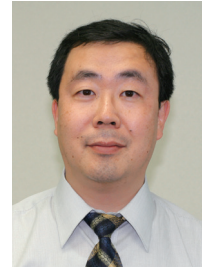


# Future Outlook for the Korean Peninsula Situation



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## Introduction

The situation around the Korean Peninsula changed dynamically in 2018. The Korean Peninsula risk, which rapidly grew in 2017, was mitigated with the convening of US-North Korea negotiations. North Korea blew up its nuclear testing site and has cancelled new missile launch tests. The United States has decided to suspend joint US-South Korea military exercises. The US and North Korea agreed to a “complete denuclearization of the Korean Peninsula” at their summit held on June 12, 2018 in Singapore, and have since been conducting a denuclearization process, and negotiations to improve their relations. The outcome of this may lead to the possibility of achieving a peace-building process on the Korean Peninsula.

But it is also a fact that on the back of the current risk-easing situation on the Korean Peninsula, each of the stakeholders is increasingly being more calculating in acting in its own interests. One cannot make light speculations about whether the Korean Peninsula risk, which has remained unchanged for decades, will really be resolved, whether North Korea will really change, what future vision for North Korea the US and the surrounding nations have, and other challenges. This article analyzes the situation on the Korean Peninsula in 2018, and examines the future outlook.

## The Situation in 2018

### Formation of a Korean Peninsula risk-easing paradigm

Since the Korean War and throughout the post-Cold War period, North Korea has consistently promoted two policies: “route to economic independence” and “route to political and military autonomy and self-defense”. Its economic policy can be described as a non-international division-of-labor type, import-substituting industrialization policy which relies on its domestic resources (coal, electricity, and minerals) with the aim of maintaining a heavy industry oriented socialist economy and an independent national economy. This economic policy has been shown to have vulnerability risks based on what North Korea has been experiencing since the economic crisis of the 1990s. In addition, its political and military policy has entrusted leadership to Kim Il Sung and his blood descendants in order to safeguard the socialist regime, and this policy can also be described as being designed to maintain a “totalitarian guidance system” and ensure the security of the regime through military power (nuclear program and missiles). But the North Korean nuclear program and

missiles have been recognized by the international community as being a security threat not just to Northeast Asia, including Japan and South Korea, but also to the US by displaying itself as an external threat.

Therefore, the consensus amongst the international community was that an independent and autonomous system of self-defense by North Korea would pose a Korean Peninsula threat, and so North Korea was asked for “reform and opening-up” of its economic policies and for “denuclearization”. In 2017, the response to this from North Korean leader Kim Jong Un in a New Year’s Address was that “every manner of abuse and slander aimed at offending the other party and inciting confrontation cannot be justified on any account, and an immediate stop should be put to the malicious smear campaign and other acts of hostility.”

But in Kim’s New Year’s Address in 2018, the response had changed to “respect the autonomy of the nation, expand good neighborly and friendly relations with all nations that are friendly to us, and try to do as much as possible to build a new world with justice and peace.” On the back of this declaration of the “completion of nuclear military power” by Kim was the successful ICBM missile launch on Nov. 29, 2017. North Korea, now a self-proclaimed “nuclear superpower” which no longer required nuclear weapon or ICBM developments, planned on a “turning point” which aimed at a possible compromise between the security of the regime and the denuclearization that the international community was demanding. What added to this was that after China had fully joined the sanctions against North Korea by banning imports of minerals, coal, marine products, clothing etc., North Korea had to strive to avoid the possibility of an economic crisis in the near future.

On North Korea’s efforts toward a “transition in situation”, US President Donald Trump said he will promise to secure the North Korean regime if its denuclearization is completed. He decided to abandon the “strategic patience” policy of his predecessor Barack Obama and adopt an interventionist policy that aims for a breakthrough. This allowed negotiations between the US and North Korea to become full-scale and for a summit to be held. Several high-level talks among senior officials are still ongoing.

