

Pathways to Peace: Achieving the Stable Transformation of the Korean Peninsula

EDITED BY DR. PATRICK M. CRONIN
ASIA-PACIFIC SECURITY CHAIR, HUDSON INSTITUTE



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Cover: North Korean leader Kim Jong-un and South Korean President Moon Jae-in talk in private during the Inter-Korean Summit on April 27, 2018 in Panmunjom, South Korea. Kim and Moon met at the border for the third-ever Inter-Korean summit talks after the 1945 division of the peninsula, and first since 2007 between then President Roh Moo-hyun of South Korea and Leader Kim Jong-il of North Korea. (Inter Korean Press Corp/NurPhoto via Getty Images)

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INTRODUCTION: PEACEFUL CHANGE ON THE KOREAN PENINSULA?

Patrick M. Cronin

The possibility of peaceful change on the Korean Peninsula appears less realistic today than it did throughout 2018 and 2019. Instead of a rapid breakthrough to curb nuclear dangers and cement inter-Korean peace, the peninsula seems to be reverting back to its cold war norm. But that hardly precludes further change, for good or ill, as the post-World War II historical record might suggest. In 1945, Korea was simultaneously liberated from Japanese control and divided at the 38th parallel.¹ Not long after the 1948 founding of the Republic of Korea (ROK) in the south and the Democratic People's Republic of Korea (DPRK) in the north, the peninsula experienced the first of three major transformations.

The initial and most costly transformation began on June 25, 1950, when North Korea's Kim Il-sung launched a military invasion of South Korea.² Three years of fighting resulted in more than three million people dead.³ The 1953 armistice, which endures to this day, put a halt to the conventional war, but also reinforced the peninsula's sharp divide by creating a demilitarized zone (DMZ) that is 160 miles long and 2.5 miles wide.⁴

If a hot war leading to a cold war marked the first transformation of the Korean Peninsula in the past seventy years, a poor dictatorship metamorphosing into a rich democracy highlighted the second big change. Although this second transformation is limited to the southern half of the peninsula, the rise of South Korea, a global middle power, is significant and enduring. South Korea's economy began its ascent after the Korean War. In 1987, after turbulent protests by a nationwide democracy movement, it introduced democratic elections and moved closer to "joining the ranks of advanced, democratic countries of the world."⁵ By 1995, the "Miracle on the Han" had shot up to become the world's eleventh-largest economy, a position it still holds to this day.⁶ With more than 51 million people and a GDP in excess of \$1.7 trillion, the ROK has more than twice the population of its northern neighbor and some fifty times the DPRK's \$32 billion GDP. Thus, even though the first postwar transformation of the peninsula perpetuates a harsh division

between the two Koreas, South Korea's global rise and success represent a second, far more beneficial transformation.

North Korea's relentless pursuit of weapons of mass destruction (WMD), and especially its dedicated program to build nuclear-armed missiles, represents a third transformation of the Korean Peninsula.⁷ This third major development, however, threatens the success of the second and could create a nuclear war that would make the death and destruction of the first seem minor by comparison. Pyongyang has emerged as a *de facto* nuclear state, and its appetite for WMD appears undimmed by years of sanctions and diplomatic overtures. Kim Jong-un's steady buildup of a nuclear arsenal, now estimated to include as many as thirty nuclear warheads and fissile material for up to sixty weapons, makes him a danger throughout Northeast Asia and, indeed, all the way to the United States.⁸ Despite the restraint of North Korea's technologically advanced democratic neighbors, South Korea and Japan, the impoverished dictatorship clings to nuclear weapons for its survival, for coercion, and yet, possibly, for bargaining leverage.

Hence, the third transformation, the nuclearization of North Korea, is the preface to a fourth transformation, which could be catastrophic or alternatively, might well usher in a soft landing for North Korea and a peaceful transformation of the entire Korean Peninsula. Positive change depends on the Kim regime's decisions, because the leaders in both Seoul and Washington remain open to serious negotiation. While the 1990s produced a US-North Korea Agreed Framework, and the early 2000s led to six-party talks, previous efforts at achieving both peace and denuclearization were short-lived. The passing of Kim Jong-il in December 2011 appeared to provide a possible break from decades of hostility. However, by March 2012, Kim Jong-un was conducting long-range rocket launches that scuttled an early attempt at rapprochement with the third-generation Kim family leadership. US and South Korean relations with North Korea deteriorated in 2016 when the UN Security Council agreed on the harshest sanctions to date to penalize Kim for his nuclear and long-range missile tests.

The May 2017 election of South Korean president Moon Jae-in, heir to previous attempts at inter-Korean peace, followed by the election of President Donald Trump in November, accelerated two distinctive approaches to negotiating with North Korea's Kim. Moon tried every incentive for dialogue that he could imagine, and Trump dialed up a "maximum pressure" approach that culminated in "fire and fury" threats during the latter half of 2017. However, after Kim tested two Hwasong-14 intercontinental ballistic missiles (ICBMs) in July, his third nuclear device in September (which Pyongyang proclaimed to be a hydrogen bomb), and one Hwasong-15 ICBM in November, he declared success and pivoted to diplomacy.⁹ Though Kim had been keeping President Moon at arm's length, he declared in his New Year's message on January 1, 2018, that he wanted to "improve the frozen inter-Korean relations" through dialogue with South Korea, even though North Korea would also "mass-produce nuclear warheads and ballistic missiles."¹⁰ South Korea's inclusion of the North in the 2018 Winter Olympics in Pyeongchang broke the ice, catalyzing a flurry of summits with Moon, Trump, and China's Xi Jinping.¹¹ By mid-2018, and the first-ever meeting between the leaders of the United States and North Korea, peace and a possible roadmap toward denuclearization seemed more than plausible.¹²

However, after more than two years of experimental diplomacy, the initial progress has been halted and seemingly overturned. An unsuccessful Kim-Trump summit in Hanoi in February 2019 revealed how far apart Pyongyang and Washington remained over the scope and price of denuclearization, and no amount of confidence-building measures between North and South could compensate Kim Jong-un for what he treasures most: namely, major investment and sanctions relief, guaranteed security, and equal status with the big powers. Kim's suspension of previous moratoria on nuclear and long-range missile tests; his threat in January 2020 to produce a new strategic weapon; and his new, harder-line foreign minister all augur poorly for a diplomatic breakthrough. Nonetheless, hard-line posturing in 2017 preceded the diplomatic overture that followed shortly

after that, and Kim and Trump and Moon may find a way to stitch together accords that put diplomacy back on track. Perhaps cooperation over a shared interest in preventing the highly contagious coronavirus that started in Wuhan, China, will open a new opportunity for engaging North Korea. Then again, Pyongyang remains suspicious of outside assistance, and another North Korean provocation could derail negotiations for the remainder of this year and beyond.

So why bother thinking about the stable transformation of the Korean Peninsula when it seems apparent that the now thirty-seven-year-old Kim is doubling down on nuclear weapons for his survival? The sudden strike on Iranian general Qasem Soleimani might encourage Kim to continue a nuclear buildup in an attempt to forestall possible regime change directed by South Korea's major ally, the United States. Or perhaps the lesson for Kim is to get smarter about diplomacy and accept a series of small steps in which meaningful nuclear and weapons programs would be put under an international inspections regime, in exchange for commensurate security and economic benefits. Will a fourth transformation begin to take hold? Will it be violent or peaceful? If South Korea and the United States, in particular, are to attempt a peaceful transformation, how will they approach the fundamental issues of the North's nuclear weapons and economic development, the ROK-US alliance, and relations with China?

These questions are at the heart of this volume, which was conceived in the midst of the historic meeting in Singapore between President Trump and Kim Jong-un. The aim was not to get bogged down in the up-and-down details of diplomacy but instead, to ask leading American and South Korean scholars to consider how to advance inter-Korean peace and denuclearization, while preserving the ROK-US alliance and managing relations with China. US-China strategic rivalry is transcending the North Korean problem, but overlapping interests in avoiding war and the proliferation of nuclear weapons might yet bring Washington and Beijing closer

together. Could peace replace the 1953 armistice, and could that peace be replaced without disrupting the macro-stability that has endured, more or less, ever since? Also, could North Korea be transformed from a pariah outlier and outlaw state to part of the comity of nations, with normal diplomatic ties with all of its neighbors? Answering the four issues—about nuclear weapons, North Korean development, the bilateral alliance, and relations with China—will go a long way toward addressing the prospects for the peaceful transformation of the Korean Peninsula.

Reversing Kim's Nuclear Arms Program

A peaceful transformation of the Korean Peninsula would require that North Korea be convinced to abandon its nuclear weapons or, at a minimum, to submit to a rigorous, long-term program of denuclearization in exchange for economic development. Though Pyongyang proclaimed apparent willingness to commence a process of denuclearization in 2018, it backtracked throughout 2019, and 2020 began with scant signs of optimism. Thus far, official assertions from Seoul and Washington that Kim Jong-un has agreed to relinquish his nuclear weapons have proven facile. Given Pyongyang's unwillingness to take any substantial step toward surrendering a major part of its nuclear weapons and their means of delivery, it is difficult to imagine Kim taking a bold step to advance peace and a wholly different relationship with South Korea and the United States. North Korea's self-declared moratoria on nuclear tests and long-range missile tests—the most positive steps Kim has taken since launching a diplomatic charm offensive in January 2018—were reversed at the beginning of 2020, when he declared that he would no longer be bound by his earlier pledge.¹³ Indeed, he simultaneously threatened some “new strategic weapon,” perhaps suggesting a move to deploy a full-scale ICBM.¹⁴ Coming on the heels of an active year of missile testing in 2019, Kim's latest threats cannot be taken lightly.

Perhaps denuclearization never had any realistic prospects, given the vital role Pyongyang's nuclear weapons appear

to play in providing the Kim family regime with insurance against outside military intervention. Regime survival is a stronger driving force than economic development, and recent diplomatic setbacks seem to reinforce this pessimistic analysis. Bruce Klingner, in his essay on the US perspective on nuclear weapons, sees great continuity in how the Kim family regimes have approached nuclear weapons. Klingner, who has been watching North Korea's military developments for decades, first at the Central Intelligence Agency and, more recently, at the Heritage Foundation, dismisses those who were euphoric over summit meetings, noting that “Pyongyang rejects the core premise” of abandoning its nuclear weapons. He contends that diplomacy has failed repeatedly, sanctions and sanctions relief have fallen short, security guarantees are inadequate, and economic aid has not worked. While he can imagine some sort of limited arms control agreement, such as a freeze or cap on nuclear production in exchange for sanctions relief and de facto recognition of North Korea as a nuclear-weapon state, he intimates that would not advance US national security interests. “Unfortunately,” he concludes, “there is greater reason for pessimism than optimism regarding a diplomatic solution to the North Korean nuclear program.” Nonetheless, he constructively enumerates policy recommendations that could guide future engagement, including insistence on a detailed roadmap for denuclearization; stringent verification measures; a continuation of sanctions and pressure; upholding human rights; making economic aid conditional; building confidence and reducing miscalculation; and resuming military exercises to ensure a ready and capable alliance. In sum, reflecting the general view from Washington, “accept there simply may be no set of inducements to ensure North Korean abandonment of its nuclear weapons.”

Klingner's compelling line of argument would seem to leave little room for optimism. Yet Jina Kim, a North Korea expert based at Seoul's leading defense think tank, the Korea Institute of Defense Analyses (KIDA), frames the challenge of reducing the nuclear threat in broader terms. She asks salient questions

about North Korea's behavior, from its addiction to nuclear weapons to its penchant for provocation, before turning to the policy question of what South Korea and the United States should do to attenuate the nuclear threat on the peninsula. In drilling down into Kim Jong-un's security anxieties, Dr. Kim suggests that these may lie at the root of the problem. She discusses three scenarios.

First, a risk-averse Kim Jong-un may be interested in cooperative threat reduction. Although various confidence-building measures would not necessarily lead to denuclearization anytime soon, they could provide a degree of strategic stability and encourage a process of peaceful transformation. Many South Koreans appear to support this kind of step-by-step arms control, though it might also seem to confirm the notion that denuclearization is not a realistic near-term objective.

Second, protracted negotiations may allow a more risk-acceptant North Korea to acquire more lethal military capabilities while gradually chipping away at the sanctions regime designed to contain it. This line of argument is more compatible with Klingner's diagnosis of North Korea's intentions, and the growing chorus of those recommending a return to "maximum pressure," or at least tightening sanctions and bolstering alliance military capabilities.

Third, North Korea may be simply biding its time until it can finally break out with a decisive new means for dealing with South Korea and the United States. David Maxwell amplifies this line of argument, noting it comports with North Korea's long-term strategy of unifying the peninsula on its terms. Many national security professionals in South Korea and the United States would be wary of ever giving Pyongyang sufficient opportunity to think that such a daring breakout scenario would be possible or effective.

Dr. Jina Kim makes a powerful argument for a cooperative threat-reduction program, which could provide incentives for

diplomacy; reduce the risk of inadvertent conflict; increase transparency; internationalize the problem of North Korea's nuclear weapons and the solution of economic development; and minimize the chances of cheating by Pyongyang. Furthermore, Dr. Kim notes that cooperative threat reduction is a tool that has proven itself in US work with post-Soviet states. What is more, this approach provides a natural way for South Korea to step up its involvement and contribute to putting a lid on all of North Korea's WMD programs.

Meanwhile, Dr. Kim adds that cooperative threat reduction will also require that other, related challenges be addressed. If a gradual roadmap can be realized for walking back the dangers of North Korea's nuclear program while addressing the Kim regime's legitimate fears, other policies—for enhancing export controls and the effective enforcement of sanctions—will be required to ensure extended deterrence amid a changing security environment.

Indeed, the North Korean problem cannot be reduced to nuclear weapons alone. As democratic elections in South Korea and the United States lead to changes in government, policy preferences can shift. Future administrations in Seoul and Washington may be less indulgent of North Korea's recalcitrance. But there can be no denying the focus of President Moon Jae-in and his administration on trying to write a new chapter in North-South relations. If an arms control or cooperative threat-reduction process could buy time, then North Korean economic development might increase Kim Jong-un's stake in a peaceful peninsula, although not necessarily a fully transformed one. Likewise, the Trump administration has kept the door for diplomacy wide open for Kim Jong-un, despite a tougher line from Pyongyang since late 2019 and early 2020. After all, North Korea has not, as of this writing, crossed any redlines. Kim may well be conducting hard-line posturing—including the sacking of one foreign minister and his replacement with a more militaristic one—in the hope that he will be offered more concessions for taking very small steps that

could be considered a prelude to denuclearization. For the Kim regime, there are two main reasons to pursue this course of action: one is that it will not have to abandon nuclear weapons anytime soon; the second is that it could begin to unlock the sanctions arrayed against North Korea. From the vantagepoint of Kim Jong-un, perhaps the immediate question is how to accelerate economic development without seriously impairing his WMD programs. This leads to a discussion of North Korea's development.

Dealing with North Korea's Chronic Underdevelopment

Young-kwan Yoon and Troy Stangarone take complementary approaches to their subject of North Korea's economic development. Both believe that the basic challenge is how to introduce market liberalization into North Korea while understanding that the economic dimension of policy is inextricably intertwined with security issues. What is also clear, however, is that looking at relations with North Korea through an economic lens yields a different picture of the challenge than focusing only on the national security or nuclear dimension.

For former South Korean foreign minister Yoon, North Korea's economic future centers on successful marketization. North Korea's planned—or, more precisely, “planless”—economy needs to introduce powerful market forces, despite the risk this will pose to the Kim family regime. Although Kim's grandfather, Kim Il-sung, failed to travel down the road of serious economic reform, his father, Kim Jong-il, was forced to introduce some reforms in the wake of a disastrous famine.¹⁵ Yoon sees a glimmer of hope that Kim Jong-un will eventually introduce greater marketization. This stems from the fact that in recent years, North Korea has allowed informal and unofficial markets, giving rise to a growing class of financial entrepreneurs (known as *donju*, literally “masters of money”).¹⁶ While some of Kim's early trial programs in agriculture and other sectors have stalled or regressed, tolerance for small markets has become prevalent inside North Korea.

Yoon argues, however, that to push Kim Jong-un toward bold reform, South Korea, the United States, and other countries will have to offer significant inducement in the form of infrastructure investment. If Kim can create a high—even double-digit—rate of economic growth, Dr. Yoon believes, the Kim family will be able to cushion itself from potential domestic strife and retain sufficient regime security. But according to Yoon, without such a dramatic inducement, Pyongyang will simply attempt more cosmetic changes designed to buy off elites.

As outside democracies, especially the United States and South Korea, consider possible major investments, they will need a clear blueprint for delivering economic assistance within North Korea. They will also need a way to calibrate assistance and sanctions or sanctions relief to the pace of peace and denuclearization talks. This is the principal message of Troy Stangarone, who enumerates myriad issues for US and South Korean officials to consider and debate to enhance the chances of success and minimize the risks of making North Korea richer before it is less militarized. Ultimately, North Korea needs to redefine the role of the state in its economy by addressing the need for labor market reform, privatization of state-owned enterprises, trade liberalization, financial sector reform (including reconciling market prices and prices set by the state), and other structural changes. Stangarone recommends leveraging allies and partners and international institutions to offer timely, high-quality infrastructure to compete with China's massive capacity for exporting its programs.

If North Korea suffers from a disarmament dilemma, the United States and South Korea face a different security dilemma: how to promote a brighter future for North Korea through development without inadvertently strengthening Pyongyang's WMD and military forces. And with the nuclear problem so difficult to fix and the economic challenge of modernizing impoverished North Korea pending, the question about how to preserve an alliance in flux is both salient and urgent. The ROK-US alliance is especially important at a time when Seoul and Washington are

contending not just with North Korea strategy, but with burden-sharing, trade, and relations with China, Japan, Iran, and others.

Preserving an Alliance in Flux

As the ROK-US alliance remains in flux, China's growing power continues to cast a large shadow over the two Koreas.¹⁷ But as diplomacy with North Korea remains stagnant and Pyongyang's WMD programs carry on, escalating US-China competition poses an acute challenge to South Korea: Washington remains Seoul's main security guarantor, but Beijing is an essential economic partner. And as the United States presses South Korea to shoulder greater burdens for the alliance, while simultaneously nudging it to look at China's emerging power, the Moon administration is grappling with how to preserve the ROK-US alliance without jeopardizing its other interests.

Retired Lt. Gen. In-bum Chun is one of the most decorated and pro-US officers to have served in the upper ranks of the ROK Army. Yet his message is complex: politics are shifting in Korea, and the United States cannot afford to lose its vaunted position as a trusted and reliable ally, which would surely happen if it pressed too hard to extract more burden-sharing, rather than focusing mostly on overlapping common interests. Chun's message is neither easy to read nor a simple nationalistic pushback on US demands; it is, instead, a clarion call, from someone who knows both countries well, not to squander this alliance—which is of vital geostrategic importance to both countries—on secondary issues.¹⁸ North Korea has a special pull on South Korea, and Washington must understand this. South Korea has a special concern about Japan, and Washington must also appreciate this. And, in a future showdown between China and the United States, South Korea will side with the winner, and Washington must also grasp this reality.

David Maxwell brings an equally impressive record to US-ROK alliance issues; he has been at the heart of both alliance contingency planning and questions about the future of the North Korean regime. He offers a clear message for US alliance managers and national security planners: steady as she goes,

the stakes for US interests are tremendous, and the United States will have an easier time with all other policies if it gets the ROK-US relationship right. Indeed, despite South Korea's relative success, it still faces an existential threat from North Korea, and the ROK-US alliance is the main bulwark that guarantees peace and preserves stability. Maxwell details the Kim family regime's long history of ideological and political warfare, which continues today despite high-level meetings and occasionally euphoric statements that peace and denuclearization are at hand. Like Gen. Chun, David Maxwell is deeply concerned about the stresses on alliance managers as they seek to navigate around disputes over burden-sharing, operational control of forces in wartime, and the future roles, capabilities, and missions of the bilateral alliance. The alliance, both Chun and Maxwell note, is a vital interest for both countries because it preserves stability on the Korean Peninsula and brings long-term stability to Northeast Asia. How to solicit China's help with managing North Korea, while keeping an eye on the future of Northeast Asia as a whole, is the main subject of the last pair of essays in this volume.

China's Long Shadow over the Peninsula

Patricia Kim and Seong-hyon Lee offer two incisive analytical essays concerning China's role and relations with the United States and South Korea. Both authors are acutely aware that the three countries have different interests and different "end states" in mind when contemplating the stable transformation of the Korean Peninsula. Dr. Kim argues that the United States wants to retain strong linkages to the peninsula and Northeast Asia, but despite diplomatic overtures to Kim Jong-un, Washington appears to lack a clear vision for how North Korea would fold into a free and open Indo-Pacific region. China also wishes to retain stability and sees relations with North Korea as necessary, but it hopes that Pyongyang's economic development could be a model for regional integration. And South Korea wants a balance between an alliance with the United States and peaceful relations with China, all while seeking gradually improving relations between the two Koreas.

The three governments' different approaches complicate diplomacy, regardless of whether negotiations with North Korea are at an impasse or are making substantive progress. If North Korean denuclearization stalls, China may well turn its attention to pressuring South Korea to distance itself from the United States. Conversely, should diplomacy with North Korea show new promise, then the ROK-US governments will need to strengthen their consensus on a vision for a mutually desired end state. Dr. Kim underscores the need for South Korea and the United States to hammer out a common vision based on shared principles, and for Washington to support Seoul against Beijing's pressure tactics. A strong alliance is one of the best means for securing the peaceful transformation of the Korean Peninsula, and the allies must not delude themselves into thinking that robust institutionalized dialogue is the same thing as sharing a common set of goals.

Seong-hyon Lee's essay illuminates China's role in the peninsula in several ways. First, Dr. Lee observes the return of a tight relationship between Beijing and Pyongyang. Just as a growing US-China competition is leading to talk of decoupling, China and North Korea are once again acting like allies. Xi Jinping's June 2019 visit to Pyongyang has effectively normalized relations with Kim Jong-un. China and North Korea, Dr. Lee argues, are moving back in the direction of a "lips and teeth" relationship, a reference to Mao Zedong's phrase describing a deeply intertwined bilateral relationship.¹⁹ However, there is considerable distrust between China and North Korea, and it is still too soon to know how deep their alignment will go. Of more immediate concern to officials trying to find a peaceful diplomatic pathway forward with North Korea, China is proposing its own solution for dealing with the Kim family regime. Beijing takes full credit for the notion of a "double freeze" (of DPRK nuclear and ICBM tests and US-ROK military exercises), which had defined the major diplomatic moves adopted in 2018–19. But what does this portend for 2020 and beyond?

In part, this "Chinese solution" means that for the Chinese leadership, North Korea is secondary to US policy. Thus, if or as

US-China relations deteriorate, the United States should expect China to resist "solving" the North Korean nuclear problem. China will help restrain the level of North Korean provocations (and thereby encourage Kim to pursue diplomacy). Although there is good reason to question how much China has "helped" the United States by pressuring North Korea, Beijing does share an interest in keeping North Korea stable. Of course, that means it will be difficult to return to "maximum pressure," with China fully on board with harsh sanctions, in the absence of reckless North Korean actions. Diplomatic efforts with North Korea could muddle through for the foreseeable future, even without tangible progress. That means, provided no new provocation shifts the debate, all governments can defer the need for a diplomatic bargain until after the November 2020 US election. Even so, there are cogent arguments for the Trump administration to address weaknesses in the sanctions regime. Moreover, with China and Russia taking the lead on a proposal to ease sanctions as an inducement for talks, North Korea could be missing a window of opportunity to strike a modest bargain that would achieve some economic development.²⁰ Still, if Pyongyang can acquire more nuclear weapons and, at the same time, erode and circumvent sanctions, there is little incentive to strike a deal with President Trump until it is clear whether he is re-elected.

Whether a peaceful transformation happens soon or in the distant future, it remains preferable to either a hot war or an indefinite cold war that could turn hot in the time it takes to launch a missile. Whether diplomacy with Chairman Kim can produce a breakthrough of sustained, gradual peace, or new provocations and hardline positions spell the return of greater hostility, Presidents Moon and Trump have not been wrong to test the Kim regime's intentions. While it would be foolhardy to accept a bad deal, claims of progress and fears of a catastrophe have both been exaggerated at times. As the authors of this volume would agree, a serious, complex set of prescriptions will be needed to keep the peace in Northeast Asia, without giving up the search for a peninsula in which both sides are nuclear free and prosperous.

REDUCING THE NUCLEAR THREAT: A US VIEW

Bruce Klingner

President Donald Trump has roiled foreign policy waters by repeatedly tossing the standard diplomatic playbook overboard. Trump often disregards experts' warnings, preferring to rely on "his gut." His unorthodox approach has generated historic firsts, including the first US-North Korea summit meeting. After the 2018 Singapore summit, Trump declared that "there is no longer a nuclear threat from North Korea"²¹ and that "total denuclearization [is] already starting to take place."²²

But euphoric claims of breakthroughs turned out to be premature. Hope for a negotiated settlement has now been replaced by pessimism. There has been no progress toward denuclearization or any degradation of the North Korean military threat to the United States and its allies.

Pyongyang continues its nuclear and missile programs unabated. It has likely produced six to eight additional nuclear weapons since the Singapore summit while expanding production facilities and testing new weapons systems. The US intelligence community assessed that Pyongyang increased production of fissile material for nuclear weapons²³ and continued production of ICBMs that can reach the United States.²⁴ Leaked intelligence reports and unclassified satellite imagery show that the regime has upgraded its missile, re-entry vehicle, missile launcher, and nuclear weapons production facilities.²⁵

North Korea resumed missile testing in 2019, launching twenty-six missiles, the highest-ever number of violations of UN resolutions in one year. Pyongyang unveiled five new short-range ballistic missiles that threaten South Korea, Japan, and US forces stationed in both countries.

US efforts for a diplomatic resolution to the North Korean nuclear problem were at a standstill as 2020 got underway. Despite three meetings between the United States and North Korea, the two sides remain far apart even over the definitions of seemingly straightforward terms such as "denuclearization"

and "Korean Peninsula," let alone the sequencing, linkages, and timeline for achieving denuclearization.

Pyongyang embeds "denuclearization of the Korean Peninsula" within a broader context of global arms control. As a self-professed member of the nuclear club, North Korea will abandon its nuclear arsenal only when the other members, including the United States, abandon theirs.

Pyongyang defines the Korean Peninsula not as the landmass encompassing North and South Korea (as Washington does), but instead, as anything that influences the peninsula. Thus, Washington's extended deterrence guarantee to US allies (the "nuclear umbrella") and any nuclear-capable system, including submarines, aircraft carriers, dual-capable aircraft, and strategic bombers in Guam, would all be susceptible to Pyongyang's interpretation of restrictions.

Was Hanoi the Make-or-Break Moment?

The 2019 US-North Korea Hanoi summit was meant to codify on paper what US and South Korean policymakers claimed Kim Jong-un had already agreed to in previous private meetings. After the Singapore summit in 2018, Secretary of State Michael Pompeo testified that North Korea had agreed to denuclearize fully and "our objective remains the final, fully verified denuclearization of North Korea, *as agreed to by Chairman Kim* [emphasis added]."²⁶

South Korean president Moon Jae-in has claimed that Kim privately said "he would give up nukes for economic development [starting with] stopping additional nuclear and missile tests, halting the production of nuclear weapons, scrapping facilities that develop missiles and getting rid of the currently existing nuclear weapons and nuclear material. It includes everything."²⁷

Prior to the Hanoi summit, US Special Envoy Stephen Biegun announced that Kim had committed "to the dismantlement and destruction of North Korea's plutonium and uranium enrichment

facilities. This complex of sites that extends beyond Yongbyon represents the totality of North Korea's plutonium reprocessing and uranium enrichment programs.”²⁸

But in Hanoi, Kim Jong-un offered only the Yongbyon nuclear complex, just as his father and grandfather had done for decades. It was the fifth time that Pyongyang offered Yongbyon in an agreement.²⁹ Kim's refusal to tread new ground showed how inflated US and South Korean claims of progress were.

That should not have come as a surprise, since Pyongyang had long telegraphed its rejection of what the US claimed it had agreed to. In July 2018, North Korea publicly disputed Pompeo's “gangster-like demands” of complete, verifiable, and irreversible dismantlement, a data declaration, and verification as “counter to the spirit of the Singapore summit.”³⁰ In December 2018, the regime directly rebuked Pompeo for claiming that it had committed itself to the complete, verifiable, and irreversible denuclearization of North Korea.³¹

Pyongyang insists that Washington address its security concerns *before* it implements denuclearization. The regime demands that the United States first improve bilateral relations and provide security assurances, including declaring an end to the Korean War.

