



Maximum Pressure, Deferred Engagement

The Trump Administration's Approach to the North Korea Conundrum

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Executive Summary

Concerns about an “April Crisis” on the Korean Peninsula that extends into the summer are high.

The Democratic People’s Republic of Korea (DPRK) has typically celebrated the April anniversaries of the birthday of its founding leader Kim Il-sung and the founding of the Korean People's Army with ballistic fanfare. Two missile launches have already been conducted this month and preparations for a possible nuclear test have also been completed.

To deter North Korea from conducting a sixth nuclear detonation, the largest-ever edition of the annual U.S.-Republic of Korea joint military exercise, Foal Eagle, is set to run until late April. The USS Carl Vinson, a Nimitz-class supercarrier, and her strike group are also due to arrive in the region during this period. And a land-based, anti-ballistic missile defense system, the Terminal High Altitude Area Defense (THAAD), will become operational on South Korean soil shortly thereafter.

Even if hostilities are avoided in the near term, there are formidable obstacles to stabilizing the tensions on the Korean peninsula – let alone resolving them. For almost a quarter-century now, the peninsula’s denuclearization has defied resolution and three factors in particular conspire to complicate the negotiation and implementation of any arrangement – be it in a bilateral, four-cornered or six-party format.

First, Kim Jong-un’s quest for a perfected road-mobile, solid-fueled, precision-strike intermediate and intercontinental range ballistic missile capability remains a work in progress. Improvements in nuclear warhead miniaturization are also on the anvil. Until he has reached a threshold point of assurance in terms of his delivery vehicles’ reach to strike the U.S. mainland, which still remains a handful of tests – and years – away, Mr. Kim will scheme for opportunistic breakdowns in the diplomatic process to upgrade his capabilities.

Second, the U.S., for its part, has yet to unleash the full toolset of sanctions, disincentives and punishments on the regime in Pyongyang, as well as secondarily on China. Until such sanctions are maxed-out and are visibly seen to be impotent, the U.S. will not reconcile itself to any far-reaching diplomatic bargain with a regime as odious as the North Korean one. Both sides, as such, have yet to exhaust their options and reach a mutually unsatisfying but stable equilibrium (deterrence against American strikes from Pyongyang’s perspective; comprehensive sanctions and regime isolation from Washington’s perspective) atop which a durable settlement can be constructed.

Finally, an alignment of political interests that favor the diplomatic track and offer a window of opportunity for negotiations is still not fully in place. The most successful prior period of diplomacy with the DPRK (1998-2000) had featured a second-term U.S. president from the Democratic Party and a center-left leaning

president in Seoul eager to seek rapprochement with the regime in Pyongyang. Although a pro-rapprochement president will soon enter the Blue House in Seoul, the other two conditions for success fail to hold. A national security-minded Republican Party president, surrounded by a coterie of ex-uniformed political appointees with a track record of distinguished service in fields other than creative diplomacy, is not likely to reach out to a criminal and brutal regime early in his tenure.

The Obama Administration's policy of "strategic patience" is widely seen to have failed in its purpose of eliciting a pledge from the North Korean regime to verifiably dismantle its nuclear capabilities. To the contrary, the regime has ramped up its missile and nuclear tests during this interval. As the marginal utility of "strategic patience" has diminished, the hawkish tone within the American think tank and North Korea specialists' community has steadily risen. Overwhelmingly, two points are evident in their views. First, that the full toolkit of sanctions, disincentives and military deterrence must be unleashed against the Kim regime to bring it to its full senses about the downsides of pursuing nuclearization and directly challenge the United States' interests. Second, that it is high time to stop accommodating Beijing on the DPRK question and that persuading it to rein-in Pyongyang should gradually give way to coercing it – with 'secondary sanctions' if need be.

A streak of cognitive dissonance, however, is evident in their views. Kim Jong-un's international linkages, it is understood, are too marginal to be successfully leveraged by the U.S. as a decisive pressure point on the regime. On the other hand, his conventional and strategic capabilities constitute a rough-and-ready deterrent capability at his disposal, which as a matter of practicality cannot be preemptively challenged. Some form of negotiated arrangement that assures the continued incumbency of the regime in Pyongyang in exchange for a dismantlement of its nuclear capabilities must be offered. Yet there is an unwillingness to contemplate a pathway of getting to that point where such an offer can be tabled. And, to the contrary, barriers are sought to be placed that obstruct the pathway and make any negotiated arrangement that assures the continued incumbency of the regime even harder to achieve.

To their credit, a minority group within the North Korea watcher community continues to steadfastly champion the case for an early return to the negotiating table. Better to head down this path sooner rather than later, they argue, for the longer one waits and the lengthier the opportunistic intervals that Kim Jong-un enjoys to perfect his nuclear and missile arsenal, the harder it will be to resolve the crisis on the peninsula on terms short of total war or diplomatic capitulation at the U.S. end.

The prevailing amalgam of underestimating Pyongyang's tenacity and overestimating the U.S.' and Beijing's clout is also evident in the Trump Administration's North Korea Policy Review.

"Maximum pressure and engagement" appears to be the watchword emerging from this policy review. "Maximum pressure" utilizing a wider toolkit of diplomatic, political, military, cyber, commercial, economic and financial penalties is to be inflicted by the administration – this, so that "engagement" can thereafter be established with a chastened Kim Jong-un on a qualitatively different footing and concessions obtained on denuclearization and dismantlement that are of a qualitatively deeper character. Initially, at least, the core emphasis of "maximum pressure and engagement" is to be on augmenting and intensifying the political, economic and financial pressure on Pyongyang, with noticeably greater assistance from Beijing. Riskier military alternatives are to be placed on the back-burner for the time being. Should Beijing fail to come through on this front, "secondary sanctions" on Chinese financial institutions and entities that aid North Korean front companies are likely to be instituted.

The North Korea Policy Review is not likely to directly embrace either China's "suspension-for-suspension" proposal, i.e. DPRK's suspension of missile and nuclear activities in exchange for a halt or downgrading of the U.S.-ROK's large scale military exercises, or its "parallel track approach" proposal, i.e.

denuclearizing the Korean peninsula while replacing the Korean War armistice with a peace agreement on a related timeline, in the short-to-medium term.

On the other hand, a glimmer of hope rests in the possibility that the Trump Administration may be willing to relax the Obama Administration's insistence of demanding an upfront pledge from Kim Jong-un to denuclearize as a pre-condition to restarting any overt form of direct U.S.-DPRK engagement. This upfront pre-conditioning might be softened or even quietly dropped from the Administration's North Korea-related policy communications. Down the line, when a new pro-engagement president is elected in South Korea, this could open the door to direct communications with the North Korean regime and exploratory efforts in a bilateral or four-cornered format towards a 'freeze arrangement.'

It is hoped that events bear out this latter path in the weeks and months ahead. "Maximum pressure" will not deliver a chastened Kim Jong-un at the diplomatic doorstep; "engagement," wisely-crafted, could restore a modicum of trust and lay the foundation for a more durable win-win pathway.

Section 1

The Korean Peninsula Conundrum: Current State of Play and Sizing Up the Options

Introduction

Concerns about an “April Crisis” on the Korean Peninsula that extends into the summer are high.

On April 15, 2017, the Democratic People’s Republic of Korea (DPRK) celebrated the 105th anniversary of the birthday of its founding leader Kim Il-sung and on April 25, marked the 85th anniversary of the founding of the Korean People’s Army. Occasions such as these have been used by the regime in Pyongyang to launch military provocations, typically ballistic missile tests, that serially breach numerous United Nations Security Council (UNSC) resolutions. As many as three such tests were conducted in April 2016: two Musudan (single-stage, intermediate-range ballistic missile) tests on April 15 and April 28 and a KN-11 (short-range, submarine-launched ballistic missile) test on April 23. Pyongyang has already burnt through two launches this month. Commercial satellite imagery of the DPRK’s Punggye-ri Nuclear Test Site indicates that preparations for a possible nuclear test have also been completed.

On April 9, the Pentagon announced that the USS Carl Vinson, a Nimitz-class supercarrier, and her strike group are due to return to the Korean Peninsula in late-April after planned exercise with the Royal Australian Navy (RAN) in the Indian Ocean. The supercarrier and strike group will be joined by several Japanese Maritime Self-Defense Force (MSDF) destroyers in a show of force designed to deter Pyongyang from conducting further nuclear and missile tests. The USS Carl Vinson carrier strike group had been in Korean waters as recently as mid-March 2017, participating in U.S.-Republic of Korea (ROK) bilateral exercises. Separately, the USS Michigan, a nuclear-powered guided-missile submarine capable of conducting surgical strikes on key North Korean facilities, recently arrived in the port city of Busan.

On March 2, the U.S. and South Korean militaries kicked off the largest-ever edition of their annual joint military exercise, Foal Eagle, which is set to run until late-April. The joint exercises have included large-scale landing operations drills for a second year running. These drills, which Pyongyang sees as a rehearsal for invasion by its enemy, have typically been staged biennially. Crack U.S. special forces, including the Navy SEALs, have also been involved in the exercises. Separately, by late-April, operational testing of the

US Terminal High Altitude Area Defense (THAAD) battery - to be located at a golf course in North Gyeongsang Province - is expected to be completed, enabling its formal operational readiness soon thereafter.

On the evening of April 6, President Donald Trump launched an unprecedented missile strike against the government of Syrian President Bashar al-Assad. It was not coincidental that he was hosting President Xi Jinping over dinner at his Mar-a-Lago estate at the time. To reinforce his message of a more muscular foreign policy, U.S. forces dropped the largest non-nuclear device it has ever unleashed in combat, the GBU-43/B Massive Ordnance Air Blast (MOAB), a week later on a cave-and-tunnel network used by Islamic State in eastern Afghanistan. Again, not-coincidentally, North Korea hosts an extensive network of underground passageways. For what it is worth, President Trump has vowed to act unilaterally if need be to 'take care of' the North Korea problem, and a range of military and non-military approaches to tighten the screws on the Kim Jong-un regime sits on his desk as part of a completed inter-agency North Korea policy review.