The question is, from which policy alignment has this transition strategy of North Korea come about? There are two differing views: (1) the “buying time” theory where North Korea is trying to increase its bargaining power by gaining nuclear power status, and (2) the “policy change” theory where denuclearization is bartered for a guarantee of regime security. The former theory argues that more time is needed

for North Korea to be fully equipped with ICBM technology and technologically secure ICBM reentering the atmosphere, and therefore the need for regime security. According to this notion, it means that negotiations were ultimately being utilized by North Korea to buy time for nuclear development. From this perspective, nuclear development by North Korea, which was a party to the Treaty on the Non-Proliferation of Nuclear Weapons (NPT) until it withdrew in 2003, is in itself “bad behavior”, and there is no compensation to be paid for bad behavior. What is behind the latter theory is the notion that North Korea is serious about denuclearization (of the Korean Peninsula), as seen from the dialogue between Kim and Special Envoy Chung Eui Young from South Korea on March 6, and Kim’s comments during the China-North Korea Summit on March 26-27, such as the possibility of balancing denuclearization with regime security, a moratorium on nuclear weapons and missiles, consent for US-South Korea joint military exercises, and non-usage of nuclear weapons and conventional weapons against South Korea. At the third Central Committee of the Workers’ Party of Korea in April, whose members were elected at the party’s seventh general assembly, North Korea seemed to have shifted from an economy-nuclear parallel policy to an economy-focused policy and made an important decision which can be interpreted as a policy change towards denuclearization.

The recent situation suggests that North Korea is unlikely to denuclearize without regime security, but the possibility that it is trying to buy time cannot be ruled out either. Notably, the engagement of China, a major stakeholder, has brought two results for Kim through the three summit meetings he held with President Xi Jinping between March and June. The first is the confirmation of a friendly relationship between China and North Korea as well as Chinese support for North Korea, and second is the notion that even if a socialist market economy was to be implemented, the socialist regime would not collapse. A policy change which implements denuclearization and economy-focused policies has become more realistic, whereby North Korea secures Chinese support and aims for domestic economic stability, while aiming for a comprehensive agreement and step-by-step negotiations with the US that could lead to the lifting of economic sanctions and also reform and opening.

As such, it can be said that a paradigm for easing the Korean Peninsula risk has been formulated in 2018. But because this was due to a policy change which North Korea made ad hoc (by factoring in the behavioral change of the counterpart country), there is a possibility that it will go back to being hardline again, depending on how the situation changes. In this respect, North Korea did transition away from the tensions on the Korean Peninsula, but this is not definite.

### Beginning with a reconciliation between North Korea and South Korea

Changes in the situation surrounding the Korean Peninsula began with a change in inter-Korean relations. Kim’s 2018 New Year’s Address was a concrete beginning of a transition in situation from the tensions on the Korean Peninsula in 2017. The breakthrough came from South Korea. First, a policy change for inter-Korean relations was presented to North Korea, and called for a reconciliation between the

North and South through North Korean participation in the PyeongChang Olympics in February 2018. This was also in part because a new and progressive administration under Moon Jae In, who took office in May 2017 in South Korea, had been conducting behind-the-scenes unofficial negotiations with the North asking for its participation in the Olympics. North Korea decided to use the PyeongChang Games as an opportunity to play the South Korea card effectively. The effect of North Korea sending athletes, cheering teams, artistic teams, Taekwondo squads, as well as a high-level delegation to PyeongChang was huge. Dialogue between the North and South materialized and the inter-Korean summit on April 27, senior official talks, military talks, and sporting event exchanges were hosted consecutively. Reunions of separated families also took place.

South Korean President Moon’s administration came up with the “simultaneous achievement of denuclearization and peace” strategy. This strategy materialized in July 2017 when Moon visited Germany with his “New Berlin Declaration”. The declaration states that the most prioritized value in South Korea’s North Korea policy is “peace”, and rather than “unification” which is ideal, the more realistic “peace” became the pillar of its policy expansion. The actual content of the statement was (1) not to seek the collapse of North Korea, (2) oppose unification through absorption, (3) co-existence and co-prosperity, and (4) establishment of peace. Since then, several behind-the-scene dialogues between the North and South, mainly through government information channels, have been taking place, and although North Korea officially criticized the South Korean government, it is thought that it has reached an understanding that improved relations with South Korea is possible. Policies on the Korean Peninsula as put together by the South Korean government are as shown in *Chart 1*. Of these, “peaceful co-existence” under the policy vision, “denuclearization and establishment of peace” under goals, a “step-by-step comprehensive approach” under strategy, and “South Korea-led” under principle are prioritized.

