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# China Policy towards North Korea and the Nuclear Question

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Autonoma University

## Abstract

The paper addresses the evolution of China's policy towards North Korea and its impact on the Korean peninsula and on big powers that shape the Peninsula's order. It discusses the fundamental dimensions of China's policy and the factors behind the change taking shape since the beginning of the Xi Jinping era. It is argued that China's strategy was marked by ambiguity as Beijing aimed at combining two contradictory objectives: gaining international credit by being seen as a neutral broker pursuing global peace and security; at the same time use North Korea to pursue its own geopolitical interest to contain the US, Japan and South Korea, the core of the US alliance in Northeast Asia. Moreover, China's policy towards the DPRK is a major factor in shaping North Korea's own strategy but has also considerable influence over other major players such as Russia and the US in particular. Regarding prospects for the future it is stressed that the North Korea question is first and foremost a US-China issue. Convergence between China and the US on sanctions is now breaking down making more evident that Washington and Beijing have different priorities with respect to North Korea, the former attaches priority to denuclearization while the latter is primarily concerned with preserving stability and the *status quo* in the Korean Peninsula in order to ensure Beijing's national security. This sets the stage for the new phase where, after the failure of sanctions, negotiation gains a new relevance to cope with the consequences of what is believed to be an irreversible reality that North Korea became already a *de facto nuclear power*.

**Key Words:** North Korea, nuclear programme, China policy, broker role, denuclearization

## Introduction

Korea has been historically a battleground of fierce competition between big powers China, Japan and Russia, in particular in the XIX century, and continues to be so to this date. The emergence of Japan following the Meiji modernization and consolidation of military supremacy, translated into the victories over China in 1895 and Russia in 1905, led to Japanese hegemony paving the way to dominance over Korea which became a Japanese Protectorate in 1905 and a Japanese colony in 1910 inaugurating Japan's colonial empire in Asia. The US victory in the Pacific War led to the dismantlement of the Japanese empire in 1945 and a new ascendancy of Washington in East Asia anchored on nuclear supremacy and the strategic alliances with Japan and South Korea. In the aftermath of World War II the first signs of division of Korea by the two superpowers emerged with the American and Soviet occupation zones. The deadlock in the Korean War consolidated the division of the Korean nation in two States, the Democratic People's Republic of Korea (DPRK) North Korea and the Republic of Korea (ROK) South Korea, separated by a demilitarized zone, which technically still remain at war.

The nuclear question surfaced for the first time in the Korean Peninsula context in 1953 when President Eisenhower threatened to use atomic bombs against North Korea and Communist China, if necessary, to end the Korean War and solve the military stalemate<sup>1</sup>. This threat was instrumental in bringing about the armistice but has also set in motion a long term process of nuclearization starting with the determination of China to acquire nuclear weapons to protect herself and provide

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<sup>1</sup> Edward Keefer, "Foreign Relations of the United States, 1952 - 1954, Korea," 15(Part 1 and 2) (United States Government Printing Office, Washington, 1984), accessed November 11, 2018, <https://history.state.gov/historicaldocuments/frus1952-54v15p1>. For example the documents Memorandum of Discussion at the 173rd Meeting of the National Security Council, Thursday, December 3, 1953 (doc. 811) part 2; Memorandum of Discussion at a Special Meeting of the National Security Council on Tuesday, March 31, 1953 (doc. 427); Note by the Executive Secretary (Lay) to the National Security Council (doc.437).

a security guarantee to its ally and subsequently by DPRK's own nuclear programme.

Although North Korea nuclear programme started in the late 1950s with the assistance of the Soviet Union, since the end of the Cold War and the collapse of communist regimes in Eastern Europe, North Korea accelerated its programme of development of nuclear weapons in order to upgrade its international negotiation position in dealing with the new threats of the post Cold War and ensure regime survival.

More recently this process was stimulated by the dynamics of nuclear proliferation as a result of the combined "demonstration effect" of positive precedents of acquisition of a nuclear status in the cases of India and Pakistan and their acceptance by the international community; and the negative counterexamples of Iraq and Iran where failure to acquire a nuclear status and the option for engagement with the international community led to regime collapse or severe undermining. In this post-Cold War context China has been the main ally and the security guarantor of North Korea as well as the broker between Pyongyang and the international community exploring to its advantage the ambiguity of being perceived as a responsible global actor that contributes to security creation, and at the same time ensuring the survival of a regime that challenges the very foundations of international order.

This paper aims at analyzing the features and evolution of China's policy towards North Korea and its impact on the Korean peninsula issue, probably the most serious global security concern. It is structured in three sections. The first section addresses the fundamental dimensions of China's policy and analyses the change occurred since the beginning of the Xi Jinping era. The second section looks at the factors that account for change, discusses the main objectives of Beijing and the dilemmas it faces. The third section is concerned with the impact of China's policy on other key actors and their strategies and looks in particular at the China-US interaction which are the key players to stabilize the Korean Peninsula and built a long-term solution.

## China Policy and Structural Change

The People's Republic of China (PRC) has been since the Korean War the key player in sustaining the North Korea regime. China has consistently been North Korea's main ally, anchored on the 1961 Treaty, security guarantor, main trade partner and provider of strategic goods and ideological inspiration. Since the end of the Cold War and resisting the democratization tide both China and North Korea remained the two most robust authoritarian regimes in Asia. Although China's policy towards North Korea has evolved and adapted to the new circumstances of the post Cold War era, it remained anchored on the same principles and characterized by continuity in terms of its fundamentals.