On March 10, a constitutional court in Seoul upheld the impeachment vote against embattled South Korean president Park Geun-hye, drawing the curtains down on nine years of hardline, anti-Pyongyang, conservative party rule in Seoul. On May 9, a more pro-rapprochement, left-leaning candidate will likely be elected to office - in turn, narrowing, and concentrating, the window of opportunity for carte-blanche Blue House approval for aggressive actions against Pyongyang by U.S. forces, including military strikes. President Park's five-year term had been due to run until February 2018. Meanwhile, the U.S. ambassador's seat in Seoul remains vacant, one of many such senior diplomatic and national security positions that have not been filled due to disarray in the Trump Administration's appointments process.

Since Fall 2016, Japan's Maritime Self Defense Force (MSDF) has maintained an Aegis-equipped destroyer in a warning, surveillance and missile intercept preparedness mode in waters adjoining North Korea's exclusive economic zone (EEZ). In the event of armed action, the Japanese military's refueling of U.S. aircrafts and supply of arms and ammunition to U.S. forces operating in the region is a virtual certainty. The updated US-Japan Guidelines mandate it and newly-passed domestic security legislation permits it. MSDF collective self-defense operations in conjunction with U.S. forces, under related legal authority, cannot be ruled out either. By contrast, Japan had been unable to provide minesweeping or rear-area logistical support to U.S. forces during the previous nuclear crisis on the peninsula in 1993-94 due to legal prohibitions stemming from Article 9 of its Peace Constitution.

For China's part, as many as a quarter million troops remain in a state of readiness in northeastern China, though a sign of massing or movement closer to the Yalu River that separates North Korea from China is not as yet apparent.

Korean Peninsula Crisis and Persistent Features

Clearly, there are ample reasons to worry about an “April (and May) Crisis” on the Korean Peninsula.

Donald Trump’s impulsiveness and unpredictability, ironically, offers an odd glimmer of optimism here. Consistent with the ‘madman theory’ of diplomacy,¹ he has displayed appreciable capriciousness and incoherence in his foreign policy decision-making to give foreign leaders, ally and antagonist, pause for thought – at least, in the short term. Difficulty in reading through and divining his true intentions has meant that both Mr. Xi and Mr. Kim have opted to guardedly take his views at face value and not overly challenge them.

President Xi, determined to build on the Mar-a-Lago cooperative spirit and steer China-U.S. ties onto a qualitatively more stable platform after the rancid anti-China rhetoric of Trump’s presidential campaign, has relayed some of his toughest admonitions of the North Korean regime to date in rare harmony with a U.S. president. State-affiliated Chinese media have also obliquely warned Pyongyang that a limited U.S. strike in response to a DPRK provocation might be met with an air of detachment in Beijing.² For his part, Kim Jong-un recently ordered the DPRK’s Supreme People’s Assembly to revive a diplomatic commission, last operational in the late-1990s, to signal his regime’s openness to improved diplomatic relations with the wider world.³ Vice Foreign Minister, Kim Gye-gwan, a well-received former nuclear negotiator, is to be a member of the commission. How long this oddly stabilizing aspect of Trump’s ‘shoot from the hip’ approach to foreign policy persists, remains to be seen.

Even if hostilities are avoided in the near term, there are formidable obstacles nevertheless to stabilizing the tensions on the Korean peninsula – let alone resolving them. For almost a quarter-century now, the peninsula’s denuclearization has defied resolution to the point that a set of persistent features that resemble stylized facts can be deduced.

First, so long as Seoul remains a densely-populated capital city of the southern half of the peninsula, a full-blown war is a totally unrealistic option. Even in the unlikely scenario that the DPRK’s nuclear capability is erased in a preemptive first strike, Kim Jong-un possesses thousands of howitzers and rocket launchers

Unless Mr. Kim launches a significant armed action, the devastation that war will cause in South Korea (and to a lesser extent in Japan), will restrain the U.S. from initiating a significant preventive or preemptive strike against the Pyongyang regime’s nuclear assets.

in close proximity to the Demilitarized Zone (DMZ) that are capable of inflicting massive and unacceptable damage to Seoul. Neither preemption, nor missile defenses or proliferation, i.e., acquisition of nuclear armaments by South Korea or Japan, can remedy this predicament.⁴ Indeed, in an ironic twist of the Cold War standoff between East and West on the European continent, nuclear weapons hold the twin virtue of ‘trip wire’ and ‘bargaining chip’ for Kim Jong-un. Unless Mr. Kim launches a significant armed action, the

devastation that war will cause in South Korea (and to a lesser extent in Japan), will restrain the U.S. from initiating a significant preventive or preemptive strike against the Pyongyang regime’s nuclear assets.

Second, the Kim Jong-un regime has demonstrated upgraded capabilities in the technical sphere of road-mobile, solid-fueled and precision-guided ballistic missile launches with extended range. The upshot of

these advances is that Mr. Kim is trending in the direction of enjoying assured and concealable second strike capability to wreak devastation on his adversaries even in the unlikely instance that most of his nuclear apparatus is eliminated in a massive preemptive first strike by Washington. If the U.S. is to employ kinetic means against the Kim Jong-un regime, it will have to target and decapitate its head, first and foremost.

Third, the DPRK regime cannot be brought to the point of collapse without the indispensable intervention of China. Put another way, there is no viable ‘non-China-aided’ scenario by which the regime can be toppled. The DPRK relies on Chinese entities for 40 percent of its hard currency earnings,⁵ 90 percent of its external trade, and almost all of its crude oil supply. For strategic, demographic and humanitarian reasons, however, China will not be complicit in any externally aided – as opposed to domestically-generated – regime collapse scenario. Beijing’s broadly-stated and long-standing Korean Peninsula-related principles remain unwavering: the peninsula must be denuclearized; war is not a recourse to this end, particularly one in which China is called upon to intervene militarily; and externally-provoked subversion or biting economic sanctions that provoke regime collapse will not garner China’s support. Beijing’s overriding interest therefore dictates that the U.S. and the DPRK, as well as the two Koreas bilaterally, devise a *modus vivendi* to coexist peacefully.

Beijing’s Korean Peninsula-related principles remain unwavering: the peninsula must be denuclearized; war is not a recourse to this end, particularly one in which China is called upon to intervene militarily; and external subversion or sanctions that provoke regime collapse will not garner China’s support.

Fourth, for its part, the Kim dynasty has encountered significant economic sanctions and hardship over the past two decades yet has surmounted these challenges politically and has shown that it can subsist on very little. Economic pointers suggest that the DPRK economy under Kim Jong-un, far from being in a state of near-collapse, is in fact enjoying an upswing. Grain prices remain stable, private markets have begun to

expand, and there are no widespread food shortages.⁷ There is even the faint possibility that the Kim Jong-un regime might become Asia's next "development dictatorship." Even if these pointers are reversed due to biting sanctions and economic isolation, the regime's brutality will ensure that its incumbency is prioritized over the people's livelihoods, as it has shown time and again. Hence, if the Kim dynasty is to be uprooted without the firing of a single shot, covert means of elimination appears to be the only remotely-conceivable option.

Fifth, and finally, the U.S. will never accept the DPRK as a *de facto* - let alone *de jure* - nuclear weapons state. Washington might consent to the DPRK retaining an internationally-safeguarded civilian nuclear capability, as the product of an interim or final arrangement, but it will never concede on its bottom-line insistence that the DPRK military's nuclear program be completely, verifiably and irreversibly dismantled. Admitting the DPRK's standing as a *de facto* nuclear state is a rank impossibility. It would validate the Kim dynasty's criminal behavior, undermine efforts to limit global nuclear weapons proliferation, betray the U.S.' allies in Northeast Asia, enrage Congress, and delegitimize American claims to moral leadership.⁸

Structural Obstacles to a Negotiated Arrangement

The constellation of factors suggests that some form of negotiated arrangement, however asymmetric, is perhaps the only feasible option to resolving the tensions on the peninsula over the medium-term. Room

A national security-minded Republican Party president early in his tenure and surrounded by a coterie of ex-uniformed political appointees with a track record of distinguished service in fields other than creative diplomacy is not likely to farsightedly reach out to a criminal and brutal regime.

for crafting and implementing such an arrangement exists - albeit a narrow one. It could be based on the "parallel track approach," i.e. denuclearizing the Korean peninsula while replacing the Korean War armistice with a peace agreement on a related timeline, that has been suggested by Beijing, or some variation of it.⁹ At the end of the day, there must be complete, verifiable and irreversible denuclearization (CVID) - not disarmament - of the peninsula,

which must be preceded by (at minimum, superficial) normalization of U.S.-DPRK relations. A "suspension-for-suspension proposal," i.e. suspension and freeze of the DPRK's nuclear and intercontinental and intermediate range ballistic missile testing in exchange for an easing of the regime's isolation and a halt, or more realistically, reduction in the scale of U.S.-ROK military exercises could be a way-station to such a broader arrangement.¹⁰

However, three factors conspire to make negotiating any such arrangement a heavy lift – be it in a bilateral, four-cornered or six-cornered format.

First, Kim Jong-un's quest for a perfected road-mobile, solid-fueled, precision-strike intermediate and intercontinental range ballistic missile capability remains a work in progress. Improvements in nuclear warhead miniaturization are also on the anvil.¹¹ Until he has reached a threshold point of assurance in terms of his delivery vehicles' reach to strike the U.S. mainland, which still remains a couple of tests – and years – away, Mr. Kim will scheme for opportunistic breakdowns in the diplomatic process to upgrade his

capabilities. Second, the U.S., for its part, has yet to unleash the full toolset of sanctions, disincentives and punishments to bear on the regime in Pyongyang as well as secondarily on China. Until such sanctions are maxed-out and are visibly seen to be impotent, the U.S. will not reconcile itself to any far-reaching diplomatic bargain with a regime as odious as the North Korean one. Both sides, as such, have yet to exhaust their options and reach a mutually unsatisfying but stable equilibrium (deterrence against American strikes from Pyongyang’s perspective; comprehensive sanctions and regime isolation from Washington’s perspective) atop which a durable settlement can be constructed.