To date, President Trump's top-down approach of summit diplomacy has been no more effective than previous efforts to curtail Pyongyang's nuclear ambitions. Yet Trump's willingness to meet with Kim tested the long-standing hypothesis of engagement enthusiasts that a face-to-face meeting of the US and North Korean leaders would resolve the nuclear impasse.

Kim was just as resistant to going beyond capping future North Korean nuclear production as regime diplomats had always been. Trump's unorthodox approach may have simply confirmed that North Korean leader Kim Jong-un is no more willing to abandon his country's arsenal than his predecessors.

What Does North Korea Want?

An adage amongst long-time North Korea watchers is that “something is important to Pyongyang ... until it isn't. And it isn't important ... until it is.” The saying reflects the regime's shifting priorities for its demands of the United States and the international community in return for denuclearization. Like parched nomads chasing a desert mirage only to have it disappear, US diplomats often found a key North Korean demand vanish in favor of a new requirement.

Pyongyang's bait-and-switch technique seeks parallel paths to benefits while keeping diplomatic opponents off balance. When a US concession gained no traction with the recalcitrant regime, engagement advocates called on Washington to offer yet another to maintain “progress” or to “improve the negotiating atmosphere.”

However, the United States has already offered economic benefits, developmental assistance, humanitarian assistance, diplomatic recognition, declarations of non-hostility, turning a blind eye to violations, not enforcing US laws, and reducing allied defenses all to no avail.

South Korea has participated in large joint economic ventures with North Korea. Successive South Korean administrations, including those of conservative presidents Lee Myung-bak and Park Geun-hye, offered extensive economic and diplomatic inducements in return for Pyongyang *beginning* to comply with its denuclearization pledges.

Despite these concessions, North Korea continues to assert that its nuclear weapons are a response to the “hostile policy” of the United States. Pyongyang has insatiable demands—security, diplomatic, and economic—to assuage its fears of US attack. These have included ending allied military exercises; withdrawing all US troops from South Korea; abrogating the US-South Korea defense treaty; ending the US extended deterrence guarantee to South Korea; signing a peace treaty to end the Korean War;

providing a security guarantee to North Korea; not criticizing the regime; and removing all US and UN sanctions.

Diplomacy Tried, and Tried, and Tried

North Korea has pursued nuclear weapons since the 1960s and obfuscated about promises to abandon them for decades. The international community has engaged in repeated diplomatic efforts to prevent, then reverse, Pyongyang's quest to develop nuclear weapons. All of the accords collapsed because North Korea cheated or did not fulfill its pledged obligations. A record of zero-for-eight does not instill much confidence in the benefit of undertaking even more attempts.³²

For over twenty years, there have been two-party talks, three-party talks, four-party talks, and six-party talks to resolve the North Korean nuclear weapons issue. Seoul has signed 240 inter-Korean agreements on a wide range of issues.

Kim Jong-un promised during his meetings with Trump in Singapore in 2018 and Panmunjom in 2019 that he would allow working-level negotiations. But North Korean diplomats refused meetings with Special Envoy Biegun for months and were authorized to speak about all topics *except* denuclearization. After unsuccessful working-level talks in Stockholm in October 2019, North Korea declared it had “no intention to hold such ‘sickening negotiations’” before the United States substantially altered its policy. By the end of 2019, North Korean officials had become more strident and were willing to criticize and insult President Trump while dismissing any interest in another summit meeting.

Despite decades of US diplomacy with North Korea, real negotiations on eliminating the regime's nuclear arsenal have yet to begin. Pyongyang rejects the core premise of negotiations, which is that it must abandon its nuclear weapons and programs.

Cancelling Military Exercises Did Not Work

In his post-Singapore summit press conference, President Trump unilaterally declared that he would suspend the

“provocative” US-South Korea “war games”—terms that Washington had previously rejected when used by North Korea. Trump's decision was made without consulting or notifying South Korean and Japanese allies, the Pentagon, or US Forces Korea.

For North Korea, this decision has been the gift that keeps on giving. The United States and South Korea have reduced the size, scope, volume, and timing of allied military exercises in Korea. Washington and Seoul cancelled at least twelve military exercises and imposed constraints on additional military training. Doing so risks degrading allied deterrence and defense capabilities. The exercises are necessary to ensure the interoperability and integration of allied military operations and ensure readiness to respond to North Korean attacks.

In making this major unilateral concession, Trump gained nothing in return. Pyongyang did not codify its missile and nuclear-test moratorium in the Singapore communiqué, nor did it announce reciprocal constraints on its own military exercises. General Robert Abrams, commander of US Forces Korea, testified that “we have observed no significant changes to size, scope, or timing of [North Korea's] ongoing exercises.” He added that Pyongyang's annual winter training cycle involved one million troops.³³

At the end of 2019, Kim Jong-un announced he no longer felt bound by his promise to President Trump not to conduct nuclear or ICBM tests. Instead, Pyongyang threatened to demonstrate a new, “promising strategic weapon system.”³⁴

Sanctions Relief Did Not Work

Successive US administrations have provided indirect sanctions relief by never fully enforcing US laws against North Korean and other violating entities. President George W. Bush reversed US law enforcement against a foreign bank engaged in money laundering in a vain attempt to make progress in denuclearization negotiations. President Barack Obama pursued a policy of timid incrementalism in sanctions enforcement.

The Trump administration, for all its hype about “maximum pressure” on North Korea, has only anemically applied sanctions since the Singapore summit. In June 2018, Trump explained that he would not impose sanctions on 300 North Korean violators because “we’re talking so nicely” with Pyongyang.³⁵ He added, “I don’t even want to use the term ‘maximum pressure.’”

The US Treasury Department deferred imposing sanctions on three dozen Russian and Chinese entities providing prohibited support to North Korea, and the White House has taken no action against a dozen Chinese banks that Congress recommended be sanctioned for their dealings with Pyongyang. In March 2019, Trump reversed the Treasury Department’s minimalist step of targeting two Chinese shipping firms helping Pyongyang circumvent UN-imposed restrictions on North Korean trade. The White House spokesperson commented, “President Trump likes Chairman Kim and he doesn’t think these sanctions will be necessary.”³⁶

Removing sanctions as the price for restarting negotiations would mean abandoning key leverage and would be contrary to US laws. Sections 401 and 402 of the North Korea Sanctions and Policy Enhancement Act of 2016 define numerous actions that North Korea must take before the president is allowed to suspend sanctions against the regime for one year or to terminate them.

Security Guarantees Did Not Work

North Korea has made a recurring demand for a security guarantee. In the 2018 Singapore summit statement, President Trump committed to provide security guarantees to North Korea, and Secretary Pompeo affirmed that the United States was willing to offer North Korea “unique” security guarantees “to provide them sufficient certainty that they can be comfortable that denuclearization is not something that ends badly for them.”³⁷

After the 2019 Hanoi summit failed to achieve progress, North Korean foreign minister Ri Yong-ho announced that “the security

guarantee is more important to us [than sanctions release] in the process of taking the denuclearization measure.” Secretary Pompeo replied that “we’re prepared to provide a set of security arrangements that gives them comfort that if they disband their nuclear program, that the United States won’t attack them in the absence of that.”³⁸

But North Korea has not articulated what it wants guaranteed: No preemptive or preventive military attack? North Korean national sovereignty? Kim family regime survivability? Nor has the regime specified the form that a guarantee should take: A paper declaration? An end-of-Korean War declaration or peace treaty? More expansive confidence-building measures and military force reductions?

What written security assurance could President Trump provide that would dissuade North Korea from retaining possession of nuclear weapons? After all, the United States has repeatedly provided such promises in the past—to no avail. In the 1994 Agreed Framework between the United States of America and the Democratic People’s Republic of Korea, Washington committed to “provide formal assurances to [North Korea] against the threat or use of nuclear weapons by the US.”³⁹

In the 2005 Six-Party Talks Joint Statement, the United States pledged it “has no intention to attack or invade [North Korea] with nuclear or conventional weapons.”⁴⁰ Former National Security Council official Victor Cha compiled a list of over twenty US security assurances to North Korea in a 2009 study.⁴¹ The Trump administration made similar pledges, including then secretary of state Rex Tillerson’s declaration that the United States “will not seek a regime change, a collapse of the regime, an accelerated reunification of the peninsula, or an excuse to send [US] military north of the 38th parallel.”⁴²

North Korean officials have privately commented on the fickleness of US policy, given that it can change after every US election. The Trump administration’s withdrawal from the Joint Comprehensive

Plan of Action (the Iran nuclear agreement) and the Intermediate-Range Nuclear Forces Treaty with Russia would likely raise doubts in North Korean minds about the durability of any written US assurance. President Trump's approval of a missile attack on Major General Qasem Soleimani, commander of the Quds Force of the Iranian Revolutionary Guard Corps, would give North Korea further pause about eliminating its nuclear deterrent.

Pyongyang has demanded that Washington take the first steps, depicting denuclearization of the Korean Peninsula as “completely removing the nuclear threats of the U.S. to the DPRK”, before it means the elimination of [North Korea's] nuclear deterrence.” North Korea includes the removal of U.S. nuclear strategic assets and ending of nuclear war exercises from “the south of Korea and also from surrounding areas from where the Korean peninsula is targeted.”⁴³

Economic Aid Did Not Work

Pyongyang has indicated that no amount of economic benefits can address the security concerns the regime cites as justification for its nuclear weapons programs. North Korea perceives nuclear weapons as the only way to prevent it from becoming another Iraq, Yugoslavia, or Libya. As Pyongyang has made clear, the “treasured sword” of nuclear weapons is what defends North Korea, and indeed enables economic development.

Similarly, since North Korean nuclear weapons are purported to be a response to the US “hostile policy,” no South Korean offers of economic assistance or security measures can dissuade Pyongyang from continuing with its nuclear programs. South Korea provided billions of dollars in economic benefits during the Kim Dae-jung and Roh Moo-hyun administrations. Still, it did not induce North Korea to undertake political or economic reform or moderate its quest for nuclear weapons.

Pyongyang's provocative antics and threats are not merely negotiating ploys, but instead are designed to achieve international acceptance of North Korea's status as a nuclear

power. North Korean officials have repeatedly indicated that that is precisely their intention.

What Can Be Tried?

An End of War Declaration⁴⁴

In the Singapore statement, the two countries agreed to “join their efforts to build a lasting and stable peace regime on the Korean Peninsula.” The North Korean Ministry of Foreign Affairs declared that “the issue of announcing the declaration of the end of the war at an early date is the first process of defusing tension and establishing a lasting peace regime on the Korean Peninsula [and] constitutes a first factor in creating trust between [North Korea] and the US.”⁴⁵ Pyongyang claims that Trump already committed to signing a peace declaration during the Singapore summit.⁴⁶

Advocates of declaring an end to the Korean War downplay concerns over the ramifications by highlighting that the document would be only symbolic, without any real effect or consequences. On the other hand, they have yet to identify any tangible benefits to signing a peace declaration—a specific quid pro quo from the regime or a change in North Korean policy or behavior resulting from the regime feeling less threatened.

A peace declaration could have serious negative consequences for alliance security. Even a limited declaration could create domino-effect advocacy for prematurely signing a peace treaty, reducing US deterrence and defense capabilities and abrogating the mutual defense treaty before reducing the North Korean threat that necessitated US involvement.

Beyond security ramifications, a peace declaration could also lead to advocacy of reducing UN and US sanctions and providing economic largesse to North Korea even before it takes significant steps toward denuclearization.

A Freeze Rather than Denuclearization

There has been much debate amongst experts on the utility of a “freeze” on North Korea's nuclear weapons production. Some

freeze proponents argue that the United States should abandon unrealistic expectations of total denuclearization and accept a capping of North Korea's arsenal through a freeze on future production. Others argue that a production freeze, requiring some reciprocal US actions, would be an interim step toward eventual denuclearization.

A freeze agreement could include capping production of fissile material, a moratorium on nuclear and missile testing, and a pledge not to export nuclear technology. Siegfried Hecker, former director of the Los Alamos National Laboratory, recommends focusing on three “noes”—no additional bombs, no better bombs (i.e., no testing), and no export of bombs, in return for three “yeses”—addressing Pyongyang's security concerns, its energy shortages, and its economic problems.⁴⁷

The freeze proposals share a common theme in calling for yet more US concessions to encourage Pyongyang to commit to undertaking a portion of what it is already obligated to do under numerous UN resolutions.

A nuclear freeze was negotiated in the February 2012 Leap Day Agreement, in which Washington offered Pyongyang 240,000 tons of nutritional assistance and a written declaration of no hostile intent. In return, North Korea pledged to freeze nuclear reprocessing and enrichment activity at the Yongbyon nuclear facility, not to conduct any nuclear or missile tests, and to allow the return of International Atomic Energy Agency (IAEA) inspectors to Yongbyon. Indeed, all previous denuclearization agreements with North Korea were variants on a freeze, and all failed.

A freeze could be seen as de facto recognition and acceptance of North Korea as a nuclear state, which would undermine the Treaty on the Non-Proliferation of Nuclear Weapons (NPT) and send the wrong signal to other nuclear aspirants: that the path is open to nuclear weapons. North Korea would be allowed to retain its nuclear threat to South Korea and Japan, as well as US forces, bases, and civilians throughout Asia. This, in turn,

could exacerbate allied concerns about the reliability of the US extended deterrence guarantee and increase advocacy within South Korea for an independent indigenous nuclear weapons program and greater reliance on preemption strategies.

The Troubled Path Ahead

North Korea insists that the onus for action is on Washington. In April 2019, Kim called on President Trump to make a “bold decision” to alter the US negotiating position. He warned that Pyongyang would wait only until the end of the year, at which point “the prospect of settling the issues will be gloomy and very dangerous.” He warned that a continuation of US policy “will naturally bring our corresponding acts.”⁴⁸

After the end-of-year deadline passed, North Korea left open the tiniest of cracks in the door to negotiations, depending on US behavior. But the regime's demands, including an end to military exercises and weapons sales to South Korea, have been unacceptable to the United States. Pyongyang dismissed Washington's calls for dialogue as stalling tactics and indicated it would seize the initiative rather than waiting for the situation to improve.

Pyongyang will continue up the escalation ladder, either incrementally or immediately, but in a manner that will maximize impact and diplomatic language. The regime could first conduct tests of medium- and intermediate-range missiles before an ICBM or nuclear test.

President Trump downplayed North Korea's diplomatic intransigence and missile launches by highlighting his strong personal relationship with Kim. But his reaction could be stronger if North Korea carried through on its threats to walk away from negotiations or upped the ante by provocative behavior.

In 2018, President Trump warned that if the Singapore summit did not work out, “We'll have to go to Phase Two [which] may be a very rough thing. Maybe very, very unfortunate for the

world.”⁴⁹ If North Korea resumed ICBM testing that gave it an unambiguous ability to target the continental United States, President Trump could resume his “fire and fury” rhetoric and advocacy for a preventive attack.

Policy Recommendations

Unfortunately, there is greater reason for pessimism than optimism regarding a diplomatic solution to the North Korean nuclear problem. For years, Pyongyang has declared that it will never abandon its nuclear arsenal, even amending its constitution to enshrine itself as a nuclear weapons state.

The United States should continue diplomatic attempts to reduce the North Korean nuclear threat. The failure of all previous denuclearization agreements with North Korea does not preclude additional attempts at negotiations. But, given the lack of progress since the Singapore summit, skepticism and wariness are warranted.

US diplomats should determine the conditions under which North Korea would comply with the eleven UN resolutions that require the regime to abandon its nuclear, missile, and biological/chemical warfare weapons and program in a complete, verifiable, irreversible manner.

The Trump administration should learn from the mistakes of past negotiations and not be overeager for an agreement. The United States should:

Insist on a Detailed, Comprehensive Roadmap to Denuclearization

Any future agreement must include an unambiguous and public North Korean commitment to the UN requirement to completely abandon its nuclear and missile production capabilities and existing arsenals in a “complete, verifiable, and irreversible manner,”⁵⁰ as well as clearly delineated definitions of such terms as “denuclearization” and “the Korean Peninsula.” The accord should delineate actions required of all parties,

linkages to benefits to be provided, sequencing, and timelines for completion.

Distrust, but Verify

Verification is a critical aspect of any arms control agreement. North Korean cheating on previous agreements makes it especially important to have a more robust and intrusive verification regime than previous agreements. A viable verification system would require data declarations on North Korea’s nuclear, chemical, biological, and missile production; fabrication, test, and storage facilities; production history; stockpiles of fissile material; and weapons of mass destruction (WMD) arsenal. There should be provisions for dismantling those facilities and destroying the regime’s WMD arsenals. In addition, there should be inspections and long-term monitoring of declared facilities, as well as the right to conduct short-notice challenge inspections of non-declared facilities.

Implement “Maximum Pressure”

The Trump administration is correct in not removing existing sanctions—but has erred in not fully enforcing US laws. Washington must take action against any entities that violate UN sanctions or US legislation and regulations. US sanctions are responses to North Korean actions. As long as the sanctioned behavior continues, then Washington should maintain its targeted financial measures. Reducing US sanctions is subject to legal constraints.

UN sanctions constraining North Korean trade are more easily reversed than international law and could be incrementally relaxed in return for progress on denuclearization. However, enforcement of US law, including by those defending the US financial system, should never be negotiated away.

Make Any Peace Treaty Contingent on Reducing the Nuclear and Conventional Force Threat

Prematurely signing a peace agreement could dangerously degrade allied deterrence and defense capabilities and create

societal and legislative momentum in both South Korea and the United States for reduction or removal of US forces. A peace treaty should reduce North Korea's extensive and forward-deployed conventional forces. These forces should be capped and then weaned away from the forward area using measures similar to those in the Treaty on Conventional Armed Forces in Europe, such as limiting the number of weapons systems in geographic zone which necessitates their movement away from the front lines. Reducing the ability of either side to conduct a sudden start invasion lowers the risk of inadvertent clashes from misperceptions.

End Unilateral US Disarmament by Resuming Military Exercises

President Trump's decision to cancel US-South Korean military exercises risks degrading US and South Korean deterrence and defense capabilities. The exercises are necessary to ensure the interoperability and integration of allied military operations and ensure readiness to respond to North Korean attacks. Washington and Seoul should announce a return to the previous level of exercise.

Build Confidence and Reduce Miscalculation

Negotiators can also explore expanding the confidence- and security-building measures of last year's Inter-Korean Comprehensive Military Agreement. Provisions in the 1999 Vienna Document on Confidence and Security Building Measures⁵¹ provide a basis for a more wide-ranging accord to reduce tensions and the potential for inadvertent escalation of hostilities.

Make Economic Assistance Conditional

Aid should be provided in a manner that encourages economic reform, marketization, and opening up North Korea to the outside world, rather than as direct financial benefits to the regime. Assistance from international financial institutions should require conformity with their existing regulations, including transparency in government economic statistics.

Uphold Human Rights Principles

Downplaying North Korean human rights violations to gain diplomatic progress runs counter to US values and sets a poor precedent for negotiations. The North Korea Sanctions and Policy Enhancement Act § 104(a)(5) mandates sanctions against any person who knowingly facilitates severe human rights abuses.⁵²

Conclusion

While the United States should continue to strive for a diplomatic solution to the North Korean nuclear threat, employing a combination of all instruments of national power, the Trump administration should also accept that there simply may be no set of inducements to ensure North Korea abandons its nuclear weapons.

It is far more likely that North Korea will remain a challenge that requires a bipartisan policy of deterrence, containment, and compellence. The best US policy is a comprehensive strategy of diplomacy, upholding UN resolutions and US laws, and deterrence until the nuclear, missile, and conventional force threat is reduced. Washington and its allies must keep their eyes open, their shields up, and their swords sharp.

CALCULATING PYONGYANG'S NEXT STEPS AND COORDINATING A RESPONSE: A SOUTH KOREAN VIEW

JINA KIM

After a US-North Korea working-level meeting in Stockholm, held in October 2019 ended without any of the much-anticipated results, people began to worry about Pyongyang's next step. North Korea warned that it would "take a new path" unless the United States returned to negotiations with a new plan by the end of 2019. Many argue that Pyongyang will reverse course, switching from seeking détente to resuming nuclear and ICBM tests. At the plenary meeting of the Central Committee of the Workers' Party of Korea (WPK), held for four days in December 2019, North Korea expressed its willingness to endure the current hard economic times by strengthening its internal potential and capabilities to restore the economy rather than pursuing assistance through changes in its external environment. At the plenary meeting, the regime stated that "the longer the US stalls for time, the stronger North Korea's power will become."⁵³ According to this logic, even if Pyongyang makes moves to develop strategic weapons, it will become easier for it to shift the blame for heightened tensions and delayed negotiations to Washington. The North Koreans may also be aiming to secure as much time as possible to develop new weapons systems, because Pyongyang sees the US policy of pressure as a fait accompli, as indicated by the decision at the meeting to focus on building its economy through self-reliance without expecting sanctions to be lifted. Even without resorting to confrontation, North Korea can spark debate on whether to contain the problem or deal with it among many in the international community even by just delaying bilateral talks on denuclearization. Should the interim goal of diplomacy with Pyongyang be to prevent proliferation rather than to chase the moving target of nuclear disarmament? Allowing North Korea to augment its nuclear and missile arsenal further destabilizes the Korean Peninsula, and delaying denuclearization pushes Seoul's bid to establish peace on the peninsula into the distant future.

The breakdown of the meeting in Stockholm was not a surprise, given the gaps between the two sides in goals, approaches, and

priorities for achieving real progress in the negotiations. North Korea was not ready to accept US demands to eliminate all of its weapons of mass destruction (WMD). There was no indication that Pyongyang would embrace the idea of dismantling its biological and chemical weapons at the same time as it dismantled its nuclear weapons. North Korea needs time to reformulate its strategy to deal with the potential consequences of denuclearization. Existing negotiations have frozen its nuclear and ICBM tests, but not nuclear and ICBM research and development. It is therefore advantageous for North Korea to maintain the status quo to maximize the time it takes to develop new weapons systems that pose an asymmetric threat to the ROK-US alliance. This issue is critical for the North Koreans even when denuclearization talks make progress, because Pyongyang must prepare for changes in the balance of power on the Korean Peninsula that may result from negotiations. At stake is nothing short of the future balance of power on the peninsula. As long as there is no direct threat to the continental United States, low-level provocations from the regime are unlikely to become an urgent issue for President Donald Trump during his re-election campaign. Accordingly, North Korea will continue to tiptoe along the line between two different sides in Washington: those advocating tolerance and those advocating mounting pressure against the regime.⁵⁴ In the meantime, Pyongyang may continue to develop asymmetric forces that have the edge over South Korean capabilities and will give North Korea the coercive leverage to threaten a much higher level of destruction against the United States and its allies.⁵⁵

North Korea's strategic calculation may be further complicated by a crisis over the international arms control regime and geopolitics. If the United States deploys medium-range, ground-launched missiles to its Asian allies, it could gain a strategic advantage over China. However, deploying offensive strike weapons, rather than a defensive system, could also worsen the Chinese and Russian security dilemmas. It would be in China's interest

to redouble efforts to increase its capabilities to achieve parity in military power as soon as possible. As tensions escalate in the region and Sino-Russian military ties grow, North Korea may feel less pressure to denuclearize and instead choose to rely on China and Russia to keep the United States in check. With so many possible scenarios, it is highly uncertain what situation would unfold on the Korean Peninsula and in Northeast Asia.

The wide range of possible directions in which nuclear diplomacy may lead suggests the following questions: Why, despite positive interactions between President Trump and Chairman Kim Jong-un, does North Korea engage in provocative actions? What prevents North Korea from holding working-level talks with the United States? What effect does the current deadlock have on the stability of the Korean Peninsula and beyond? What should the United States and South Korea consider to reduce nuclear threats from North Korea effectively? This essay addresses these issues and recommends policy priorities for the United States and South Korea to nullify North Korea's nuclear threats.

Three Scenarios for Denuclearization Talks

Disarming North Korea May Heighten its Security Anxiety

There are at least three contending hypotheses to explain North Korea's behavior, and they differ over Pyongyang's tolerance for risk and willingness to seek opportunity. The first entertains the idea that disarming North Korea and setting a new equilibrium that favors the ROK-US alliance may deepen Pyongyang's security anxiety. In this view, the disarmament dilemma prevents North Korea from taking a giant leap of faith. If it gives up nuclear deterrence, Pyongyang will become more reliant on other types of weapons to achieve asymmetric capabilities vis-à-vis the alliance.⁵⁶ In this regard, North Korea's efforts to continue testing short-range ballistic missiles (SRBMs) and submarine-launched ballistic missiles (SLBMs) aim to lessen its security anxiety and maintain the loyalty of its military. One way to resolve Pyongyang's dilemma would be to provide a security guarantee and engage in confidence-building

measures. These steps would help North Korea feel assured that the new equilibrium on the Korean Peninsula would not severely challenge its security. Although it may take a while to reach an agreement on the end state of denuclearization, in this scenario North Korea's WMD capabilities will advance modestly. Those who agree with this view may argue that ongoing diplomatic efforts to engage with the North, even if there is negligible progress, serve as a crisis-prevention mechanism. Then, the policy option is continued engagement for cooperative threat reduction.

Protracted Diplomacy May Allow North Korea to Bolster Defense and Weaken Sanctions

The second scenario envisions North Korea as merely buying time to increase its nuclear deterrence while escaping additional US pressure. Despite its announcement that it has shifted its focus to the economy, North Korea maintains its national identity as a nuclear-weapon state. In addition, it has not changed its law on the "enhancement of its status as a self-reliant nuclear-weapon state," and it increasingly emphasizes both self-defense and self-sufficiency.⁵⁷ China favors reducing some sanctions, and as long as dialogue continues, it is not likely to support passing a new UN Security Council resolution to strengthen sanctions. Sanctions relief, however, could actually loosen China's tight grip on North Korea's lifeline. Although the North may not mass-produce weapons systems while facing major sanctions, the regime can use the existing loopholes in strategic trade to bring in materials and equipment to continue weapons testing.⁵⁸ The United States may remain at the negotiation table because there is no desirable BATNA—best alternative to a negotiated agreement. There will be very few who wish to return to the situation in 2017, when the United States and North Korea escalated tensions with threats of "fire and fury." President Trump's continued insistence that his engagement with the North has left the United States more secure than before has raised domestic expectations that he has achieved a solution to the North Korea problem that eluded his predecessors.⁵⁹ This leaves Trump in a position where reversing course—by moving from diplomatic engagement

Table 1. Multiple Scenarios for Threat Reduction

	SCENARIO I: RISK-AVERSE BEHAVIOR	SCENARIO II: RISK-ACCEPTANT BEHAVIOR	SCENARIO III: OPPORTUNISTIC BEHAVIOR
Indigenous factor	Security anxiety	National role identity	New strategic decision
Exogenous context	US presidential campaign	Loose implementation of sanctions	South Korea on the sidelines
Outlook	Establishing a new equilibrium favorable to the alliance	Arms race	Setting a new equilibrium favorable to the DPRK
Solution	Cooperative threat reduction	Strengthening sanctions + extended deterrence	Alliance management through consultations

to considering other coercive options—could be a difficult political choice, which promises an intensifying arms race and destabilization of regional security. Those who take this view may propose seeking countermeasures such as strengthening sanctions and maintaining extended deterrence.

North Korea May Emerge with Powerful New Capabilities

Our third scenario considers the possibility that North Korea is trying to seize the upper hand in future negotiations by showing its determination to diversify options to offset the alliance's military posture. Pyongyang's new missile, which it describes as a tactical guided weapon with supersonic speed and greater accuracy, increases the lethal effect of the warhead and the vulnerability of the target.⁶⁰ As North Korea warned that it will shock the world by showing a strategic weapon as long as the US rolls back its 'hostile policy' toward Pyongyang, there can be a steady development of new weapons that will aim at preparing an asymmetric warfare at most or upping the ante for negotiations at least. North Korea will place a security guarantee on the table while at the same time keeping South Korea on the sidelines of negotiations. Considering that Pyongyang keeps demanding changes in the alliance military posture, no one can rule out the possibility that it once again will place on the agenda issues such as withdrawing the US military presence from the peninsula and dismantling the United Nations Command.⁶¹ North Korea might try to alter the nature of the alliance in exchange for

denuclearization. Now that the United States and South Korea are struggling with alliance issues, including burden-sharing, the transfer of wartime operational control, and trilateral US-ROK-Japan cooperation, North Korea may believe that it is an opportune time to shift the equilibrium to its advantage. Those who take this view may argue that consultations between the United States and South Korea are needed more than ever to manage alliance issues in a way that will prevent North Korea from driving a wedge between the two.