However, in the last few years since Xi Jinping came into power in 2012, China's policy underwent a fundamental change so that we can depict a contrast between the phases before and after Xi Jinping. As Snyder argues the first is dominated by China's priority to prevent the collapse of the North Korean regime while the second by the priority to preserve stability and peace in the Korean Peninsula.<sup>2</sup>

In the post Cold War period before the Xi Jinping era China's policy contents included four structural elements. Firstly, China's alliance with North Korea was upheld anchored on the 1961 Bilateral Treaty signed between Kim Il-Sung and Zhou Enlai, the China-North Korea Mutual Aid and Co-operation Friendship Treaty, which includes a mutual defense clause in article 2 that binds Beijing to provide a security guarantee to Pyongyang

"The Contracting Parties undertake jointly to adopt all measures to prevent aggression against either of the Contracting Parties by any state. In the event of one of the Contracting Parties being subjected to the armed attack by any state or several states jointly and thus

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<sup>2</sup> Scott Snyder, "Will China Change Its North Korea Policy?," *Expert Brief* (March 2016), <https://www.cfr.org/expert-brief/will-china-change-its-north-korea-policy>.

being involved in a state of war, the other Contracting Party shall immediately render military and other assistance by all means at its disposal.”

China perceived North Korea as an ally and more than that assumed since the end of the Soviet empire the role of the sole ally of Pyongyang in the international system. Support to North Korea was provided through both official channels, involving trade, aid and supply of strategic goods, but also non-official channels, namely through Macao which has been operating since the late 1980s as the most important center for money laundering for North Korea’s revenue from criminal activities as well as for the management of Kim family’s business interests<sup>3</sup>. The sanctions applied to Macao-based Bank Delta Asia by the Bush Administration in September 2005 illustrate the importance of this channel to provide Pyongyang hard currency obtained from illegal activities (counterfeiting US bank notes, traffic of narcotics, smuggled cigarettes, weapons proliferation, illegal art trade) and the case had a significant impact on the denuclearization negotiation process.<sup>4</sup>

Secondly, the main priority of China’s policy was North Korea’s regime survival, not denuclearization, in particular from 2003 onwards following the incident with the US aircraft and the pursuit of a nuclear power status by Pyongyang with the triple objective of securing domestically sup-

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<sup>3</sup> See Raquel Carvalho, “How Macau Became North Korea’s Window to the World...and Its Nexus for Weapons and Drug Trafficking,” *South China Morning Post*, May 6, 2017. See also Aidan Foster-Carter, “North Korea: Making up Lost Ground, Pyongyang Reacts,” *Comparative Connections Journal* 1(3) (January 2000); Glenn Schloss, “Beijing’s Interference Hurts SAR’s Image,” *South China Morning Post*, June 10, 1999. Regarding the criminal activities of North Korea in Macao organised around the Zokwang Trading Co., see *Far Eastern Economic Review* (October 25, 2001).

<sup>4</sup> The case of Delta Asia Bank had a high visibility as it motivated the sanctions by the US Bush Administration to freeze US 25 million funds of North Korean money followed by the Bank of China’s decision to freeze North Korea accounts in its Macao branch. See Hun Kyung Lee, Sung-Jo Park and Byoung Chul Park, “Standoff and Progress in North Korea Nuclear Dilemma after the Joint Statement,” *Asia Europe Journal* 7 (2009): 529-42. This put high pressure on Pyongyang and led North Korea to show a will to conclude the February agreement leading the US to release the frozen funds transferred first to Dalkombank in Russia and finally to Foreign Trade Bank of North Korea.

port and control over the military, providing an insurance policy to ensure regime survival and balancing South Korea's economic successes.<sup>5</sup>

Thirdly, China's international broker role as Beijing used its strong influence in Pyongyang to act as the representative of the international community to moderate North Korea's position and mediate the conflict. This had a double objective. On the one hand to protect the North Korea regime by softening sanctions and moderating more radical approaches from the international community, in particular from the US. On the other, to gain international credit and prestige behaving as a broker between North Korea and the international community and facilitating the emergence of a perception of China as a responsible global power that Beijing has used as leverage in other international issues.

This strategy was marked by ambiguity as China aimed at combining two contradictory objectives: gaining international credit and be seen as the neutral broker pursuing global peace and security; but at the same time to use North Korea to pursue its own geopolitical interest to contain the US, Japan and South Korea, the core of the US alliance in Northeast Asia perceived by Beijing as aiming at China's containment, in the context of a new phase of strategic competition with the US that emerged since the late 1990s. In spite of the apparent commitment to solve the problem, China's real intention was neither reunification nor denuclearization but rather the maintenance of the status quo which offered the opportunity to explore the ambiguity that best served Beijing's interests.

Fourthly, the development of the multilateral approach through the implementation of the Six-Party talks from 2003 until 2008, and then suspended as a result of North Korea's withdrawal, focused on denuclearization and ending the North Korea nuclear programme. China was the coordinator of the process and this structural element of China's policy was also aimed at diluting Beijing's responsibility and reduce risk.

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5 Shinichi Ogawa, "North Korea's Nuclear Development, the Non-Proliferation Treaty Regime, and Regional Security," in *The North Korea Crisis and Regional Responses*, ed. Utpal Vyas et al (East -West Center, 2015), 28.

## China Policy in the Xi Jinping Era

In the Xi Jinping era and following North Korea's third nuclear test and launch of an intercontinental missile in 2012 it is possible to depict substantive changes in China's policy at four different levels.

First, the change in policy priority which is no longer regime survival but the stability in the Korean Peninsula and to maintain the *status quo*. China is no longer prepared to prevent North Korea regime collapse at all costs, refusing to pay costs that might affect China's national interests, international position and reputation or jeopardize China's own security.

A second dimension concerns the change in the nature of China-North Korea bilateral relations and its normalization, implying from Beijing's point of view a transition from ally to normal state-to-state relations thus leading to a downgrading of relations between Beijing and Pyongyang.

This resulted in Beijing's becoming more distant from, and critical of North Korea and enhancing cooperation with the US on the matter of denuclearization. This resulted in convergence of positions in terms of support to UN sanctions, starting with the 2013 round, and refusal to accept and recognize North Korea as a nuclear state. As a consequence the level of tension between Beijing and Pyongyang has increased significantly during this period, with China exerting higher diplomatic pressure and losing influence.