Finally, an alignment of political interests that favor the diplomatic track and offer a window of opportunity for negotiations is still not fully in place. The most successful prior period of diplomacy with the DPRK (1998-2000) had featured: a second-term U.S. president from the Democratic Party - Bill Clinton, hankering to leave a legacy – and a center-left leaning president in Seoul (Kim Dae-jung) eager to seek rapprochement with the regime in Pyongyang. A pro-rapprochement president will soon enter the Blue House in Seoul, jettisoning for good nine years of anti-‘sunshine’, right-wing confrontationist policy that was complaisantly backed by a strategically patient American president who preferred to ‘lead from behind’ but had in fact exhausted his political capital in the course of reaching a nuclear agreement with another “rogue regime” - Iran. The other two conditions for success however fail to hold. A national security-minded Republican Party president early in his tenure and surrounded by a coterie of ex-uniformed political appointees with a track record of distinguished service in fields other than creative diplomacy is not likely to farsightedly reach out to a criminal and brutal regime.

The U.S.’ North Korea specialists and think-tank debate in Washington is informed by and framed within this strategic and political context. Yet the view of U.S. specialists on North Korea has tended to hew to a rather different point of view from that described in this section. It is an analysis of the content, and spread, of these views to which the report will now turn.

DPRK’s Ballistic Missile Launches in 2016¹²

In 2016, the Democratic People’s Republic of Korea (DPRK) continued to defy United Nations Security Council resolutions by launching a record 26 ballistic missiles or other systems using ballistic missile technology. These ranged from the launch of a satellite to launches of intermediate-range ballistic missiles, short-and medium-range ballistic missiles and submarine-launched ballistic missiles. Two significant trends in the DPRK’s ballistic missile program which demonstrate major technological progress within a short period of time were also evident: **significantly increased range through the introduction of intermediate-range ballistic missiles; and a shift to solid-fuel technology in its submarine-launched ballistic missiles.**

On February 7, 2016, after having alerted international organizations of an impending satellite launch, the **DPRK successfully placed a satellite into orbit on the back of a three-stage rocket** launched from the Sohae satellite launching station. The satellite was subsequently registered as an earth observation satellite, named “Kwangmyongsong 4.” Debris of the stages and fairing retrieved from the sea showed traces of explosives that are inconsistent with peaceful space launch applications.

Table 1. North Korea’s Ballistic Missile Launches in 2016

Date	Name	Number	Missile Type*	Reported Launch Area
7 February	Kwangmyongsong	1	Satellite	Sohae
10 March	Scud	2	SRBM/MRBM	Nampo
16 March	KN-11	1	SLBM	Sinpo
18 March	Nodong	2	SRBM/MRBM	Sukchon
15 April	Musudan	1	IRBM	Wonsan
23 April	KN-11	1	SLBM	Sinpo
28 April	Musudan	2	IRBM	Wonsan
31 May	Musudan	1	IRBM	Wonsan
22 June	Musudan	2	IRBM	Wonsan
9 July	KN-11	1	SLBM	Sinpo
19 July	Scud	1	SRBM/MRBM	Hwangju
19 July	Nodong	2	SRBM/MRBM	Hwangju
3 August	Nodong	2	SRBM/MRBM	Hwangju
24 August	KN-11	1	SLBM	Sinpo
5 September	Scud	3	SRBM/MRBM	Hwangju
15 October	Musudan	1	IRBM	Kusong
20 October	Musudan	1	IRBM	Kusong
December	KN-11	1	SLBM	Sinpo

* SRBM/MRBM : short-range ballistic missile/medium-range ballistic missile

IRBM : intermediate-range ballistic missile

SLBM : submarine-launched ballistic missile

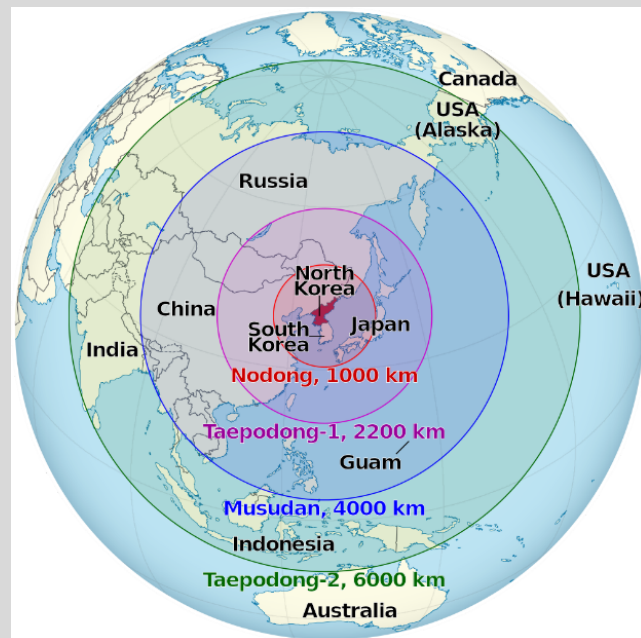
The **Musudan intermediate-range ballistic missiles** was flight-tested eight times in 2016. Only one launch was apparently successful however. These failures highlight engine malfunctions and call into question the operational status of the missile. Images of the June 22, 2016 launch confirm that it was the same **road-mobile ballistic missile** that was displayed for the first time at a October 10, 2010 parade in Pyongyang. Further, the missile was launched on a lofted trajectory and targeted waters 400 km away after flying to the maximum altitude of 1413 km – this so as to allow testing without overflying another country.

A number of **short-and medium-range ballistic missiles** were launched in 2016 and Kim Jong-un was an interested spectator at many of these launches. He oversaw the launches on 10 March which state media described as **designed to “simulate the conditions of exploding a nuclear device from [a] pre-set altitude”**. The launches occurred one day after the exhibition of a purported “miniaturized nuclear device.” On September 5, three Scud-class short-range ballistic missiles were launched and reportedly flew approximately 1,000 km. Kim Jong-un again witnessed the drill, the aim of which was to examine the “guided accuracy of the improved ballistic rockets.” The July 19 launches, again overseen by Kim Jong Un, **were publicized as having been made “under the simulated conditions of making pre-emptive strikes at**

ports and airfields in the operational theatre in South Korea”.

Finally, the DPRK continued its development of the **Pukgeukseong-1 submarine-launched ballistic missile**, also known as the KN-11. Four KN-11 tests occurred within five months from the Sinpo area, showing rapid development. A land-based ejection test on March 16 was shortly followed by a sea-based test on April 23, 2016. Images from the latter demonstrate a successful cold-launch of the KN-11 emerging from the water, igniting just above the sea surface and entering the boost phase, flying for 30 km. Further KN-11 sea-based tests were conducted on June 9 and August 24 in which the submarine-launched ballistic missile successfully ejected underwater and flew a fair distance in lofted trajectory.

Figure 2. Flight Ranges of DPRK’s Ballistic Missiles¹³



There are reasons to confirm that rapid technological developments have taken place over a short period, resulting in significant progress towards an operational submarine-launched ballistic missile system. The shift from liquid-to a solid-fuel engine for the KN-11 is a major technological development, affording greater stability, quicker preparation and longer fuel storage. Successfully going through ejection, boost and flight phases is also unprecedented in demonstrating the country’s capabilities with regard to submarine-based launches.

Figure 3. Missile Facilities in North Korea¹⁴



Figure 4. Nuclear Facilities in North Korea¹⁵



Section 2

The Korean Peninsula Conundrum: Views of Washington's DPRK Specialists and Think Tank Community

For more than two decades and counting, the nuclear proliferation-related tensions on the Korean peninsula have defied resolution. The origins of these tensions can be traced to March 12, 1993.¹⁶ On that day, the DPRK announced its intention to withdraw from the Nuclear Non-Proliferation Treaty (NPT) – a treaty that it had signed just eight years earlier. The proximate factor that touched off the DPRK's announcement was the invocation by the International Atomic Energy Agency (IAEA) of a provision in its safeguard agreement with North Korea that allowed for a "special inspection" of two concealed but apparent nuclear waste sites at Yongbyon. Earlier, in January 1992, the DPRK had signed a safeguards agreement with the IAEA which allowed the latter to conduct a range of inspections of the DPRK's nuclear installations and programs. By breaching its safeguards agreement as well as the *Joint Declaration of South and North Korea on the Denuclearization of the Korean Peninsula* of February 1992¹⁷ and threatening to convert the Yongbyon facility's irradiated fuel rods into weapons-grade plutonium, Pyongyang plunged northeast Asia into a crisis. The crisis was ultimately resolved – as it turned out, temporarily – with the mediation of former U.S. President Jimmy Carter and the signing of the Agreed Framework of October 21, 1994 between the Clinton Administration and the DPRK regime.¹⁸

The Agreed Framework of 1994: Provisions and Benefits¹⁹

The Agreed Framework and its amending accords was a deal under which the U.S. would provide the DPRK with a package of nuclear, energy, economic, and diplomatic benefits; in return Pyongyang was to halt the operations and infrastructure development of its plutonium-based nuclear program. Specifically, the Agreed Framework committed the DPRK to "freeze its graphite-moderated reactors and related facilities" with the freeze to be monitored by the International Atomic Energy Agency (IAEA). The "related facilities" included a plutonium reprocessing plant and stored fuel rods. The Agreed Framework also committed the DPRK to store the 8,000 fuel rods removed from a five megawatt reactor in May 1994 "in a safe manner that does not involve reprocessing in the DPRK [North Korea]." The key policy objective of the Agreed Framework was to secure a freeze of North Korea's nuclear program in order to prevent the DPRK from

producing large quantities of nuclear weapons grade plutonium through the operations of the 50 and 200 megawatt reactors and the plutonium reprocessing plant at Yongbyon.

In addition to the freeze, the DPRK was also obligated, down the line, to allow the IAEA to conduct a special inspection of the two suspected nuclear waste sites at Yongbyon - in conjunction with the delivery of equipment for two promised light water reactors (LWRs). When the light water reactor projects were installed and completed, the DPRK's graphite-moderated reactors and related facilities were to be fully dismantled. The agreement contained provisions for talks on the "ultimate disposition" of the 8,000 fuel rods, too, which North Korea had removed from the five-megawatt reactor in May 1994.