These three scenarios present different options for threat reduction. If nuclear disarmament of the North is an achievable goal, the best way to reduce the risk of the nuclear threat is to develop options that will drive the regime to change its cost-benefit calculation. The underlying assumption is that the campaign to pressure North Korea shapes Pyongyang's outlook under a co-constitutive antagonistic structure.⁶² That is, North Korea's understanding of the external environment guides its behaviors which then reconstruct the structure that will shape North Korea's next move. Then, the options to be considered include defense conversion through transforming WMD production facilities for peaceful uses, infrastructure building to support the denuclearization process, cooperative engagement through integration, and long-term confidence-building.

If North Korea honestly is concerned about a disarmament dilemma, the Kim regime is more likely to attempt to change

South Korea's military posture. At the same time, North Korea may test the limits of US deterrence by punishment, which in turn would create a stability-instability paradox. In this case, the alliance goal should be limiting the coercive leverage of North Korea's nuclear capabilities in peacetime and seeking de-escalation in a crisis. South Korea's priority is understanding the limits of the current state of extended deterrence. For instance, there is no clear operational plan for various nuclear crises, and a crisis in this scenario raises questions for the ROK-US alliance about what constitutes sufficient deterrence, an appropriate response, or adequate consultation and coordination.

If North Korea looks for opportunities to use existing loopholes in the sanctions regime and seek alternative markets for importing items for weapons development, the alliance goal should be to tighten export control mechanisms. As demonstrated by Pyongyang's attempts to accelerate its missile development, international efforts to strengthen sanctions against North Korea have failed as coercive diplomacy—defined as efforts to project influence across frontiers by denying or conditioning access to a country's resources, raw materials, semi-finished or finished products, capital, technology, services, or consumers in a way not exceeding the threshold of coercion.⁶³ South Korea and the United States should deal with the uneven implementation of UN sanctions and prevent sanctions-busting through international outreach and capacity building. This essay examines three detailed options for doing so.

Three Ways to Reduce the Nuclear Threat

Cooperative Threat Reduction

In tandem with a roadmap for denuclearization, North Korea may consider the benefits of cooperative threat reduction (CTR). The United States has helped Libya, Syria, and the former Soviet Union dismantle their weapons of mass destruction through a CTR program. When North Korea and the United States reached the Agreed Framework in 1994 and issued the Six-Party Talks Joint Statement in 2005, numerous

ideas were proposed for applying this program to North Korea.⁶⁴ Most previous studies, however, focused on how to deal with Pyongyang's nuclear programs. If the US goal in negotiations with North Korea is to remove all of the threats it poses, Washington needs to eliminate Pyongyang's entire WMD program, not only its nuclear weapons.

The CTR program covers weapons of mass destruction and their delivery means. Countries under the program have been incorporated into nuclear, biological, chemical, and conventional arms control regimes and become subject to international obligations. CTR negotiations with Ukraine, Belarus, Kazakhstan, and countries outside the former Soviet Union were conducted in tandem with their entry into the major international non-proliferation and disarmament conventions. The United States initiated the program, but it is based on various international legal and diplomatic grounds, including UN Security Council Resolution 1540 and the Global Partnership against the Spread of Weapons and Materials of Mass Destruction. Therefore, legitimacy and international support will follow if it is applied to the North.⁶⁵

If North Korea is pursuing the goal of rejoining the international community as a normal state, it must fulfill its obligations by joining the international export control regime. In the past, the United States has supported the former Soviet Union with comprehensive activities not limited to the dismantlement and shipment of nuclear weapons. For example, Washington has supported elimination of strategic offensive weapons, provision of storage facilities and transportation security, and disposal of fissile materials. Services that could be provided to the North in the future include the dismantling and decontamination of WMD facilities, safety management, environmental restoration, infrastructure improvement, human resources management, and research and development assistance.

The program is useful not only for nuclear security but also for solving the problem of nuclear safety. To ensure the accuracy

and completeness of denuclearization, it is necessary to verify elimination of explosive devices, weapons-grade materials, and delivery means. It is also necessary to remove and verify essential equipment and materials from nuclear weapons production facilities. Serious monitoring and security measures will be required if parts of the nuclear facilities are converted for commercial use, research and development, and education. Verification measures could include monitoring of stockpiles, facility maintenance, and on-site visits and data exchange to prevent attempts to produce weapons-grade materials. Thus, a cooperative threat reduction program can help North Korea operate its management system by providing training and education, establishing accounting and management of radioactive materials, and upgrading the safety of facilities. Assistance could be provided to the regime, such as extensive improvements in roads and bridges so they can withstand the weight of transport vehicles, or replacement of rail vehicles to support the consolidation, storage, and transportation of WMD materials and equipment for dismantlement. Additional assistance to prevent WMD proliferation could also be part of this package: establishing regulations related to managing import and export of goods controlled by the international non-proliferation regime, and a system for auditing, personnel education, and training.

A CTR program would involve cooperation with other countries, so it would adhere to the principle of building a partnership

rather than unilaterally forcing North Korea to dismantle its nuclear weapons program. In this regard, CTR can contribute much to the implementation process, as well as the progress of denuclearization negotiations. Foreign aid for construction of the infrastructure needed for denuclearization would help the North’s economic development. Environmentally safe dismantling of WMD facilities in the North and restoration of the environment is also a crucial issue for Pyongyang’s sustainable development; if it received the funding and technology necessary for these activities, this would encourage it to cooperate in denuclearization and thus, it is worth proposing CTR as an incentive.

CTR’s value in the process of implementing denuclearization is even greater. Throughout the CTR program consultation and implementation process, the two sides have the opportunity to share their interests, enhance procedural transparency, and build trust. As past cases have shown, the program provides an opportunity not only for the United States, but also for other countries, to participate as donors. Thus, through multilateral guarantees, these parties can reduce the risk of non-compliance with the denuclearization agreement, engage with scientists and engineers to participate in the global network, and encourage North Korea to integrate into the international community. A CTR process will also help Pyongyang enhance its understanding of its responsibilities while introducing a system of inspections,

Table 2. CTR’s Potential Contribution to Denuclearization

STAGE	CONTRIBUTION	EFFECT
Negotiation	Provide incentives	Direct
	Help confidence-building	Indirect
Implementation	Increase transparency	Direct
	Provide multilateral guarantee	
	Enable integration into the international community	Indirect
	Decrease risk of non-compliance	

Table 3. South Korea’s Role and CTR Activities

CONTEXT	COOPERATIVE THREAT REDUCTION PROGRAM	
	RECIPIENT	DONOR
Controlled environment in peacetime		Defense conversion Proliferation prevention
	Nuclear security and safety	
	Biological cooperative threat reduction	
Uncontrolled environment in crisis		WMD elimination, storage, and transportation

verification, and management of denuclearization activities that meets international standards.

Of course, it is debatable whether other CTR partner countries are comparable to North Korea. The former Soviet states had no independent command or control mechanisms for their nuclear weapons and hence the inherited weapons were limited in function to deterrence against aggression from other countries. In fact, possession of nuclear weapons was often a source of deep security concerns. Kazakhstan suffered severe exposure damage from the operation of its nuclear test site, while in Belarus, there was great anti-nuclear sentiment among the people following direct and indirect damage from the Chernobyl disaster. However, program recipients cooperated with the United States because they received the technical and financial support they needed to fulfill their disarmament obligations.

The US Department of Defense aims to work with South Korea to increase preparedness to secure and eliminate WMD and associated capabilities on the Korean Peninsula. These efforts include bolstering capabilities to reduce nuclear and radiological threats by equipping and training designated ROK military and civilian units and conducting exercises with them. Program activities also increase preparedness to secure, characterize, handle, transport, consolidate, store, and eliminate biochemical weapons

and associated infrastructure.⁶⁶ South Korea could play two roles in helping reduce the nuclear threat posed by the North. First, as a donor country, it could support a CTR program in North Korea after conclusion of a denuclearization deal. Second, it could become a program beneficiary because it could receive advance assistance to develop its capability to support North Korea’s dismantlement.

Strengthening Extended Deterrence

Experts on North Korea’s nuclear strategy argue that there is a possibility Pyongyang will escalate its nuclear threat to pressure Washington and deter countermeasures. In a written answer to the Senate Armed Services Committee, Daniel Coats, former director of national intelligence, emphasized the North’s efforts to prove it can strike the US mainland with nuclear weapons. Coats viewed Kim Jong-un’s on-site observation of SLBM tests and ballistic missile launches using a ground-based mobile launcher as a simulation of the use of nuclear weapons in a crisis.⁶⁷ Brad Roberts, Director of Lawrence Livermore National Laboratory, believes that North Korea would actively use the nuclear threat as a key means of winning an all-out war or a limited war. He thus stresses that the North could threaten to carry out direct or limited nuclear attacks on US strategic assets and military facilities in Japan and South Korea.⁶⁸ Paul Bracken, Professor at Yale University, also notes that new nuclear-armed states like North Korea could embrace dangerous strategies

like “launch on warning.”⁶⁹ All these arguments point to the fact that Pyongyang considers its nuclear weapons instrumental to its warfighting capabilities.

The ultimate deterrence goal of any nuclear-weapon state is to prevent nuclear war by threatening the use of nuclear weapons. Nuclear weapons must conform to the state’s grand strategy, as a tool that supports its political objectives. However, as noted above, many argue that Pyongyang is likely to believe it has an incentive to use nuclear weapons first in a conflict. To do so, it would need to believe that its nuclear weapons and command and control could survive the first strike and that it would have sufficient forces remaining to retaliate. Further, North Korea’s threat would have to be so credible that the enemy would believe that it could not avoid a clash unless it accepted the North’s demands. Questions can be raised about whether North Korea could pose a credible enough threat to draw a political compromise from its enemy and whether it would be willing to risk military conflict with an enemy. Since Pyongyang already has nuclear weapons, it has passed the point of achieving “existential deterrence.” However, the regime has failed to secure limited deterrence because it has not completed a nuclear triad comprising ICBMs, SLBMs, and strategic bombers. If the North wants to achieve a final state of “creating a favorable [political] environment,” this requires that its nuclear use not bring about destructive retaliation. It is highly uncertain whether Pyongyang will continue its efforts to prevent an all-out war until it can reap the political benefits it desires.

Of course, North Korea could rely on nuclear threats to secure a quick operational advantage and shift the burden of the crisis to South Korea and the United States. Then, lowering the risk of deliberate North Korean escalation would require maintaining the capability to decisively and rapidly defeat aggression at any level of escalation. At the same time, the alliance should minimize any chance for Pyongyang to perceive itself as facing the end of the regime. Assuming that the North’s nuclear and missile attacks are not sudden and would occur only during an escalation in

a crisis, it is desirable to explore ways to strengthen “extended deterrence” without creating a security dilemma for Pyongyang.

Extended deterrence is a game involving multiple players, in which the means that strengthen trust between allies also cause a security dilemma for the enemy. For instance, if an ally does not trust guarantees provided by the United States, the lack of confidence complicates and may weaken extended deterrence against the enemy. There needs to be a balance between efforts to assure allies and measures to deter adversaries. The basic policies to consider implementing when the ROK-US alliance develops extended deterrence are as follows:

- Ensure that North Korea is aware of the danger and that any response by Pyongyang would lead to unacceptable costs.
- Encourage North Korea to lower the value of its nuclear threats by strengthening the alliance’s deterrence-by-denial capabilities.
- Manage domestic conditions so that the United States will not be under political pressure to take preemptive action.
- Allow time for North Korea to seek diplomatic means in a crisis.
- Ensure close consultation and coordination between allies to increase assurance and maximize the contribution of South Korea’s conventional forces to US extended deterrence.

South Korea and the United States should expand their cooperation to include information-sharing about the US nuclear posture. They should also reduce the gap in threat perceptions regarding North Korea’s nuclear arsenal. And last, they should make efforts to strengthen alliance research and development in ways that can contribute to maintaining deterrence.

Upgrading Export Controls

Studies show that sanctions are seldom fully effective against actors with an extreme desire to resist.⁷⁰ Even if very-high-

intensity sanctions are imposed, the target country's sensitivity decreases over time.⁷¹ Some also argue that countries that have the ability to find alternative suppliers may not feel much pressure from sanctions.⁷² Dictatorships are likely to be able to resist sanctions for a long time because they can maintain strict internal control.⁷³ North Korea has an autocratic state system and is constantly exploring new trade partnerships and other ways to circumvent sanctions. Third countries that want to prevent regional instability caused by tougher sanctions contribute to so-called sanctions-busting.⁷⁴ While North Korea continues its dialogue with the United States, it will be difficult to impose tougher sanctions. In short, Pyongyang is likely to be able to find new ways to avert the worst effects of sanctions. Meanwhile, the regime will continue to tout its own self-sufficiency, pointing out that international sanctions are not biting its economy.

The UN sanctions on North Korea have strengthened measures to search cargo ships and aircraft and provided a framework to block transactions of banned items with WMD proliferation concerns. In addition, the UN mandates high-level diplomatic sanctions, requiring diplomats and government representatives directly or indirectly involved in sanctions violations to be expelled from UN member states. Through strong financial sanctions, the UN obligates member countries to freeze funds and assets related to the North's WMD development activities and bans them from providing public funds to North Korea, engaging in joint ventures with it, or opening branches or bank accounts in North Korean banks and financial institutions. The set of sanctions imposed on North Korea since 2016 is one of the strongest in United Nations history.

However, the scope and level of implementation vary from country to country because UN member states implement the resolution in accordance with domestic laws and procedures. Among the countries that have exported dual-use items related to nuclear and missile development to North Korea in the past, thirteen are UN member states that have yet to submit their

implementation reports to the UN Security Council sanctions committee. Because they have not submitted any reports, it is difficult to determine the level and scope of their implementation of relevant regulations. Since adopting Resolution 2270, the UN Security Council has controlled exports of strategic materials to North Korea and made it mandatory for all countries to comply. In addition, all UN member states are required to exercise catch-all controls for dual-use items or technologies that are not specified in the multilateral control lists but that can make meaningful contributions to North Korea's WMD and missile programs. However, the export and import data by country show clearly that there are still loopholes in the control of strategic goods exported to North Korea.

Although there have been some fluctuations in the total trade of strategic items needed to develop the missile program in the North, exports to North Korea have gradually increased over time, despite the strict sanctions regime. Items traded in large quantities include turbo-jets, turbo-propellers, gas turbines, parts and accessories for automatic data-processing machines, transmission parts, radar apparatus, and monitors.⁷⁵ The UN sanctions affected only some of Pyongyang's trading partners. Most European countries that once had trade relations with North Korea have suspended business with the regime. However, a few states are still involved in exporting dual-use items to North Korea, and now have a larger share of strategic trade with Pyongyang than in the past. This also means that North Korea has become increasingly vulnerable to further suspension of supplies from abroad, as its demand for specific items has significantly increased. However, China has also played a key role in sanctions-busting, which could help North Korea by allowing it to continue strategic trade for missile development. Items of particular concern include synthetic filaments, thin sheets of glass fiber, centrifugal pumps, heat pumps, air or gas compressors, generators that can be modified for submersible vehicles, numerically controlled machine tools, and missiles. China's share of exports of these items is over 90 percent, and Beijing has been the single supplier of high-demand items in recent years.

South Korea, the United States, China, and other countries should strive to constrain North Korea's options for nuclear- and missile-related procurement. These countries should implement the catch-all controls applicable to non-listed items that have dual-use potential and close loopholes within the sanctions regime. Additional efforts should include sharing item-classification information, investigating suspicious trade, matching lists of companies and individuals suspected of assisting North Korean WMD programs, facilitating cooperation among export-control-related agencies to rectify the substantial technical disparities in customs procedures, supporting enhanced export controls, and conducting due diligence.

South Korea, as an active participant in the export-control regime, provides up-to-date information through industry outreach, sharing overall export-control-related practices with other countries to assist in national capacity building. Significant attention should be paid to coordinating efforts between allies to develop a tailored, effective assistance program and address key questions. These include the baseline functional requirements for recipient countries to reduce proliferation risk, institutional capacities to ensure implementation of knowledge provided by the assistance providers, and strategies to best allocate limited resources to maximize impact with long-term commitment.

SUSTAINABLE ECONOMIC DEVELOPMENT IN NORTH KOREA

Young-kwan Yoon

Dictatorial States and the Market

Markets tend to expand. As a mechanism organizing human activities through a division of labor, the market connects people domestically as well as internationally. The market also facilitates a faster and higher-volume flow of information among people. Thus, as a country transitions from a non-market economy to a market economy, its economy and society become much more complicated than before. Even in the case of partial marketization, once people become accustomed to market interactions, they will become more restive and ready to confront state power to keep their possessions. All these by-products of marketization will cause severe difficulties for a totalitarian dictator wishing to control the thoughts and behavior of the population.

There have always been tensions between dictatorial state power and marketization, and North Korea is no exception. Three generations of the Kim family faced this dilemma and tried to avoid full-fledged market reform for fear of its negative political impact. The first leader, Kim Il-sung, wished to establish a Soviet-style socialist economic system in North Korea based on state ownership and planning. However, North Korean authorities had no ability to plan their economy scientifically and coherently. This led to an imbalance between supply and demand and a chronic shortage of inputs and raw materials for state-owned enterprises. The authorities tried to deal with this problem of inefficiencies and low productivity in various ways. For example, they tried regional decentralization, and in 1985 established a *Yeonhap Giupso* system (a system of combined enterprises similar to the *Kombinat* in East Germany). They also created the Joint Operation Act in 1984 to induce foreign direct investment (FDI). However, all these efforts could not fix the structural problems embedded in the North Korean economic system.

Kim Il-sung faced a serious political crisis when the USSR fell and socialist countries collapsed. Especially after the fall of the Soviet Union in 1991, the North Korean economy began to falter due to a lack of energy resources. This resulted from the

demand by post-Soviet Russia that North Korea pay the market price for its petroleum exports in hard currency. Economic difficulties also weakened North Korea's conventional military forces. Kim Il-sung wished to institute diplomatic relations with the United States to avoid a crisis, but he was unable to do so. At that critical juncture, he did not take the road of economic reform and opening up the economy, as most other formerly socialist countries did. Instead, he chose to maintain North Korea's socialist economic system, mainly because he feared losing political control over his people as a result of economic reform. To guarantee the security of his regime, he decided to focus on nuclear development.

North Korea's second leader, Kim Jong-il, was also cautious about market expansion, fearing its negative political impact. During a massive famine from 1995 to 1998, North Korean authorities lacked the ability to provide food and essential provisions to the people through the public distribution system. Under the circumstances, the North Korean leader had no choice but to acquiesce to people trading for survival, which led to the start of an informal, gradual, but significant marketization process afterward. Following the crisis, North Korean authorities took some measures to revive their economy, with the central government delegating much of its planning power to the local and business level. They also partially opened the economy to the outside world by establishing special economic zones (SEZs) to attract foreign capital. In addition, the government in Pyongyang opened general markets in 2002 through the July 1st Measures, regarded as a belated recognition of the existence of informal markets.

However, between 2005 and 2009, Kim Jong-il attempted to reverse the trend toward marketization, fearing its negative political impact. He adopted anti-market policies, such as restricting the age of female traders working in the market and controlling the markets' opening hours. The peak of his anti-market policies centered on currency reform in late November 2009, when he ordered the population to convert old currency

to new currency at a rate of 100:1 and placed a ceiling on the amount of money citizens could exchange. Kim was seeking to suppress market forces and regain control over the economy, but after facing widespread anger, he made his prime minister, Kim Young-il, publicly apologize for policy mistakes.⁷⁶ He also chose as a scapegoat Park Nam-ki, who was in charge of the planning and financial bureau in the Workers' Party of Korea, and had him executed.⁷⁷

Kim Jong-un, after witnessing his father's 2009 policy debacle, has not tried to suppress the market. Instead, he has pursued market-friendly policies since ascending to power in December 2011. He has also tried measures to help the North Korean economy grow; on collective farms, for example, he has reduced the number of farm households to between three and five per sub-work team. In addition, he established nineteen economic development zones in various regions of North Korea in 2013–14 and undertook some large-scale construction projects, like Masikryeong Ski Resort and apartment complexes in Pyongyang. The North Korean economy had positive growth for several years up to 2016.

However, all these amounted to tepid measures, far short of the fundamental reforms needed to fix systemic defects in the country's economy, where the state sector coexists with the unofficial market sector. To achieve sustainable economic growth, Pyongyang will need to transform its economy into an institutionalized market economy, replacing state planning with the "invisible hand" of the market. Since a free market cannot work effectively without private ownership, however, North Korea needs to privatize collective farms and state-owned enterprises. The country requires an efficient financial system so that its people can deposit their money in banks and transfer it to investments for production. Although it will take many years, Pyongyang needs to build institutions that support this kind of market activity. There must also be enough capital investment in North Korea to build essential infrastructure and factories.

Why, then, has the North Korean leader not worked more aggressively to undertake fundamental reforms needed for sustainable economic growth? Kim Jong-un, like his father and grandfather, sees market forces as a threat to his political power. One important difference between him and his predecessors, however, is that he is just in his mid-thirties and may want to rule North Korea for several more decades. Kim needs to consider his long-term strategy. Developing his country's economy could strengthen his political legitimacy. Whatever the current state of diplomacy with North Korea, the 37-year-old Kim should, in theory, be a little more inclined to implement reform measures than his father and grandfather. Indeed, since around late 2017, he has publicly declared that a focus on economic development is his national strategy. But Kim has both incentives and disincentives for more aggressive economic reforms and opening up the economy, which leads to a salient policy question for the international community: What can be done to reduce Kim's disincentives and increase his incentives to take measures necessary for sustainable economic development?

Kim Jong-un's Dilemma

Kim Jong-un's North Korea is significantly different from his father's because of important economic changes that occurred since the mid-1990s. These changes are leading to societal changes, which in turn will probably lead to political changes in the near future. It is important to examine the nature of this change before thinking about what the outside world can do for North Korea.

First, the North Korean economy is neither a socialist planned economy nor a capitalist market economy, but somewhere in between. However, as time passes, it is slowly approaching the latter. From the beginning, North Korean authorities lacked planning ability, which led to chronic shortages and inefficiencies. The leadership tried to cover up this problem and control the population by initiating mass mobilizations like the Chollima Movement in the late 1950s, the Arduous March in the mid-1990s, and the 200-day mass mobilization campaign in 2016.

Byung-Yeon Kim, a specialist on the North Korean economy, has characterized it as “a plan-less planned economy.”⁷⁸ While North Korea’s official sector was weakening, its informal market expanded and deepened. For example, from 2006 to 2009, 62.7 percent of the average income of North Koreans was from transactions in the informal economy.⁷⁹

Another important aspect of the North Korean economy is that it is experiencing gradual, unofficial, but meaningful changes in its status as an institution based on state ownership of productive assets. For example, residents of Pyongyang are free to buy and sell apartments and houses. Private financiers (*donju*) finance construction of apartments and even some government projects. Trucks and buses owned by state firms are being rented to commercial traders. State-owned companies even permit their employees to work in other market places in return for a percentage of their outside wages.

North Korea tried to establish a commercial banking system by revising the Central Bank Law in September 2004 and adopting the Commercial Bank Law in January 2006.⁸⁰ However, the people did not trust the banking system, and commercial banks failed to attract deposits.

The most prominent problems facing this kind of economy are bribery and corruption. According to Byung-Yeon Kim, the dynamic among the three major actors—dictator, officials, and market participants—preserves the status quo.⁸¹ The dictator cannot but acquiesce to officials taking bribes; he needs their loyalty at a time when he is incapable of compensating them. The officials are loyal to the dictator so that they can survive politically, but they wish to survive economically and otherwise supplement their income by receiving bribes. Market participants bribe the officials because they want to earn their own living through the informal markets. Kim believes that this kind of equilibrium will not endure long since markets and bribes tend to expand, which could give rise to an anti-Kim coalition between bureaucrats and traders wishing to safeguard their wealth. The

dictator, to control or suppress market activities, may need to leverage fear through selective acts of cruelty. Even so, North Koreans’ support for socialism and the regime is likely to weaken as people get accustomed to the market mechanism.⁸²

The marketization process works together with the increased involvement of North Korean firms in foreign trade. When North Koreans suffered from chronic shortages in the 1990s, foreign trade was a reasonable way of acquiring raw materials and vital commodities. It was also a good way for the firms producing exportable goods to earn foreign currency. There has been a serious competition within North Korea to receive export licenses from the top leader. As a result, the economy has become open, with trade dependency (the proportion of trade in GDP) almost doubling between 1997 and 2015—from 21 percent on average from 1997 to 2005, to 40 percent on average from 2006 to 2015.⁸³ This has an important political implication. In past years, when the North Korean economy was completely closed, the impact of international economic sanctions was minimal. Now, however, the North Korean economy has undoubtedly suffered from the tough economic sanctions applied by the UN Security Council since 2016. In mid-2019, the Bank of Korea in Seoul announced that the North Korean economy had contracted by 4.1 percent in 2018, following a 3.5 percent decrease in 2017, and that both contractions were the result of economic sanctions.⁸⁴ It is perhaps this difficult economic situation that spurred Kim Jong-un to initiate his active diplomacy with neighboring states in early 2018.

In short, the North Korean leader is facing domestic as well as international challenges. Domestically he is walking a tightrope, trying to suppress any political instability emanating from market expansion. At the same time, he is pursuing economic growth to satisfy domestic needs. Economic difficulties could reduce the income of the power elites and increase their discontent. Internationally, he is facing the challenge of sanctions that hurt the North Korean economy, especially since it has become more open and trade-dependent than before.

Options for Kim Jong-un

Considering the current state of the North Korean economy and Kim Jong-un's concern about his regime's stability, there are three possible scenarios for the North Korean economy: no change, limited change, or substantial reforms.

Option 1: The Status Quo

Kim Jong-un may continue to avoid making any serious economic reforms because he fears that this would destabilize the regime. Instead, he may just want to collect as much cash as possible, regardless of the source, so that he can maintain loyalty among the elites. This is a kind of muddle-through tactic that harkens back to the 1970s, when Kim Il-sung established the so-called Juseok Fund, to be used at the leader's discretion. Since then, North Korean leaders have used this fund mainly for strengthening their political rule. For example, the fund has paid for gifts to military leaders or outstanding workers during "on-the-spot guidance" (when the leader visits firms, collective farms, or other organizations). Revenue for the fund is raised from state-owned firms, traders, and laborers working in foreign countries.

Kim Jong-un may keep relying on this conventional method of ruling as a way of maintaining political control over the population. He may also focus on developing the tourism industry, which would enable him to acquire much-needed foreign currency without painful economic reforms. This remains another of his less-risky options. Tourism is an industry that can be controlled without the negative political repercussions associated with other industries.

However, as long as the manufacturing sector remains underdeveloped, there will be no hope for substantial economic growth. If North Korea fails to develop manufacturing, it will need to continue to use scarce foreign currency to import consumer goods. This is likely to contribute to rising discontent among the population and, eventually, to destabilize the regime.

Option 2: Developing Special Economic Zones without Much Reform

If Kim Jong-un wants to go a little further, he may try a growth strategy focusing on special economic zones, nineteen of which he established in 2013 and 2014. He may opt for this strategy to minimize negative political and social effects on the population. North Korean authorities may believe that they can successfully control political disruption, given their past experience in managing the Kaesong Industrial Complex and the Rason Special Economic Zone.

The problem with an option focused only on SEZs is that it would scare away foreign capital. International sanctions and the political risks associated with North Korea's nuclear program already make would-be foreign investors very cautious, as does the lack of physical and legal infrastructure. Finally, the inconsistency and unpredictability of Pyongyang's policies serve as additional obstacles to foreign investment in North Korea. SEZs address none of these shortcomings.

International sanctions would have to be lifted in order for a substantial inflow of foreign capital to North Korea's economic zones to begin. However, without denuclearization, Pyongyang will not be able to attract the investment required to build new infrastructure. To attract foreign investment, Kim Jong-un, in addition to making and implementing a strategic decision for denuclearization, will need to establish a legal and institutional framework that meets international standards.

Option 3: More Vigorous Actions for Reform

A more vigorous plan that aims to fix the structural defects of the North Korean economy would include agricultural reform, establishment of a commercial banking system, and additional privatization. This strategy, if successfully executed, would undoubtedly establish economic institutions far better suited to achieving sustainable growth.

First, agricultural reform would have to be pursued more intensively. This could be done even before international economic sanctions are lifted. Kim Jong-un introduced a system of household responsibility (*po-zeon-dam-dang-je*) in 2012, and this experimental effort was tried for several years on some collective farms. The number of farmers was reduced, and family-unit farmers were permitted to take 70 percent of what they produced and to pay only 30 percent to the state.⁸⁵ While some reports indicated that this new system increased productivity, it is unclear how far it has been expanded and whether state officials strictly adhere to the 70:30 ratio for sharing agricultural production. North Korean authorities can still learn from the successful experience of reformers in China, who provided farmers with the right to farm on assigned arable land while the state maintained ownership of the land. This led to huge productivity growth in the Chinese agricultural sector.