Based on the significant deterioration in bilateral relations between Beijing and Pyongyang in the last two decades, Mastro<sup>6</sup> questions the conventional wisdom that China does not want to push North Korea in the direction of denuclearization and argues that the traditional assumptions - ally status; China wants to prevent instability in the Peninsula in particular a refugee crisis; China needs North Korea as a buffer state between China and South Korea and US – are no longer valid and therefore in case of

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<sup>6</sup> Oriana Mastro, "Why China Won't Rescue North Korea: What to Expect If Things Fall Apart," *Foreign Affairs* (January-February 2018).

conflict China would intervene not to rescue and ensure North Korea's survival but rather to secure its own interests. However, Mastro's argument is based on an extreme scenario of large scale conflict and can be over-exaggerated in normal circumstances. In fact, this weaker commitment to ensure regime survival does not mean that China would precipitate or take any imprudent action that could facilitate regime collapse. In other words, China still supports North Korea regime survival under normal circumstances but is not prepared to do that at any cost, namely if that might severely hurt its core national interests.

There is also a third new dimension concerning the development of China's closer relations with South Korea, both at the economic and political levels. This new dimension aims not only at balancing more the relations with the two Koreas and thus exert pressure on North Korea, but also at undermining the US-ROK alliance by nurturing stronger economic ties with Seoul, a similar strategy applied in relation to Japan, and increasing the dependency of South Korea on the Chinese market thus making Seoul more vulnerable to retaliation and pressure. Economic ties and dependency counterbalances and undermines Washington's political influence.

China became South Korea's first trade partner and both top export market and source of imports absorbing 142 US billion or 24.8% of total South Korea exports and providing 20.5% of total South Korea imports in 2017<sup>7</sup>. This facilitated the exercise of Beijing's geoeconomic power clearly demonstrated recently by China's retaliation in 2017 as a response to the deployment of the US THAAD missile system in South Korea at Seongju, perceived by Beijing as a threat to its security and a betrayal of South Korea seen as joining a US-led coalition to contain China. The retaliation affected mostly the interests of South Korean firms in China and a reduction of 20% in Chinese tourist flows to South

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7 World Trade Organization, "Trade Profiles South Korea," accessed October 15, 2018, <http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Country=KR&Language=aceded>.

Korea with a negative impact on its economy.<sup>8</sup>

This new policy was pursued through a two-leg implementation strategy. The first leg relates to the threat to suspend the defense obligation foreseen in article 2 of the 1961 mutual defense treaty in case North Korea starts the conflict. Since 2010 China has put forward a reinterpretation of article 2 when the representative of China in Pyongyang Dai Bingguo expressed the view that if North Korea would attack first South Korea (or the US) and initiate a war, Beijing would not help or support North Korea. In other words, China's obligation to defend North Korea would only apply if Pyongyang would be attacked and therefore forced to defend itself.<sup>9</sup> This had a strong impact on Pyongyang and led the regime to act autonomously without consulting China and to seek help from other powers, namely Russia who is believed to be behind North Korea's recent rapid progression in ICBM technology, leading to the production of the Hwasong-14 missile able to reach US soil.<sup>10</sup>

The second leg relates to China's imposition of limited economic sanctions against North Korea, under UN Security Council and US pressure, such as the suspension of coal imports from North Korea in February 2017 as well as the suspension of oil sales to North Korea and Chinese banks restricting DPRK financial activities in September 2017. In this case it is interesting to note that Russia stepped in and sold Pyongyang the oil it required thus compensating for China's sanctions.

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<sup>8</sup> See Michael D. Swaine, "Chinese Views and Commentary on Periphery Diplomacy," *China Leadership Monitor* (44) (Summer 2014).

<sup>9</sup> Memoires of former South Korea's President Lee Myung-bak, "President's Time" (2015).

<sup>10</sup> Michael Elleman, "The Secret to North Korea ICBM Success," *Survival Global Politics and Strategy* (October - November 2017). International Institute Strategic Studies(IISS) argues that the success of North Korea ICBM technology translated in the intercontinental ballistic missile Hwasong-14, is explained by the access to a high performance liquid propellant engine the SD-250 engine from soviet times, produced by Yuzhmash factory in Ukraine and transported through Russia and with Russia's complicity. Along the same line Yuri Fedorov, a Russian military expert argued that the missile Pyongyang launched over Japan on August 29 used Soviet technology provided by Russia, see *Nikkei Asian Review* (September 2, 2017), accessed November 10, 2018, <https://asia.nikkei.com/Politics/Putin-s-shadow-lurks-behind-North-Korea>.

The issue of sanctions is very relevant for China's credibility and commitment to uphold the UN Security Council resolutions which approved economic sanctions under article 41 of the UN Charter. Beijing is under high pressure as it is the key player capable of making sanctions work and be effective insofar China is North Korea's main trade partner accounting for 92.5% of overall North Korea trade reaching US 6 billion in 2016 but declining to 2.8 billion in 2018.<sup>11</sup> Moreover, China is responsible for supplying basic strategic goods to North Korea, mainly food (99% of rice imports come from China) and energy, in particular crude oil with imports estimated at US 230 million in 2016. China largest import from North Korea was coal and mineral fuel amounting to US 1.2 billion in 2016 accounting for 45% of total imports, before the suspension in 2017.

More recently, the sanctions approved in September 2017 by the UN Security Council in response to the DPRK sixth nuclear test, have imposed more restrictions on oil sanctions to maintain crude oil exports at 4 million barrels and limits exports of refined products at 2 million barrels annually<sup>12</sup> forcing China to act as mentioned above. In December 2017 a new package was approved in reaction to the intercontinental ballistic missile test including the toughest sanctions yet approved centered on two targets: strangle the oil supplies; and tighten restrictions on exports of North Korean workers and smuggling<sup>13</sup> as they are two important sources of foreign exchange earnings.