In return for the halt and dismantlement of its graphite moderated reactors, the DPRK was to receive two light water reactors with a generating capacity of approximately 2,000 megawatts. The Agreed Framework set a "target date" of 2003 in this regard. The U.S. was obligated to organize an international consortium for the acquisition and financing of the reactors and the Clinton Administration and the governments of South Korea, Japan, and other countries established the Korean Peninsula Energy Development Organization (KEDO) in March 1995 to coordinate the provision of the LWRs. Prior to the construction of the light water reactors, the Agreed Framework also committed the US to facilitate the provision of "alternative energy" to the DPRK to compensate for the freezing of nuclear facilities. Starting in January 1995, the Clinton Administration arranged for the shipment of heavy oil to North Korea.

Aside from energy assistance, the Agreed Framework included a statement of intent by both sides to open liaison offices in each other's capital and establish full diplomatic relations up to the Ambassadorial level as the two governments made progress on issues of concern to each side. Within three months of the signing of the Agreed Framework, the two sides were also to reduce barriers to trade and investment, including restrictions on telecommunications services and financial transactions. On January 20, 1995, the Clinton Administration announced an initial set of measures to relax the U.S. economic embargo and in September 1999, the U.S. agreed to end a broader range of economic sanctions in exchange for a North Korean moratorium on future missile testing. By June 2000, most economic sanctions on the DPRK were removed.

The Agreed Framework ultimately collapsed for a number of reasons. The tardiness in providing the heavy fuel oil assistance, the failure to move forward decisively on the light water reactors, as well as the 'anything but Clinton' attitude of hostility toward the ex-president's policies by the incoming Bush Administration and their characterization of the DPRK as part of the "axis of evil," sank the chances for the successful implementation of the Framework.²⁰ Ultimately, however, it was the DPRK's pursuit of a secret program to enrich uranium, now that the plutonium-based route had been frozen, which was the overriding cause of the failure and ultimate collapse of the Agreed Framework. Kim Jong-il may have been hedging his bets but his decision to go down the uranium enrichment route was a colossal violation of the spirit - if not the letter - of the Agreed Framework.

For a majority of the 22 years since the signing of the Agreed Framework, the DPRK has effectively been at loggerheads with the U.S. and Japan (and with the Republic of Korea for a part of that time). Interim agreements were arrived at in 2005 within the framework of the Six-Party Talks²¹ and in 2012 in the form of the 'Leap Day' agreement. Neither agreement was durable. The former had collapsed by December 2008

for a variety of reasons that cannot solely be laid at the DPRK's doorstep; the ink was barely dry when the latter was violated by Kim Jong-un in mid-April 2012.²² The long periods of hostility and the serial failure to honorably implement duly-negotiated agreements has left a vast residue of disgust and hostility towards the DPRK among North Korea watchers and think-tank specialists in the West.

The Kim dynasty is seen as being incorrigibly deficient in keeping its side of a bargain – in part, because it is widely held that the Kims have always intended to go nuclear as a cast-iron guarantee to ensure the permanence of their regime now that its ideological underpinnings is in tatters. As such, most North Korea watchers almost uniformly favor tightening the diplomatic, political, military, economic and financial screws on the regime and bringing it to its knees. This having been said, a minority view continues to steadfastly argue that the peninsular conundrum, for lack of better military and economic options, can only be resolved at the negotiating table. Better to head down this path sooner rather than later for the longer one waits and the more time that Kim Jong-un has to perfect his nuclear and missile arsenal, the harder it will be to resolve the crisis on terms short of total war or U.S. diplomatic capitulation.

The Kim dynasty is seen as being incorrigibly deficient in keeping its side of a bargain – in part, because it is widely held that the Kims have always intended to go nuclear as a cast-iron guarantee to ensure the permanence of their regime now that its ideological underpinnings is in tatters.

Broadly speaking, American think tank specialists and North Korea watchers' views of DPRK-related options and futures can be categorized into four basic groups. They are:

1. Let China take the lead on the DPRK question and coerce it, if necessary, to do so;
2. Negotiate a long-term but interim "freeze" arrangement with the DPRK;
3. Harshen/deepen diplomatic, political, military, cyber, economic and financial pressure on the DPRK
4. Contemplate credible threat of use of military force in a preventive or preemptive capacity against the DPRK

Let China Take the Lead on the DPRK Question and Coerce It, if necessary, to Do So

The view that China should take the lead and resolve the long-rumbling crisis on the peninsula by reining in the DPRK has been a hardy perennial in Washington. The DPRK relies on Chinese firms for as much as 40 percent of its hard currency earnings and an estimated 300 Chinese businesses conduct dealings in excess of \$1 million with the reclusive country. China also provides a vital oil lifeline to the country. At least a million tons of crude oil, probably the minimum the DPRK needs for its economic survival, is pumped from China's Daqing oil field in Heilongjiang province and transported via underground pipeline to a refinery in

Sinuiju across the border.²³ As such, China is well-placed to exert decisive pressure on the regime. Candidate Trump was only reiterating this received wisdom when he noted that China possesses the leverage to alter the Kim Jong-un regime's incentive structure, and hence Washington must press Beijing to discipline its client state's wayward proliferation behavior. The argument has been given a new lease on life following his Mar-a-Lago meeting with President Xi. With a view to charting a constructive relationship with President Trump, President Xi volunteered to bring additional pressure on the DPRK regime to honor its denuclearization commitments. Indeed, in recent days, observers in Pyongyang have detected an apparent shortage of gasoline supplies, with long lines forming in front of gas stations.²⁴

The U.S.' North Korea watchers and think-tank specialists are nevertheless also resigned to the view, by and large, that Beijing will never bring to bear the degree of pressure needed to topple the regime in Pyongyang for strategic and demographic reasons. As one commentator has noted:

U.S. officials discovered years ago that while China doesn't want North Korea to have deliverable nuclear weapons, what the Chinese fear even more is a collapse of the North Korean government, because this would create multiple serious problems for China. So China will never push Pyongyang so hard on nukes as to endanger the regime. It now appears Pyongyang is so committed to keeping its nuclear weapons that only immense pressure, with the risk of toppling the regime, would suffice. China won't go along.²⁵

Despite this resignation regarding China, the view that it should take the lead on resolving the DPRK's misbehavior continues to hold a certain sway for two reasons. First, it is the default argument that keeps bubbling up to the surface whenever the negotiated understandings and arrangements, such as the Agreed Framework, the Six-Party Talks or the Leap Day Agreement collapse and Washington is not politically inclined or capable of making another diplomatic offer. Each failure of diplomacy has in turn led to an ever-louder chorus calling for China to take the lead.

...calls have grown louder within the specialist community in recent years to forego persuading Beijing to rein Pyongyang in and penalize it instead for its failure to do so.

The worthier reason is that while the U.S.'s North Korea watchers are not blinkered in their view of China's interests on the peninsula, a limited degree of pressure exercised by Beijing, in conjunction with a range of other U.S.-led diplomatic, economic, financial, cyber and military pressure, in their view, could force the

regime in Pyongyang to recalculate the costs of its intransigence. In keeping with this view, calls have grown louder within the specialist community in recent years to forego persuading Beijing to rein Pyongyang in and penalize it instead for its failure to do so. This could be initially done by way of unilaterally-imposed 'secondary sanctions' on targeted Chinese entities and nationals who conduct business in UN Security Council proscribed dual-use items or facilitate dollar-denominated transactions with the DPRK. A typical view along these lines advocates that:

A U.N. report last year tied dozens of Chinese firms to blacklisted North Korean entities and cited Bank of China for allegedly helping a North Korea-linked client move \$40 million deceptively through US banks. The same U.N. panel this month showed how North Korea's military acquired missile components via Chinese firms ... In a periodic review last week, the U.S. sanctioned 12 Chinese individuals and entities for unspecified violations under the Iran, North Korea, and Syria Nonproliferation Act, meaning they can't sign contracts with the US

government or buy items subject to U.S. export controls. This is good as far as it goes, but shady Chinese arms dealers don't survive on US government contracts. A true assault on North Korea's financial enablers will require more aggressive restrictions on a wider range of Chinese banks, trading companies, shipping lines and other entities.²⁶

Although this viewpoint has gained prominence over the past half-decade, there is also a creeping recognition among the U.S.' North Korea watchers and think tank

specialists that China's once-intimate ties with DPRK are no longer what they used to be.²⁷ There is awareness that there has been a veritable drying up of high-level contact since Kim Jong-un's ascent – most vividly on display in the inability of Wu Dawei, China's veteran point-man on North Korea, to obtain an invitation to travel to Pyongyang earlier this month. This diminution of China's influence is also viewed as a useful lever for Washington to nudge Beijing towards a more cooperative approach in confronting and isolating Pyongyang and thereby altering the regime's incentive structure to pursue nuclearization.

The more Kim Jong-un perfects his nuclear and missile arsenal, the harder it will be to resolve the crisis on the peninsula on terms short of either total war or U.S. diplomatic capitulation.

Negotiate a Long-Term but Interim 'Freeze' Arrangement with the DPRK

The Obama Administration had refused to negotiate with the DPRK unless Pyongyang credibly pledged in advance to a phased de-nuclearization, to which it had conditionally agreed in 2005. Having offered direct negotiations to induce Pyongyang to talk in 1994, 1998-2000, 2003-2008, and (briefly again in) 2012, and having concluded agreements during each of these periods which subsequently failed, there is a deep reluctance within the American think tank specialists and North Korea watcher community to go down this path again.

Equally, however, there is an acknowledgement – currently, limited to a steadfast few - that the inability of the Obama-era policy of 'strategic patience' to proportionately punish the North Korean regime for the missile and nuclear tests over the past eight years has meant that its misbehavior and violation of UN Security Council resolutions is effectively tipping the deterrence and political balance in its favor. The more Kim Jong-un perfects his nuclear and missile arsenal, the harder it will be to resolve the crisis on the peninsula on terms short of either total war or diplomatic capitulation at the U.S. end. A policy toolkit therefore that excludes all form of 'carrots' to the regime in Pyongyang, and is only composed of 'sticks', is self-defeating.

There are three streams of thinking that intertwine and reinforce this view. First, the Kim dynasty's odious and criminal actions notwithstanding, the dictates of reality demand that a diplomatic solution will simply have to be found to the DPRK challenge because a war on the peninsula with its risk of quick escalation is unimaginably costly. The suggestion of U.S. policy analysts and hardliners that a North Korean intercontinental ballistic missile capability would constitute the breaching of a 'red line' and invite a decapitating 'surgical strike' on its strategic forces infrastructure is in fact just a red herring – and a dangerous one at that.²⁸ Hence, it is better to get the ball rolling again on the diplomatic front with some form of nuclear and missile testing freeze that is negotiated sooner rather than later.