Second, North Korean authorities would have to take measures to establish an efficient commercial banking system. As explained above, despite revisions to the law, commercial banks have failed to attract significant deposits, mainly because North Koreans do not trust their government's economic policies and institutions. Thus, a more fundamental problem here is how to establish trust between prospective depositors and the state. It will be next to impossible to do so unless the state respects individual property rights and ownership. Furthermore, without a sound commercial banking system, the state will not be able to mobilize enough capital to develop the manufacturing sector, and if it does not develop it, North Korea's development will continue to suffer.

Third, privatization would have to be pursued more vigorously. Private ownership is one of the two major axes for creating systemic transition through market liberalization. A market mechanism based on relative price cannot work effectively without providing individual actors with the right to own and dispose of the means of production at will. Byung-Yeon Kim recommends beginning to privatize North Korean enterprises by privatizing small-size state enterprises and creating small,

privately owned firms.⁸⁶ Large-size enterprises in North Korea are mostly not viable and tend to be too dilapidated to be of value.

To enact these bold reform measures, Kim Jong-un would need to be confident about taking political risks at home. One way to deal with possible domestic challenges to his rule would be to ensure a massive influx of foreign capital. High economic growth would provide an important buffer for absorbing internal political and social shocks in the difficult transition period. However, a massive inflow of capital to North Korea would be impossible without a strategic decision by Kim to denuclearize.

Long-Term Agendas

A successful transition from a socialist economy to a market economy requires the establishment of legal and institutional infrastructure and the creation of a favorable economic culture. That economic culture should make economic actors respect property rights and commercial contracts. Furthermore, the educational system should be reformulated so that they strive to cultivate a mindset appropriate for a successful market economy. Of course, these reforms will take a long time to develop, and they will require major international assistance.

Because North Korea is such a heavily armed state, another important issue is how to demilitarize its society. Pyongyang needs to reduce its vast military sector and transfer resources and workers to the consumer and manufacturing sectors. Industrial restructuring is needed to convert soldiers into an industrial workforce, which will require vocational training and programs to re-educate retired soldiers. Technical assistance from the World Bank, the International Monetary Fund, and other financial institutions will be indispensable, since North Korea lacks technical expertise.

What Can the International Community Do?

Which of the options above the North Korean leader chooses will depend on his judgment of internal regime stability

and external threats. Regarding the external situation, the most important issues are denuclearization and the lifting of economic sanctions. If the United States and North Korea make significant progress in negotiations for denuclearization, the resulting reduction in tension and sanctions relief may increase the possibility that Kim Jong-un would opt for bold economic reform. However, if the current impasse continues, and US-North Korea relations remain hostile, the likelihood that Kim would try serious economic reform is far more remote. Instead, Kim would probably act cautiously and pursue a passive, muddle-through strategy bereft of real reform.

Thus, a key question is how the combination of denuclearization and sanctions relief should proceed. It is important to note that complete denuclearization will take a long time, probably about ten years. Thus, the issue of how to promote North Korea's sustainable economic development needs to be considered with this timeline in mind.

An important issue for North Korean and US negotiators will be how to match each stage of Pyongyang's denuclearization to the lifting of international economic sanctions. Though the United States has often expressed its willingness to be more flexible, so far, it has been demanding denuclearization first and lifting sanctions later, a sequence that North Koreans find unreasonable. Pyongyang will not wait a decade to receive rewards while it undertakes final, fully verifiable denuclearization (FFVD). On the other hand, North Korea has not agreed to denuclearization as the final goal, nor has it agreed to the definition of denuclearization or a roadmap for achieving it. At the Hanoi summit in February 2019, Pyongyang unreasonably demanded the lifting of major sanctions in exchange for partial denuclearization. A realistic first step toward starting successful talks would be for North Korea to accept FFVD as the final goal and to agree to the definition and the roadmap of denuclearization. In return, the United States should agree to the principle of simultaneous, action-for-action implementation—meaning some economic relief would accompany each stage of denuclearization.

Next, the two sides could make a reasonable small deal, exchanging partial denuclearization for the lifting of some sanctions. North Korea's submission of the complete inventory of its nuclear program and agreement to a comprehensive inspection of its nuclear facilities could be the second- and third-most important milestones in the long process of denuclearization. The fourth and final stage would be completing the FFVD of North Korea's nuclear program. The extent of sanctions relief by the United States and the international community would help Kim decide about his options for economic development.

Another important factor that the United States and the international community should consider is the type and sequence of security guarantees to provide to North Korea. Because Pyongyang has demanded such guarantees as a condition for denuclearization, they are closely related to the issue of sustainable economic growth. Even China, a much bigger country than North Korea, could only begin to concentrate on economic reform after normalizing diplomatic relations with the United States in 1979, which provided Beijing with a more favorable international security environment in which to undertake this reform. Some of the measures that can be considered include a declaration of the end of the Korean War, a peace treaty, a diplomatic opening between the United States (and perhaps Japan) and North Korea, and some kind of regional agreement among Northeast Asian countries assuring a permanent peace on the Korean Peninsula.

Providing security guarantees to North Korea and declaring permanent peace on the Korean Peninsula will require some adjustment for the ROK-US alliance. Because peace will raise fundamental questions about the role of the alliance and the size and nature of any US troops stationed in South Korea, the allies should begin to consult immediately on their future vision and seek to draw a big picture for future security, rather than concentrating on short-term issues, as they are doing now.

Finally, lifting economic sanctions will not be sufficient. There also must be an international commitment to provide financial and technical assistance. A massive amount of public and private capital will be required to jumpstart sustainable economic growth in North Korea—enough to maintain at least 10 percent annual economic growth for a decade. Only then would Kim Jong-un be able to retain domestic legitimacy and absorb the socio-political shocks during the hard period of reform. Another challenge as urgent as providing financial resources is addressing the dearth of technical expertise in North Korea. There are no North Korean bureaucrats or experts who know how to manage a sudden influx of financial resources effectively to achieve sustainable economic growth.

It will take time to educate bureaucrats in economics. Regardless of whether there is progress in the nuclear negotiations, it is desirable to establish a track 1.5 consultation commission comprising officials and non-governmental experts from the United States, North Korea, and South Korea. Informed but non-binding trilateral discussions of key issues related to North Korea's sustainable economic development can help identify

ways to move forward. This trilateral international commission might discuss how to provide Pyongyang with knowledge and expertise for achieving economic growth and running a market economy. The mechanism can also help show that Washington and Seoul are serious about helping Pyongyang's economic development. This idea is consistent with President Trump's promise to help make North Korea a prosperous economy. Instead of mere promises, a US willingness to take action would create some mutual trust and prepare for a more favorable political environment for cooperation.

Policymakers also should consider that the North Korean leader may seek to maximize financial aid by striking separate bilateral deals with the United States, South Korea, Japan, China, and Russia. Kim may try to use whatever cash he receives mainly for short-term political purposes, such as boosting the support of the elite or other elements of the population. In this case, precious financial resources would be squandered. To prevent this, the major countries involved, especially the United States and China, should ensure close coordination between themselves and with the two Koreas.

ECONOMIC ENGAGEMENT WITH NORTH KOREA POST-DENUCLEARIZATION

Troy Stangarone

Without an economic engagement strategy, efforts to denuclearize North Korea cannot succeed. Kim Jong-un would be making an explicit bargain, exchanging nuclear weapons for credible security guarantees and a brighter economic future. For that implicit deal to succeed, he would need to deliver on his promise that no North Koreans would have to tighten their belts again to maintain the political capital required to commit to disarmament.

While sanctions relief will play an essential role in reaching any nuclear agreement, it will not be sufficient to spur North Korean economic growth of the type that could lead to the bright future the United States has suggested is possible. Economic issues will need to be balanced with the process of nuclear disarmament, which could take as long as a decade.⁸⁷ Sanctions relief will likely be only temporary or utilize export and import caps to guard against backsliding by North Korea as it dismantles its nuclear weapons and ballistic missile programs and only become permanent once dismantlement has been concluded.

Assuming North Korea is committed to dismantlement, the United States, South Korea, and the international community will need a plan to help it reverse decades of economic neglect and restructure the North Korean economy. Getting there will require significant investments in infrastructure, and North Korea will also need substantial technical assistance to make the reforms necessary for joining international organizations like the International Monetary Fund (IMF) and the World Trade Organization (WTO).

This transformation will also take place in an economic environment different from the one that Eastern Europe, China, and Vietnam experienced when they began their transition to a market-based economy. Manufacturing-led exports are unlikely to drive development after a decade of low-demand growth since the 2008 financial crisis. Moreover, US pressure on trading partners to reduce their trade surpluses raises questions about whether the export-led growth model followed by much of Asia

in the twentieth century remains viable for North Korea.⁸⁸ Even if the current trade tensions abate, services are becoming the more important part of global trade and will need to be part of any mixture of North Korean economic reforms.

At the same time, there will be a need to ensure that the process of economic engagement and transition to a market-based economy does not inadvertently destabilize the North Korean regime.

The process will be long and difficult, but economic growth remains possible in North Korea. Still, it is something the regime will have to commit to if international assistance is to help it succeed in transitioning to a market-based economy.

Economic Reform under Kim Jong-un

North Korea is a closed society that rarely publishes economic data. While agencies such as the Bank of Korea and the CIA make estimates about its economy, they often vary widely. Estimates of per capita GDP in North Korea can range from \$571 to \$1,718.⁸⁹

Even without data, we do have an understanding of the types of issues that hold the economy back. While markets have sprung up to replace the broken public distribution system, and some are authorized, many still exist in legal limbo, and there is also a high degree of bribery and rent-seeking.⁹⁰ States such as Singapore, with leading institutions and minimal rent-seeking, have the most economic success.⁹¹

Nations such as North Korea fail because of the extractive nature of their institutions and because of the way those institutions secure in power those who benefit most from extraction. The United States and South Korea, in contrast, have inclusive institutions designed to encourage economic activity. These include property rights, a level playing field, a neutral justice system, and the ability for economic actors to make their own decisions. Extractive institutions do not allow individuals to

make an economic choice, but instead are designed to extract wealth from the rest of society.⁹²

North Korea is an extractive regime that has largely removed the incentives for economic growth. According to Transparency International's 2018 *Corruption Perceptions Index*, North Korea ranks 176th in the world out of 180 countries. The World Bank *Worldwide Governance Indicators* ranks North Korea in the bottom 32 percent of countries in political stability, the bottom 6 percent for government effectiveness, the bottom 5 percent for the rule of law, and the bottom 2 percent for control of corruption. *Worldwide Governance Indicators* does not rank North Korea in terms of voice and accountability or regulatory quality. Nor is North Korea ranked in the World Bank's *Doing Business 2019*, where China ranks 46th and Vietnam 69th. Both countries are often held up as potential models for North Korea.⁹³

Despite these challenges, Kim Jong-un has been more tolerant of markets since he rose to power and has engaged in limited economic reforms. One of his first acts was to announce the *byunjin* policy, which states that economic development should proceed in parallel with nuclear weapons development. This marks a shift from the military-first doctrine of Kim Jong-il. With the success of Pyongyang's nuclear weapons program, economic development is receiving more emphasis.⁹⁴

Some restrictions on agricultural production were loosened in 2012 under the June 28 New Economic Management Measures, which gave producers limited rights to sell at market prices. Under the new measures, the state would keep 70 percent of production based on the state agricultural plan, while farmers would keep the remaining 30 percent and sell any excess output at market prices.⁹⁵ Later reforms would adjust the state's share down to 40 percent, allowing farmers to keep 60 percent of their produce. Reforms would also reduce the number of households on a plot of land but retain collectivization.⁹⁶

For industrial firms, North Korea has experimented with giving state-owned enterprise (SOEs) increased managerial latitude. For instance, firms can establish production plans, set prices, and purchase food to feed their workers as part of an effort to scale back the public distribution system. SOEs are also able to keep 30 percent of their profits and the freedom to determine how to sell their outputs.⁹⁷ However, with private investments now allowed through SOEs, firms have often shifted to leasing facilities to the *dongju*, a newly affluent class, or accepting investments from them to boost production.⁹⁸

North Korea has also expanded its use of special economic zones, which are laboratories for new policies. To reduce the risks to foreign firms it has scaled back the size of investments needed and has begun allowing North Korean firms to take part in the zones as well.⁹⁹ However, due to sanctions and North Korea's business environment, the zones have not taken off. The Kaesong Industrial Complex is probably North Korea's most successful effort in this area, despite its closure.

Notwithstanding Kim's efforts at reform, Pyongyang is reportedly reversing some policy changes. According to reports, trading firms are no longer able to negotiate prices with their overseas partners, and the Ministry of Foreign Trade's approval is again needed to finalize a contract. The ministry is also now responsible for finding business opportunities overseas. Similarly, the State Planning Committee holds the authority to draw up business plans, and firms must draw up their monthly plans based on the committee's yearly plan.¹⁰⁰ If these reports are accurate, they raise questions about North Korea's commitment to making the reforms necessary and liberalizing trade.

The Role of Sanctions Relief

North Korea, as a result of its nuclear weapons program, ballistic missile tests, and other illicit activities, faces sanctions by the UN and individual nations such as the United States on most of its international trade.

UN sanctions prohibit North Korea from exporting leading export items such as coal, textiles, and seafood. They also limit the sale of items that could support weapons programs, as well as the volume of petroleum imports. UN sanctions further inhibit Pyongyang's ability to conduct transactions by banning bulk cash transfers and requiring that correspondent accounts with North Korea be closed. These sanctions, which are illustrative of the range of penalties placed on Pyongyang, significantly reduce its external trade.

The United States has designated North Korea as a primary money-laundering concern under Section 311, prohibiting the use of US dollars in transactions with it. In different sanctions bills, the US Congress has restricted funds that can be used to provide aid to North Korea. For example, most forms of economic assistance beyond humanitarian aid require congressional approval. The US government is also required to vote against aid to North Korea in international financial institutions, further limiting Pyongyang's access to finance.¹⁰¹

While the government needs the flexibility to ease sanctions during a disarmament process, it should endeavor to selectively lift them and provide aid in a manner that encourages compliance with WMD and economic reform. Sanctions relief should be temporary but renewable to encourage North Korea to continue denuclearization efforts. In the early stages, allowing Pyongyang to import prohibited items such as solar panels may be preferable to allowing it to export more goods. Sanctions relief should be designed to stimulate job creation and reforms, where possible. For example, early sanctions relief for labor-intensive industries such as textiles could help spur job growth, even though removal of prohibitions on overseas laborers should be conditioned on improvements in the treatment of those workers.¹⁰²

However, not all UN and US sanctions relate directly to North Korea's nuclear weapons program. Some UN measures apply to Pyongyang's ballistic missile development, while some US

sanctions relate to human rights and illicit financial and economic activities. If North Korea does not take definitive steps on these issues, it should be made clear to Pyongyang that it cannot expect all sanctions to be lifted.

Potential Models for Economic Reform

If diplomacy is productive, which economic model should North Korea follow? Would it emulate either China or Vietnam in its economic reforms?

On the surface, China and Vietnam are appealing models, as both were able to increase economic growth while maintaining political control—an important goal for the North Korean regime.

When China and other countries in East Asia began their transition process, they maintained more political stability than Eastern Europe. East Asian economies were also less affected by trade distortions as they began diversifying their trade sooner.¹⁰³

While there are lessons from both Vietnam and China, there are also substantial differences that suggest North Korea may need to follow another path. The idea behind the gradual model pursued by the two countries is that efficiency gains in the agricultural sector are taxed to aid in managing the transition of inefficient state heavy industry. Still, China and Vietnam are perhaps unique cases, and it is unclear whether planned economies, especially industrialized ones, can follow the same path.¹⁰⁴

In some ways, North Korea looks more like Eastern Europe at the end of the Cold War than China or Vietnam, which were both rural, agricultural states when they began their economic reforms. In contrast, North Korea has been a majority urban society since the late 1960s¹⁰⁵ and went through deindustrialization in the 1990s.¹⁰⁶ While Kim Jong-un has political control, it is less clear that the state has similar control over a range of institutions, as China and Vietnam did. North Korea's fiscal picture is also unclear in light of sanctions. In addition, China's personal savings rates were beginning to exceed 20 percent in

the 1970s.¹⁰⁷ However, due to dollarization and distrust of North Korean banks, it is unclear if Pyongyang would be able to tap the personal savings of its citizens.

In Eastern Europe, it was the governments that undertook the quickest and most profound reforms that saw the best results. But there were also significant adjustment costs in economic contraction and unemployment, for example. China and Vietnam were mainly able to avoid economic downturns, but there were costs from delays in the reform of state enterprises.¹⁰⁸ With North Korea, ensuring stability will require incremental reforms similar to those undertaken in other East Asian economies, but Pyongyang will need to adapt lessons from Eastern Europe as well.

Reforming the North Korean Economy

Ensuring that North Korea can benefit from the economic possibilities of denuclearization requires more than merely lifting sanctions and international restrictions on investment. While UN sanctions in place since 2016 have hindered North Korea's foreign trade, the sanctions themselves have not been the primary obstacle to Pyongyang's economic growth.

Instead, the regime's failure to reform the economy and its diversion of resources to weapons programs have been the most significant obstacles to economic growth. Even if President Trump accepted North Korea's offer to dismantle the Yongbyon nuclear complex in exchange for the lifting of sanctions, Pyongyang's economy would still face significant hardships in the absence of a commitment to economic reform.

Domestic Economic Reforms in North Korea

There are significant adjustments that North Korea will need to make if it wants to spur economic growth. Economies moving from a centrally planned system to a market economy need to redefine the state's role in the economy and engage in labor market reform, trade liberalization, financial sector reform, SOE reform, and structural reforms.¹⁰⁹ We have already touched

on the need for trade liberalization, but price and institutional reforms also require examination.

Like other centrally planned economies, North Korea has two price systems, one set by the state, the other by the market. The centrally planned economy sets prices based not on supply and demand, but on social desirability, which results in inefficient allocation of resources.¹¹⁰ For example, by maintaining artificially low electricity prices, it reduces the incentive for industries to use power efficiently and inhibits generation of the revenue needed to invest in additional capacity.¹¹¹

China, in contrast to the Soviet Union, was able to pursue partial price reform because the state was strong enough to enforce quotas and only allow SOEs to sell above their quotas in markets. In states unable to maintain quota enforcement, there is an incentive for private firms to enter industries where the prices are lowest relative to their real value and to purchase from SOEs, since they can make a greater profit from the price disparities.¹¹²

While price reform would have a negative impact on some industries, it would allow the economy to allocate resources better, help to eliminate the mismatch between domestic and international prices, and spur economic growth.

When the Berlin Wall fell and much of the Eastern bloc transitioned to a market economy, there was an emphasis on market liberalization rather than institution-building. This focus was partly due to the lack of experienced professionals at that time to help countries engage in a long and complicated process. Transition economies also often lacked the capacity to engage in institutional reforms.¹¹³

Without a focus on institutional reform before liberalization, however, the countries of Eastern Europe began the transition without the necessary institutions in place. A recent report by the European Bank for Reconstruction and Development found

that despite later efforts to develop institutions, there is still a “governance gap” between Eastern Europe and advanced market economies which, if closed, would provide a substantial boost to economic growth.¹¹⁴ In contrast, China took a more gradual approach to reform, adopting institutional reforms that had been shown through experimentation to work in the Chinese context.¹¹⁵

Engaging in institutional reform at the outset is essential for creating a sustainable path to economic development. Such improvements make it easier to adjust to the scope and time it will take to develop the cultural changes necessary for new and reformed institutions to work efficiently.¹¹⁶

With North Korea, it may be necessary to develop new institutions in addition to improving existing ones. North Korea’s central bank seems to have done a good job in recent years of maintaining price stability,¹¹⁷ especially in contrast to Iran, which is also sanctioned.¹¹⁸ However, many other necessary institutions do not exist in North Korea or have decayed over time.

Institutional reforms would provide a series of benefits for encouraging economic growth. They would aid North Korea in managing the legal and data production requirements for joining institutions such as the IMF, which is a prerequisite for gaining access to international development loans. Institutions also help to encourage private transactions between businesses where personal relationships do not exist.¹¹⁹

At the moment, North Korean merchants need to verify the trustworthiness of potential business partners before engaging in transactions.¹²⁰ Institutional development could reduce this need and thus help to expand the business economy. Legal and judiciary reform that lessened concerns about a capricious state would help to reinforce efforts at liberalization and privatization, including effective tax reforms that reduce the use of bribery in society.¹²¹ Knowing that North Korea is moving from the rule of Kim to the rule of law would also help attract foreign direct investment (FDI).

North Korea will also have to establish a system of property rights. In this case, China is potentially instructive. While long-term leases enabled agricultural reforms to take hold in China’s early-development process, the inability to develop rural areas has begun to demonstrate some of the weaknesses of the long-term lease model.¹²²

While these reforms are in no way comprehensive, they do reflect some of the critical changes North Korea must make to transition to a market-based economy.

Role of the International Community

From technical assistance from the IMF and other international institutions to economic engagement on the state and private level, the international community also has a role to play in North Korea’s economic reform. However, how the international community engages will help to determine whether North Korea successfully makes the transition to a market-based economy.

Should the Kaesong Industrial Complex reopen, it will be a good test case for how North Korea views economic reform and how the international community chooses to engage. When the complex was previously open, rather than pay workers directly as called for in the complex’s regulations, firms primarily paid the state for workers. Inputs were also mainly sourced from South Korea. Goods produced in Kaesong could not be sold in North Korean markets. If the goal is to move North Korea toward a market economy, firms and governments need to insist that workers be paid directly and that the complex ties into the broader North Korean economy for sales and supplies.¹²³

Because of Kaesong’s proximity to South Korea, power can come from there, minimizing the need for new infrastructure. However, if North Korea is to grow sustainably, infrastructure development will be an urgent requirement. While North Korea has more miles of railway than South Korea, 98 percent is single track and operates at inefficient speeds. Its ports are underdeveloped, and only 6.7 percent of its roads are paved.¹²⁴

Investments will be needed early in the process to enable producers to get their goods to market.

While international development banks will be unable to provide all of the necessary funding, the United States and South Korea should work with international financial institutions to develop a path for reforms to increase North Korea's ability to join institutions such as the IMF and WTO.

Creating the environment needed to attract FDI will mean taking steps that encourage market reforms by Pyongyang. Despite South Korea's national interest in North Korea's economic development and China's interest in encouraging firms to enter North Korea, in the absence of market reforms, most profit-seeking foreign enterprises will need further assurance.

While studies on the role of FDI in economic growth have shown mixed results,¹²⁵ it has had a positive effect on Eastern Europe's transition economies. Not only does FDI provide needed capital, know-how, and technology transfers; in the case of Eastern Europe, foreign affiliates contribute 40 percent or more of value-added in each of the economies.¹²⁶ Additional research has shown that FDI improves productivity, reduces the energy intensity of manufacturing, improves environmental efficiency, and serves as a catalyst for more sophisticated manufacturing.¹²⁷

The international community, in addition to encouraging institutional reform, helping with development assistance, and working toward an environment conducive to FDI, should also look for projects where its interests with North Korea converge. At different points the United States and South Korea have both suggested aiding North Korea in developing its tourism industry, an area in which Pyongyang seems to have an interest. Another area where there may be convergence is development of North Korea's energy infrastructure, specifically renewable energy.

Washington, Seoul, and Pyongyang have a mutual interest in rebuilding North Korea's infrastructure to lay the groundwork for

future prosperity. Infrastructure cooperation will entail early work on roads, ports, and railways, but ensuring that North Korea has the power-generating capacity it needs to grow industries will be necessary as well.

North Korea's dilapidated energy infrastructure will need to be rebuilt.¹²⁸ With legacy systems likely to play a lesser role in its future energy mix, there is an opportunity to consider a broader range of energy-production options. Pyongyang has shown an interest in developing an energy infrastructure that can be supported by domestic means,¹²⁹ while the United States and South Korea have an interest in ensuring that North Korea forgoes or limits its use of nuclear power.

North Korea's abundant supply of coal means that coal-fired plants are one option for expanding energy. However, Pyongyang might prefer to export coal to earn hard currency. For instance, Saudi Arabia is expanding its renewable energy potential so it can maximize petroleum exports.¹³⁰ North Korea might want to follow this example with regard to offshore wind power.

A recent extensive study of offshore wind power by the International Energy Agency (IEA) concluded that it has the potential to be a "game changer" in energy production and that prices will decline by 40 percent over the next decade.¹³¹

Generally, wind power has less potential in the Korean Peninsula than in other regions. Yet by 2040, South Korea is expected to become the largest generator of offshore wind power outside the United States, the European Union, and China. While the Korean Peninsula faces challenges from low-quality winds and deep waters, the overall capacity for South Korean offshore wind power—or average power generated over time compared to the maximum—is nearing 40 percent, placing it close to the capacity factor for new projects in the United States.

A geospatial analysis of North Korea's wind potential by the IEA suggests that it may have a similar potential to South Korea.¹³²

In 2015, North Korea consumed some 11 billion kilowatt-hours of electricity.¹³³ While further study would be required to determine the full extent of North Korea's offshore wind potential, if it was only equivalent to what South Korea hopes to deploy by 2030, it would more than triple North Korea's current energy consumption.

Additionally, offshore wind power is complementary with the production of hydrogen for fuel,¹³⁴ and this could serve as a source of inter-Korean energy cooperation, given Seoul's commitment to developing hydrogen fuel.¹³⁵

If the United States and South Korea work with North Korea to develop renewable energy resources, this would also have additional benefits for all three countries. Not only could wind power help further South Korea's efforts to develop hydrogen power; it could also be a source of manufacturing investment in North Korea. A more detailed study would be required, but North Korea is reported to have a wealth of rare earth minerals,¹³⁶ which are vital inputs for turbines and other renewable components.¹³⁷ There may be the prospect of combining North Korea's mining potential with high-tech manufacturing.

If turbines could be produced domestically, this would provide North Korea with a high-tech industry to develop and with energy security, lessening the need for nuclear power. At the same time, it could potentially help the United States and South Korea develop an alternative supplier for rare-earth minerals.

Restoring North Korea's Credit

Rebuilding North Korea will take significant sums of capital but estimates vary significantly depending on how they are calculated. Estimates based on the German unification experience suggest that it could cost \$2 trillion over ten years to make North Korea economically viable;¹³⁸ a 2013 study by the Korea Research Institute for Human Settlements estimates that rebuilding infrastructure will cost \$63.1 billion in the first ten years and total \$140 billion over two decades.¹³⁹

Because of the large sums involved, the private sector will need to play a significant role in financing the cost of development in North Korea. As a result of a series of defaults in the 1970s and 1980s, North Korea does not have a credit rating that would allow it to borrow on international markets, and its repayment record suggests it has little interest in meeting its obligations.¹⁴⁰

To secure public and private international assistance, North Korea will need either to engage in restructuring or to ask for loan forgiveness from its creditors. To enable it to gain access to international development assistance, it will need to increase transparency so it can join the IMF, World Bank, and regional development banks.¹⁴¹ While these institutions can play an important role in providing financial assistance, their most significant contribution to other transition economies was technical assistance.¹⁴²

One way to address the need for investment capital is to improve domestic savings, something South Korea used effectively in its own economic development. Increased domestic savings provide funds for banks to loan to small businesses and can also support export industries that earn hard currency. Increased deposits also lead to lower interest rates.¹⁴³ Both would help to support increased marketization within the economy.

However, it may be difficult for North Korea to tap into domestic savings. South Korea used monetary and banking reforms to spur savings early in its development,¹⁴⁴ but studies suggest that growth in domestic savings correlates with a declining birth rate.¹⁴⁵ North Korea's current birth rate is estimated to be below the replacement rate,¹⁴⁶ but in the absence of banking reforms that protect savings from expropriation by the state, North Koreans are likely to continue to use alternative ways of saving money.¹⁴⁷

Health, Education, and Dietary Reforms

If Kim Jong-un is to fulfill his pledge that North Koreans will not have to tighten their belts again, he will need to focus on the

health and education of the population as much as economic reforms. Eastern European transition economies enjoyed a healthy and well-educated workforce relative to market-based economies at a similar level of income.¹⁴⁸ It is unclear if this is the case for North Korea.

The US Department of Agriculture's Economic Research Service estimates that 57.3 percent of the North Korean population, or 14.6 million people, are food insecure,¹⁴⁹ while the United Nations estimates that 11 million of them are undernourished. Malnourishment also affects child development, and one in five North Korean children are stunted and face "impaired physical and cognitive development that cannot be reversed later in life."¹⁵⁰ This poses obvious problems for North Korea's future economic growth.