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11 "Annual Report on North Korea's Trade Relationships," KOTRA REPORT" (July 2017), accessed November 5, 2018, <http://news.kotra.or.kr/user/globalBbs/kotranews/11/globalBbs-DataView.do?setIdx=249>.

12 UN Security Council Res S/RES/2375 (September 11, 2017). This implies cutting oil supplies from the outside by 30%. The resolution also imposes restrictions to North Korea exports, by banning textile exports and creating restriction to exports of workers. This is particularly relevant to Russia which is believed to employ alone more than 40,000 North Korean workers.

13 UN Security Council S/RES/2397 (December 22, 2017) further restricts exports to North Korea cutting refined oil exports by 89% and forces countries that receive North Korea workers to send them back home no later than 24 months after the approval of the resolution.

## Policy Change: Dynamic and Determinant Factors

The change in policy reflects deepening strategic divergences between China and North Korea and results from the interplay between different factors that account for this change.

The change in China's policy is primarily explained by geopolitical considerations related to the fact that the increasing North Korea threat has contributed to strengthen both the US presence and its alliances in the region which from Beijing's point of view are primarily directed at China's containment. Pyongyang's unilateral advances in the nuclear programme and provocations was the excuse used by the US to expand the military presence in Northeast Asia, namely through the THAAD missile system deployed in South Korea perceived by China as presenting risks to its security at the same time it affected the balanced position of South Korea between the US and China thus undermining China's closer relations with and influence in Seoul.

Secondly, the domestic support to North Korea within the Chinese Communist Party elite and Chinese public opinion has declined as a result of increasing costs for China aggravated by Pyongyang's refusal to implement reforms, an "open door" policy and to follow China's model although there are recent signs that this might be changing<sup>14</sup>. The economic and social troubles of North Korea have strong negative effects on China, namely increasing crossborder refugee flows and aid flows. In addition, Pyongyang's direct defiance of China, best illustrated by the fact that in early 2016 for the first time North Korea carried out a nuclear test without previously informing Beijing, further fuelled more negative attitudes on

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<sup>14</sup> More recently this seems to be changing with signs of reforms as informal markets develop and a certain commercialization process using public assets, for example state vehicles to operate transport enterprises, as argued by Bernhard Seliger in his presentation "North Korea's Political Economy: Hybrid Economic Institutions and the Contributions of German Order Policy" (paper presented at the Hans Seidel Foundation, Conference 7th Dialogue on Social Market Economy-Globalization Failed?, Seoul, November 14-16, 2018).

North Korea.

As argued by Girard<sup>15</sup> there is also a symbolic dimension at play associated with the circumstance that the present underdeveloped status and radical attitudes of North Korea became a source of “embarrassment” for China insofar there is an uncomfortable parallel that reminds of China’s radicalism during the cultural revolution, a closed, poor and underdeveloped country, a memory that the present rich, successful and powerful China wants to forget and distance itself from. While Girard argues that this makes Beijing reluctant to act against North Korea it can also be argued that China is also more prone to distance itself from, and be less supportive of Pyongyang. Along the same line it is worth noting that there is a strong parallel between the current discourse of the DPRK on the nuclear option and the discourse of China on nuclear weapons in the 1960s when it became a nuclear power.<sup>16</sup>

Third, the North Korea strategy of proliferation and to become a nuclear power defies the international regime of non-proliferation which China is strategically committed to upheld for reasons of international prestige, defense of the privileges of the P5 nuclear powers and above all to prevent the nuclearization of Japan and South Korea as a response to North Korea’s proliferation.

In spite of the change in China’s policy towards North Korea this has not solved, on the contrary might have even worsened, the increasing dilemmas China is facing. The first is that while the broker role brought prestige and leverage to China in the past, the lack of control and declining influence over Pyongyang as well as the failure to prevent North Korea’s acquisition of a nuclear power status implies a high risk of loss of prestige

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15 Bonnie Girard, “North Korea: China’s Unwelcome Mirror,” *The Diplomat* (January 25, 2018), accessed October 25, 2018, <https://thediplomat.com/2018/01/north-korea-chinas-unwelcome-mirror>.

16 Yevgen Sautin, “Today’s Nuclear North Korea Is Yesterday’s China: Lessons from History,” *The Diplomat* (August 5, 2017), accessed October 10, 2018, <https://thediplomat.com/2017/08/todays-nuclear-north-korea-is-yesterdays-china-lessons-from-history/>. He points out that the US is presently in a similar position in relation to North Korea as it was 50 years ago when facing the prospect of Maoist Cultural Revolution China becoming a nuclear power.

for Beijing at present and could be regarded as a defeat for China. This would weaken China's position in the region and therefore Beijing is eager to gain some distance in order to ensure that if the North Korean regime collapses it is not dragged with it. Clearly China wants to preserve some "room for manoeuvre" to be one of the key players to reshape the new post-Kim order in the Korean Peninsula and this constitutes the fundamental objective for Beijing in order to ensure the protection of its national interests.<sup>17</sup>

The second dilemma concerns the future of Kim's regime. On the one hand, an eventual collapse of Kim's regime brings about high costs for China insofar it sets in motion a possible scenario of reunification under South Korean and US leadership, the worst perspective for Beijing, by far more negative than having to deal with a defiant North Korea as noted by Snyder<sup>18</sup>. In this case Beijing would be confronted with the presence of US troops at its borders and with the political cost of Pyongyang's fall be perceived as a defeat of China. But, on the other, China cannot be seen as the provider of political and economic support to a rebel North Korea that can put at risk global security which would affect negatively China's global status.

Furthermore, the freeze of North Korean assets and other economic sanctions do not ensure Pyongyang will abandon the nuclear programme but are likely to create risks of strangulation and precipitate the collapse of the regime which China is not interested in facilitating. Similarly, possession of nuclear weapons does not ensure alone regime survival, other conditions have to be met.