A second stream of thinking argues that the past record on agreements reached between the U.S. and the DPRK should also not be judged as harshly and it is by no means clear that the blame for their failure lies entirely with North Korea. The 1994 Agreed Framework did shut down the DPRK's plutonium production for a decade, but collapsed after Washington too dragged its feet on providing the promised assistance and did little to end enmity- i.e., "move toward full political and economic normalization." The 2005 Six-Party Accord induced North Korea to stop making plutonium and testing missiles, only to have the US impose anti-money laundering sanctions on North Korea almost immediately thereafter.²⁹ South Korea and Japan, too, failed to come through with the promised energy aid in 2008.

A final stream of thinking argues that a 'sticks' only policy gravely underestimates, both, the level of insecurity felt in Pyongyang as a small country in a life-or-death confrontation with the world's most powerful nation, as well as the depth of intransigence that Pyongyang is prepared to marshal to resist hostile U.S. military and non-military actions. As one commentator observes:

A longstanding, deeply ingrained view in Pyongyang is that Washington's real agenda is to get rid of the North Korean regime because of the military threat it poses to American allies like South Korea and Japan, its widespread human rights violations and now its nuclear arsenal ... [Senior officials in Pyongyang insist that they] would not have developed nuclear weapons if it did not see the United States as a threat or had not been subjected to American and South Korean provocations.³⁰

A reciprocal bargain that freezes the DPRK's nuclear and missile testing in exchange for an easing of the regime's isolation and a reduction of the scale of US-ROK exercises could assuage Pyongyang's legitimate political and security concerns and ameliorate the tense situation on the peninsula. Over time, as a modicum of trust is restored, the parties could explore a wider bargain that trades the dismantlement of the DPRK's nuclear program for a peace agreement and steps towards normalization. As one observer has pithily stated, "North Korea will start focusing on its prosperity instead of its self-preservation only once it no longer has to worry about its own destruction."³¹ A nuanced version of what such a freeze arrangement looks like would run along these lines:

The U.S. could offer (following close consultations with the governments in South Korea and Japan, and ideally against the backdrop of additional United Nations resolutions and economic sanctions) direct negotiations with North Korea. Once talks commenced, the US side could advance a deal: North Korea would have to agree to freeze its nuclear and missile capabilities, which would require cessation of all testing of both warheads and missiles, along with access to international inspectors to verify compliance. The North would also have to commit not to sell any nuclear materials to any other country or organization. In exchange, the U.S. and its partners would offer, besides direct talks, the easing of sanctions. The U.S. and others could also agree to sign – more than 60 years after the end of the Korean War – a peace agreement with the North.

North Korea (in some ways like Iran) could keep its nuclear option but be barred from translating it into a reality. Concerns over North Korea's many human-rights violations would not be pressed at this time, although the country's leaders would understand that there could be no normalization of relations (or end of sanctions) so long as repression remained the norm. Full normalization of ties would also require North Korea giving up its nuclear weapons program [although it could be allowed to maintain an internationally-safeguarded civilian nuclear capability].³²

An arrangement along these lines should not be summarily dismissed. While there are obvious transparency and verification challenges involved, proponents also point to the visible successes during the implementation period of the Agreed Framework of 1994. By 1999, the heart of the DPRK's fissile material production facilities at Yongbyon, the country's nuclear center, had been frozen for five years; no bomb fuel was produced after 1994; and IAEA inspectors enjoyed continuous access at Yongbyon to ensure compliance. And the plutonium that the DPRK had produced prior to the 1994 agreement, too, was placed under IAEA supervision. In September 1999, following negotiations, Pyongyang also agreed to a missile launch moratorium.³³

Harshen/Deepen Diplomatic, Political, Military, Cyber, Economic and Financial Pressure on the DPRK

Proponents of this view within the American think tank and North Korea specialists' community work off the same platform as the 'freeze arrangement' proponents – that direct negotiations to induce Pyongyang to talk were offered in 1994, 1998-2000, 2003-2008, and (briefly again in) 2012, and even after having concluded agreements during each of these periods, the Kim regime cheated on its commitments. However, unlike the 'freeze arrangement' proponents who hold that the "strategic patience" policy's lack of positive incentives – and therefore the inability to induce the North Korean regime to forego its recent nuclear and missile testing – is effectively tipping the deterrence and political balance in Kim Jong-un's favor, the 'intensified and accelerated pressure' proponents hold that the full toolset of disincentives and punishments have simply not been fully brought to bear on Kim Jong-un. The belief that somehow sanctions against DPRK have been maxed-out is a myth. In fact, these proponents argue, there is still far greater scope to punish the regime and if the full toolkit of sanctions and measures are vigorously implemented in tandem by the U.S. and the international community, the Pyongyang regime can be brought to the point of strangulation and surrender.

"It is time to compel the Kim dynasty to rethink its dangerous course by putting at risk the one thing it values even more highly than its nuclear weapons - the stability and continued existence of its regime."

The principle that guides the 'intensified and accelerated pressure' school is this: "that it is time to compel the Kim dynasty to rethink its dangerous course by putting at risk the one thing it values even more highly than its nuclear weapons - the stability and continued existence of its regime."³⁴ To the extent that Mr. Kim is building nuclear weapons to guarantee the survival of his regime, he must therefore be coercively convinced that the development of these weapons will have the opposite effect. The Obama Administration's 'strategic patience' policy had been well-intentioned but in its feebleness, it never did get around to altering the regime's incentive structure to possess nuclear weapons. That must now change. This can be accomplished through the rapid imposition of overwhelming pressure, including serious sanctions like those imposed on Iran. This would involve removing the DPRK fully from international banking, financial, and trading networks;³⁵ aggressively prosecuting its human rights violations;³⁶ re-designating it as a 'state sponsor of terrorism';³⁷ using information campaigns to bring the truth to the North Korean people; aggressively encouraging the regime's senior officials to defect; seizing Pyongyang's assets overseas; increasing the size and frequency of military exercises and deployments; and employing a range of overt and covert means to affect the DPRK's military and its internal stability. As an eloquent advocate of this view proposes:

Only immediate and overwhelming measures to cut off the regime's economic lifeblood, starve it of foreign exchange, prosecute its human rights abuses, threaten it militarily, isolate it diplomatically, and sow dissent internally can force Pyongyang to choose between nuclear weapons and survival. Only when North Korean leader Kim Jong Un believes his regime's existence is threatened will he reconsider the path he has chosen.³⁸

The ongoing systematic efforts to cut the DPRK's high-level exchanges with countries in Asia, Africa, the Middle East and Europe and deprive the regime of its pipeline of hard currency revenues (by ejecting North Korean diplomats and guest workers in foreign countries; denying landing rights to Air Koryo and porting rights to North Korean ships; etc.) would also continue.³⁹

At this time of writing, the 'intensified and accelerated pressure' school enjoys the broadest consensus among the competing viewpoints within the West's North Korea specialists' and think tank community.

Contemplate Credible Threat of Use of Military Force in a Preventive or Preemptive Capacity against the DPRK

Akin to the 'let China take the lead' viewpoint, the option of using force in a preemptive capacity against the DPRK's strategic forces infrastructure has also been a hardy perennial in Washington. Proponents of this view advocate that the U.S. must stand ready at short notice to destroy North Korea's nuclear weapon and missile production and testing facilities by way of a decapitating "surgical strike." Two sites in particular are regularly placed in the cross-hairs: the Yongbyon nuclear facility and the underground nuclear test facility at Punggye-ri. The former could be decimated using precision-guided munitions launched from submarines or stealth aircraft; the latter be leveled by dropping an immense "bunker buster" bomb on the lines of the GBU-43/B Massive Ordnance Air Blast (MOAB) dropped on a cave-and-tunnel network used by Islamic State in eastern Afghanistan in April 2017.

Three significant problems with this option are instantly recognized within the policy community, including by its advocates. First is the potential for widespread and long-term nuclear contamination of parts of the peninsula, as radiological material is scattered by the explosions. Although former U.S. Defense Secretaries have averred that the nuclear reactor facility at Yongbyon can be destroyed without causing a meltdown that would release radioactivity in the air,⁴⁰ the dangers of such contamination cannot be ruled out. This could make parts of the Korean peninsula uninhabitable for generations. South Korea's numerous civil nuclear reactors are not designed to withstand a military attack either. A retaliatory attack by the DPRK on the South's reactors would potentially extend this catastrophe to the southern half of the peninsula too.

Second, the likelihood of escalation or even a full-scale war on the peninsula in response to a 'surgical strike' is extremely high. This would leave devastation in its wake in Seoul and require the U.S. and ROK armies to cross the 38th Parallel and invade and occupy the North. South Koreans will understandably be averse to supporting such a policy, including one that leaves them having to pay the additional cost of rebuilding the northern half of the peninsula after the war. The war option is also impossible to sell to a resistant president in the Blue House, knowing that the first people killed in retaliation for an American strike on the North will be South Koreans. Heaping an added layer of complication is the virtual certainty that the incoming Blue House occupant on May 9th will pursue pro-rapprochement policies towards the North.

A Short History of South Korea-North Korea Rapprochement⁴¹

The first fledgling step towards rapprochement was initiated by former South Korean President Park Chung-hee on August 15, 1970. In his speech that day to commemorate the 25th anniversary of Korea's liberation from Japanese colonial rule, Park suggested for the first time that the Republic of Korea (ROK) was willing to coexist peacefully with the Democratic People's Republic of Korea (DPRK) and urged Pyongyang to replace the hostile military confrontation with socio-economic competition. The speech set the stage for the historic July 4, 1972 **North-South Joint Communiqué**. The communiqué emphasized the pursuit of unification independently, peacefully, and based on national unity transcending the differences between the two systems. President Park's "Special Foreign Policy Statement Regarding Peace and Unification" the following year enshrined this willingness further by dropping Seoul's historic opposition to Pyongyang's participation in international organizations and to the simultaneous entry of both Koreas into the United Nations.