CHART 1  
**Korean Peninsula policy of Moon Jae In government**

Policy Vision	Three Major Goals	Four Major Strategies	Five Major Principles
<ul style="list-style-type: none"> <li>① Peaceful co-existence</li> <li>② Co-prosperity</li> </ul>	<ul style="list-style-type: none"> <li>① Denuclearization and establishment of peace</li> <li>② Development of inter-Korea relations</li> <li>③ New economic community</li> </ul>	<ul style="list-style-type: none"> <li>① Step-by-step, comprehensive approach</li> <li>② Translational promotion of inter-Korea relations and denuclearization</li> <li>③ Basic Agreement between North and South Korea</li> <li>④ Mutually beneficial inter-Korea cooperation</li> </ul>	<ul style="list-style-type: none"> <li>① Led by South Korea</li> <li>② Strong security</li> <li>③ Mutual respect</li> <li>④ Mutual understanding amongst the national citizens</li> <li>⑤ International cooperation</li> </ul>

Source: Ministry of Unification of the South Korean government

### Restoration of the China-North Korea economic relationship

In principle, China’s foreign strategy can be understood to be a set of the following four strategies.

- Strategy 1: stabilization of neighboring nations + protection of national interests + extension of its influence;
- Strategy 2: linkage of Northeast Asia, East Asia, Southeast Asia security line;
- Strategy 3: integration of the Eurasian continent (energy + transport + security); strengthening economic cooperation with Russia, Central Asia, India, Middle East, and connecting it to the global economy;
- Strategy 4: turning the Chinese yuan into a key currency as part of international finance, and expansion of the Asian Infrastructure Investment Bank (AIIB).

The four strategies (or concepts) have led China to pursue its “One Belt, One Road” policy and develop a global transport corridor with economic and financial cooperation. On the Korean Peninsula, China has restrained the US and Japan, and has taken a policy of individually subsuming North Korea and South Korea separately under the influence of China. Especially for North Korea, it has combined support for stabilization and international cooperation (sanctions) while maintaining the friendly relations at the core of its policy, and thus it is a fact that China’s sanctions have only remained a formality. What were once only “pretending” economic sanctions against North Korea by China to appeal to the international community suddenly became fully implemented in 2017. It was originally a policy designed to avoid conflict with the new Trump administration in the US and cooperate with it. But meanwhile China had encountered Trump’s “America First” policy and a potential trade war with it, and to alleviate this problem China had no choice but to cooperate further with the US, and thus lost its initiative on the Korean Peninsula issue. Therefore, upon seeing the change in the situation in 2018, the Chinese government reverted to an appeasement policy towards North Korea with the aim of re-emphasizing China’s role through its policy on the Korean Peninsula.

Without fundamentally changing the strategy to denuclearize the Korean Peninsula through international cooperation, China chose to take a path that can reconfirm its friendly relations with North Korea with the aim of being able to engage more aggressively with the policy to stabilize the Korean Peninsula’s political situation. China is keen to lift trade sanctions against North Korea and resume economic cooperation.

**Improved US-North Korea relations and denuclearization: chicken or egg?**

The pillar of the Korean Peninsula risk-easing paradigm is US-North Korea relations. Looking back on the few months of bilateral negotiations, North Korea has shown that if the US does not go after a regime collapse or military strikes, it plans on exchanging nuclear weapons and missiles for “normalization” of relations with the US and economic cooperation. On the other hand, a certain anti-Trump atmosphere can be seen in US domestic polls, and there are opposing views against Trump’s external policies as well as differing approaches to North Korea policies even within the White House. The US demands

CHART 2

**Recognition system around nuclear development of North Korea**

	Awareness	Problem Solving Method	Goal
US	Nuclear program of North Korea	Sanctions, pressure, and dialogue	Abandonment of nuclear program by North Korea (What’s after that?)
North Korea	Fundamental problem of the Korean Peninsula (ceasefire, stationed US military forces)	Nuclear armament and dialogue	Voluntary unification of the Korean Peninsula (denuclearization, normalization of US-North Korea relations)

Source: compiled by the author

a “complete, verifiable and irreversible dismantlement” of its nuclear program, but compensation for this cannot be determined just by the US president. What the president can offer are “reversible” verbal promises such as “regime security” and “halting the US-South Korea military exercise”, and lifting sanctions and providing economic support will only come after a verification of complete denuclearization (Chart 2).