In the context of China's increasing assertiveness as a global power and stronger influence after the 2007-2008 global financial crisis, the North Korea issue is the most sensitive and risky global issue for China where its capacity to balance the US influence and protect its security close to its borders is being tested, with a high risk of damages to China's structural

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<sup>17</sup> See Mastro, "Why China Won't Rescue North Korea."

<sup>18</sup> See Snyder, "Will China Change Its North Korea Policy?"

power in case it fails to attain its objectives which is likely to affect or even interrupt its rising dynamics. Moreover, a stable and peaceful regional environment is seen by China as a fundamental condition for the continuity of its economic growth performance and prosperity and North Korea might just disturb that.

## The Impact of China's Policy

The change in China's policy has significant implications for other key players, in particular for the position of the US, as well as the dynamics of the Korean Peninsula. The impact on North Korea itself was significant. Beijing's distance and more critical positions and above all the threat to withdraw the mutual defense guarantee led Pyongyang to speed up the nuclear programme in order to become a de facto nuclear state seen as the sole insurance policy for regime survival in the absence of China's guarantee. More recently, Beijing strategy seems to be paying-off as it is regaining influence in Pyongyang, illustrated by the beginning of partial economic reforms in North Korea and the coordination for the preparation of the US-DPRK Singapore summit in June 2018.

There has been also an important impact on Russia which after a period of low profile following the end of the Cold War became more active in supporting the North Korean regime not only economically, through the admission of North Korea workers, but also in military terms providing in recent years access to technology to develop intercontinental ballistic missiles able to reach the US soil. One line of argument is that Moscow seems to have taken advantage of Beijing's loss of influence and greater distance to gain ascendancy, as well as to create difficulties to Washington, following a competition logic. However, an alternative interpretation considers that it seems highly unlikely that Moscow would have advanced this far in an area of strong Chinese concern and influence without some understanding with Beijing, suggesting that this was jointly planned between Moscow and Beijing and therefore could be seen as a manifestation

of cooperation to support North Korea in the context of their “comprehensive strategic partnership.”

The coordination was again activated in September 2018 when Moscow backed Beijing’s proposal to ease sanctions on North Korea in opposition to, and to counterbalance, the US position signaling that the 2017 UN Security Council consensus to apply tough sanctions to Pyongyang, in particular among its permanent members, is breaking down. Moreover, a new trend is emerging as trilateral coordination talks were held between China, Russia and North Korea<sup>19</sup> to discuss solutions aimed at easing the UN sanctions on North Korea. To a certain extent this can be seen as a kind of three-party talks that provide an alternative strategy and work as a pressure mechanism to return to the multilateral Six-Party talks where the US and its allies are also present.

The impacts of China’s policy change on US positions and policy were also significant. First, the US took the opportunity provided by worsening relations between China and North Korea to press China to get closer to the US position and to support tough sanctions on North Korea, committed to a more assertive position in the international system knowing that this would further complicate Beijing-Pyongyang relations. Moreover, the US put high pressure on Beijing to apply economic sanctions that could strangle the regime trying to put China in a “catch 22” position, either to contribute to regime strangulation or be accused of not complying to international obligations weakening in either way China’s strategic position. In this context the core of US policy were UN sanctions combined with a series of “war games” episodes, military hostile acts involving the intensification of US-South Korea military exercises like the one carried out in in the spring of 2016 which was unprecedented in scale.

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<sup>19</sup> The coordination meeting between the deputy foreign ministers of Russia, Igor Morgulov, China Kong Xuanyou and North Korea, Choe Son Hui was held on October 9, 2018 in Moscow to discuss the easing of sanctions and it was announced that there is a China-Russia roadmap to the Korean Peninsula, see “China, Russia, and US Sanctions on North Korea,” *The Diplomat* (November 13, 2018), accessed November 30, 2018, <https://thediplomat.com/2018/11/china-russia-and-us-sanctions-on-north-korea/>.

Second, Washington exerted simultaneously more pressure on China to deliver, to achieve results both in denuclearization and prevention of horizontal and vertical proliferation, preparing the stage to blame China for the failure to control North Korea nuclear programme and to undermine its international prestige when it knows Beijing lost influence. This entailed a US devaluation of the Six-Party Talks process which is in contradiction with the strategy to make China individually responsible for negative developments.

However, China got closer to the US on sanctions to reinforce its international position and prestige but first and foremost to moderate sanctions and contain the US leadership and radical stand. This would be more effectively done by being engaged than by resisting sanctions when the decisive question is effective implementation which Beijing can control and manipulate.

Third, China's new policy of closer and denser economic and political relations with South Korea since 2013 had relevant implications for US-South Korea alliance as relations became more tense. Yet, at times there has been a convergence in adopting more radical positions towards Pyongyang insofar the US policy towards North Korea was heavily influenced by South Korean conservative hardliners as has been argued by some observers, in particular in 2015-2016, leading to a more radical US position. This entailed an intensification of joint military exercises with South Korea and flights of nuclear bombers which sent hostile messages to North Korea that in response escalated its missile tests<sup>20</sup>. Until 2016 in spite of cultivating closer relations with China, South Korea balanced that with a joint coordinated approach with the US on North Korea, the "strategic patience approach."

More recently tensions have been increasing between Trump and Moon who advocate differing approaches insofar President Moon does not support a "sanctions only" approach to North Korea, contrary to the

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<sup>20</sup> Van Jackson, interview with Alex Ward on December 12, 2018, Vox, <https://www.vox.com/2018/12/12/18130628/north-korea-trump-nuclear-war-jackson>.

view the US and South Korea have shared in recent years, and pursues a more independent position from the US.<sup>21</sup> These tensions were also fuelled by the US increasing bilateral trade deficit under the US-South Korea Free Trade Area (KORUS FTA) leading the Trump administration to press for renegotiation. Paradoxically at present South Korea relations are more tense both with Washington, because of North Korea strategy and trade dispute over US-South Korea FTA, and Beijing, because of China's retaliation for the THAAD location.