The next significant step towards rapprochement was initiated by President Roh Tae-woo. In his "Special Presidential Declaration" of July 1988, Roh linked Korea's continued division not to the nature of the DPRK's system and the aggressive policies pursued by its leaders, as had most previous governments, but rather to the fact that "both the South and the North have been regarding the other as an adversary." Accordingly, he argued, South Korea needed to think of North-South relations more as a potential partnership in the pursuit of common prosperity. In his July 1988 Declaration, President Roh also planted two seeds that would later blossom as key components of the ROK's rapprochement policy towards the North. One was his call for the "balanced development" of the economies in the two Koreas. In the context of the DPRK's economic crisis and Seoul's mounting economic superiority, this implied potential ROK economic assistance to Pyongyang. The other was his indication of South Korean willingness to not only countenance but also actively facilitate the improvement of the DPRK's relations with the West, particularly with the US and Japan.

President Roh's exertions were rewarded with the landmark **Agreement on Reconciliation, Non-Aggression, and Exchanges and Cooperation between the South and the North** signed in December 1991 - often called the Basic Agreement. The agreement enshrined the ROK's long-standing efforts to encourage Pyongyang to accept some form of peaceful coexistence. It committed the two sides to respect each other's political systems and to never use force or threaten military action. It called for the active promotion of inter-Korean cooperation, exchange, and travel. And it established an intricate web of committees and sub-committees to implement the agreed-upon measures. A **Joint Declaration on the De-Nuclearization of the Korean Peninsula** was also signed - a declaration which Pyongyang almost-immediately breached and still violates today.

The most significant step towards rapprochement was initiated by President Kim Dae-jung in 2000, as part of his **Sunshine Policy**. President Kim travelled to Pyongyang and he along with North Korean leader Kim Jong-il issued the June 15, 2000 **North-South Joint Declaration**. In the declaration, both leaders recognized that the low-level federation proposed by the North and the commonwealth system proposed by the South bore similarities and agreed to work together for reunification on their basis. Kim Jong-il also agreed to replace the provision in the Communist Party's platform calling for the liberation of the entire peninsula under socialism and accepted the continued stationing of US troops in the South even after reunification. By 2002, the two sides were able to collaboratively establish an economic development park, the Kaesong Industrial Park, which was located six miles north of the Korean Demilitarized Zone but enjoyed direct road and rail access to the South. A number of South Korean businesses started operations within the industrial

park.

President Roh Moo-hyun followed in the footsteps of President Kim by travelling to Pyongyang in October 2007. With Kim Jong-il by his side, the two leaders issued the **Declaration for Advancement of South-North Korean Relations, Peace and Prosperity**. Aside from reiterating both countries' commitment to the then-on-going Six Party Talks and the agreements reached therein, the two leaders agreed to create a special peace and cooperation zone in the West Sea which was to serve as a joint fisheries area. In doing so, it was hoped that it would also soften the Northern Limit Line (NLL), which currently serves as their provisional - and militarized - maritime boundary.

The most consequential drawback with this option is that U.S. strikes will not be able to destroy the full panoply of the DPRK's facilities and stockpiles of bombs and missiles because much is dispersed and concealed. The fiery destruction rained from the air by U.S. bombers during the Korean War of 1950-53, including the demolition of massive dams to flood the DPRK's northern valleys,⁴² had the effect of driving much of North Korea's military infrastructure underground. Further, as previously noted, the DPRK is on the path to perfecting its solid-fueled, road-mobile launch capability – meaning that Kim Jong-un will necessarily have a potent and possibly devastating second strike option, unless Mr. Kim and his senior military leaders can be eliminated in the decapitating first strike.

Given these obstacles, there is grudging understanding that preventive/preemptive military action is impossibly dangerous and - unless forced upon by the DPRK regime - is not a realistic or viable option. Even during the peak of the U.S.-DPRK standoff in 1993-94, a contingency plan of attack prepared by the U.S. Defense Department was never presented to President Clinton, given the risks of counterattack involved. This having been said, there is a wide consensus that the military encirclement of North Korea and the credible threat of use of force must never be taken off the table. Further, as was synonymous with the case of the 'let China take the lead' view, the consistent application of military pressure, in conjunction with a range of other U.S.-led diplomatic, cyber, economic and financial tools, could force the regime in Pyongyang to recalculate the costs of its intransigence. It could also lead to the slow but systematic strangulation of the regime ... or a military miscalculation on its part, which would then invite a decapitating strike in response.

Conclusion

As the marginal utility of the Obama Administration's policy of 'strategic patience' has diminished over the past half-decade, the hawkish tone within the U.S.' North Korea-watching community has risen steadily. Two decades of serial failures in the course of testing Pyongyang's intentions has engendered hate, disgust, anger and frustration on their part. Overwhelmingly, two points are evident in their views.

First, that the full tool-kit of sanctions, disincentives and deterrence must be unleashed against the Kim regime to bring it to its full senses about the downsides of pursuing nuclearization and frontally challenge the U.S.' interests. Second, that it is high time to stop treating Beijing accommodatively on the DPRK Question and that persuading it to rein Pyongyang in should gradually give way to coercing it – with “secondary sanctions” if need be.

A streak of cognitive dissonance, however, is also evident in their views. Kim Jong-un's international linkages, it is understood, are too marginal to be successfully leveraged by the U.S. as a decisive pressure point on the regime. On the other hand, his conventional and strategic capabilities indicate a rough-and-ready deterrent capability at his disposal, which as a matter of practicality cannot be preemptively challenged.

Some form of negotiated arrangement that assures the continued incumbency of the regime in Pyongyang in exchange for a dismantlement of its nuclear capabilities must then be on offer. Yet there is an unwillingness to contemplate a pathway of getting to that point where such an offer can be tabled. And, to the contrary, barriers are sought to be placed that obstruct the pathway and make any negotiated arrangement that assures the continued incumbency of the regime even harder to achieve. Meanwhile, Mr. Kim is afforded an opportunistic interval to keep perfecting his nuclear and missile arsenal, making it harder to resolve the crisis on the peninsula on terms short of total war or U.S. diplomatic surrender. The prevailing amalgam of underestimating Pyongyang's tenacity and overestimating Washington's and Beijing's clout is also evident in the Trump Administration's North Korea Policy Review. It is an analysis of the Review to which the report will now turn.

Some form of negotiated arrangement that assures the continued incumbency of the Pyongyang regime in exchange for a dismantlement of its nuclear capabilities must be on offer. Yet there is an unwillingness to contemplate a pathway of getting to that point where such an offer can be tabled.

Section 3

The Korean Peninsula Conundrum: Trump Administration and *North Korea Policy Review*

Within two weeks of assuming office, the Trump Administration initiated a review of the US government's DPRK policy. As part of the effort, both the Department of Defense under the supervision of the Joint Chiefs of Staff and the State Department conducted internal reviews. The overall effort was coordinated by National Security Advisor, H.R. McMaster, and a broad policy strategy was available on the president's desk prior to his April 6-7 meeting with President Xi Jinping at his Mar-a-Lago estate in Florida. This section lays out the broad thrust of the Review as well as the inventory of options - including specific sanctions targets – that are likely to be at the president's disposal.

“Let me be very clear: the policy of strategic patience has ended,” U.S. Secretary of State Rex Tillerson

The essence of “strategic patience” was to rule out any direct, substantive engagement with the Kim Jong-un regime unless it, as a pre-condition, pledged in advance to a phased but irreversible and verifiable denuclearization of the peninsula.

emphasized at a press conference in Seoul on March 17, 2017 during his inaugural visit to the region. To understand what the Trump Administration's DPRK policy will therefore not be, perhaps it is best to start by describing what the Obama Administration's policy of “strategic patience” entailed. The essence of “strategic patience” was to rule out any direct, substantive engagement with the Kim Jong-un regime unless it, as a pre-condition, credibly pledged in advance to a phased but irreversible and verifiable denuclearization of the

peninsula. Until then, the US government would stay the policy course, isolate and contain the regime, and wait for it to succumb to its own internal contradictions. “Strategic patience” was not an altogether passive approach. It included policies to:

- Reassure U.S. allies in northeast Asia and strengthen their capability to deter North Korean military attacks, by way of large and ever-more sophisticated military exercises as well as the initial deployment of a land-based, anti-ballistic missile defense system, the Terminal High Altitude Area Defense (THAAD), on South Korean soil;
- Regular deployments of U.S. strategic assets on the peninsula to reassure and defend South Korea as well as clear demonstrations of the U.S.' extended deterrent triad by way of strategic bomber flights over Korean airspace and invitations to ROK officials to observe U.S. Minuteman III

intercontinental ballistic missile test launches and board U.S. nuclear powered ballistic missile submarines during their port visits to Guam;

- Covert cyber operations to digitally sabotage the DPRK’s missile testing program to ensure a higher failure rate and thereby slow down the pace of development of its intermediate range missiles;
- Frequent passage of UN Security Council resolutions against the DPRK and steady pressure on China to expand its economic sanctions and embargoes against the Kim Jong-un regime as well as limit the ‘humanitarian’ and ‘livelihood exception’ loopholes contained in the UN Security Council-authorized sanctions regime;
- Systematic efforts to diplomatically isolate the DPRK in the international community and deprive it of U.S. dollar-denominated revenues by pressing countries in Asia, Africa, the Middle East and Europe to dismiss North Korean guest workers, eject North Korean diplomats engaged in illicit commercial activities, and deny landing rights to the DPRK’s national carrier, Air Koryo, and porting rights to its registered vessels.

In truth, each of these previous Administration policies will continue to be implemented - if not deepened, regardless of the official jettisoning of the “strategic patience” policy. Together, these ongoing actions will form a key part of the Trump Administration’s new DPRK strategy, being branded as “**maximum pressure and engagement**” (MPE) to get the Kim

Maximum pressure” utilizing a wider toolkit of diplomatic, political, military, cyber, commercial, economic and financial penalties is to be inflicted so that “engagement” can be established with Kim Jong-un on a qualitatively different footing, and concessions obtained on denuclearization and dismantlement of a qualitatively deeper character.