While North Koreans working at the Kaesong Industrial Complex showed noticeably improved health, they were benefiting from the food provided by their South Korean employers. The types of health and nutritional benefits seen by workers at Kaesong may not translate across all investment projects. Still, more importantly, there is no assurance that those benefits would extend to North Koreans outside of initial economic cooperation projects. In the absence of a more broad-based effort to improve health and nutrition, the economic gains risk being limited.

There is a robust debate on the effects of health on economic growth,¹⁵¹ but there is stronger evidence that improved health benefits developing countries. The OECD has suggested that countries with weak health and education systems have difficulty achieving sustained economic growth,¹⁵² while African countries see early investments in health care as vital to economic growth. Developing countries tend to see the strongest benefits when they invest in women's and children's health.¹⁵³

Education will matter, too. Studies have shown that there is a long-term link between learning and economic growth, and that learning enhances a society's human capital. Education

helps to improve worker productivity, spur greater creativity and entrepreneurship, and make export industries more competitive.¹⁵⁴ Low-income countries, such as North Korea, also experience greater returns on investment in education because of their scarcity of human capital.¹⁵⁵ One study suggests that every dollar invested in education results in an increase of nearly \$21 in GDP. In addition, the process of catching up to the level of human capital in developed countries increases returns on investments in education in developing countries.¹⁵⁶

While the nature of the businesses based in Kaesong suggests that their employees were skilled,¹⁵⁷ it is unclear how deep a pool of educated, skilled workers North Korea possesses. Nominally, the North Korean state offers twelve years of compulsory education, but young North Korean refugees in South Korea tend to lag behind their South Korean peers in educational attainment.¹⁵⁸ Kim Jong-un even acknowledges the inadequacy of his country's educational system.¹⁵⁹

North Korea has been successful in developing a select elite in areas such as nuclear engineering and computer science, but its professionals are not on the level of their South Korean counterparts. A 2012 study of North Korean defectors with medical training who live in South Korea found that while 70.7 percent passed an oral test, making them eligible to take a licensing exam, only 39.3 percent were able to pass the licensing exam.¹⁶⁰

North Korea introduced reforms in 2019 to improve the quality of education,¹⁶¹ but improvement will take years, even if reforms are successful. Ultimately, the quality of education will play a more significant role than the number of years students are required to attend school.

The Risk of Funding North Korea's Arsenal

A protracted process of denuclearization must consider how to minimize the diversion of money into North Korea's weapons

programs. Especially in the early stages of dismantlement, there will be concerns about Pyongyang's intentions and the prospect that it will discreetly funnel funds to continued illicit programs. While snapback provisions tied to sanctions relief will play a role, those would come into play only if Pyongyang were to violate one of the provisions agreed to in the dismantlement process. Moreover, snapback provisions may not address funds used for economic engagement and development.

One means to ensure that development funds are not siphoned off for illicit weapons programs is to place them in an escrow account. Such accounts are often used when trust is lacking between two parties, and they have been suggested for transactions with North Korea at least since early in the six-party talks.¹⁶² The Trump administration has also hinted that it may use an escrow account to withhold funds from South Korea, Japan, Europe, and others to finance North Korean infrastructure projects.¹⁶³

When the Kaesong Industrial Complex was shut down, one concern was that the proceeds from the complex were being diverted to fund North Korea's weapons programs.¹⁶⁴ Once sanctions are lifted and normal trade increases, it will be difficult to eliminate these concerns completely, but steps can be taken to minimize them.

The regime's access to hard currency can be reduced during the dismantlement phase by paying taxes into an escrow account and paying workers directly in hard currency at an agreed exchange rate. Escrow account funds could be used to support additional economic engagement projects and meet domestic social needs. For example, workers in Kaesong pay a tax on their wages for health care.¹⁶⁵ Funds from that tax could pay for improvements in the health care infrastructure in the Kaesong area. Other tax revenues could help finance mutually agreed infrastructure projects in North Korea.¹⁶⁶

Funding projects through an escrow account and reinvesting the funds can prevent them from being secretly diverted into

illicit weapons programs. However, it is important to remember that in Iraq, Saddam Hussein diverted billions of dollars from the oil-for-food program.¹⁶⁷ Clear guidelines and professional auditing are needed to avoid a similar experience with North Korea.

The international community should also be cautious about investing in new industries that might directly aid in building banned weapons. Some of this can be addressed by continuing restrictions on certain goods even as UN sanctions are removed. To give each side time to gain some assurance that the other will live up to its commitments, early projects should focus on infrastructure and light industry.

Lastly, an agreement is needed to determine which, if any, military modernization steps North Korea would be permitted to take to meet its legitimate security needs.¹⁶⁸

Potential Areas of Instability

If Pyongyang is going to manage the transition to a market-based economy after dismantling its nuclear weapons programs, it will also need to identify areas that could lead to domestic or economic instability during the transition.

Because the state economy broke down in the 1990s, North Korea may not face the same challenges as those encountered by other transition economies. In other cases, the initial transition process led to significant economic contraction and unemployment. However, in North Korea, some state-owned enterprises, especially in heavy industry, will find themselves uncompetitive as the country shifts to market pricing. Dislocations will also occur in the labor market as labor shifts from unproductive to productive industries.¹⁶⁹ As economic growth takes hold, there may be increasing pressure to create jobs. North Koreans may also look to cryptocurrencies to protect their money.

Policymakers in Pyongyang will confront many uncertainties, including the implications of North Korea's peace dividend,

the process of financial reform, and increased population movement.

A Peace Dividend

Any agreement to dismantle North Korea's nuclear weapons program would presumably include a declaration formally ending the Korean War and a movement toward normalization of relations. With an end to the war, North Korea would likely benefit from a "peace dividend" as it began moving resources from military expenditures to the domestic economy.

Since the end of the Cold War, countries have been converging into three different groups in terms of defense spending: major powers, countries in conflicts, and stable developed countries. In the two groups free from conflict, defense spending has been declining as a percentage of GDP. Among major powers, defense spending has fallen to an average of 1.8 percent of GDP and in other developed economies, to 1 percent of GDP.¹⁷⁰ Conflict states tend to have average expenditures of about 7 percent of GDP.¹⁷¹ In contrast, North Korea is estimated to spend 23.3 percent of its GDP on defense spending. Oman is next at 12 percent.¹⁷²

While North Korea is likely to benefit economically from the reduction in tensions as it moves a significant portion of its GDP into the domestic economy, the process of realizing the peace dividend could in itself be a form of instability. When the Cold War ended, it was expected that countries would see increased economic growth as they diverted resources from their militaries to their domestic economies, but this was in the long run, not the short term.¹⁷³ A study of the United States found that there was a five-year lag before the economic benefits of decreased defense spending became visible.¹⁷⁴ In recent conflict zones, such as Colombia, promised economic development has been slow to materialize.¹⁷⁵ It will be important for North Korea to keep expectations for economic progress measured.

In addition to high levels of defense spending, North Korea also has an estimated 1.16 million active-duty personnel, the

most of any country as a percentage of total population, at 4.8 percent.¹⁷⁶ As defense expenditures are cut, North Korea will also need to demobilize a significant portion of its armed forces. This could be positive if it is able to move personnel into productive economic activities, but if demobilized soldiers are added to the growing ranks of the unemployed, it could be a source of instability.

Instead of quickly drawing down its forces, North Korea should plan to reduce its active military over a period of years. The military could take in fewer conscripts each year and reduce service time. A slower rate of demobilization should enable the domestic economy to absorb new workers.

Financial Reform and the Exchange Rate

Like the dual-price system for goods, North Korea also has an official and a black-market exchange rate. A single rate of exchange will be needed to facilitate trade and direct payment of workers by foreign firms operating in the country. Other transition economies implemented different mechanisms for determining the exchange rate, including currency boards and flexible currency regimes that often reflected a managed currency, since they lacked the foreign reserves to back a pegged exchange rate.¹⁷⁷

However, a report by the Korea Development Institute suggests that the North Korean economy has become "dollarized"—that is, foreign currencies are playing the primary role of exchange and medium of pricing.¹⁷⁸ According to *Daily NK*, North Koreans use foreign currency for large purchases and the local currency, the won, for small purchases, but they have a preference for foreign currency overall.¹⁷⁹ However, dollarization comes with risks for North Korea. While it has helped create monetary stability, economic panic could set in if the won loses value.¹⁸⁰ Dollarization also means that North Korea has lost control of its monetary policy.

With banks largely shunned in North Korea, the *dongju* have developed an informal financial system. Part of any financial

reform in North Korea will need to bring these financiers into a formalized, regulated system.

One of the few times Pyongyang publicly acknowledged a policy mistake was when it undertook an ill-advised currency reform and panic set in, with social mobilization against the currency policy.¹⁸¹ If the introduction of financial and exchange reforms is not managed well and is seen as confiscatory, North Korea could face a similar crisis.

Movement of People

North Koreans do not have freedom of movement, and if they wish to travel outside of their home districts, they require a travel permit. While these rules have remained in place even with the advent of markets, increasingly, merchants are making use of bribery and the authorization of SOEs to travel.

If North Korea undergoes economic reform, there will be higher demand for workers to move and for citizens to travel. As a middle class emerges, it will want to take vacations in other parts of the country or overseas. Similarly, there will be an increasing number of foreigners traveling to North Korea. In fact, North and South Korea have jointly put forward a proposal to co-host the 2032 summer Olympics, and if the bid is successful, there could be hundreds of thousands of foreigners traveling there.

After decades of maintaining tight control over its citizens' internal movements, Pyongyang will need to develop a plan that gradually enables freer domestic travel. Failure to do so could lead to additional instability.

Aligning Economic Engagement with Denuclearization

For denuclearization to be successfully coupled with economic engagement, the United States and South Korea need to align their policies. In particular, the two should develop a common understanding of which types of economic engagement they would support in exchange for specific denuclearization steps.

The US-ROK coordinating committee can bridge some gaps. However, South Korea has largely developed its vision for a new economic map for the Korean Peninsula¹⁸² independently, and it appears willing to take on the burden of sanctions relief from the United States.¹⁸³ It is natural that Seoul should take a leading role in the economic future of the peninsula, but Washington's seeming reluctance to allow inter-Korean projects to move forward suggests that there is no coherent strategy for coupling denuclearization with economic benefits.

A common strategy would also ease potential future tensions related to areas where economic cooperation might not be beneficial, such as technologies that would allow North Korea, like China, to better manage its population. With the advent of AI and big data, China is attempting to combine social management with "social credit" scores for individuals to enhance the tools at its disposal to control the population.¹⁸⁴ While China's use of facial recognition technology in Xinjiang may be the best-known example, AI also offers the opportunity for the Chinese Communist Party to improve other aspects of control, such as censorship.¹⁸⁵

North Korea has developed its own sophisticated tools to monitor its population,¹⁸⁶ including facial recognition technology.¹⁸⁷ Washington and Seoul may not ultimately be able to stop Pyongyang from developing or acquiring these tools, but they should avoid playing an active role in helping the regime to control its population.

China, Russia, and Japan also have significant interests in the future economic development of North Korea. The better the understanding each party has about how to proceed on economic engagement, the more likely it is that such engagement will move North Korea closer to market-based reforms. Since Japan will probably provide a significant portion of North Korea's development assistance once it normalizes relations and compensates Pyongyang for twentieth-century Japanese colonization, it could play an important role in this process.

Maintaining North Korean Agency

Just as it is important to align US-ROK policy for economic engagement with North Korea, it is important to ensure that North Korea has a significant say in the development of its economy.

South Korea's new economic map includes three major belts for North Korean development. The DMZ would become a peace zone, and the east and west coasts would become zones for cooperation in areas such as industry, tourism, and energy. Some of the proposals are based on projects, such as a pipeline for Russian gas, which Pyongyang has nominally supported in the past. For sustainable and transformative development, however, it is vital that North Koreans help shape areas of economic cooperation and plans for development.

A Path to Economic Reform and Sustainable Growth

Even with North Korea's buy-in, a transition to sustainable economic growth will be a long-term process. But that is also why the international community should begin developing a coherent approach to North Korean economic reform. Parallel talks with Pyongyang about economic reform and economic engagement would be beneficial in ensuring the process is viable if a deal is reached on denuclearization.

Domestically, North Korea will need multiple reforms from the outset. In particular, it will be important to unify the dual-price system, build institutions for a market-based economy, support a changing labor market, and improve the health and education of the population. Some of these reforms may need to be tested first in special economic zones to determine which are likely to work best.

In parallel, the international community should provide technical advice so North Korea can gain access to international financial institutions and repair its global credit. It will also be important to determine which infrastructure projects should take priority.

Economic engagement more broadly will need to be coupled with sanctions relief. In turn, sanctions relief should be structured to encourage North Korean market investments in industries that will promote job creation rather than simply boost export earnings. Economic engagement should encourage the growth of services in North Korea and the development of backward linkages into the economy rather than isolated industrial zones.

Economic engagement on its own will not be sufficient. If Pyongyang is unwilling to remove the dual-price structure, resources will continue to be used inefficiently. If it is unwilling to allow companies to pay workers directly, attracting quality FDI will be difficult. That does not mean that North Korea cannot grow from exports of mineral resources or walled-off industrial zones, but it does mean that there will be severe limits to this growth.

In this respect, the terms on which the international community is willing to engage with Pyongyang will be critical. If its goal is to encourage transition to a market structure, it will be doing North Korea no favors if it fails to insist on steps such as direct payment of workers or unifying prices. If North Korea is seeking significant economic growth, allowing it to take steps that undermine its own reforms will potentially jeopardize the denuclearization process.

Amid this process, the international community will have to ensure that the benefits of economic opening are not funneled into new illicit programs. Furthermore, North Korea will need to avoid the instability that can come from economic reform.

There can be a bright future for North Korea from denuclearization, but it will take time, significant domestic reforms, and help from the international community to realize it.

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PRESERVING THE ROK-US ALLIANCE

In-bum Chun

If you asked South Koreans if the relationship between the Republic of Korea (ROK) and the United States has brought benefit to their country, the majority would say “yes.” A considerable number would reply that the relationship was the best thing that had happened to Korea in its 5,000-year history. If you asked Americans if the Korea-US relationship has benefited their country, many would undoubtedly respond by asking, “North or South?”

ROK-US relations started in earnest with the end of the Korean War in 1953. Once the ROK-US Mutual Defense Treaty was signed in October of that year, South Korea was able to concentrate on its economy. The guiding hands of the United States brought democratic values and freedoms to the South Korean people, who, with their focus on education and relentless work ethic, worked themselves nearly to death. Everything good and everything that went wrong was the responsibility of the United States, which *did not* prevent Park Chung-Hee’s dictatorship or the bloody crackdown at Kwangju in 1980. This sentiment had its roots in the belief that the United States was Korea’s benefactor.

Then, from the late 1980s, the United States started to pressure South Korea on trade. This protectionism had a profound effect on the sentiments of the Korean people, who now saw the great benefactor as just another country. “Yankee, go home” became the sentiment among radical circles in South Korea. In turn, in the name of public security (공안/公安), the South Korean government implemented repressive policies that led many to blame the United States. The rise of radical student movements marked this period.

A part of the relationship between the United States and South Korea involves sharing costs (“burden-sharing”) to support US troops in Korea. The Special Measures Agreement (SMA) enables the continuous stationing of US troops on the Korean Peninsula. Although the SMA is not a trade agreement, Koreans view it in the same way. They are baffled that the great

benefactor asks for money for its soldiers, even though the benefits easily outweigh the costs, and the costs are not hard to accept. While the Trump administration’s effort to modify the SMA is understandable, the approach may result in disaster.

The ROK-US Free Trade Agreement (FTA) was a monumental step toward normalizing economic and trade relations between South Korea and the United States. The challenges now facing the ROK-US alliance center on North Korea and China.

Regional Environment: A Korean Perspective

In the foreseeable future, the People’s Republic of China (PRC) is the only nation that can challenge the United States and the Korean people’s way of life. China shares its borders with fourteen countries, including North Korea, and it faces a long list of internal challenges, such as ethnic sovereignty issues, economic inequality, and corruption. China already has four nuclear-armed nations on its borders: Russia, India, Pakistan, and the Democratic People’s Republic of Korea (DPRK). It appears that for China, having North Korea as a nuclear-armed neighbor is less of a worry than losing a buffer zone to the United States if the two Koreas are reunited. Keeping them divided is probably the best option for Beijing, since a unified Korea, whether led by North or South Korea, would only create instability.

The love-hate relationship between the Koreans and the Japanese will make reconciliation difficult. With South Korea, at least, Japan has a relationship; before the feud that grew throughout much of 2019 between Prime Minister Shinzo Abe and President Moon Jae-in, an average of eight million South Koreans visited Japan annually, and about 2.5 million Japanese went to Korea. Despite the existence of a group called the General Association of Korean Residents in Japan (조총련/朝總聯), which has close connections to Pyongyang, the North Korean hatred for Japan is genuine and in fact astounding.¹⁸⁸ If the Korean Peninsula were ever to fall under full North Korean

control, the security threat to Japan would place Tokyo in a precarious position, to say the least. From a Korean perspective, Japan seemed comfortable with a divided Korea until North Korea became a nuclear-weapon state. For Japan, a Korea unified on North Korean terms is the worst option, and a Korea unified under a free and democratic South Korea is the best.

Although Russia remains keen to have a warm-water port via access to North Korea's northeast coast, and its cooperation will be essential during any unification process, Moscow's influence on the Korean Peninsula has diminished since the collapse of the Soviet Union. Recently, Russia has been increasing military cooperation with the PRC through combined operations, including overflights in the East Sea (Sea of Japan). This Russian assertiveness is a disturbing trend for South Korea, since Russia has been supportive of North Korean policies toward "denuclearization." Regardless of what happens on the Korean Peninsula, Russia seems focused on preserving the status quo there.

For the Korean Peninsula, the uncertainty created by the US-PRC confrontation, which could lead to a hegemonic war, is of great concern. To most South Koreans, the PRC's actions are no surprise, but they would like to avoid a situation where they must choose between the United States and China. The potential for further confrontation over high technology and the US Indo-Pacific strategy will complicate the issue for South Korea. The open challenge from China, especially the military challenge, seems to have finally awakened the United States, to Korea's peril.

The second concern for Seoul is the change that is occurring in Japan's approach to its military. After the Second World War ended, Japan gave up the right to an offensive military in exchange for security assurances from the United States. This arrangement provided stability to the region and economic prosperity to Japan and its neighbors throughout Asia. However, with Prime Minister Abe trying to make Japan a normal state

and the United States recognizing Japan as a hub for its Indo-Pacific strategy, future security arrangements are uncertain. The Koreans, as victims of Japanese colonial occupation, still suffer from trauma, but it appears that most Japanese and even fewer Americans realize the impact this has had on the Korean psyche.

Finally, the deterioration in relations between Seoul and Tokyo is a concern. With the feud between the Moon and Abe administrations, relations are at a new low, with no clear path for resolution. This open argument is detrimental to the alliance, and the United States is caught in the middle and unable to broker a deal. Washington seems to understand Seoul's reluctance about embracing an Indo-Pacific strategic vision that seems aimed at China, yet it is not subtle in its approach to its ally.

The Trump administration's attitude to alliances in general and South Korea in particular is very concerning, particularly the appearance of total disregard for the Korean people. The SMA might have enduring consequences for the alliance.

The ROK-US Alliance: The South Korean Perspective

Although South Koreans hold a variety of views on the alliance with the United States, most of them appreciate it. However, given the polarized nature of South Korean politics, both the positive and the negative views of the ROK-US alliance must be understood. This essay will examine South Korean public opinion by considering differences across generations, gender, and politics.

South Koreans can be divided into at least four generations: the Korean War generation (born 1940–54); the post-Korean War generation, also called the 386 generation (born 1955–80); the millennials (born 1981–96); and those born after 1997.¹⁸⁹

As of 2010, 49.8 percent of the South Korean population was female. Of 300 National Assembly members, 42 are women (under 14 percent). In 2009, 82.4 percent of women who

graduated from high school enrolled in college (vs. 81.6 of men). Also, in 2009, women comprised nearly 49 percent of those who entered the diplomatic corps, almost 47 percent of those who became civilian bureaucrats, and nearly 36 percent of those who passed the bar.¹⁹⁰ Nevertheless, about three-quarters of all political commentaries are written by men. At least by this crude indicator, South Korean women seem less interested in politics than South Korean men.

Political views in South Korea have fluctuated over the past couple of decades. In a 2002 poll, 43.7 percent of Koreans identified themselves as conservative, 30.4 percent as moderate, and 25.8 percent as progressive.¹⁹¹ In a 2017 survey, 38.3 percent identified themselves as moderate, 27.9 percent as progressive, 23.3 percent as conservative, and 10.4 percent as undecided.¹⁹² The definition of “conservative” and “progressive” in South Korea is not about same-sex marriage, gun control, or abortion, but rather, North Korea and the Kim family, nationalism, and social and economic equality. The progressives are more tolerant of North Korea on the grounds all Koreans should come first. Likewise, they are more sympathetic toward the Kim family dictatorship and have many excuses for their sympathetic views—such as avoiding war at all costs. Religion also plays a role in Koreans’ values. Protestants are generally conservative, as are Buddhists. Catholics, on the other hand, tend to have more progressive views.

The Conservative Korean View

Liberal democracy and the free-market economy are at the center of conservative thinking in Korea. For Korean War-generation conservatives, who remember the atrocities committed during the war by the North Korean army and the leftists, North Korea and the Kim family cannot be trusted, and the only solution is regime change. This generation also remembers the numerous occasions when North Korea infiltrated guerrillas into South Korea and committed acts of terrorism.

The Korean War generation includes families that were separated by the war. Although diminishing in number, these families retain

a strong desire to see their relatives and home. Thus, the idea of unification exerts a strong pull for them. They oppose a nuclear-armed North Korea and fear the consequences, believing that denuclearization is a vital goal, which has led some to propose that South Korea should acquire nuclear weapons and go to war against the North.¹⁹³

The Korean War generation see the Americans as their liberators from Japanese cruelty, their saviors from the savage North Korean communists, and the providers of food, clothing, hope, and opportunity. In their view, the United States was all-powerful and could do no wrong. They were shocked and confused when the United States lost the war in Vietnam and frightened when it withdrew some forces from South Korea during the Carter administration. If the question of Seoul’s shouldering costs to support US troops on the Korean Peninsula arose, for this generation, it always seemed like a minor issue. The Korean War generation relies on US leadership; it finds President Trump’s unconventional policies confusing, but it still views a strong alliance as the best thing that has happened to the Korean people. Members of this generation are the most ardent supporters of the ROK-US alliance, although many do not understand its complex realities.

The 386 gen was born after the Korean War, at a time when South Korean living standards were below that of North Korea, and the North Korean military was large and capable. South Korea was poor, with most living along the poverty line. Many starved, but this generation was spared most of the worst, and by the time they entered college, they craved “freedom and democracy.” In the months following President Park Chung-hee’s assassination in 1979, a democratic movement arose but was crushed in what is known as the May 18 Kwangju Uprising.¹⁹⁴ Many in the 386 gen saw Washington as a collaborator because surely the all-powerful United States must have condoned the South Korean military crackdown in the spring of 1980. Members of this generation are the most radical in South Korea.

The 386 gen members believe that it was they who stood up to the authorities and gained democratic freedoms in spite of US “collaboration” with the South Korean establishment. Unlike the Korean War generation, they are not pro-American. Even the conservatives among them resent the United States and see ROK-US relations as a necessary “evil.”

North Korean propaganda and South Korean culture and authoritarian attitudes exacerbated mistrust of the South Korean establishment and the United States. For instance, the predominant view of North Korea, the Kim family, and communism among the 386 gen is noteworthy. If established South Korean society was imperfect, the thinking went, maybe North Korea, the Kim family, and communism were not so bad. The lack of life experience, mixed with social injustice and North Korean propaganda, created a generation of devoted idealists. Now, the 386 gen is in their fifties or sixties, and the most political of them have become politicians. Some of these politicians have become conservative, but their background and world outlook are rooted in 386 gen idealism. Conservatives from this generation are more nationalistic, more open to North Korea, and favor greater South Korean independence from the United States.

The 386 gen conservatives view North Korea and the Kim family as a practical problem, not an enemy. They have confidence that the South Korean system is superior to that of North Korea and that North Korea and the Kim family are no longer a threat. This kind of confidence is healthy, but it does not take into consideration the resilience of the Kim family dictatorship or the cult-like nature of North Korea. The 386 gen prefers coexistence with North Korea to unification. This mindset is very different from support for regime change.

This generation also seems to view the North’s nuclear capability as less of a threat, believing that, since North Koreans are Koreans, and have privately and publicly said that nuclear weapons would not be a first-use weapon or used

on the “Korean people,” there is no need for concern. Even conservative members of the 386 gen seem to think this way. Some members of this generation reason that one day, when Korea is unified, North Korea’s nuclear capability will become a “Korean” capability. Believing South Korea can simply inherit North Korea’s nuclear weapons is a dangerous line of thought. Conservative members of the 386 gen seem to think along these lines, but they realize that the cost of possessing nuclear weapons would outweigh the benefits.

When the millennial generation matured, South Korea was on the way to civilian control and soon was hit by the Asian financial crisis. Ever since the mid-1990s, the country’s focus has been on liberal economic policies and the distribution of wealth. North Korea’s decline and the downfall of communism occurred during this time. This group did not see North Korea as a threat in the same way as the Korean War generation or the 386 gen for a different reason: North Korea was starving.

Unification was forecast to take place within their lifetime. The conservative Korean millennials were overconfident. This generation saw North Korea attack and sink a South Korean corvette and attack a South Korean island with artillery. Younger Koreans do not have a strong emotional attachment to North Koreans or a deep-seated resentment toward the Kim family dictatorship. This group is more practical and less focused on nationalism.¹⁹⁵

The Progressive Korean View

Korean progressives wish for a more equal world and yet are reluctant to acknowledge the cost that will be required to pursue these efforts. Most members of the Korean War generation are conservative;¹⁹⁶ some, however, identify themselves as progressive but in actuality are communist. They are nationalistic and put the “Korean people” above all. They generally believe that the Korean Peninsula would have one nation today had the United Nations not involved itself in the Korean War. This point of view grew out of deficiencies in South Korean society

in the 1960s and 1970s and was reinforced by North Korean propaganda.

To this group, unification seems to be the solution to all problems: social inequality, injustice, poverty, and pride in being Korean. They appear to excuse North Korea's starvation of its people and its human rights abuses because, they believe, this has its roots in the division of the Korean people by the great powers, and especially the United States. Hence, they consider a unified Korean Peninsula better than a divided peninsula, regardless of which side unifies it. This group, small in number, has never wavered from these ideas.

Some members of the 386 generation were influenced by communism and especially *juche* (주체;主體), the leadership philosophy of North Korea, and became radicals.¹⁹⁷ For this generation, which was seeking new answers to social realities, the forbidden ideology was fascinating and exciting, presenting a dream world that appeared to offer hope. It will take many years for people to accept and realize that *juche* does not work in the real world, no matter who or what is to blame. Still, in an imperfect world, people cling to such ideas, even as those who live it in North Korea suffer the consequences of this failed ideology.

The radical members of 386 gen believe that North Korea's nuclear weapons are defensive and that the threat from Pyongyang is exaggerated. They also believe that to satisfy Pyongyang, South Korea must abandon all hostile policies toward North Korea and become more "Korean." In addition, all foreign troops must leave South Korea, and there must be no overt—or even indirect—criticism of North Korea or the Kim family.

The progressive members of 386 gen are anti-American, viewing the United States as an imperialistic country that exploits the world, and they never forget US policies that provide them with any support at all for these ideas. Trade, cost-sharing for US

troops, the "war on terror," and every mistake the United States makes become additional examples of evil US imperialism. This leftist group believes the world would be a better place without the United States.

Post-386 gen members are mostly less political and more concerned with economic issues. The progressives among them, however, hold values similar to those of 386 gen progressives. Although smaller in number, they seem to be more radical in thought and action, but not necessarily sympathetic to North Korea and the Kim family. The competitive nature of South Korean society, strong emotions, and persistent promises of social equality have raised South Koreans' expectations to nearly utopian standards. For this generation, issues such as North Korea, unification, North Korean nuclear weapons, and views toward the United States are dwarfed by social and economic priorities.

How Korea Can Be a Better Partner

The world is changing, but South Korea is changing with a speed and momentum never before seen. The Internet, the country's modest size, and the temperament of the Korean people are all playing into this radical transformation. The focus of this essay is how this change affects the Korean people, based on generation and political attitudes. This brief analysis may be too general and subjective, and further study will be required. For now, however, the following are recommendations to guide policy: communicate, engage, bolster military ties, enhance trade, and work to improve North-South relations.