In short, as China got closer to the US on sanctions and more distant from Pyongyang, Washington took advantage and decided, in the absence of Beijing counterbalancing role, to harden its position and move to a "sanctions only" approach complemented by regular US-South Korea military exercises hoping to deter Pyongyang more effectively as China was not supporting the DPRK position. This simplistic hardline approach has contributed to precipitate the process and accelerate North Korea's acquisition of effective nuclear weapons as a guarantee of regime survival.

Looking into the future, while it is increasing clear that China alone is not able to solve the North Korea question it is also clear that the US alone is not able to attain that goal either. President Trump's initiative to held the June 2018 Singapore summit with Kim Jong-un was aimed both at domestic objectives on the one hand, and at international objectives, first and foremost to strike the contrast and gain advantage over China by implicitly underlining Beijing's ineffectiveness to change North Korea course of action, on the other. It was based on the conviction the US could alone tackle the problem on a bilateral basis and relaunch the negotiations but ironically ended up legitimizing the North Korea regime and went a long way in the direction of acknowledging the nuclear state status. It is clear that Pyongyang will not give up its nuclear weapons programme, has not taken any step to denuclearize and seems to be first and foremost committed to consolidate its de facto nuclear state status.

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<sup>21</sup> See Mark Menyin et al., "US-South Korea Relations," *Congressional Research Service Report* (May 23, 2017).

The consensus on sanctions seems to be breaking and China is increasingly distant from the US about a “sanctions only” approach advocating instead a necessary return to negotiation and the revitalization of the multilateral Six-Party talks chaired by Beijing. In contrast, the US is resisting this framework, as long as there is no clear sign of a concrete action of dismantlement of the nuclear programme, and exploring a bilateral dialogue approach hoping to gain leverage and advantage in the strategic competition with China at the same time President Trump seeks to gain domestic credit for electoral purposes.

In spite of the US recent initiatives to deal directly with North Korea and to find a solution, the Korean Peninsula question and North Korea denuclearization is primarily a China-US issue, a fundamental question for the two big powers and a test to their respective capacities to manage and balance structural strategic competition and cooperation. An agreement between China and the US is a necessary condition to design a solution to the North Korea issue and any arrangement to be viable has from Beijing’s point of view to safeguard China’s national strategic interests.

## Conclusion

In the post-Cold War era China has been the main ally and the security guarantor of North Korea as well as the broker between Pyongyang and the international community exploring to its advantage the ambiguity of ensuring the survival of the regime and pursuing the strategy to contain the US and its allies in East Asia, on the one hand, and building its image of a responsible global actor that contributes to security creation by acting as a broker and softening North Korea hardline path, on the other.

China’s policy towards North Korea is a fundamental factor that conditions Pyongyang’s behavior and strategy as well as the future prospects of a settlement of the Korean Peninsula issue. There has been a significant change in Beijing’s policy since Xi Jinping came into power in 2012 with different axis: in terms of its prime objective focused on stability and main-

tenance of the *status quo* in the Peninsula rather than North Korea's regime survival; new approach to sanctions translated in support for tougher sanctions to Pyongyang and convergence with the US a sign of more critical and distant position towards North Korea; Beijing closer ties with South Korea aimed at balancing more the relations with the two Koreas but also at undermining the US-ROK alliance by nurturing stronger economic ties with Seoul generating economic dependency that counterbalances US political influence.

The change is explained by the interaction between three major factors. First and foremost geopolitical considerations related to the fact that the increasing North Korea threat has contributed to strengthen both the US presence and its alliances in Asia aimed at China's containment. Second, the decline of domestic support to North Korea within the Chinese Communist Party elite and Chinese public opinion. Third, China's concern to preserve its image and commitment to uphold the international regime of non-proliferation insofar North Korea strategy defies the very foundations of that regime and above all to prevent the nuclearization of Japan and South Korea as a response to North Korea's acquisition of nuclear weapons.

The main argument is that China policy towards North Korea is a major factor in shaping North Korea's own strategy and policy, including on the nuclear programme, but has also considerable influence over other major players, in particular Russia and the US, in particular the direct and indirect impacts on changes in US policy. As China got closer to the US on sanctions and more distant to Pyongyang, Washington considered that favorable conditions existed to adopt a more hardline position based on a "sanctions only" approach combined with a series of "war games", to press North Korea and undermine China-North Korea alliance. This line, contrary to US expectations, has induced as a response the acceleration of the nuclear programme and intensification of the intercontinental missile tests apparently with Russian assistance, by a regime for which survival is undoubtedly its top priority.

The convergence between China and the US on sanctions is now

breaking down and it becomes clear that the US and China have different priorities with respect to North Korea, the former focused on denuclearization while the latter is primarily concerned with preserving stability and the status quo in the Korean Peninsula in order to ensure its national security. In other words, for China worst than North Korea becoming a nuclear power is a Korean Peninsula dominated by the US with American troops at its gates. This sets the stage for the new phase where, after the failure of sanctions, negotiation gains a new relevance to address the consequences of what is believed to be already an irreversible reality the fact North Korea became a de facto nuclear power. In this, the US and China remain the key players and cooperation between Washington and Beijing will be critical to find a structural solution likely to bring about stability and security to the Korean Peninsula.