Jong-un regime to abandon its nuclear and missile program. Observers and critics, on the other hand, have dismissed it as “*strategic patience plus*.” “Maximum pressure” utilizing a wider toolkit of diplomatic, political, military, cyber, commercial, economic and financial penalties is to be inflicted by the administration so that “engagement” can be established with the regime in Pyongyang on a qualitatively different footing, and concessions obtained on

denuclearization and dismantlement of a qualitatively deeper character. Although all options, including the military option are on the table, **at its core the emphasis of “maximum pressure and engagement” is on doubling-down and maximizing the political, economic and financial pressure on Pyongyang with noticeably greater assistance from Beijing – at least initially.**

For the foreseeable period ahead, neither the use of military force in a decapitating preventive or preemptive capacity (the priority is to use less-risky options) nor is the opening of discussions with Pyongyang towards negotiating a nuclear and missile freeze arrangement on the table. The option of engaging in a bilateral or multi-party diplomatic process or discussion format with the aim of reaching some form of arrangement with Pyongyang might be re-visited once a new and more pro-rapprochement president is elected in Seoul and has settled into office. **The maximum that might be conceded in the near-term on the diplomatic front is a relaxation of the Obama Administration’s policy of demanding an upfront pledge by Pyongyang to denuclearize as a precondition for re-starting any form of overt direct engagement.** This up-front preconditioning might be softened or even quietly dropped. Effectively, then, no substantive

outreach to Pyongyang is envisaged by the Trump Administration at this time – although this would not preclude the possibility of holding ‘Track 1.5’ dialogues involving government and non-government officials from both sides.

Given this range of options that have been ruled out, at least for the time being, the following is an inventory of choices that are currently available to the president as well as their likelihood – or not – of implementation.

Military Options

- **Reintroduce Tactical Nuclear Weapons on the Peninsula.** The Republic of Korea had hosted U.S. tactical nuclear weapons during the Cold War. With Pyongyang’s signature on the Nuclear Non-Proliferation Treaty (NPT) in 1985 and the end of the Cold War, the Bush Administration pulled the nuclear weapons from South Korea in late-1991. The removal of the weapons set the ground for the *Joint Declaration of South and North Korea on the Denuclearization of the Korean Peninsula*.⁴³ With Pyongyang having serially violated its terms, the option to redeploy tactical nuclear weapons to South Korea to project stepped-up deterrence could be re-considered. Conservative elements in Seoul would gladly welcome the decision. **The likelihood of resorting to this option is very low.** It is unnecessarily escalatory and reassurances to South Korea can be accomplished via existing means that are less provocative. These include regular deployments of U.S. strategic assets on the peninsula and clear demonstrations of the U.S.’ nuclear triad - strategic bomber flights over Korean airspace; invitations to ROK officials to view ICBM launches and board U.S. nuclear submarines during port visits – to signal reassurance and resolve.
- **Stepped-up Anti-Ballistic Missile Defenses in North Korea’s periphery.** In March 2017, the U.S. began the deployment of a first THAAD battery on South Korean soil. At this time, there are no plans to deploy additional batteries on South Korean soil. Given the high level of controversy that has surrounded the announcement of the initial THAAD deployment as well as the likely incumbency of a new left-leaning president in the Blue House in Seoul, **it is unlikely that a second THAAD battery will be deployed anytime soon on South Korean soil.** The purpose of the THAAD battery is to primarily defend the numerous U.S. bases in the South, so that if an armed conflict was to break out U.S. Forces Korea (USFK) could have anti-ballistic missile defense cover as it went about planning its immediate response. One THAAD battery will not be able to defend all USFK bases against a volley of multiple DPRK rockets; equally deploying more THAAD batteries on South Korean soil is controversial politically – hence, how the U.S. and ROK militaries go about managing the challenge of the North Korean missile threat to U.S. bases on South Korean soil will merit close watching.

For its part, Japan is also reviewing the need for a THAAD battery. An Aegis-equipped Japanese vessel is already deployed continuously in the Sea of Japan, and further U.S. sea-based radars paired with sea-based, mid-course interceptor missiles could also be deployed in these waters. As such, further DPRK missile flight-testing could ensure the permanent presence of a larger number of land and sea based intercept options in northeast Asia.

THAAD and its Discontents

On 13 July 2016, the Republic of Korea (ROK) announced plans for the deployment of a US Terminal High Altitude Area Defense (THAAD) system on South Korean soil. To this end, the ROK defense ministry signed a land swap deal with the Lotte Group, a South Korean multinational conglomerate, on February 28, 2017, to locate the THAAD unit on a corporate-owned golf resort in Seongju, North Gyeongsang Province. In exchange, Lotte is to receive a piece of military-owned land in Namyangju, Gyeonggi Province.

In the face of repeated missile tests by Pyongyang, particularly the launch of an intermediate range ballistic missile on a lofted trajectory, a decision to speed up the deployment was taken by the U.S. and South Korean militaries. Two missile launchers and related equipment, the first batch of equipment of the THAAD battery, was delivered to an air-base 70 kilometers south of Seoul on March 6, 2017. Following the arrival of the radar system and operational testing thereafter, the battery is expected to be declared as formally operational as early as May 2017. The Chinese government has vehemently condemned the deployment and warned that THAAD will raise tensions in northeast Asia.

Chinese Concerns about THAAD in South Korea

Chinese officials contend that THAAD threatens China's legitimate security interests and could destabilize the region. In February 2016, Chinese Foreign Minister Wang Yi argued that the deployment of the THAAD system by the United States "... goes far beyond the defense need of the Korean Peninsula" and that it "is not just to defend South Korea, but a wider agenda and may even serve the possibility of targeting China."⁴⁴ After its deployment was announced in July 2016, Wang called THAAD "unjustified" and reiterated that the system "far exceeded the need for defense and will undermine the security interests of China...and shatter the regional strategic balance and trigger an arms race."⁴⁵

These concerns are grounded in a few Chinese perceptions. First, many Chinese strategists do not consider THAAD to be a suitable defense against DPRK missiles, given the short trajectories involved. Because of this, the assumption is made that THAAD must be intended for some other use. Second, THAAD's radar is capable of detecting and tracking missile launches within parts of mainland China. While a THAAD system in South Korea is not thought to be capable of intercepting Chinese missiles, the THAAD radar can be integrated into other existing missile defense systems in order to improve their effectiveness by providing early tracking or discrimination information. This presents the possibility of degrading China's second-strike (retaliatory) nuclear deterrent capabilities. Finally, South Korean participation in an integrated missile defense program would mark a further strengthening of what China often perceives to be American "encirclement" with its alliance system.

The American View

American officials emphasize that the DPRK is the sole concern behind a proposed THAAD deployment in South Korea. The U.S. State Department has expressed concern about advances in the DPRK's missile program. During a visit to Beijing, then-US Secretary of State John Kerry emphasized that THAAD is a "purely defensive weapon." The U.S. believes that THAAD is an appropriate countermeasure to some DPRK missiles. It contributes to a "layered" BMD program that guards against all angles of attack, including a possible detonation of a nuclear warhead at high altitude—something which ROK defenses cannot currently prevent.

In response to China's concerns about its nuclear deterrent, American officials have stressed that the U.S. does not intend for any BMD system to counter sophisticated missile systems such as those possessed by China. BMD is meant to counter less advanced arsenals like those of the DPRK or Iran. American commentators and officials have also noted that comparable radars have already been placed in Japan and

Alaska, and that a THAAD radar would add very little to U.S. surveillance capabilities over the Chinese mainland. Some Americans have argued that the radars would function in “terminal mode” (scanning for missiles in their terminal phase) and thus would not be able to scan relevant areas of China. However, others like MIT’s Ted Postol, have argued that THAAD’s radar engages in both functions simultaneously and that it has no distinct “modes.” China’s development of nuclear missile-armed submarines also reduces the value of such surveillance capabilities by further ensuring the survivability of China’s second strike forces.

-Alek Chance

- **U.S. Naval Deployments in the Yellow Sea:** The last time an American aircraft carrier conducted naval maneuvers in the Yellow Sea was when the South Korean patrol ship, the *Cheonan*, was ostensibly torpedoed by a DPRK mini-submarine in 2010 in these waters. Should Kim Jong-un continue to display dangerously provocative behavior and Beijing is seen to be not adequately reining-in his behavior through embargoes and disincentives, the temptation to pressure China militarily and politically by conducting high-profile naval maneuvers in sensitive waters, such as the Yellow Sea, could escalate. An emerging theme of the Trump Administration’s North Korea policy appears to be the willingness to move from persuading Beijing to punishing it as well for its lack of cooperation on the DPRK challenge – although initially President Xi is to be afforded the time and space to restrain Kim Jong-un and, ideally, bring him to heel. This having been said, the previous American deployment in the Yellow Sea was extremely controversial and a successor deployment would be viewed just as angrily in Beijing. It would not alter Kim Jong-un’s calculus of risk either, **hence the likelihood of such a show of force in the Yellow Sea is low.**
- **Escalate Cyber-Attacks to Digitally Sabotage North Korea’s Missile Testing Program as well as Undermine the Leadership.** For the past four years or so, the Obama Administration had been engaged in a covert but sophisticated cyber, directed-energy, and electronic warfare effort to disrupt the development of the DPRK’s longer-range missile testing program.⁴⁶ This included the use of items such as malware, lasers and signal jamming as well as what the Pentagon refers to as “left of launch” technologies – cyber and electronic strikes at the moment of missile launch (or even before the missile reaches the launch pad) - to disrupt and defeat the missile tests. Seven of eight Musudan intermediate-range ballistic missile flight tests in 2016 ended in failure, although the submarine-launched shorter range variant enjoyed significantly greater success. **The probability that these efforts will be intensified by the Trump Administration is very high.** Whether the cyber warfare techniques is expanded to target the regime’s senior leadership also in some way or form is harder to say and probably impossible to confirm.

Political Options

- **Return North Korea to the ‘State Sponsor of Terrorism’ List.** North Korea was originally placed on this list in 1988 after it had planted a bomb that destroyed a South Korean airliner over the Andaman Sea, just south of Myanmar. The bombing was intended to destabilize the ROK government and discourage visitors from attending the upcoming Olympic Games in Seoul. In an attempt to substantively advance the Six Party talks in the mid-2000s, the Bush Administration removed the DPRK from the list in 2008. Following the Pyongyang regime’s poisoning of Kim Jong-un’s half-brother at an airport in Malaysia with a banned chemical agent, there have been calls to return the DPRK to the terrorism state sponsor list.⁴⁷ On April 6, 2017, the U.S. House of Representatives voted for legislation calling on the administration to relist the country.

