary to provide North Korea with a face-saving way to readjust its reference point, while international society also shows some flexibility.

Will North Korea readjust its reference point? While not an easy task, it is not a mission impossible, because North Korea usually attempts to find an exit even when it is deep in a crisis. The issue here is to distinguish North Korea's short-term tactical reference point from its long-term strategic one. North Korea is less likely to give up its strategic reference points like regime security, but it may be tempted to readjust its tactical reference points like its policies on the six-party talks, economic cooperation, and so forth. Thus, international society needs to provide North Korea with a face-saving exit and continuously persuade North Korea to change its reference point, informing that brinkmanship will only lead to a loss of face, and thus the regime should make an adjustment.

As a fourth recommendation, policy makers should devise a long-term plan to resolve the problem of North Korea fundamentally, not just to resolve the North Korean nuclear issue. For North Korea, the nuclear issue is deeply connected to the regime's stability and future. The international community also has to face up to the North Korean problem itself and go beyond naïve engagement, hard-line punishment, and the past strategy of benign neglect.⁶⁶ While the "sunshine policy" version of engagement is likely to raise North Korea's reference point as such policy would provide unconditional support, a strategy of coercive hard-line punishment or benign neglect is not likely to succeed either in resolving the North Korean problem.⁶⁷ In fact, if the North Korean regime is pushed in a corner, it may become more risk-acceptant and choose to lash out to avoid losing face. This situation would be very similar to the desperate mindset of "double or nothing" displayed by terrorists who resort to suicide bombing, believing that they have nothing to lose.⁶⁸ Nobody wants to see such a worst-case scenario realized on

66) Chaesung Chun, "Moving from a North Korean Nuclear Problem to the Problem of North Korea," EAI Issue Briefing No. MASI 2009-03, June 1, 2009.

67) Sigal (2006).

the Korean peninsula.

The international society needs to provide North Korea with a face-saving exit even when it is deep in a crisis and to persuade the North to accept such exit plan. Pyongyang has shown that it is willing to change course to save face, as it did during the first nuclear crisis in the early 1990s. At that time, North Korea confronted the United States, but in June 1994 it was suddenly willing to accommodate the U.S. demand, opting for regime survival over UN sanctions and prospective U.S. attack. As Oberdorfer explains, "In the spring of 1994, the growing power of the forces arrayed against it strongly suggested that further escalation of tension would be dangerous and not necessarily to North Korea's advantage. By the time Carter arrived, Kim Il-sung was seeking a way to end the crisis without losing face or surrendering his bargaining card, and the former president provided the means."⁶⁹ U.S. officials who participated in this deal also shared this view, making the following observation, "Pyongyang had to know that if it passed up the face-saving exit and continued to defy the international community, it would experience increasing isolation and hardship. These efforts put pressure on North Korea to back down when the crisis crested in June 1994. Arriving in Pyongyang at the critical moment, former President Jimmy Carter gave the North Koreans a face-saving way out. They took it."⁷⁰

This historical example shows that it is possible to narrow the reference points between North Korea and international community, and that coercion without a face-saving plan will not work. In short, to solve the North Korean problem, one must be willing to find a way of getting North Korea to concede and change its reference point while simultaneously saving face, since saving face and defending its reference point are crucial issues to North Korea.

69) Oberdorfer (2001), p. 336.

70) Wit, Poneman and Gallucci (2004), p. 398.

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