From the US standpoint, the denuclearization of North Korea is the goal, and making concessions without verification is impossible. But from a North Korean standpoint, the goal is regime security and normalization of US-North Korea relations, and since nuclear armament was done for this purpose, denuclearization without accepting concrete measures from the US would be nothing but a kind of defeat. North Korea has been proposing measures such as an official declaration of the end of the Korean War and concluding a peace agreement to build peace on the Korean Peninsula, so that its regime can be secured. To build trust between the leaders of the US and North Korea and to nurture trust between the two countries, North Korea blew up its nuclear testing site, closed a missile engine testing site, and took measures to return the remains of US military personnel from the Korean War, all without concession measures from the US. There have even been stories circulating from tourists who saw that “anti-US” slogans have been removed in Pyongyang and other rural places. But at the high-level talks between US Secretary of State Mike Pompeo and Vice-Chairman of the Central Committee of the Workers’ Party of Korea Kim Yong Chol that took place on July 6, the US refused to proclaim an end of war declaration on the day of ceasefire on July 27 as a measure of trust prior to completion of the verification of denuclearization. For the US, the verification process of a complete denuclearization of North Korea is a top priority, and it emphasizes that North Korea should undertake step-by-step denuclearization, and during that process identify US trust measures each step of the way.

Bargaining is currently under way between the Trump administration, which is pushing for a complete denuclearization and promising improved relations after verification, and North Korea, which wants the “pressure” turned down and a combination of the denuclearization process and improved relations. But the most important challenge is whether the US has a blueprint for the Korean Peninsula after North Korea denuclearizes. At the US-North Korea summit on June 12, a video of what North Korea would like in the future was shown, but it only touched on what North Korea would

CHART 3

**UN Security Council economic sanctions against North Korea**

UN Sanctions Resolution	No. 1718 (2006.10.14)	No. 1874 (2009.6.12)	No. 2094 (2013.3.7)	No. 2270 (2016.3.2)	No. 2321 (2016.11.30)
Period	After the first nuclear test	After the second nuclear test	After the third nuclear test	After the fourth nuclear test	After the fifth nuclear test
Primary Goal	Sanctions against development of Weapons of Mass Destruction (WMD)			Sanctions against WMD development capacity (full economic sanctions)	
Trade Sanctions	<ul style="list-style-type: none"> <li>① Ban on arms deals of 7 major conventional weapons</li> <li>② Ban on NSG, MTCR, AG deals</li> <li>③ Ban on exports of luxury items</li> <li>④ Ban on technical training, inquiry, and service support on banned trade items</li> </ul>	<ul style="list-style-type: none"> <li>① Ban on all arms deals and deals on other related materials (excluding small weapons)</li> </ul>	<ul style="list-style-type: none"> <li>① Ban on luxury items with 7 items designated (including pearls, jewelry, precious metals, yachts, luxury cars)</li> <li>② WMD-related "catch all"</li> </ul>	<ul style="list-style-type: none"> <li>① Ban on small weapons as well</li> <li>② Ban on exports, supply and transfer of North Korean minerals                             <ul style="list-style-type: none"> <li>• Coal, iron, and iron ore other than for "consumer use" (Except for export usage of Rajin Port for Russian coal)</li> <li>• Trade ban on gold, vanadium, titanium, and rare earth elements</li> </ul> </li> <li>③ Ban on exports and supply of aviation oil to North Korea                             <ul style="list-style-type: none"> <li>• Exception: crude oil export, humanitarian causes, and overseas refueling of private North Korean aircraft</li> </ul> </li> <li>④ Export ban on 5 additional luxury items (luxury watches, recreational gear, snow mobiles, crystal, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>① Correction on exceptions on North Korean coal exports                             <ul style="list-style-type: none"> <li>• Limiting annual import volume to 7.50 million tons or less, or import value of \$4 billion or less, whichever is lower</li> </ul> </li> <li>② Items added to export ban on minerals                             <ul style="list-style-type: none"> <li>• Silver, copper, zinc and nickel</li> </ul> </li> <li>③ Ban on exports and supply to North Korea of ships and helicopters</li> </ul>
UN Sanctions Resolution	No. 2356 (2017.6.2)	No. 2371 (2017.8.5)	No. 2375 (2017.9.11)	No. 2397 (2017.12.22)	
Period	After the ballistic missile launch test	After the ICBM launch test	After the sixth nuclear test	After the ICBM launch test	
Primary Goal	Full economic sanctions after ballistic missile launch testing and nuclear testing				
Trade Sanctions	<ul style="list-style-type: none"> <li>① Ban on overseas travel and freezing of assets for 14 individuals and 4 organizations</li> </ul>	<ul style="list-style-type: none"> <li>① Full export ban on coal, iron ore, and marine products</li> </ul>	<ul style="list-style-type: none"> <li>① Cap on petroleum products exported to North Korea - after 2018, annual 2 million barrels</li> <li>② Ban on exports of textile products</li> <li>③ Ban on work permits for North Korean workers</li> </ul>	<ul style="list-style-type: none"> <li>① Cap on petroleum products exported to North Korea - after 2018, annual 0.5 million barrels</li> <li>② Ban of imports from North Korea on food, machinery, electrical equipment, and timber</li> <li>③ Full export ban of industrial machinery and transport machinery to North Korea</li> <li>④ Sending North Korean workers back to North Korea within 2 years of the resolution</li> <li>⑤ Capture, inspection, and foreclosure of ships suspected of violating the resolution</li> </ul>	