Communicate

The South Korea-US relationship is uneven in that the United States is a world power, while Korea is a regional player at best. In a world in which information is rapidly disseminated and ever more complex relationships, this asymmetric relationship is changing. Although Korea is a small country, its role is growing through its economy and international relationships, and it is becoming more important regionally and internationally. With

China's rise as a military competitor to the United States and its open attempts to achieve a military capability that threatens stability, even the United States will require many allies around the world, and especially in Asia.

Although Japan is a cornerstone of US regional strategy and a reliable ally to the United States, South Korea still plays an ever-growing role as a linchpin for US strategy for Northeast Asia. South Koreans have always believed that Americans know the inner workings of their country, and Americans believe that South Koreans know the United States, but even Koreans have a difficult time keeping up with changes in their society, and the same is true of Americans.

In ROK-US relations, the burden of persuasion over regional security priorities lies first with Korea, which must do a better job communicating the Seoul's threat perception to its most important ally. At the center of this task is the Korean diplomatic community, as well as various Korean-American communities that support the alliance. It is surprising that US interest in South Korea is often so limited. As a responsible superpower, the United States must take more interest in Korea and realize that concentrating on Japan is not enough.

Again, Korea must take the first step because it has more to lose. Seoul spends approximately \$20 million annually on public diplomacy. This budget should be increased and focused on the United States, especially for education about South Korea. An increased interest in Korean culture, including K-pop, K-movies, and K-food, will take the focus off North Korean nuclear weapons, and these should be better publicized by the South Korean government and people.

Engage Diplomatically

South Korea maintains diplomatic relations with nearly 200 nations around the world, but the United States is the only one vital for its survival as a nation. Korea has an embassy, nine consulates, and three local diplomatic offices in the United

States. Much of the activity of South Korean diplomats focuses on Koreans conducting business and other daily activities in the United States.

More emphasis and funds need to be invested in diplomatic activity geared toward helping Americans understand Korea better. In particular, educational events that present Korean issues to the American public are crucial for laying the foundations for a better understanding.

Support for Korean-language instruction in American schools also has great potential for the future. In most US junior and senior high schools, courses in Chinese and Japanese are more readily available. Diplomatic support should ensure that the younger generation in American schools has an opportunity to learn Korean as a second language. Expanding the pool of people able to speak Korean will lead to wider opportunities for American students to come to South Korea to learn more.

Strengthen Military Cooperation

The presence of US military forces on Korean soil brings advantages to Korea. The relationship is wide and deep and has a long history going back to the birth of the South Korean military. Despite the modest size of US forces, the changing command relationship between Korean forces and US forces stationed in Korea, and the relocation of US headquarters from Seoul, the relationship is still strong. Even with the changing command relationship, the daily exchanges and especially the combined nature of the units help both militaries prepare for contingencies.

Although South Korea is reluctant to participate openly in the US Indo-Pacific strategy, this does not mean it will not stand up for its national interests. Its growing capabilities include blue-water naval and over-the-horizon missile capabilities. Most of the extended capabilities are limited by US and international regimes, and this is something that might be ripe for review. The Korean military also incorporates US doctrine and weapons,

setting its standards by the US military and educating its cadres to US standards and beyond. Most military planning and decision processes follow US teachings as well. The critical decision to maintain the Combined Forces Command will further ensure that this relationship will continue.

Despite all these favorable circumstances, South Koreans take the military relationship for granted. Notably, the Korean public lacks a full understanding of the roles, functions, and contributions of US forces in their country. Korean politicians are also unaware of the value of the combined forces. The conservatives take the ROK-US alliance for granted, while the progressives resent it. Reconciling these views is essential. The conservatives must support the alliance and take constructive measures to strengthen it, and the progressives must be practical and realistic.¹⁹⁸

The other aspect of US forces in South Korea is that Koreans are overly reliant on them. Many still believe that the US military will come to their aid without question. Their excessive confidence in US military capability and their general belief that the US national interest prevents the United States from radically changing its force structure on the Korean Peninsula are dangerous lines of thinking, shared by conservatives and progressives alike.

US troops on the Korean Peninsula are frequently rotated, and more than half stay for only one year. This creates a systemic problem. With the new Camp Humphreys base in Pyeongtaek, the United States should increase the number of command-supported tours so that service personnel can serve in Korea for at least two years. Seoul should support this effort with financial assistance in the Special Measures Agreement.

Expand Trade

Some 11 percent of all South Korean imports come from the United States, and about 13 percent of all Korean exports go to the United States.¹⁹⁹ The Korea-US Free Trade Agreement

(KORUS FTA) reaffirms the principles of the free market and free trade between South Korea and the United States. On the other hand, this relationship has created friction as each side endeavors to achieve economic gain. Privately, Koreans will admit that Americans are by far the fairest in their dealings with Korea.

The conservatives and the younger generation believe that the South Korean economy is dependent on stable relations with the United States—whether because such relations are in Korea's best interest, or because it has no alternative. On the other hand, some progressive Koreans believe that it is better to be poor and equal than adequately fed. One can only hope that this is a momentary phase Korea is going through on its way toward achieving a mature society.²⁰⁰ As in all societies, in the end, it is about the economy. No matter how much South Korea trades with its neighbors, its relationship with the United States is the foundation of its economy.

Improve North-South Relations

There is no doubt that North Korea has nuclear weapons, so South Korea and the world must now learn to live with a nuclear-armed North Korea. The brutal fact is that without regime change or another drastic change in North Korea, denuclearization will be impossible. North Koreans have the satisfaction of having nuclear weapons, but they must learn that they cannot eat them.

South Korean conservatives have been willing to go to war, but this will not be realistic with a nuclear-armed North Korea. Progressives have the opposite attitude, believing that it is only natural for South Koreans to help North Koreans not only with food, but also with wealth. North Korea's human rights record is not an issue either for them, since in their view, Pyongyang has a unique political system that requires a different standard or understanding.

How the two Koreas resolve the human rights issue will be the ultimate question between them.

Conclusion

Most South Koreans know that the United States is essential for their survival. But they must address two questions. First, is North Korea more critical than the South Korean way of life? Second, is China or the United States the country that is vital to their future? The answers ought to be evident, but there is a generation of South Koreans who still need to make up their minds.

The United States and the PRC must come to an understanding on the future of the world. US-China relations will head in one of the following directions: toward competition, confrontation, conflict, or conciliation. Fifty million South Koreans and 25 million North Koreans are caught between these two great powers. Although South Korea is smaller than these powers, it still has a vote to choose between China and the United States, and it deserves greater appreciation from them. Many South Koreans believe they have a choice, but in reality, Seoul cannot stay neutral, though it dreads the moment that it must decide. But the choice is obvious to South Koreans: they must choose the winning side. At present, one great power is asking South Korea for money, and the other is demanding that South Koreans kowtow to it.

South Koreans must also make a sensible choice about North Korea. North Koreans have become a separate society, and nationalism can no longer connect the two countries. Tough questions require answers. How much is unification worth? Are South Koreans willing to pay the economic cost, and especially the social and cultural price, for unification? How can South Koreans answer these questions? Where does the US-ROK alliance fall in this equation? Can Seoul survive without its relationship with Washington? South Koreans must answer these and many more questions in close consultation with the United States. Some will inevitably want to consult with China as well.

Finally, South Korea needs to be more responsible and mature as a member of the world community, and Koreans need to graduate from their narrow view of international relations. All this will take time, and though nobody can be sure how much time is available, South Koreans have been able to adapt and, when necessary, change at high speed.

THE ROK-US ALLIANCE: ONE AMERICAN'S PERSPECTIVE NOW AND FOR THE FUTURE

David S. Maxwell

The alliance between the Republic of Korea (ROK) and the United States has stood the test of time since 1953. It was born in blood in the Korean War as the US-led United Nations Command (UNC) defended South Korea from the North's naked aggression to ensure freedom and liberty for the Korean people. Today the ROK-US alliance is the linchpin of the US security structure in Northeast Asia.²⁰¹ The Korean Peninsula is in a complex and unique geostrategic location, which makes it vulnerable to regional powers. The best way for South Korea to prevent their domination and ensure its own sovereignty is an alliance with an offshore balancing power with no designs on its territory. Regardless of the outcome of the Korean War or whether there is a peace treaty with North Korea or unification, the need for the ROK-US alliance will endure.

This essay examines the history and purpose of the ROK-US alliance; the ideological conflict that persists on the peninsula and in Northeast Asia; the threats to the alliance, both internal and external; and the alliance's place in a broader strategic construct. It argues that not only should the alliance be sustained, but that it should continue to evolve to protect the shared interests and shared values of the Korean and American people.

The United States has a long relationship with Korea, going back to the General Sherman incident in 1866, one of the first and best-known encounters between the two countries. The United States, like other Western powers, was attempting to open trade with Asia, and the US merchant ship General Sherman steamed up Taedong River to Pyongyang. In the incident, the crew was massacred due to its inability to effectively communicate, understand the local culture, and, most importantly, respect the wishes of the Koreans, who did not want to conduct trade with the outside world.²⁰²

The most significant early event in Korean-US relations occurred with the termination of the Russo-Japanese War. As part of the Treaty of Portsmouth, which ended the war, the Taft-Katsura Agreed Memorandum of 1905 ceded Korea to a Japanese

sphere of influence in exchange for the Philippines' becoming part of a US sphere of influence.²⁰³ This paved the way for the Japanese occupation and colonization of Korea through 1945. The peninsula was divided at the end of the Second World War with the establishment of the Republic of Korea in the south and the Democratic People's Republic of Korea (DPRK) in the north, both with their own designs to unify it.²⁰⁴

The peninsula's division led to the brutal Korean War from 1950 to 1953. After the North attacked the South, the United States deftly maneuvered the UN Security Council. Thanks in part to the Soviet boycott of the Security Council, the UN body passed multiple resolutions declaring North Korea the aggressor, calling on member nations to defend the freedom of South Korea, establishing the United Nations Command to prosecute the war, and naming the United States as the executive agent for overseeing the UNC.²⁰⁵

Hostilities were temporarily suspended by the armistice agreement in July 1953. In October of that year, the Mutual Defense Treaty (MDT) was signed, thus formalizing the alliance as it exists today, even though a state of war remains in effect between the North and the South, or more precisely, between North Korea and the UNC.

The negotiators who drafted the MDT were prescient. It provides the legal basis for the presence of US troops and the scope of the alliance. The six short articles make no mention of North Korea or the DPRK. Instead, the MDT's purpose is to defend both countries against threats in the Asia-Pacific region. This is significant because should the Korean War end, or the armistice be replaced with a peace treaty, or the Korean Peninsula be unified as a United Republic of Korea (UROC), it does not automatically follow that US forces would be withdrawn. The alliance treaty is not limited to addressing the threat from the North. Any decision on the withdrawal of US troops would be made based on consultation and agreement between the ROK and US governments. This means the alliance will exist for as

long as both nations agree it is in their national interests to sustain it.²⁰⁶

The alliance has provided the security space for the ROK to develop into a great middle power. Gradually, it developed a liberal democratic form of government and a free-market economy that is around the eleventh largest in the world. The ROK also built significant “soft power,” especially with the spread of the “Korean Wave” around the world. Despite political turmoil, through hard work, an entrepreneurial spirit, and a unique form of Korean nationalism, the ROK has evolved from a major aid recipient in the 1950s to a major donor nation by the twenty-first century, contributing military power, diplomatic influence, and economic assistance around the world.²⁰⁷

The military aspect of the alliance has evolved as well, most markedly with the establishment of the ROK-US Combined Forces Command (CFC) in 1978.²⁰⁸ The CFC assumed the UNC’s wartime responsibilities. The UNC, in turn, shifted its focus to maintaining the armistice and preparing to be a “force provider” to the CFC if additional forces were required and requested by the CFC commander. The CFC is thus a bilateral warfighting command, with a mission of deterring an attack on the South and, if necessary, fighting and winning any war started by the North. It is arguably one of the most formidable alliance commands in the world, boasting a permanent combined headquarters and subordinate components that exist to deter war daily and respond to an attack. Because the headquarters staff works together every day, the CFC is capable of crisis management, deliberate planning across the spectrum of conflict, intelligence analysis, and combined training. The ROK-US CFC will undergo another step in its evolution when the “conditions-based” Operational Control (OPCON) transition takes place sometime in the 2020s. At that time, a change of command will take place, with a four-star general from the ROK assuming command and a US four-star general becoming the deputy. However, what is critical is that the alliance should retain the experience and trust built over decades between ROK and

US military personnel. The strengths of both militaries combine to mitigate the weaknesses inherent in each.²⁰⁹

The Value of the Alliance to the ROK and United States

It is imperative to understand the long-standing North Korean strategy. As a revolutionary nation, as described in its constitution, North Korea seeks to complete the revolution by ridding the peninsula of foreign military forces and unifying it under the domination of the “guerrilla dynasty and gulag state,” which is used to describe the idea the regime rests on the myth of anti-Japanese partisan warfare and incarcerates some 120,000 political prisoners in multiple prison camps or gulags.²¹⁰ In the calculus of the Kim family regime, unification on its terms is the only way to ensure its survival. The regime’s strategy is built on subverting the ROK to create political instability, using coercion and blackmail diplomacy to gain political and economic concessions, and, when conditions are right, using force to execute a campaign plan to occupy the entire Korean Peninsula.

To successfully execute its strategy and accomplish its goals, the North requires a split in the ROK-US alliance. Specifically, it needs to drive US forces off the Korean Peninsula and end extended deterrence and the nuclear umbrella over the ROK and Japan. The regime has been pursuing this strategy for seven decades, and there is no evidence that it has abandoned it. Coincidentally, this is also how it views the end of the US “hostile policy.” As long as there is a ROK-US alliance, the regime believes, the United States poses a threat.²¹¹

Due to this strategy, the ROK faces an existential threat from North Korea. The North Korean People’s Army (NKPA) has an active force of some 1.2 million personnel, 70 percent of whom are deployed between the Demilitarized Zone (DMZ) and Pyongyang. These forces are postured for offensive operations. The NKPA annual winter training cycle runs from December through March, with forces conducting echeloned

training designed to achieve the highest state of readiness by its conclusion. March is the optimal attack time because the ground is still frozen, and the rice fields in the South would not obstruct a mechanized armored attack. The NKPA possesses not only nuclear weapons, but also chemical and biological weapons of mass destruction (WMD). In a war, North Korea would likely use all of its weapons, including these oft-ignored WMD.²¹² Therefore, the ROK depends on the alliance for combined defensive capabilities for its survival.

The United States has a vital national interest to deter war on the Korean Peninsula. If hostilities resume, Korea's geostrategic location ensures that the economic effects would not be confined to the peninsula. China and Japan are the second- and third-largest economies in the world, respectively, and the ROK is around the eleventh. A war involving these powers will have a direct impact on the US homeland. Furthermore, conflict is likely to escalate because of the proximity of two nuclear powers, China and Russia, and one of the highest concentrations of military forces anywhere in the world. The size and proximity of the forces, from North Korea, South Korea, China, Russia, and Japan, will likely cause miscalculations and responses with significant global repercussions. Even if the United States chooses not to support its Korean and Japanese allies, it might not be able to avoid conflict, and it certainly will not avoid the economic effects of war in Northeast Asia.

Therefore, deterrence is a vital interest. The question is what deters North Korea from attack. In 1997, Hwang Jong Yop, North Korea's highest-ranking defector and the father of its *juche* ideology, told interrogators from the South and the United States that it is the presence of US forces that deters the Kim family regime. Kim Jong-il and his father Kim Il-sung before him knew the NKPA could not win a war against the South if the United States fought on its ally's side. Kim Jong-un likely knows this as well. In addition, Hwang said that Kim Jong-il believed the United States would use nuclear weapons if North Korea attacked the South.²¹³ This helps explain why the regime has

been pursuing nuclear weapons since the 1950s. It is also an indication that US declaratory policy works. On the other hand, the regime believes that if it possesses nuclear weapons, the United States will be deterred from using its nuclear weapons because a nuclear power will not attack another nuclear-armed country.

In short, the value of the ROK-US alliance is that it contributes to deterring war. It protects the ROK from the existential threat from the North, and it supports a US vital national interest in preventing a resumption of hostilities that would directly affect the US homeland and the globe.

Ideological Conflict on the Korean Peninsula

The ROK-US alliance has long been based on shared interests, shared values, and shared strategy, particularly when it comes to North Korea. The shared interests are deterring war and defeating the North if it attacks. Economic prosperity is another interest shared by the ROK and the United States. Sustaining US influence in the face of possible Chinese regional hegemony may also be a shared interest. For instance, both countries have opposed China's resort to economic warfare against the ROK as a penalty for deploying the Terminal High Altitude Area Defense (THAAD) battery.²¹⁴

At the heart of the alliance are shared values. However, these values are in direct competition with and a direct threat to the Kim family regime. The Korean people of the North and South should have the choice of which values to accept and live by. The ROK and United States share the values of freedom and individual liberty, liberal democracy, a free-market economy, and the universal application of respect for human dignity and human rights.

The Kim family regime boasts a different set of "values." These are Kimilsungism and *juche* (self-reliance), the economics of the Socialist Workers' Paradise, *songun* (military-first politics),

songbun (the societal structure of a North Korean “caste-like” system that is designed to oppress the people), *byungin* (the simultaneous development of nuclear weapons and the economy), and the denial of human rights to ensure the Kim family regime remains in power.

The regime is conducting an active subversion campaign, through its United Front Department and its 225th Bureau, to undermine ROK-US values and impose the Kim family regime’s values on the South.²¹⁵ The ROK and the United States seek to allow self-determination and to let the Korean people choose their own set of values.

This ideological conflict has been ongoing since the division of the Korean Peninsula. It must be understood by policymakers and strategists and factored into alliance policies. At the root of the regime’s strategy is a form of political warfare, which George Kennan described as using all elements of a nation’s power to achieve its objectives short of war. In 1990, Paul Smith of the US National Defense University described political warfare this way:

Political warfare is the use of political means to compel an opponent to do one’s will, based on hostile intent [emphasis added]. The term political describes the calculated interaction between a government and a target audience to include another state’s government, military, and/or general population. Governments use a variety of techniques to coerce certain actions, thereby gaining relative advantage over an opponent. The techniques include propaganda and psychological operations (PSYOP), which serve national and military objectives, respectively.²¹⁶

This is an apt description of how the regime is executing its strategy against the South and the United States, particularly the emphasis on hostile intent. For the regime, it is a zero-sum game, with only one side successful. Again, the ROK-

US alliance must recognize the strategy and address it as an integral part of its strategy and effort. The alliance must not only win a war if hostilities resume; it must win the ideological conflict to achieve its long-term objectives ultimately.

The ROK-US Alliance in Context

For justification for the alliance with the ROK, we need look no further than the National Security Strategy (NSS) and the unclassified summary of the National Defense Strategy (NDS). According to the NSS, “US allies are critical to responding to mutual threats, such as North Korea, and preserving our mutual interests in the Indo-Pacific region. Our alliance and friendship with South Korea, forged by the trials of history, is stronger than ever.”²¹⁷ The NDS says, “Although this [alliance] system has evolved since the end of the Cold War, our network of alliances and partnerships remain the backbone of global security.”²¹⁸ Again, the ROK-US alliance is the linchpin of the US alliance system in Northeast Asia.

As long as there is a North Korea that seeks to dominate the Korean Peninsula by subversion and/or military force, a ROK-US alliance is necessary to serve the interests of both countries. North Korea poses a number of additional threats beyond its conventional, nuclear, chemical, and biological capabilities. It conducts illicit activities around the world—by counterfeiting everything from \$100 bills to cigarettes and medicine, trafficking in methamphetamines, and using overseas slave labor to gain hard currency. One of the regime’s most dangerous aspects is its proliferation of military weapons and training to other rogue nations around the world, primarily in the Middle East and Africa.²¹⁹ The “all-purpose sword” of cyber capabilities provides the regime the ability to steal funds, attack infrastructure, conduct espionage, and support subversive activities through social media. According to the NSS, North Korea is a rogue power that seeks to destabilize the South and manipulate the international system to serve its own ends.

The ROK-US alliance focuses primarily on the North Korean threat because deterrence is “job one.” The two allies have other

mutual interests in the region, throughout Asia, and around the world. The US competition with the revisionist power of Russia and especially, China, is complex and a sensitive issue for the ROK. The US Free and Open Indo-Pacific strategy is complemented by the ROK's Southern Policy. According to President Moon, "We've reached a consensus to put forth further harmonious cooperation between South Korea's New Southern Policy and the United States' Indo-Pacific strategy." Moon's policy is designed to reduce South Korean reliance on China as a trading partner by developing new economic opportunities in Southeast Asia.²²⁰ This is an important area of alliance cooperation beyond North Korea that will enhance the economic prosperity and security of both nations.

From a military perspective, the United States requires flexible basing arrangements in multiple locations throughout the region. Permanent bases in Japan and South Korea and access to other temporary basing sites in the Philippines, Thailand, Singapore, and Australia provide the United States with strategic flexibility and agility.²²¹ Currently, US forces on the peninsula are focused primarily on the North Korean threat. However, as the security situation evolves, both US and ROK forces may be useful in off-peninsula operations, and South Korea could provide a strategic location from which to project alliance power. The ROK has invested heavily in the major base for US ground forces, Camp Humphreys, the largest US military base outside the continental United States, providing 93 percent of the \$10.7 billion in construction costs.²²² Camp Humphreys is strategically positioned near primary air and seaports of embarkation/debarkation (Osan Air Base and the Port of Pyeongtaek). This makes it an ideal location as a US power-projection platform, although this is a sensitive topic politically in the ROK. The United States suffers from the "tyranny of distance" across the Pacific Ocean, and forward-basing locations reduce deployment times and provide more options to support US policies and strategy.

The ROK and United States have partnered in various off-peninsula military operations. These include the deployment

of the Zaytun Division to Iraq in support of Operation Iraqi Freedom, the deployment of engineer and medical elements to Afghanistan, and counter-piracy operations off the Horn of Africa.²²³ The ROK has also participated in UN peacekeeping operations, and it led the 1999 mission in East Timor.²²⁴ During the Vietnam War Seoul sent two divisions and a Marine brigade to Vietnam, and they fought effectively and valiantly. Some 300,000 South Korean military personnel deployed between 1964 and 1973 and suffered some 5,000 casualties.²²⁵ South Korea and the United States have a long history of working together off the peninsula.

Challenges and Stressors to the Alliance

The ROK-US alliance has weathered many ups and downs over the years. After each major challenge, it seems to have gained strength. The challenge posed by the Vietnam War led the ROK to contribute troops so the United States could maintain its deterrent force on the peninsula. This provided the ROK's armed forces the ability to prove their combat capabilities, which in turn bolstered the alliance. Even when President Jimmy Carter sought to withdraw US troops from South Korea in 1978, the resulting controversy provided Seoul the opportunity to rethink the value of US forces. While US troops on the peninsula have been reduced over the years, there had not been a significant call to withdraw them until the US presidential election in 2016, when then candidate Donald Trump stated his desire to bring home US troops from Korea.

There have been other areas of friction and tension, and rising anti-American sentiment following the Kwangju incident (the student uprising and protests against the government which resulted in nearly 200 killed, though the number is disputed)²²⁶, the democracy movement of the 1980s,²²⁷ and the Highway 56 tragedy in 2002 when two South Korean schoolgirls were killed by a U.S. Army engineer armored vehicle,²²⁸ among others.

But the Trump administration's apparent shift from an interest- and values-based alliance to a transactional framework may

call into question the resilience of the alliance. President Trump's periodic anti-alliance statements and calls for bringing home US troops are putting new stress on the ROK-US partnership. Trump has made a demand, considered exorbitant, for a fourfold increase in ROK burden-sharing for the presence of US forces. In the 2019 Special Measures Agreement (SMA), the level of burden-sharing was raised to the historic high of more than \$900 million for one year, rather than that amount for each year of the normal five-year period (previously about \$800 million per year). This forced a new round of negotiations for 2020, with Washington demanding \$5 billion per year from the South Korean government, a nearly 400% increase.²²⁹ Both sides seem unwilling to compromise, so this could have a significant impact on the alliance.²³⁰ The major question is this: If this cannot be resolved to the mutual satisfaction of both countries, will there be some kind of reduction or withdrawal of US forces from Korea? This would be a huge financial and logistical burden for the United States, and it would have second- and third-order strategic effects not only for the security of the Korean Peninsula, but also for US alliances around the world. The obvious security impact would be on deterrence of a North Korean attack. If US forces are withdrawn, it would be very difficult to redeploy them without the current logistical, command and control, and intelligence capabilities in place to support reception, staging, onward movement, and integration of US forces during hostilities. In sum, US withdrawal would increase the likelihood of a North Korean attack.

However, the long-term implications for the US military are significant well beyond the Korean Peninsula. Withdrawal of US forces would not be a simple task. One question is whether the Department of Defense (DOD) has made any plans for an "immediate" withdrawal of US troops, all their family members, and all US military equipment from Korea. This is a formidable logistics operation, and the cost of withdrawal likely would be in the hundreds of millions, if not billions of dollars, costs that have not been approved by Congress.

A US troop withdrawal from the peninsula would take time. Transportation and logistics demands would be immense. Again, this would not be as simple as providing commercial airline tickets and sending people to Incheon Airport. The United States would likely spend months moving equipment within Korea to Pier 8 in the Port of Busan for shipping back to the States. The travel costs for moving all personnel and dependents would be huge, even if a combination of military transport (which would not be enough), commercial air, and contracted charter were used. Then, there are base-mitigation costs for the environmental impact of seventy years of base operations. That is why there has not been an expeditious turnover of bases that have already been programmed for return.

This is why the language in the 2020 National Defense Authorization Act (NDAA) says that no money will be appropriated to reduce the number of US forces below 28,500 troops unless the secretary of defense can certify the reduction does not harm the national security of the United States and its allies.²³¹

So, the first problem is the challenge of getting the troops, families, and equipment home.

Then there is the second question: Where will they go? This, too, is a complex issue. The US military has optimized the base structure in the continental United States (CONUS) over the past couple of decades through a process known as BRAC (base realignment and closure).²³² The 2004 withdrawal of the Second Infantry Division's Second Brigade Combat Team (BCT) is instructive.²³³ It went from Korea to Iraq and in 2005, when its rotation to Iraq was complete, it rotated back to the United States. However, since there was no location for the entire BCT, the unit was deactivated and its personnel and equipment distributed throughout the army. This was not a "loss" of 5,000 soldiers because they remained in the army until their enlistments were up, but the army did lose the capability of an entire BCT.

If there is no place to put these 28,500 US troops stationed in South Korea, there are only two things that can happen. The military will have to inactivate the force structure that exists in Korea. The Second Infantry Division HQ, the Fires Brigade, the Aviation Brigade, the Military Intelligence Brigade, the Signal Brigade, the Theater Support Command, the Patriot Battalion, the THAAD battery, plus the Air Force's Seventh Air Force with Fifty-first Fighter Wing and the Eighth Fighter Wing would all be inactivated—and these are just the major units. If we use the 2004 model, the U.S. armed forces would lose all those capabilities; not only would the units be inactivated, but their personnel would be distributed throughout the United States, so a pullback from the peninsula would mean a large aggregate loss of military capability for US armed forces.

If, after a pullback, there is a decision to retain the Korean force structure, there would need to be a huge appropriation for military construction on bases throughout the United States. Facilities would have to be built to station these units (all facilities, from HQ and maintenance buildings to barracks). Military construction is usually on a five-year plan, so if Congress authorizes construction this year, it would normally be done in five years. Of course, this can be sped up, but it would be at the expense of other construction projects on existing installations. This would interrupt plans for current construction, with a domino effect on the readiness of other organizations and units. If these facilities are not built first, units will be “shoehorned” into temporary facilities for some years to come. This will mean significant overcrowding in many installations, which will affect readiness.

In summary, there are three considerations. First is the level of effort, time, and expense required to move 28,500 troops, their dependents, and their equipment off the peninsula. A second question centers on the decision whether to retain the force structure from Korea or deactivate all units and distribute their personnel and equipment within existing units in the United States. A final consideration is that if the force

structure is retained, the military will have to construct most of the facilities to station these organizations. All three issues will require significant support from Congress for authorization and appropriation.

These are just some of the logistics issues. Questions not addressed are what North Korea would do (e.g., When would they attack?). Pyongyang is unlikely to attack during this drawdown because that would “trip the wire,” as US forces would be affected. The United States could probably deter an attack over the two to five years it would likely take to withdraw all forces, because the smartest thing for Kim to do would be to wait until the withdrawal is completed. It may seem counterintuitive, but if Kim thought there was a withdrawal date for US troops, he would stop himself from attacking until the withdrawal was complete.