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# North Korea's Nuclear Strategy and the Direction of WMD Development

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## Abstract

This paper analyzes North Korea's motivation for nuclear weapons development, nuclear strategy, and the direction of its development of weapons of mass destruction. North Korea's nuclear program, which was initiated as a deterrence to its perceived security threat from the United States, has evolved into an offensive stance, increasing a second-strike and war-fighting capability even while sacrificing economic prosperity. Kim Jong Un's longer-term nuclear strategy aims at expediting the progress of nuclear weapons development and ICBMs program as well as decoupling the United States from its extended deterrence commitment to South Korea. The recent trajectory and direction of North Korean WMD development, such as transporter-erector-launchers, solid-propellant ballistic missiles, ICBMs, and submarine-launched ballistic missiles, are toward gearing up for increasing the capability of strategic weapons to be used for second-strike purpose. However, North Korea's political goals and strategic nuclear weapons strategy will not materialize because the rudimentary and small size of its nuclear arsenals are no match for the counter-nuclear strategy of South Korea's superior conventional weapons system and U.S. nuclear weapons system, all of which have been equipped with a cutting-edge antiballistic missile defense system. Therefore, Kim Jong Un would be better off abandoning his nuclear weapons and ICBM programs in favor of accepting the comprehensive economic, political, and diplomatic compensation offered by the United States and South Korea.

**Key Words:** North Korea, nuclear weapons, nuclear strategy, nuclear doctrine, Kim Jong Un, ICBM

## Introduction

The Democratic Peoples' Republic of Korea (hereafter North Korea) has consistently advanced nuclear weapons and intercontinental ballistic missile (ICBM) programs whose destructive power and technology pose a security threat to the international community. Despite the levying of severe international sanctions and offers of comprehensive compensation by the United States and South Korea, North Korea refuses to denuclearize. Progress on a denuclearization deal had been expected from several unprecedented summit meetings between Donald Trump and Kim Jong Un, but two leaders were unable to make any progress. Just before denuclearization negotiation with the United States, Kim Jong Un announced a self-moratorium on nuclear weapons experiments and ICBMs test launches at the Third Plenary Meeting of the 7th Central Committee of the Workers' Party on April 20, 2018,<sup>1</sup> a stance that was reconfirmed in his 2019 New Year's address<sup>2</sup> and in the Joint Statement of Singapore summit between Donald Trump and Kim on June 12, 2018.<sup>3</sup> Not long after this self-moratorium, Kim Jong Un changed his mind and has gradually increased the level of threats since the failure of the Hanoi Summit on February 28, 2019.<sup>4</sup> At the 5th Plenary Meeting of the 7th Central Committee of the Worker's Party of Korea, Kim declared that North Korea is no longer maintaining a moratorium on nuclear weapons and ICBM tests, and "should more actively push forward the project for developing strategic weapons." The world soon will see North Korea's new

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1 News Team, "3rd Plenary Meeting of 7th C.C., WPK Held in Presence of Kim Jong Un," *The Rodong Sinmun*, April 21, 2018.

2 Jong Un Kim, "New Year Address of Supreme Leader Kim Jong Un for 2019," *The Rodong Sinmun*, January 1, 2019.

3 The White House, "Joint Statement of President Donald J. Trump of the United States of America and Chairman Kim Jong Un of the Democratic People's Republic of Korea at the Singapore Summit," June 12, 2018, <https://www.whitehouse.gov/briefings-statements/joint-statement-president-donald-j-trump-united-states-america-chairman-kim-jong-un-democratic-peoples-republic-korea-singapore-summit/>.

4 David E. Sanger, "Collapse of Talks Exposes Perils of 1-to-1 Diplomacy," *The New York Times*, March 1, 2019, A1.

strategic weapons.<sup>5</sup> In January 2020, Ju Yong Chol, a counselor at North Korea's mission to the United Nations in Geneva, reconfirmed that North Korea will not halt its nuclear and missile tests, saying that the United States did not meet North Korea's year-end deadline for denuclearization talks.<sup>6</sup> As many scholars and experts do not give a credit to Kim's denuclearization commitment,<sup>7</sup> North Korea might gain time to upgrade its nuclear weapons and ICBM program secretly, merely pretending to engage in a denuclearization deal with the United States. Although North Korea has temporarily halted another nuclear weapons and ICBM test, its recent multiple test-launches of short-range ballistic missiles raise tensions on the Korean Peninsula. Several security experts in the United States and South Korea believe that Pyongyang may surreptitiously continue to expedite enriching uranium for use in another round of nuclear weapons experiments.

Even though Trump and South Korean President Moon Jae-in are ready to provide security guarantee and massive economic aid to North Korea in exchange for denuclearization, Kim Jong Un has opted for a series of short-range missile test launches instead of denuclearizing, thus increasing the level of tension. On the one hand, it is reasonable to assume that Kim Jong Un's deep distrust of the U.S. and South Korea can be explained by his perception of a security threat from the U.S.-ROK alliance on the Korean Peninsula. On the other hand, North Korea's nuclear weapons development as well as its military provocations toward the United States and South Korea are almost certainly part of a preplanned North Korean longer-term strategy. This paper

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<sup>5</sup> Political News Team, "Report on 5th Plenary Meeting of 7th C.C., WPK," *The Rodong Sinmun*, January 1, 2020, [http://rodong.rep.kp/en/index.php?strPageID=SF01\\_02\\_01&newsID=2020-01-01-0012](http://rodong.rep.kp/en/index.php?strPageID=SF01_02_01&newsID=2020-01-01-0012).

<sup>6</sup> Stephanie Nebehay, "North Korea Abandons Nuclear Freeze Pledge, Blames 'Brutal' U.S. Sanctions," *Reuters*, January 21, 2020, <https://www.reuters.com/article/us-northkorea-nuclear-usa/north-korea-may-seek-new-path-after-u-s-fails-to-meet-deadline-idUSKBN1ZK1FX>.