Source: compiled by the author from various press release materials

experience with economic development, and certainly did not show what the US envisioned as the future of the Korean Peninsula. It may be that the only goal is for North Korea to return to a state in which it did not possess nuclear weapons. If this is the case, the denuclearization of North Korea, which rejects this as the "Libya method", will become difficult. The feasibility of the "Trump method" must be shown during the denuclearization process with North Korea.

**Future Outlook**

**Possibility of easing and lifting sanctions against North Korea**

The US and Japan have been implementing full-scale sanctions against North Korea. South Korea is conducting only humanitarian, cultural and sports exchanges. Other countries are following the United Nations Security Council's resolution for sanctions against North Korea (Chart 3) and have been implementing trade controls.

Individual sanctions against North Korea will depend on what path bilateral relations between Pyongyang and that country are following. For the US, lifting sanctions against North Korea by Congressional law will occur once a complete denuclearization has been verified and after

other concerns such as humanitarian issues have been considered. It is thus thought that improvement in US-North Korea relations still has numerous obstacles. For Japan as well, there are unique issues involved such as settlement of the past as part of the postwar process for bilateral relations and the abduction issue. Normalization of relations will be difficult unless these issues are resolved. South Korea is unable to commit to lifting sanctions to keep in line with the international community, but public opinion within the country is moving towards lifting its own sanctions and revitalizing inter-Korean economic exchanges.

Neither China nor Russia have implemented their own sanctions, but have implemented the UN Security Council resolution on sanctions. But the Chinese and Russian governments have been calling for easing the UN sanctions, including submitting a draft to the members of the Security Council for a press release on June 29 proposing easing of sanctions.

Whether the Security Council's sanctions will be eased or lifted will depend on the progress of US-North Korea negotiations. If North Korea can agree on a roadmap to abandon its nuclear weapons, which is crucial to its denuclearization, if prospects for a verification process

become clear, and in addition, if the US can work on a mutual trust-building measure such as an end-of-war declaration with North Korea, there may be a possibility for the Security Council to move towards a resolution to lift sanctions.

If North Korea can eradicate the concerns of the international community and work towards a policy change for complete denuclearization, and if the US can also work on a regime security as it verifies North Korea's steps, then UN sanctions may eventually be eased or lifted in the latter half of 2018.