How would anti-American sentiment against those who want to retain the alliance play out? This also begs the question of whether the United States would abrogate the 1953 Mutual Defense Treaty, which states that each party must give the other one year's notice to withdraw from the treaty. And if the decision is to maintain the treaty, without a troop presence, the military would need new plans to support South Korea's defense. This means that a great deal of planning work would be needed while troops are being withdrawn.

A precipitous decision to withdraw troops might not end as President Carter's did in 1978.²³⁴ It could have disastrous effects on the alliance and regional and US security.

Further complicating the alliance are relations between the two US partners in the region, the ROK and Japan. Tensions over economic matters, trust, and historical issues reached a boiling point in the summer of 2019 when the ROK decided to withdraw from the bilateral agreement on sharing intelligence, the General Security of Military Information Agreement (GSOMIA). The United States has tried to prevent this withdrawal and the

further deterioration of the relationship. Fortunately, President Moon decided in November not to withdraw, but warned that if issues are not resolved, he may still do so.²³⁵ The only way these complex issues can be managed is if both President Moon and Prime Minister Abe and their eventual successors exercise strong personal leadership and pledge to make national security and national prosperity priorities while trying to resolve the historical issues.

Numerous other issues are creating challenges within the alliance. These include Russian and Chinese military action around the peninsula, such as the overflight of the disputed islands of Dokdo/Takeshima in the summer of 2019.²³⁶ Chinese and Russian support for North Korea's sanctions evasion activities undermines the ROK-US strategy of "maximum pressure."²³⁷ China is actively using its economic instrument to drive a wedge in the alliance. These challenges can be managed with good communication and coordination between the State Department and the DOD with their counterparts at South Korea's Ministry of Foreign Affairs (MOFA) and Ministry of Defense (MND). The long-standing US-ROK Military Committee provides an important conduit for coordination of military issues.²³⁸ The ROK-US strategy working group, established in 2018, provides the venue for coordination of diplomatic and information issues and strategy toward North Korea, but it might also be useful in coordinating alliance issues beyond North Korea.²³⁹

One of the most significant challenges within the alliance is the OPCON transition.²⁴⁰ Although the Military Committee approved the transition as conditions-based, President Moon has pledged to make the transition before the end of his term. The process has been long and arduous, beginning in 2003 with the decision to move US forces out of Seoul and the northern areas and to consolidate them in locations south of the Han River and out of North Korean artillery range. The original plan called for dissolution of the ROK-US CFC and the transfer of "wartime" OPCON to the ROK chairman of the Joint Chiefs of Staff, who

would have responsibility for defending Korea, while the United States would establish a new command, the Korea Command (KORCOM), with the supporting-to-supported relationship. This would not only eliminate all the experience of three decades of fully combined operations, but also violate the basic military principle of unity of command. However, the Military Committee decided that it was imperative to retain the capabilities and experience of the ROK-US CFC in a "future CFC" that would be commanded by a South Korean four-star general, with a US four-star general as deputy commander.²⁴¹ This, in effect, changes the OPCON transition process to a change of command. The US four-star general would retain command of the UNC and United States Forces Korea as well as his place on the Military Committee as the senior US officer in Korea.

The conditions for this transition may seem unattainable in the short term, leading some Koreans to speculate that the United States does not want it to take place. Bruce Klingner summarizes the three conditions here and notes that none has been fully met.

The South Korean armed forces must have acquired requisite military and command means to be able to lead the combined forces, and to have sufficiently developed indigenous missile defense and preemptive attack capabilities against North Korean nuclear and missile threats. Last, the security environment must have improved due to complete or significant North Korean denuclearization.²⁴²

While these are important and must be accomplished, there is one condition that should be required above all others. That is a Military Committee strategic communications and public affairs campaign to inform both the South Korean and US publics about the need for the OPCON transition process or change of command that will put a Korean general in charge. Prior to the change of command, the press, the public, and political leaders in both countries must be fully informed about how it will enhance the alliance and prepare it for the future.

The following are two themes and messages that should be stressed to various target audiences.

First and most important, the reason for the change of command is the maturation of Korea's military capabilities and its leadership. US and Korean military officers have developed such a high level of trust that there is no issue with having a Korean general in charge. However, it should be noted that, with the permanent and plenary Military Committee structure remaining in place, there will be no change to strategic oversight and direction. Just as every US commander has stressed that he works equally for both presidents through the Military Committee, the Korean general will do the same. The ROK-US CFC is "co-owned" equally by both governments. This means there will be no "violation" of the customary "Pershing Rule," which states that no US military forces will be under foreign command. The Military Committee is made up of representatives of both nations' National Command and Military Authorities, so neither South Korean nor US forces fall under "foreign command."

Second, it is imperative that a South Korean general lead the ROK-US CFC, whether there is war or instability and regime collapse in North Korea. This will help mitigate the perception that Washington is sending troops to occupy the North. While there will be tremendous complexity after conflict or regime collapse operations, regardless of who is in charge, if the perception that the United States is an occupying power is reduced, this will help to secure the legitimacy of the unification process and, ultimately, a United Republic of Korea (UROC). This is because after conflict or collapse, the ROK-US CFC will not only conduct stability operations to provide security and restore essential services, but will also provide military support to the unification process. Again, it is imperative that this effort be led by a South Korean general.

The OPCON transition process may seem complex, but the actual change of command should not occur until the

information environment has been sufficiently prepared. This is necessary to reduce criticism based on any misunderstanding. It is also an opportunity to demonstrate the growth, maturity, and strength of the alliance, which have allowed it to evolve to new levels in a unique way. The alliance will remain the gold standard for combined operations.

The Future of the Alliance

The ROK-US alliance is important to the vital national interests of both countries. As noted, it has never been static but has constantly evolved over the years. With the upcoming change of command, it is necessary to take a long look ahead and determine its future direction.

To that end, the Military Committee and the ROK-US strategy working group should join together to determine the future of the alliance under two conditions. The first is the near-term vision after OPCON transition and change of command. The second is a vision for a post-unification world.

This alliance adaptation should begin with a complete review of the war and contingency plans, as well as the political and military plans to support a unification process. It is time for the alliance to take a thorough look at how the combined military force will support the unification process after a war or regime collapse. While peaceful unification is ideal, the military, in particular, must plan for the worst-case scenarios, and this will require detailed combined work at the political and military levels.

The alliance must address the North's political warfare strategy. Both South Korea and the United States will likely be focused on denuclearization for the foreseeable future, but the alliance must focus on the entire threat to the ROK. The North's threat is not simply military, but also political and subversive in nature. Military planning has always been superb under the guidance of the Military Committee, and the ROK-US strategy working group run by the State Department and Korea's MOFA has proven invaluable for coordinating strategy to deal with North

Korea's potential denuclearization. But alliance diplomats should also consider a broader alliance structure to address the entire spectrum of threats to the ROK, the alliance, and the region.

The alliance should consider putting into place a structure that can integrate the combined instruments of national power. Both nations would appoint a senior official who works directly for each president to form a Combined Interagency Task Force to coordinate policies and strategies toward North Korea. It would be empowered to direct the plans and actions of subordinate task forces representing each instrument of power and critical capabilities.

The existing Military Committee would continue to be responsible for all combined military actions. The ROK-US strategy working group would continue to coordinate diplomatic efforts.

Three more task forces would be established, and an old one resurrected. First, a Combined (ROK/U.S.) Cyber Task Force would coordinate all defensive and offensive operations against North Korea. Second, a Combined Information and Influence Activities Task Force would be established to develop a holistic and aggressive influence campaign against the regime elite, the second-tier leadership, and the Korean population in the North. This would make a key contribution to winning the ongoing ideological war on the peninsula. Third, a Combined Counter-proliferation Task Force would focus on the full range of North Korean proliferation activities. It would reinvigorate the Proliferation Security Initiative, established during the George W. Bush administration with some 105 nations agreeing to participate, to focus on interdicting weapons proliferation around the world.²⁴³ Fourth would be resurrection of the Illicit Activities Initiative in a combined form, partnering with the ROK²⁴⁴ to aggressively go after all of North Korea's illicit activities. Establishment of this structure would allow the ROK and US governments to coordinate planning and synchronize the execution of a combined strategy across the instruments of national power.

The proposal above would likely run into political pushback from the Moon and Trump administrations. However, if and when both administrations recognized and accepted that the Kim family regime is conducting its own form of political warfare with "*juche* characteristics," they might welcome this structure. It is one way to counter the North's political warfare strategy.

The second focus should be on a vision for the alliance when there is a unified peninsula. It is not too early to begin looking at that situation, which would be different from a peace regime or treaty that would leave two Koreas. As long as North Korea continues to exist, it will pose an existential threat to the ROK and thus necessitate an alliance to preserve deterrence. However, a unified Korea would pose a completely different challenge for the alliance, and this scenario should be examined now.

One of the ways for the United States to look at its future in Northeast Asia is to revise its military, diplomatic, and economic structures in the region. In recent years, Washington has undertaken a pivot or rebalance to Asia, and under the current administration transformed the US Pacific Command into the US Indo-Pacific Command. The latter highlights the importance of the entire region, which has been codified in the Free and Open Indo-Pacific Strategy. However, the Asia-Pacific theater is large and complex. Perhaps it is time to reexamine the Unified Command Plan and consider reorganizing the structure and responsibilities in the theater. The United States should examine the feasibility of establishing a Northeast Asia Command as a new and separate combatant command. This is not a new idea, but it has never been sufficiently examined. Given the importance of the entire region and Northeast Asia within it, a separate combatant command with responsibility for Korea, Japan, Mongolia, Taiwan, China, and the Russian Far East would enhance US strategic capabilities. However, one argument against this idea will always come to the fore. Whenever a new set of boundaries is established, it will always create gaps and seams. This is especially true when competition with China is considered. But such a recommendation should not be

discounted solely for that reason. The analysis may reveal other opportunities and, even if the proposal is not accepted, may reveal other ways to better support US strategic objectives.

While new ideas tend to focus on how to organize the military, the other instruments of power should also be considered. Perhaps it is time to think about creating a diplomatic organization in the region to coordinate all diplomatic activities and all information and influence activities to support US strategic objectives. A US Northeast Asia ambassador with the requisite supporting staff organization would provide the diplomatic and information effort necessary to synchronize the elements of national power. A third organization to support the economic instrument of power could be a Northeast Asia Economic Engagement Center. These three organizations would not only bring the strength of the US instruments of power to the region in a new and dynamic way; they would also send a powerful message of commitment, especially if they were located in the right places. The Northeast Asia Command could be located in Korea, the Northeast Asia ambassador in Japan, and the Northeast Asia Economic Engagement Center in Taiwan. Of course, this would create political challenges. However, such a proposal could also enhance the strength and power of the US alliance structure in the region and provide allies with effective tools to compete with the revisionist powers and defend against the rogue powers as outlined in the National Security Strategy and National Defense Strategy. These are merely proposals and may not be at all feasible. However, it is time to creatively reexamine employment of the instruments of power to see if the United States can be more effective in achieving its strategic objectives and maintaining and strengthening its alliances in Northeast Asia.

Conclusion

The ROK-US alliance is vital to South Korea's security and to protecting US interests in the region. It should be sustained as long as there are threats in the region and as long as the United States desires to remain engaged there. Without the alliance structure, US strategic options would be reduced. But the

question is, Can the alliance be sustained indefinitely, or at least as long as it is needed by both countries?

Among the myriad ways to sustain the alliance, four are the most important. First, the alliance must remain one of shared interests, shared values, and shared strategy toward the common threats. The surest way to damage or break the alliance is to shift to a transactional relationship. This must be avoided, which can only be done with a strategic vision that puts interests, values, and strategy ahead of a balance sheet.

Second, military readiness cannot be allowed to decline. Combined exercises cannot be neglected. While commanders must support diplomatic efforts, and that may require adjusting the scale, scope, and timing of exercises, they must not be prevented from taking all prudent measures to sustain readiness.

Third, the alliance must also focus on fighting the political war that North Korea is waging. It must challenge the North's ideology with information and focus on such important areas as human rights and the process of unification to solve the nuclear problem and end the crimes against humanity that the North is committing against its own people.

Finally, the alliance must take a broader view than the seven-decade-old military alliance. This alliance has rightly been the priority, given the threat from the North. However, it is time to expand it to incorporate all instruments of power against the North. Furthermore, it is necessary to develop a vision for the alliance that goes beyond the Korean Peninsula.

The ROK-US alliance has evolved over the years and developed into one of the strongest alliances in the US alliance structure. It has successfully deterred war since 1953. However, that should not cause complacency. Conditions are changing in the world, in the region, and on the peninsula. The ROK-US alliance must continue to evolve to meet new challenges but, at the same time, it must never neglect the threat from the North.

THE US, SOUTH KOREA, AND CHINA: TRILATERAL DYNAMICS AND THE NORTH KOREAN NUCLEAR CHALLENGE

Patricia M. Kim

The stable transformation of the Korean Peninsula requires the careful management of two intimately connected challenges: the advancement of peace on the peninsula, and an increasingly powerful China. While the United States, the Republic of South Korea (ROK), and the People's Republic of China (PRC) share an interest in denuclearizing North Korea, conflicting objectives for the current and future order of the Korean Peninsula limit deep cooperation on advancing sustainable peace in the region. Even within the US-ROK alliance, differences in Washington's and Seoul's priorities challenge allied coordination on policies toward the Korean Peninsula and China.

This essay will outline the respective visions of Washington, Beijing, and Seoul for the Korean Peninsula and broader regional order, where their aims converge and diverge, and the implications for trilateral dynamics. It will then discuss how their differences create obstacles to managing the North Korean nuclear challenge, whether negotiations with Pyongyang remain stalled or pick up momentum. If the impasse in nuclear negotiations continues, Washington and Seoul will face the conflicting tasks of boosting their individual and joint defense capabilities to deter an expanding North Korean threat, while at the same time securing Chinese cooperation on North Korea. Simultaneously advancing both aims will be difficult given Beijing's opposition to a stronger US-ROK alliance. If negotiations with North Korea progress, Washington and Seoul will face the challenge of leveraging China's potential contributions to the security and economic prosperity of the Korean Peninsula, while safeguarding Korean independence and the durability of the US-ROK alliance. The essay will conclude with recommendations on how the alliance can better manage the challenges of advancing peace on the Korean Peninsula while striking the right balance on China's engagement and influence in the process. It will argue that Washington and Seoul should adopt a principled approach that prioritizes the security and independence of South Korea and the broader Korean Peninsula, underpinned by a robust and enduring US-ROK alliance.

Contending Visions for the Korean Peninsula and Regional Order

At the root of the challenges to the stable transformation of the Korean Peninsula lie three contending visions of the United States, South Korea, and China. While all three states seek a stable Korean Peninsula free of nuclear weapons, differences exist on what precisely such a state should look like and how to get there.

The United States

The United States sees itself as a Pacific nation whose past, present, and future are intimately connect to Northeast Asia and the broader Indo-Pacific. As the 2019 US Department of Defense *Indo-Pacific Strategy Report* states, the United States has “contributed both blood and treasure to sustain the freedoms, openness and opportunity” in the Indo-Pacific and believes its presence has underpinned the region's security and prosperity. According to the report, the United States seeks to continue playing a pivotal role in preserving regional stability by “sustaining a credible combat-forward posture” and “strengthening alliances and building new partnerships” in the Indo-Pacific region.²⁴⁵ Despite the current administration's general skepticism about the value of alliances, the vast majority of US officials, policymakers, and experts support the US network of alliances. In general, many agree that US alliances have “served the United States well in peace and war, for the past 75 years,” have enabled the United States to “amass the greatest possible strength for the long-term advancement of [its] interests,” to and maintain “favorable balances of power” in multiple regions.²⁴⁶ US alliances in the Indo-Pacific, in particular, are seen as foundational for Washington's strategy toward the region.

On the Korean Peninsula, the United States seeks the final, fully verified denuclearization of North Korea and, ultimately, peace and stability in the Korean theater. Washington counts Seoul as a key ally that has fought alongside it at home and abroad

and that hosts the second-largest contingent of US troops in Asia. The US-ROK alliance is often described as the “linchpin of peace and prosperity in Northeast Asia.”²⁴⁷ Washington recognizes that this alliance will evolve as the ROK’s military capabilities increase and as progress is made toward a peace agreement on the Korean Peninsula. Nevertheless, the United States has no intention of ending its alliance with South Korea in the foreseeable future, given that the US-ROK mutual defense treaty’s mandate is not limited to threats within the Korean Peninsula.²⁴⁸ As such, even if North Korea no longer poses a threat and the Korean Peninsula is fundamentally stabilized, Washington is likely to count Seoul as an essential ally for maintaining peace and stability in the broader region and especially for balancing against an increasingly powerful China.

Notwithstanding the past two years of unprecedented head-of-state-level diplomacy with Pyongyang, the United States still views North Korea as a “rogue state” that poses a security threat to itself and its allies, as noted in the *Indo-Pacific Strategy Report*.²⁴⁹ As long as North Korea continues to produce and harbor nuclear weapons, in addition to other weapons of mass destruction, this assessment is unlikely to change. Washington’s primary objective on North Korea is to achieve its complete denuclearization, an aspiration that has eluded several US administrations, including the current one. Given the sheer lack of progress on this first priority, the US government does not have a long-term vision for the US-North Korea relationship, beyond the promise of normalizing relations once Pyongyang no longer poses a threat to Washington and its allies.

China

China seeks first and foremost to maintain stability in Northeast Asia while shaping a regional order in which it enjoys superiority, can freely protect its interests, and receives the respect and support of its neighbors. Its strategy revolves around positioning itself as an indispensable economic player in the region so that states adjust their policies to accommodate its interests. Beijing, however, wants not only to be accommodated, but embraced

as a great power partner of choice. This desire is reflected in a vigorous Chinese public diplomacy campaign that emphasizes its concept of “win-win cooperation” and declares that as China prospers, the region will also prosper.

While Washington emphasizes the importance of alliances, Beijing insists that it practices a “new model of international relations” and seeks a regional order in which medium and small states “need not and should not take sides among big countries.”²⁵⁰ Beijing’s position is that alliances are vestiges of the Cold War and that “multilateralism” and “partnerships” should replace this outdated system. When speaking to Asian counterparts, Chinese leaders have pushed for an “Asian security concept” that prioritizes joint economic development and non-interference, insisting that such an approach better accommodates Asia’s diversity of political systems, religions, and cultures.²⁵¹

China’s primary objectives on the Korean Peninsula include maintaining stability and preventing war, and gradually rolling back the US presence while integrating North and South Korea into China’s economic orbit. Despite South Korean skepticism of China, Beijing sees Seoul as a potential target to woo away from the US-led alliance system. This is based on South Korea’s extensive economic dependence on China, geographic proximity, shared historical grievances against Japan, the presence of anti-American sentiment among South Korea’s liberal factions, and Seoul’s need for Chinese cooperation to achieve peace on the Korean Peninsula.²⁵² China has demonstrated a willingness to use both diplomatic overtures and coercive measures to influence South Korea’s policy choices. The most striking example of the latter occurred from 2016–17 when Beijing retaliated economically against Seoul for accepting deployment of the US Terminal High Altitude Area Defense (THAAD) missile defense system on its territory.

China sees North Korea as a necessary ally, despite the difficulties Pyongyang has caused Beijing since the beginning of

their relationship. These include pulling China into a major war on the Korean Peninsula in 1950, just months after the Chinese Communist Party (CCP) established its rule, and destabilizing China's periphery with provocations and the pursuit of nuclear weapons in subsequent decades.²⁵³ While Beijing wants to see North Korea free of nuclear weapons, stability of the Korean Peninsula is its first priority. This explains its tendency to shield Pyongyang from international pressure and serve as its economic lifeline.

Although just a few years ago, in 2016 and 2017, China-North Korea relations hit a low point during the height of North Korea's nuclear and missile testing, the relationship has been reset since 2018, when North Korean leader Kim Jong-un declared a shift toward economic development. Kim has met Chinese president Xi Jinping a total of five times, with meetings strategically timed to come before and after Kim's meetings with Presidents Moon Jae-in and Donald Trump. China's official statements have also begun to reemphasize its historical ties and unshakeable friendship with North Korea, after downplaying the relationship during the early days of Xi's and Kim's tenures.²⁵⁴ Beijing's revamped diplomatic rhetoric and efforts are intended to demonstrate China's influence with North Korea and to signal its intentions not to be sidelined in negotiations that will impact the future order on the Korean Peninsula.

Beijing's ultimate vision is to serve as North Korea's model and conduit for economic development and integration into the region. While Pyongyang has yet to be officially integrated into China's Belt and Road Initiative, as soon as sanctions are lifted, Beijing (and Seoul) will seek to jumpstart infrastructure projects and create economic corridors that connect the Korean Peninsula to China, Russia, and the rest of Asia and Europe. In fact, the ROK government's New Northern Policy, which aims to expand South Korea's economic and political ties with states to its north, fits well with China's own desire to stimulate growth for its northeastern provinces that border North Korea, and to encourage North Korean stability through

economic development and regional connectivity.²⁵⁵ These economic blueprints notably do not include a major role for the United States and could marginalize Washington's relevance in the region if realized.

South Korea

According to South Korea's *2018 Defense White Paper*, Seoul's foremost national security objective is to achieve a "peaceful resolution of the North Korean nuclear issue and the establishment of permanent peace" on the Korean Peninsula.²⁵⁶ The ROK government seeks to do this by pursuing the "complete denuclearization of the Korean Peninsula," advancing inter-Korean relations, and strengthening its "national defense capacity based on the ironclad ROK-US Alliance."²⁵⁷ South Korea also seeks to play a role in advancing peace and stability in the region and has notably stepped up its diplomatic efforts through measures like its New Southern Policy, which emphasizes building ties with ASEAN and India.²⁵⁸ Nevertheless, Seoul remains primarily focused on the Korean Peninsula.²⁵⁹

While South Korea views its alliance with the United States as essential for its security, it also counts China as a vital economic partner and important neighbor whose cooperation is critical for engaging North Korea and working toward a sustainable peace on the Korean Peninsula. Seoul, like many middle powers, fears being pulled into a strategic competition between the United States and China. This is not to say that South Korean officials, experts, and average citizens do not harbor grave concerns about China's rise and growing assertiveness in the region. Public opinion polls consistently reveal that a vast majority of South Koreans have unfavorable views of China, feel greater affinity to the United States than to China, and prefer US global leadership to China's.²⁶⁰

Seoul endeavors, however, to maintain a delicate balance between Washington and Beijing, which creates limitations on deepening the US-ROK alliance. For instance, while the latest

ROK defense white paper states that South Korea will work with the United States to counter “omnidirectional security threats,” it carefully avoids identifying challenges posed by China to both its own security and the security of the broader region.²⁶¹ Beyond restraining its public statements, Seoul has also adjusted its policy choices to avoid alienating Beijing, even at the cost of limiting its defensive options against North Korean security threats. For example, after suffering Chinese economic retaliation over the deployment of THAAD, South Korea declared a “three noes policy” to reassure China that it would not join a US-led missile defense network, form a trilateral military alliance with the United States and Japan, or deploy additional THAAD batteries on its territory.²⁶² While South Korean officials insist these are long-standing policies that predate the THAAD crisis and are not concessions designed to placate China, by packaging its policies in such a manner, Seoul publicly tied its hands on future policy choices.

Finally, when it comes to managing the China challenge outside the Korean Peninsula, Seoul remains an even more reluctant partner to Washington. The South Korean government, for instance, maintains a relatively ambiguous stance on the South China Sea territorial disputes. It has generally refrained from participating in freedom of navigation operations, even though South Korea and China have a territorial dispute over Socotra Rock in the Yellow Sea.²⁶³ This again reflects South Korea’s tendency to consider regional security concerns not directly related to resolving the North Korean nuclear crisis as being subordinate to, if not detracting from, its primary interests.

As these snapshots of US, Chinese, and South Korean objectives and strategies for the Korean Peninsula and broader region demonstrate, the three states share the desire for stability and peace but have conflicting visions for how to achieve them. China seeks a region free of alliances, insisting such a “new order” will increase stability. It desires to minimize US presence in its neighborhood while expanding its own. The United States, however, is likely to remain engaged in the region

and to maintain its long-standing alliances, which it believes have benefited itself and the region by serving as a force for stability. And finally, Seoul seeks to balance these two divergent visions for the sake of advancing its priorities on the Korean Peninsula, which creates difficulties in its relationships with both Washington and Beijing.

Looming Trilateral Challenges in Managing the North Korean Nuclear Threat

Given their conflicting interests and objectives, Washington, Seoul, and Beijing face difficulties in coordinating their near- to long-term management of the North Korean challenge, whether there is a continued impasse or progress in the nuclear negotiations.

Case 1: Continued Impasse in Nuclear Negotiations

After almost two years of diplomacy and growing disappointment on all sides, the prospects for a negotiated agreement on North Korean denuclearization in the near future look increasingly slim. It is highly probable that Pyongyang will return to a cycle of provocation to increase its leverage until it senses another favorable time for negotiations. The US-ROK alliance will face two competing demands in such a case: the imperative to boost allied defense capabilities to counter the ever-expanding North Korean nuclear and conventional threat, *and* the need to secure Chinese cooperation to bring Pyongyang back to the negotiating table. Advancing both objectives will be difficult because Beijing will perceive the former as counter to its security interests.

If North Korea closes the door on negotiations for the near- to mid-term future, the United States and South Korea will most likely scale up joint military exercises that have been modified and/or postponed since the 2018 Singapore Summit, place greater emphasis on boosting individual and joint missile defense capabilities, and explore other measures to strengthen their individual and joint capabilities. In addition, with growing

concerns about the Trump administration's commitment to the US-ROK alliance, segments of the South Korean policymaking community will make a renewed push for more visible signs of the US extended deterrence guarantee. Ideas that will likely resurface in Seoul include the call for redeployment of US tactical nuclear weapons to the Korean Peninsula, the creation of a US-ROK "nuclear sharing" arrangement akin to NATO nuclear weapons sharing, and even demands to develop South Korea's own nuclear weapons.²⁶⁴

China, in turn, will view such developments unfavorably, given its ultimate objective of reducing the US presence and diminishing the US-led alliance system in the region. Beijing is unlikely to simply stand by if it feels measures adopted by Washington and its allies undercut its own military capabilities and unfavorably shift the regional balance of power. It will exert pressure on Seoul as it did during the conflict over THAAD deployment, creating indecision inside the South Korean policymaking community, and thus within the US-ROK alliance. Coordinating closely with China to exert pressure on North Korea will be difficult under such conditions.

In the past, Chinese pressure played a crucial role in bringing North Korea to the negotiating table, such as in 2003, when Beijing cut oil flows to Pyongyang in the lead-up to the Six-party talks. Similarly, in 2017, China signed on to increasingly restrictive sanctions against North Korea, following Pyongyang's unprecedented number of missile and nuclear tests. Since Kim's pivot to diplomacy last year, however, China has begun relaxing sanctions enforcement, allowing an uptick in commercial activity across the China-North Korea border and turning a blind eye to various North Korean sanctions evasion tactics.²⁶⁵ If negotiations break down again, it will be critical to leverage Beijing's influence with Pyongyang to signal the region's unified determination to curb expansion of its nuclear program.

Discord with China due to efforts by the United States and South Korea to boost their defensive capabilities in light of the

North Korean threat, however, will pose serious challenges for securing Chinese coordination on North Korea. Beijing may focus instead on pressuring Seoul to reduce its cooperation with Washington and to limit measures for its self-defense. As will be discussed further below, the allies will need to set clear expectations with Beijing in advance. The United States and South Korea must convince China that they will have no choice but to strengthen their defensive capabilities as long as North Korea remains unchecked, and that China's security interests will be more effectively safeguarded by quickly reining in North Korea.

Case 2: Progress in Nuclear Negotiations

If nuclear negotiations with Pyongyang proceed in the near or distant future, Washington and Seoul will also face the challenge of safeguarding the alliance and the Korean Peninsula's independence while securing Beijing's cooperation on security and economic guarantees for North Korea. Given China's geographic proximity, influence with North Korea, and intentions to be included in peace treaty negotiations, any sustainable peace on the Korean Peninsula will require China's involvement and support.²⁶⁶ China, like all parties, will seek to advance its objectives while supporting North Korea's demands in the negotiations.²⁶⁷

Concerning security guarantees, China has expressed support for the "denuclearization of the Korean Peninsula."²⁶⁸ Although this has yet to be clearly defined by Pyongyang or Beijing, it may include demands that Washington and Seoul permanently suspend certain military exercises; dismantle the United Nations Command; scale back missile defense cooperation and US extended nuclear deterrence guarantees to South Korea and Japan; ban the deployment of US strategic assets to the region; and/or reduce or withdraw US troops from the Korean Peninsula. As peace negotiations progress, North Korea, China, as well as some voices within South Korea may advocate for declaring the "neutrality" or non-alignment of the Korean Peninsula. Such calls could be accompanied by a push to create a "nuclear

weapons-free zone” that includes Japan and is supported by multilateral security guarantees from the P5. Implementing many of these demands would effectively weaken, if not render obsolete, the US alliances with South Korea and Japan.