Designating the DPRK as a terrorism sponsor would, in theory, allow the Trump Administration to target financial transactions, mandate Washington’s opposition to loans and aid from international financial institutions, and eliminate North Korean sovereign immunity from civil lawsuits in U.S. courts. In practice, the U.S. government already ensures that multilateral agencies do not lend to the regime and the U.S. has already begun using unilateral and UN Security Council authorized sanctions to target the DPRK economically and financially. Because there has been no loss of American life or property caused by DPRK’s ‘terrorism’ or hardly any commercial assets seized or liable for seizure, whether the DPRK should enjoy sovereign immunity from civil lawsuits - which all UN Member States enjoy but which U.S., as per domestic law, does not extend to ‘state sponsors of terrorism’ - and be shielded from civil lawsuits in American courts is an academic question.⁴⁸

Once designated, it is politically difficult in Washington to remove a country from the list. The ‘state sponsor of terrorism’ designation, even if was initially justified, has the tendency to become a political tool to badger the named country, particularly by Congress, long after there is any connection or relevance to terrorism.⁴⁹ Syria is a classic case. By the U.S. State Department’s own admission, the Syrian government has not been implicated directly in an act of terrorism since 1986, yet Syria remains on the list and the designation is used as a punching bag by its numerous detractors to denounce the regime. Cuba, too, had little or no connection to terrorism for decades, yet was delisted only recently during the Obama Administration’s political rapprochement with the island. Hence, using the state terrorism sponsor designation could impede a diplomatic outreach to North Korea down the line - as George W. Bush discovered during 2006-08 when he attempted to remove (with success, ultimately) Pyongyang from the list to facilitate direct negotiations with the Kim Jong-il regime. **It is likely that the Trump Administration will adopt a wait-and-watch approach to adding Pyongyang to the ‘State Sponsor of Terrorism’ list for the time being.**

- **Deepen Systematic Efforts to Isolate the DPRK in the International Community.** The Obama Administration had engaged in a systematic effort to diplomatically isolate the DPRK in

Asia, Africa, the Middle East and Europe. As recounted by the former administration's deputy secretary of state, these measures included:

Quiet but systematic [efforts to] eject North Korean guest workers whose remittances go not to their families but to help fund the military, and diplomats engaged in illicit commercial activities; to deny landing rights to Air Koryo, the national airline, and porting rights to North Korea's ships; to cut off or downgrade diplomatic relations; and to aggressively enforce and even go beyond sanctions authorized by the United Nations Security Council.⁵⁰

These efforts cut in half high-level North Korean exchanges with other countries and possibly deprived North Korea of several hundred million dollars in revenues. **The Trump Administration will almost-certainly deepen and broaden these diplomatic measures and attempt to upgrade them into UN Security Council resolutions.** This could include placing a global ban on Air Koryo, interdicting North Korean freighters on the high seas (going beyond the existing requirement for nations to inspect North Korean vessels transiting their territory), and prohibiting the use of North Korean contracted labor abroad, especially in China. Despite the tightening UN sanctions noose, the DPRK still retains channels to conduct a lucrative trade with external parties, including the transfer of arms and related materiel to certain countries mostly in Africa. These include suspected transfer of military communications materiel to Eritrea, patrol boat refurbishment in Angola as well as reported supply of man-portable air defense systems, surface-to-air missiles and radar to Mozambique and 122-mm guided rockets to the Sudan.⁵¹

Economic and Financial Options

- **Sweeping Sanctions to Cut-off the DPRK from the Global Financial System.** In March 2016, the Obama Administration issued an Executive Order imposing a broad set of unilateral sanctions and embargoes on the DPRK, including a complete embargo on direct or indirect trade of goods, services, and technology, investment, and any financing or guarantees.⁵² These sanctions followed an earlier (January 2015) Executive Order which authorized sanctions not only on the country's nuclear and missile activities but also for human rights violations and labor exports. Adding to the March 2016 order, the U.S. Treasury Department designated North Korea in June 2016 to a "primary money laundering concern." As a result of this designation, U.S. officials are required to deny dollar access to any U.S. financial institution that works with North Korean entities as well as threaten similar cut-offs to any foreign bank that provides indirect access to a North Korean entity to tap the international banking system. Earlier this March, the Belgium-based global inter-bank messaging system SWIFT removed a couple of North Korean banks from its system.

Going forward, it is virtually certain that the Treasury Department will move aggressively to ensure that all dollar-based funding to North Korean banks and financial institutions is denied, and the widest range of North Korean banks and financial institutions are brought under the UN financial sanctions net so that they can be blocked off from global inter-bank flows.

- **Impose “Secondary Sanctions” on Chinese Banks, Financial Institutions and Other Chinese Entities that Facilitate Indirect North Korean Access to the International Banking System or Engage in Proscribed (under U.S. law) trading activities.** The Obama Administration Executive Order of March 2016 that imposed a broad set of unilateral sanctions

Going forward, with the likely adoption of “secondary sanctions,” the Chinese banks will have to choose between facilitating Pyongyang’s international financing reach or maintain their own access to international dollar networks.

and embargoes on North Korea also allows for “secondary sanctions” on entities engaged in a host of specific activities with, within or on behalf of the DPRK. It specifically references companies engaged in trade in metal, graphite, coal or software in line with UN Security Council resolutions; entities engaged in facilitating human rights

abuses or censorship; entities engaged in labor exports; firms undermining cybersecurity; as well as a broadly interpretable category of facilitating entities (entities that “have materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of, any person whose property and interests in property are blocked pursuant to this order.”) With almost 90 percent of North Korea’s overall external trade conducted with China and between a third to a half of its foreign exchange earnings raised via transactions with Chinese or China-based entities, Chinese banks, financial institutions and other companies and trading entities are clearly key intended targets of these sanctions.

As per a recent special UN committee assessment, North Korean banks and trading companies operate in China through China-based front companies. These front companies, in turn, have accounts at Chinese banks, from which they are able to conduct business – including illicit activities - globally. In 2016, the Obama Administration imposed financial sanctions on one Chinese entity (Dandong Hongxiang trading company) for alleged money laundering for Pyongyang and a further dozen individuals and entities were sanctioned by the Trump Administration for unspecified violations earlier this year. Going forward, with the prospective adoption of “secondary sanctions,” these Chinese banks will have to choose between facilitating Pyongyang’s international financing reach or maintain their own access to international dollar networks.⁵³

Further, a wider range of Chinese entities, such as trading companies, shipping lines that call at North Korean ports, insurers that underwrite cargoes, etc. that conduct dealings within the proscribed North Korean sectors listed in the March 2016 Executive Order or traffic in UN Security Council-proscribed dual-use items could also find themselves in the cross-hairs of U.S. “secondary sanctions.” The practical effect of the U.S.’ measures will depend however on whether the Chinese entities that conduct financial transactions with Pyongyang or Pyongyang’s China-based front companies are vulnerable to a shutdown of their U.S. lines of financing or business.

- **Embargoes on Trade in Natural Resources and Commodities.** Aside from the “secondary sanctions,” China is also likely to come under increasing pressure to cap and strictly observe its coal imports ceilings as well as limit its recent imports of liquefied petroleum gas from the DPRK. Beijing also provides a vital oil lifeline to the country, with at least a million tons of crude oil (if not more) piped to a refinery across the border. As such, China is well-placed to

exert decisive pressure on the regime, and **pressure is expected to be mounted on Beijing by the Trump Administration to impose a partial embargo on oil exports to the North.**

Conclusion

“Maximum pressure and engagement” to get the Kim Jong-un regime to abandon its nuclear and missile program appears to be the watchword of the Trump Administration’s North Korea policy. “Maximum pressure” utilizing a wider toolkit of penalties is sought to be inflicted by the administration upon the Kim Jong-un regime so that “engagement” can be established on a qualitatively different footing, and concessions obtained on denuclearization and dismantlement of a qualitatively deeper character. Initially, at least, the core emphasis of “maximum pressure and engagement” will be to augment and intensify the political, economic and financial pressure on Pyongyang, with noticeably greater assistance from Beijing. Should Beijing fail to come through on this front, “secondary sanctions” on Chinese financial institutions and entities that have ties to North Korean front companies are likely to be instituted.

The North Korea Policy Review is not likely to directly embrace either China’s “suspension-for-suspension”

The Trump Administration’s North Korea Policy Review’s prevailing inclination to overestimate Beijing’s (and the US’) clout and underestimate Pyongyang’s tenacity is a seeming recipe for failure.

proposal, i.e. DPRK’s suspension of missile and nuclear activities in exchange for a halt or downgrading of the U.S.-ROK’s large scale military exercises, or its “parallel track approach” proposal, i.e. denuclearizing the Korean peninsula while replacing the Korean War armistice with a peace agreement on a related timeline, in the short-to-medium term. On the other hand, a glimmer of hope rests in the possibility that the Trump Administration may be willing to relax the Obama Administration’s insistence of demanding an upfront

pledge from Kim Jong-un to denuclearize as a pre-condition to restarting any overt form of direct U.S.-DPRK engagement. This up-front pre-conditioning might be softened or even quietly dropped from the administration’s North Korea-related policy communications. Down the line, when a new pro-engagement president is elected in South Korea, this could open the door to direct communications with the North Korean regime and exploratory efforts in a bilateral or four-cornered format towards a ‘freeze’ arrangement.

It is hoped that events bear out this latter path. The Trump Administration’s North Korea Policy Review’s prevailing inclination to overestimate Beijing’s (and Washington’s) clout and underestimate Pyongyang’s tenacity is a seeming recipe for failure. It will neither soften Kim Jong-un up nor deliver a chastened Kim at the diplomatic doorstep. Engagement on the other hand, wisely-crafted, could restore a modicum of bilateral trust and lay the foundation for a more durable win-win pathway. Without a course correction, the policy review’s inclination will also foster mistrust in U.S.-China relations and bring the Korean peninsula conundrum a few further yards closer to war.

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