### Korean initiatives

In order to achieve improvement in inter-Korean relations together with the denuclearization of the Korean Peninsula process, Seoul is considering a dialogue between the governments of North and South Korea, an end-of-war declaration and six-party talks, people exchanges between North and South, and an action plan for inter-Korean economic cooperation (Chart 4). Of these action plans, creation of peace through governmental negotiations is a top priority, followed by inter-Korean people exchanges. Inter-Korean economic cooperation can only take place if sanctions against North Korea are lifted.

The inter-Korean economic cooperation concept of the Moon administration is, in principle, based on the policy of the Roh Moo Hyun administration (2003-2007). In the "10.4 Declaration" which was announced at the inter-Korean summit in October 2007, agreements included (1) infrastructure expansion and development of natural resources, (2) establishment of a "special peace and cooperation zone in the Yellow Sea", (3) joint use of the estuary of the Han River, (4) development of the Kaesong industrial park region, (5) repair and mending of the railway system and highways, (6) construction of a shipbuilding cooperation complex, and (6) cooperation in agriculture, health and medical care, environmental protection and other areas. But this 10.4 Declaration was not approved by the parliament and therefore had no legally binding power. Making this into an agreement will allow implementation of the 10.4 Declaration to be possible, regardless of a change in administrations, and entering an "Inter-Korean Basic Agreement" is the institutionalization process for inter-Korean cooperation that the Moon administration is pursuing. Once economic cooperation is made possible between the North and South, the Moon administration plans to undertake cooperation by integrating and developing the North Korean economy under the framework of Northeast Asia regional economic cooperation. With this in mind, the administration proposed the "New Economic Map of the Korean Peninsula" concept to North Korea. This concept integrates the whole of the Korean Peninsula under three economic belts — the trans-Yellow Sea economic belt, trans-East Sea (Sea of Japan) economic belt, and North-South border area economic belt — and connects the peninsula to Northeast Asia economic cooperation. The trans-East Sea (Sea of Japan) belt is the "natural resources belt" where a pipeline connecting Russia and the coastal cities of the sea in North and South Korea will be constructed, and the trans-Yellow Sea belt is a "transport of goods and transportation" belt which connects Seoul and Kaesong, Pyongyang and Sinuiju in North Korea.

South Korea is likely to ease or lift some of its own sanctions, and

CHART 4

### Action plan for North-South relations of Moon Jae In government

Government	Peace Regime	People Exchange	Economic Community
Several inter-Korean summits	End of war declaration →Peace Agreement	Regular reunions of separated families Social and cultural exchanges	Realization of the 10.4 Declaration Mount Kungang, Kaesong
Regular prime minister talks	Hosting of the six-party talks		Railways and roads Underground Natural resources
Inter-Korean military and economic talks			
Basic Agreement between North Korea and South Korea			

Source: from interviews by the author

expand inter-Korean exchanges as much as possible so that it can work on full development of an inter-Korean economic relationship in conjunction with the lifting of UN sanctions against North Korea.

### Conclusion

The process to denuclearize the Korean Peninsula has begun, and the US and North Korea have entered a "flow"-like transaction where they are able to exchange goods with profit-and-loss statements. To seek a declaration of defeat at a certain period in time, and also aim for a "stock"-like perspective of looking at the balance sheet in terms of achievements, may not be suitable to resolve the North Korean issue. An optimistic future roadmap for the denuclearization of the Korean Peninsula will involve halting missile production and verification of the closure of nuclear weapons' sites, together with a possible blueprint for lifting of sanctions and normalization of US-North Korea relations, and a peace agreement. The timeframe for this is not short term. If important measures such as North Korea returning to the NPT and accepting an inspection team from international organizations such as the International Atomic Energy Agency (IAEA), and opening a US liaison office in Pyongyang were to be implemented, the co-existence of North Korea and the international community may be possible.

But a pessimistic view is also possible. That is the breakdown of the US-North Korea negotiations. If the US cannot accept the peace-building process that North Korea demands on the Korean Peninsula, then North Korea will stop denuclearization and, as a self-proclaimed "nuclear power", its relations with the US will once again be very confrontational.

It is not too late for Japan to act once it has identified which route North Korea is taking. But for Japan to take proper strategic action, it must act in collaboration with the international community, and also have its own North Korean policy ready.

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