Beijing would also likely reject any arrangement that involves Washington offering extended deterrence guarantees to Pyongyang or otherwise building ties between the US-ROK alliance and North Korea. China, however, is unlikely to offer its own explicit positive security guarantees to North Korea or step in to serve as the peninsula’s primary security provider, barring a major shift in its grand strategy. It will insist, rather, that its primary role and contribution to peace on the Korean Peninsula will be an economic one.²⁶⁹ As discussed above, Beijing will focus its efforts on leading Pyongyang’s economic reform and opening based on the principle that economic development will ultimately pave the way for greater stability on the Korean Peninsula—a notion that resonates with many South Koreans and aligns well with North Korea’s goals. An expansion of China’s already significant economic presence will, however, reduce the roles of Washington and the US-ROK alliance on the Korean Peninsula. And the lack of a counterweight to Beijing’s looming presence will most likely reduce Seoul’s and Pyongyang’s space to make independent policy choices.

In light of such scenarios, the United States and South Korea must work jointly on a vision that balances both the immediate gains and the long-term consequences of the various potential security and economic agreements on the Korean Peninsula. While South Korean officials often stress that the US-ROK alliance is a separate issue from nuclear negotiations, the reality is that progress toward a peace treaty and a denuclearized Korean Peninsula will demand changes in the alliance, from its mandate to its everyday operations. The United States and South Korea will need to craft a unified position on tough questions such as the appropriate boundaries of China’s role on the Korean Peninsula, a topic on which a spectrum of views is bound to exist. On one extreme will be those who believe

China’s influence with North Korea and its capacity to contribute to the building of a permanent peace regime on the Korean Peninsula must be leveraged regardless of the long-term risks. On the other will be those who are reluctant to involve China in the peninsula at all. Striking a judicious and realistic balance on engaging China while limiting its influence will be critical for safeguarding the longevity of the US-ROK alliance and the independence of the Korean Peninsula.

Recommendations

For the United States and South Korea to better manage the challenges posed by North Korea and China and to advance peace on the peninsula, it will be critical for the two states to jointly and publicly outline unambiguous answers to the many sensitive and difficult questions facing the alliance. These include how the United States and ROK will individually and collectively strengthen their defensive capabilities to counter an undiminishing North Korean threat; what their preferences and redlines are on security concessions to North Korea and the scope of China’s role on the Korean Peninsula; how the alliance will adapt to a Korean Peninsula post-denuclearization and even post-unification; and how to define and operationalize the US-ROK alliance’s broader mandate for the Indo-Pacific region. Some may argue that explicitly broadcasting allied positions may limit flexibility and trigger unnecessary friction. The case can be made, however, that strategic clarity will be useful for setting expectations with Beijing, Pyongyang, and others, and for demonstrating allied resolve in safeguarding South Korea’s security and independence and the durability of the US-ROK alliance.

For the two allies to get to such a place, however, both must make adjustments to their modus operandi. First, Seoul needs to shed its reluctance to take stances publicly that risk alienating Beijing. It should consider adopting confident and principled positions based on its national interests, rather than defaulting to ambiguity and indecision. Instead of preemptively placing restraints on itself that undercut its own security interests, South Korea must set the expectation with China and others that it will

place its national security first and uphold its values of freedom, democracy, human rights, and the rule of law that it shares with the United States and other countries in the region.

Second, the United States must play its part by concretely supporting South Korea when it faces pressure or retaliation from China (and North Korea) for taking a principled stance. For instance, South Korean observers often point out that the United States failed to do much at all when Seoul faced economic retaliation from Beijing following the deployment of THAAD. The United States must think seriously about concrete actions it can take, beyond general assurances, to help its allies withstand Chinese pressure. Options include aiding an ally in kind (e.g., by helping boost tourism when Beijing cuts the flow of Chinese tourists to the target state); strengthening an ally's ability to challenge Chinese economic coercion (e.g., by providing diplomatic and legal support to bring cases to the World Trade Organization); and generally demonstrating solidarity and a determination to help (e.g., by elevating the ally's concerns in the

US-China bilateral agenda). Even if the United States cannot fully mitigate the pain inflicted by China, such visible and concrete efforts will go a long way toward reassuring its partners.

Finally, the United States and South Korea must prioritize candid exchanges and engage in the difficult task of developing common principles that both sides can fully embrace. Despite the plethora of official exchanges at all levels between Washington and Seoul, there is still much room for improvement in resolving misunderstandings and disagreements on issues such as burden-sharing; wartime operational control transfer; the future of the UN Command; and expectations on trilateral cooperation between the United States, South Korea, and Japan. Forging a robust US-ROK alliance that cannot be easily divided and credibly signals resolve to maintain the Korean Peninsula's security and independence will take hard work on both sides. But such an alliance will be much better equipped to manage the challenges of advancing peace on the Korean Peninsula, while judiciously leveraging China's influence and capabilities in the region.

CHINA-NORTH KOREA TIES: BACK TO “LIPS AND TEETH”?

Seong-hyon Lee

China's political attitudes toward the Korean Peninsula and its influence on North Korea have been a constant source of intrigue. Today, it is particularly relevant to understand the China-North Korea relationship as Seoul and Washington make a concerted effort to nudge Pyongyang to renounce its nuclear arsenal and make a peaceful transformation so that North Korea can become a full member of the international community.

After several years of estrangement, Kim Jong-un and Xi Jinping held a belated summit in March 2018, their first since taking power in 2011 and 2012, respectively. At the summit banquet, Xi characterized the two socialist countries' relationship as “sealed in blood,”²⁷⁰ which is “the one and only relationship in the world.”²⁷¹ Kim said that it was his noble duty to keep the friendship between the Democratic People's Republic of Korea (DPRK) and China “as precious as life” and “from generation to generation.”²⁷² When Xi visited Pyongyang in June 2019, he said that the China-DPRK friendship is unfading and “not to be exchanged even for gold.”²⁷³ Kim stated that North Korea and China are “like one family.”²⁷⁴ The relationship does indeed appear close, but it is not based on sentiment. There is no such thing as pure and simple love in international relations, and the North Korea-China relationship, which is based on common interests, is no exception.

Xi confessed as much when he said that the close friendship between China and the DPRK “conforms to the fundamental interests of the two countries” and is a result of their “strategic choice.”²⁷⁵ If we paraphrase Xi's remarks, they might go something like this: “We did our research. We found that our strategic interests are closely aligned. Therefore, we decided to become friends.” The problem is that this relationship, at times likened to a marriage of convenience, is likely to remain convenient and endure over the long term. What is more, it is likely to do so in a relatively stable form, akin to the Cold War period when they both faced a common adversary, the United States and their socialist bonding, accordingly, deepened. Today, Kim has been negotiating with Trump on nuclear

weapons, while Xi has been negotiating with Trump on trade. In fact, Xi's above characterization of China-North Korea relations as “soaked in blood” was an iconic expression from the Cold War era (together with “lips and teeth”). That explained why many observers were alarmed when they heard the expression.

Following the March 2018 summit, a former senior South Korean official commented that North Korea and China have now entered the “second blood-alliance period,” a reference to the historical ties between Kim Il-sung and Mao Zedong that underscore the significance of the renewed relationship.²⁷⁶ Naturally, this development in the China-North Korea relationship is bound to pose a new challenge that needs to be factored into Seoul and Washington's search for peaceful pathways to denuclearization.

“China Factor” Absent During Jimmy Carter's North Korea Deal

The 2018 Singapore summit between the United States and the DPRK marked twenty-five years since former president Jimmy Carter negotiated a deal with North Korea in which Pyongyang committed to freezing its burgeoning nuclear weapons program and engaging in high-level negotiations with Washington. Although the deal was subsequently formalized in the October 1994 US-DPRK Agreed Framework, it did not last because then North Korean leader, Kim Il-sung, died abruptly only a month after meeting with Carter. Twenty-five years later, Kim Jong-un, the grandson of the North's founding leader, met with a different US president, Donald Trump, to negotiate a new agreement.

This was the first time a North Korean leader had met with a sitting US president. However, the circumstances were different in two other significant ways: North Korea has acquired a workable nuclear arsenal, and China has secured more formidable influence. According to a December 2019 report by the Korea International Trade Association, in 2018, 91.8 percent of North Korea's trade was with China.²⁷⁷ Given these circumstances, the critical post-summit task for Trump was to

decide how much of a role, if any, he would give to Chinese leader Xi during the ongoing North Korean nuclear crisis. In other words, could the United States solve the North Korean problem without enlisting China's help?

Xi had already met Kim twice in the weeks leading up to the Singapore summit.²⁷⁸ The first Xi-Kim meeting was about the "restoration of relations" between North Korea and China. During their second meeting, in the Chinese port city of Dalian, Xi reportedly gave Kim "insurance," stating that China and North Korea were a community of "shared destiny" and "a relationship of lips and teeth." Xi continued, "No matter how the situation flows, this is the firm line by the parties and the governments of the two nations. It is also the only correct choice."²⁷⁹

One of South Korea's most important newspapers, *Chosun Daily*, immediately raised the alarm, pointing out that Xi had used "lips and teeth," a signature Cold War expression, to describe the China-North Korea relationship, for the first time since Kim took power in late 2011. According to *Chosun*, Xi was "shaking the denuclearization plate."²⁸⁰ Xi's resurrection of this Cold War vocabulary was taken to mean that if the Trump-Kim meeting failed, Xi would stand by Kim. The North Korean leader, for his part, noted that it gave him great pride and confidence to have a sincere and trustworthy friend like the Chinese and that he would "march forward together with China hand in hand."²⁸¹

Against this backdrop, Trump wondered out loud whether Xi was behind Kim's defiant attitude in the negotiation process in the prelude to the summit. After Kim's meeting with Xi, North Korea threatened to pull out of the June 12 Singapore talks between Trump and Kim, and Trump said he believed Xi might be involved in North Korea's change of attitude. "If you remember two weeks ago, all of a sudden out of nowhere Kim Jong-un went to China to say hello again—second time—to President Xi. It could very well be that he's influencing Kim Jong-un. We'll see what happens. Meaning the President of China, President Xi, could be influencing," Trump said.²⁸²

Trump's declaration in March 2018 that he would meet with Kim proved to be the starting point for the so-called "China passing"—the idea that China might be sidelined or "passed over" on issues related to North Korea.²⁸³ In the past, Trump had repeatedly stated that North Korea was China's problem to fix. Now, however, he essentially signaled that he no longer needed China to solve the North Korean problem, and he, as a self-styled dealmaker, would make deals directly with Kim. As a result, China's interests, which were historically the most significant variable in geopolitics surrounding the Korean Peninsula, would now carry less weight.

Trump's maneuvers triggered a psychological effect in Beijing, too, conjuring up the deep-seated insecurity in the Chinese strategic community that Trump might charm Kim away from Xi's socialist camp and bring him into alignment with Washington. Some feared that the United States might shower Kim with capitalist blandishments and erect a Trump Tower in Pyongyang. That is why there was fear in Beijing that Trump and Kim might hit it off too well, even if China publicly welcomed the meeting. There was, and still is, suspicion in China that Trump's hidden strategic goal is to normalize relations with North Korea to check China's power.

In this time of uncertainty, the focus of Chinese strategy also displays a subtle shift from North Korean denuclearization to securing China's geopolitical influence over North Korea. Down the line, there will be signs to watch. For instance, China might end its commitment to economic sanctions on North Korea. Having repaired its long estrangement from North Korea, China is unlikely to sacrifice its ties with Pyongyang again. Alternatively, if the United States were to return to the "maximum pressure" campaign or mount a military attack on North Korea, China believes, the Trump administration could not afford to attack North Korea if China adamantly opposed it.²⁸⁴ At the height of Washington's "bloody nose" debate in 2017, China was remarkably reticent about its own "options" regarding a contingency in North Korea. Nevertheless, that

does not necessarily mean that China would “acquiesce” to US kinetic moves against North Korea. After all, China sent three million troops to the Korean War, going against American expectations.²⁸⁵

The “China factor” in North Korea’s denuclearization has been almost a parallel question, existing side by side with the history of North Korea’s nuclear development. When we talk about North Korea, we are also talking about China: how much influence it has over Pyongyang and whether it is willing to use that influence to restrain North Korea’s belligerent behavior. In a sense, if we look at the map and deliberate on geopolitics, we may also appreciate how vital North Korea is to the security of China’s periphery. It is a simple geopolitical history lesson, highlighting China’s stake in regional politics. The United States had a direct taste of this during the Korean War when China sent army “volunteers” to aid North Korea as US troops advanced beyond the 38th parallel. With China’s intervention, the war ended in a stalemate, along the same parallel that serves as the military demarcation line that divides the two Koreas today.

Truly, the “China factor” in North Korea’s denuclearization touches upon nearly all aspects of the geopolitics surrounding the Korean Peninsula and beyond. What does China think about North Korea? What does China think about North Korea with nuclear weapons? What does China think about a nuclear North Korea in the era of Trump? What does China think about these issues at a time when it is locked in a growing trade war with the United States? In addition, as China begins to see this war as being not about trade, but about future global leadership, how does that alter China’s cooperation on Pyongyang’s denuclearization? What is more, the China we are talking about has a charismatic leader, Xi Jinping. How will this influence China’s policy toward North Korea?

This train of thinking should serve as a larger background to the contemporary mystique of China-North Korea relations. As these relations grow more complex, does China truly support

North Korea’s denuclearization? What are China’s redlines on North Korea’s provocations?²⁸⁶ How faithfully is China implementing the UN-mandated sanctions? These are essential questions for the ROK-US alliance, especially when considering China’s preferred end state. Seoul and Washington need to anticipate the following question for the period after North Korea and the United States sign a peace treaty: Do US forces in South Korea have justification for remaining if “peace” has come to the Korean Peninsula?

By the end of June 2018, Xi had met with Kim three times. That in itself may not be an eye-opener. However, it is startling when one considers that they held their first summit meeting only in late March 2018. After that, Xi scored a summit with Kim every month for three consecutive months. During Kim’s trip to China in June 2018, Xi promised him “three unchangeables” (三个不变, *sān gè búbiàn*): one, the support of the Chinese Communist Party (CCP) and the Chinese government for the development of Sino-North Korea relations; two, the Chinese people’s friendly feelings (友好情谊, *yóuhǎo qíngyì*) toward the North Korean people; and three, China’s support for “socialist North Korea.”²⁸⁷ What deserves special attention is the fact that Xi referred to North Korea as “socialist North Korea” (社会主义朝鲜, *shéhuìzhǔyì cháoxiǎn*).

Trump has urged Kim to accept an American-proposed denuclearization deal that would provide his country with prosperity “on par with South Korea,” a country that has become a prospering democracy with American sponsorship. South Korea is a signature success story of democratic transformation in US foreign engagement. However, Xi is known to be a dedicated socialist and a believer in Marxism.²⁸⁸ During the Nineteenth Party Congress of the Chinese Communist Party in October 2017, the Chinese leader proclaimed the “Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era.” What is meant by the idea that China is entering a new era? The decline of the West and Trump’s election gave the CCP leadership renewed confidence in China’s choice of

development path. Beijing has painstakingly resisted accepting the Western development model, and in May 2018, Xi said that the CCP's decision to adhere to Marxian political theory was "totally correct."²⁸⁹

Naturally, this raises the question whether Xi's vision for the future state of North Korea is compatible with Trump's. This is important because even though both the United States and China want North Korea to denuclearize, their visions for its future and political institutions may be starkly different. Xi is clear. He wants North Korea to be a socialist country, like China, and this will also affect how he deals with Kim and what kind of advice he offers him in his on-off negotiations with Trump. It also implies that in future discussions on Korean unification, Beijing may side with Pyongyang, not Seoul. During his meeting with Xi in Beijing, Kim remarked that North Korea and China supported each other "like a family."²⁹⁰ He also stated that North Korea would "closely cooperate" with China in the "same command camp" (*han cham'mobu*) to safeguard socialism and herald a new future for the Korean Peninsula.²⁹¹ His wording warrants attention. During the Korean War, when the battle between the United States and China became fierce, China's military formed a combined forces command ("*Jojoong yonhap saryongbu*" in Korean) with the North Korean army to enhance combat coordination and efficiency against the United States and its allied forces.

It is too early to speculate what all this means in the "evolution" of the Sino-North Korean relationship. But in a mere few months, we may have been seeing a revolution, as they have been rapidly reconfiguring their regional strategy in a way that reinforces their bonding and mutual affinity. It is eerily reminiscent of the Cold War, when China and North Korea characterized their alliance relationship as "soaked in blood." It remains an open question whether Kim is attempting to upgrade Pyongyang-Beijing ties to the same high level as the Seoul-Washington alliance. One purpose for doing so would be to use a tighter relationship with China as a "protective cover" while Kim prepares a North

Korean version of reform and opening up. That means North Korea might become a prosperous socialist country on par with China, rather than with South Korea, an idea clearly at odds with Trump's wishes.

The United States and China are Decoupling while China and North Korea Couple

In the past, China regarded North Korea and US-China relations as separate issues. Amid deepening US-China trade competition, as well as intensifying rivalry for future global leadership, China has begun to see the North Korea problem as a sub-structure under the canopy of US-China relations.²⁹² That will further complicate attempts to pursue Pyongyang's denuclearization.

Signs that Beijing was increasingly viewing North Korea through the prism of US-China relations were apparent by January 2019, when Chairman Kim made his fourth visit to China. He arrived by train on his thirty-fifth birthday—though he had traveled by air on his previous two trips—and when his train passed through Dandong on the Chinese-North Korean border, it served as a trigger for the watchful international media to react and make headlines. If Kim had traveled by air, it would have been less visible to the media. In addition, a train trip offers the media more time to cover his journey. It is thus reasonable to believe that Kim staged his trip to China to be noticed. But for what purpose? His choice to travel to China on his birthday and his mode of transport create the impression that there is something special about the China-North Korea relationship, that Kim's bond with Xi is strong.

There is a complex strategic calculus intertwined among different players in Pyongyang, Washington, Beijing, and Seoul. Kim's January 2019 visit to China also took place against the background of Trump's public statement that there would be a second summit with Kim soon. As for Kim, it is reasonable to believe that his trip to China was preparation for his summit with

Trump, who sent out mixed messages: He would meet with Kim, but the economic sanctions on North Korea would remain in place. Meanwhile, for Xi, North Korea's denuclearization is not necessarily the most immediate policy priority. China's paramount priority is to "soft-land" the ongoing trade war with Washington, on which a first-phase agreement was reached in January 2020. China is the country with the greatest influence over North Korea, so it was undoubtedly tempted to use Kim's visit to serve its own interests. If that is the case, China may use the occasion to nudge Kim to be more forthcoming in denuclearization measures as a goodwill gesture toward the United States.

Trump, when inaugurated, told China that he would be willing to ease up on the issue of trade if China cooperated on North Korea.²⁹³ He has already openly complained, at least three times, that "China was behind" North Korea's defiant attitude, which led to a stalemate in negotiations.²⁹⁴ Will the same thing happen again? Is China playing the North Korea card against Washington? In Kim's New Year's speech in January 2019, he said that he would closely consult with "parties to the Korean War armistice" so as to transform it into a durable state of peace. Though he did not name China, this appears to be Kim's invitation for China to play a more active role in North Korea's negotiations with the United States. Depending on how Xi envisions China's relationship with the United States, his advice to Kim will have ramifications for both denuclearization and the trade war.

China Proposes a "Chinese Solution" on North Korea

From June 20 to 21, 2019, Xi visited Pyongyang for the first time as China's top leader. The timing of the summit was instructive. Beijing had begun preparations for Xi's visit as early as January. Everything was set up in advance. China was seeking the optimal timing to initiate the trip, which was not about denuclearization, but about the United States. The Trump administration has made North Korean denuclearization a foreign policy priority. The timing of Xi's visit—one week prior to his expected meeting

with Trump at the G20 summit in Japan—was intended to give him negotiating leverage with the president by allowing him to highlight the notion that China is indispensable for steering the North Korea nuclear issue and that Washington needs Beijing's help.²⁹⁵ On the surface, it was a shrewd move, because Trump called Xi immediately after China's announcement of the visit, the first phone conversation the two had that year. The visit clearly got Trump's attention.

But it is not clear whether Washington appreciated Xi's move; its abrupt timing appeared opportunistic. The Trump administration had already set its North Korean diplomacy schedule, and the president had planned to visit South Korea after the G20 meeting to discuss North Korea with President Moon. The US government's special representative on North Korea, Stephen Biegun, was already in Seoul to prepare for the possible resumption of negotiations. Thus, China's move could be seen as disruptive. This is particularly true if Xi's Pyongyang visit had not been coordinated with Washington in advance. Since the Singapore summit, one signature Trump administration policy in dealing with North Korea has been that the United States does not need an intermediary. The timing of Xi's trip to North Korea was also a diversion tactic that shifted international and domestic attention away from unrest in Hong Kong.

Xi's talks with Kim were substantive in terms of what China plans to do for North Korea. According to Xi, China will do the following: 1) "acquire an accurate understanding of the state of affairs from a strategic altitude and a long-term perspective in order to defend the establishment of peace in the Korean Peninsula"; 2) "support a political solution for the Korea problem"; 3) "help North Korea to address its rational concerns on security and worries about economic development to the best of our ability"; and 4) "play an active role in accomplishing denuclearization in the peninsula."²⁹⁶

These statements need to be read closely. China, like the United States, also wants a denuclearized North Korea, but via different

means. As the US-China rivalry intensifies, differing policies toward North Korea may be a potential source of conflict. The term “political solution for the Korea problem” means that military forces should not be used to solve the North Korean nuclear problem—a warning to the United States. The expression “rational concerns on security” is now somewhat familiar; it means that China understands the security anxiety North Korea would feel were it to give up its nuclear program. In saying this, China is taking North Korea’s side, showing its political sympathy for its fellow socialist state,²⁹⁷ and indicating that it is willing to help with its worries about economic development. To emphasize this commitment, Xi used a special phrase, “to the best of our ability” (力所能及, *lìsuǒnéngjí*). The last time a top Chinese leader used the phrase was ten years ago, in October 2009, when Wen Jiabao, former premier of China, visited Pyongyang. Since 2009 was the sixtieth anniversary of the establishment of diplomatic relations between the two countries and 2019 was the seventieth, this is apparently an expression used only once every ten years. The rarity, in and of itself, draws attention. But most pertinent is Premier Wen’s visit transpired after North Korea’s second nuclear test in May the same year. Going against international expectations that China would use the occasion to give Pyongyang a firm warning about the nuclear ambition, Wen announced a massive economic aid.

The key is in Xi’s description of his approach: “from a strategic altitude and a long-term perspective.” This reveals that China seeks a fundamental solution to the North Korean nuclear problem, which the current US approach cannot achieve. Trump has argued that the way previous US presidents have approached North Korea in the past twenty-five years was bound to fail, which is why he made the extraordinary move to meet Kim Jong-un face-to-face in Singapore and fix the problem. However, the problem was not so easily fixed, and it stagnated once again after Singapore. During this period of post-Singapore diplomacy, China served mostly as an observer rather than a mediator. Pundits asked whether China was being sidelined from the matter over which it has the most clout. Now,

however, Beijing has declared that it will play “an active role” to achieve a “fundamental” solution to the North Korea problem, which Trump could not fix. A Chinese scholar explained: “This means Xi Jinping will take the lead in dribbling the ball of the North Korean nuclear issue.”²⁹⁸

Another key item is for China to help “North Korea to address its rational concerns on security and worries about economic development.” In other words, Xi is saying that China, instead of the United States, could offer both a security guarantee and economic development—the two issues on which North Korea has been negotiating with the United States. If that genuinely materializes, it would make the United States irrelevant.

In sum, Xi Jinping’s visit to Pyongyang in June 2019 was a significant event in which China proposed a “Chinese solution” (中国方案, *zhōngguó fāng’àn*) for the North Korean nuclear issue. China’s previous approach focused mainly on *managing* the North Korea problem. For instance, Beijing had called for a “double-freeze” (双中断, *shuāng zhōngduàn*, a simultaneous cessation of North Korea’s nuclear and missile tests and US-ROK joint military exercises) and “double proceedings” (双轨并行, *shuāngguǐ bìngxíng*, parallel achievements of a US-DPRK peace treaty and denuclearization). This time, China proposed a *solution* to the problem, based on the logic that North Korea will abandon its nuclear program only if its “rational” security concerns are addressed. This is fundamentally different from the philosophical orientation of the US approach, which is based on the idea that sanctions will push North Korea toward denuclearization. Beijing believes that incentives (that relieve Pyongyang’s concerns) will drive it toward denuclearization. The Chinese shift to proposing a solution is also in line with the more assertive foreign policy that has become characteristic of the Xi era.

Xi’s words on security were not empty. Miao Hua, director of the Political Work Department of the Central Military Commission, accompanied Xi to Pyongyang—a clear political signal that

China and North Korea will begin military exchanges. Miao is a three-star general of the People's Liberation Army (the PLA's highest rank), responsible for personnel and propaganda for the armed forces. Although it is normal for such a high-ranking military officer to attend a summit, his participation drew attention because there had been almost no military exchanges between the two countries in the last decade, and no military dignitary had visited North Korea during the period—not a normal situation. The June summit, therefore, was a momentous event that “normalized” Sino-North Korean relations.²⁹⁹

Looking Ahead and Policy Recommendations: With or Without China?

Chinese leader Xi Jinping wants to realize the “great rejuvenation of the Chinese nation” by 2049, the one hundredth anniversary of the founding of the People's Republic of China.³⁰⁰ That is when China aims to surpass the United States and become the sole global superpower. Meanwhile, Trump has been alienating allies and partners, undermining the US-built global governance system, and distancing himself from the very ethos that makes America great: democracy, freedom, the rule of law, and human rights. In November 2017, he also became the first US president to visit China and not to mention human rights. Though China is weaker than the United States, it believes that time is on its side,³⁰¹ and it sees the United States as a declining superpower under Trump. Beijing is prepared for a long struggle.³⁰² China may suffer in the short term by being deprived of opportunities in the US market, but it plans to work harder to network with the rest of the world, deepen cooperation, and lure other countries with economic incentives and exclusive opportunities.

This is also relevant to China's strategic thinking in dealing with North Korea. During the Cold War, the United States and China had one area of conflict, Taiwan. In Xi's first term, there were two, Taiwan and the South China Sea. Now, in Xi's second term, we are beginning to see three areas of conflict: Taiwan, the South China Sea, and North Korea. In China's effort to

offset the strengthening of the US alliance structure in Asia, it will fall back on its old instinct to embrace North Korea and keep it on its side. Even without a new Cold War, growing US-China tensions pose new challenges to the ROK-US alliance. Common sense dictates that the United States and South Korea should “work with China” to resolve the North Korean nuclear issue. So far, that has not worked because Beijing's interests are different from those of Seoul and Washington. It is time for a radical shift. This new approach should be to work on the North Korea issue without China. Certainly, China's outreach to Pyongyang has been helpful at times in moderating North Korea's belligerent acts. However, when it comes to denuclearization, China has been an obstacle. If Washington and Seoul wish to have a unified strategy toward North Korea, this is the sole viable approach. It is as yet untested, but all other strategies that have engaged China to resolve the North Korean issue have failed. North Korea's nuclear capability has been improving regardless of the level of China's purported cooperation. Under such circumstances, if the United States and South Korea continue to pursue a North Korea strategy that includes China, they will arrive at the same results they have seen for the last two decades.

A salient policy question is how China's renewed geopolitical interest in North Korea will affect its handling of the current nuclear arms wrestling between North Korea and the United States. China may not accept US requests to maintain strict sanctions on North Korea; it is unlikely to sacrifice its ties with Pyongyang by honoring Washington's demands. Instead, it will use the restored Sino-North Korean relationship as leverage in its deepening rivalry with the United States for global leadership. Seoul and Washington should consider objectively whether they have sufficient leverage to check Beijing. If they do not and proceed without consulting Beijing, it may attempt to interrupt the process. China's actions could be subtle and discreet. For instance, it may affirm its continuing commitment to the UN economic sanctions against North Korea while surreptitiously supporting Pyongyang. China's primary approach to North

Korea is to use it to balance US influence and dissuade Washington from taking tougher actions. As China competes with the United States for leadership in Asia, it is also likely to use the “North Korean card” to counter the US Indo-Pacific strategy. Meanwhile, Washington may not have fully used all

the available tools in its diplomatic toolbox to pressure China to behave as Washington wishes on North Korea. At any rate, Washington, together with its allies, must decide whether it will solve the North Korean issue together with or without China.

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