<sup>7</sup> See Daniel R. Coats, "World Wide Threat Assessment of the US Intelligence Community," January 29, 2019, <https://www.dni.gov/files/ODNI/documents/2019-ATA-SFR---SSCI.pdf>; David E. Sanger and Julian E. Barnes, "U.S. Intelligence Disputes Trump on Global Peril," *The New York Times*, January 30, 2019, A1.

therefore begins with a research question as to why North Korea feels compelled to stick to its nuclear weapons and ICBM program development. What were the main reasons North Korea chooses to pursue nuclear weapons and ICBMs program? If North Korea believes that a nuclear weapons program will guarantee its security against the United States, then what nuclear strategy might Pyongyang apply? In other words, how could North Korea utilize its nuclear weapons and ICBMs to protect itself from the U.S.-ROK alliance? Based on North Korea's recent record of nuclear weapons experiments and various missile test-fires, the paper seeks to analyze North Korea's nuclear strategy. The paper is organized into six sections, including an introduction. Section two introduces a brief review of the general nuclear strategy of superpower United States in the Cold War as a general theoretical framework. Section three analyzes major motivations of North Korea's nuclear weapons development. Section four investigates a principle nuclear doctrine and strategy of North Korea. Section five examines how North Korean nuclear strategy drives the country into developing various types of missile and nuclear weapons. Section six, in conclusion, evaluates the limitation of North Korea's nuclear strategy in pursuing its political and military goals.

## Brief Theoretical Review of Nuclear Strategy and Analytical Framework

Security studies generally affirm that possessing nuclear weapons improves security and diplomatic influence of a nuclear power.<sup>8</sup> Given that the enormous destructive power of nuclear weapons could inflict massive casualties and property damage, a nuclear power state could

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<sup>8</sup> See Thomas C. Schelling, *Arms and Influence* (New Haven, CT: Yale University Press, 1966); Richard K. Betts, *Nuclear Blackmail and Nuclear Balance* (Washington, DC: Brookings Institution, 1987); Scott D. Sagan and Kenneth Waltz, *The Spread of Nuclear Weapons: A Debate Renewed* (New York: W.W. Norton, 1995).

protect itself against military attacks by threatening to use nuclear weapons against an aggressor. In order to achieve political and strategic goals, nuclear power states have developed and deployed various types of nuclear weapons as a means of deterrence. As a form of military strategy, the set of plans to achieve policy goals by military means,<sup>9</sup> the nuclear strategy implies a series of plans regarding operations, deployments, compositions, and utilizations of nuclear weapons for defensive or offensive military purposes. A comprehensive nuclear strategy contains nuclear doctrines and effective operations of nuclear weapons in peace and war times.<sup>10</sup> Although there are debates about whether or not the proliferation of nuclear weapons would guarantee peace in the world,<sup>11</sup> the devastating U.S. atomic bombing of two Japanese cities during World War II raised awareness of the need for preventing the use of nuclear weapons. As the international community has endeavored to prevent the use of nuclear weapons and to promote nuclear nonproliferation, the international norm against the use of nuclear weapons has reached consensus. Considering the international governance effort and norm for prevention of nuclear proliferation, nuclear weapons should be a means of defense rather than offense.

For practical purposes, several scholars, experts, and military strategists have developed deterrence theories. According to Thomas C. Schelling, deterrence theory should be based on a premise of distinctive difference between “the application of force and the threat of force.” The purpose of deterrence is “concerned with persuading a potential enemy that he should in his own interest avoid certain courses of activity.”<sup>12</sup> Glenn H. Snyder proposed that “the object of military deterrence is to reduce the probability of enemy military attack,” forcing an enemy to give up military attack by persuading him that the loss of military attack out-

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<sup>9</sup> B. H. Liddell Hart, *Strategy: The Indirect Approach* (London: Faber & Faber, 1968), 334, quoted from Lawrence Freedman and Jeffrey Michaels, *The Evolution of Nuclear Strategy*, 4th ed. (London, UK: Palgrave Macmillan, 2019), xiii.

<sup>10</sup> Jan M. Lodal, “Deterrence and Nuclear Strategy,” *Daedalus* 109(4) (Fall 1980).

<sup>11</sup> See Sagan and Waltz, *The Spread of Nuclear Weapons*.

<sup>12</sup> Thomas C. Schelling, *The Strategy of Conflict* (London: Oxford University Press, 1968), 9.

weighs any benefit.<sup>13</sup> Snyder advanced two types of deterrence: deterrence by denial and deterrence by punishment.<sup>14</sup> Deterrence by denial can be achieved if a state's military power is sufficient to prevent any adversarial military attacks. Deterrence by punishment dissuades adversaries from attacking, as the adversary's perceived cost of attacking outweighs the perceived gain.<sup>15</sup>

Generally applied main features of nuclear strategies have been developed by the United States, which first invented nuclear weapons. Under the U.S. atomic monopoly from World War II to the 1950s, Washington used the nuclear weapons to offset Moscow's superior conventional weapons capability. At the time, the Eisenhower administration developed the *massive retaliation nuclear strategy* based on U.S. predominance in nuclear weapons. The Soviet Union's successful nuclear weapons test in 1949 challenged the United States as the dominant nuclear power. Responding to this nuclear stalemate, the United States had to modify its existing nuclear strategy and develop new strategic weapons in coping with the Soviet Union's counter nuclear strategy.<sup>16</sup> During the 1960s, the United States adopted a mutually assured destruction (MAD) strategy in order to counter the nuclear forces of Soviet Union. Under the hypothetical situation that if the Soviet Union could deliver the first nuclear strikes toward major U.S. cities and nuclear facilities, then how the United States might defend its major cities and ensure the survivability of its nuclear weapons and thus its ability to retaliate. What has been called second-strike capability is a viable concept of MAD based on counter-value targets of an adversary that is able to destroy an adversary's population, cities, and industrial facilities. As means of devastating second-strike, various types of nuclear weapons system, a nuclear triad, such as ICBMs, submarine-launched ballistic missiles (SLBMs), and strategic

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13 Glenn H. Snyder, *Deterrence and Defense: Toward a Theory of National Security* (Princeton, NJ: Princeton University Press, 1961), 12-6.

14 Snyder, *Deterrence and Defense*, 8-9.

15 Glenn H. Snyder, "Deterrence and Power," *The Journal of Conflict Resolution* 4(2) (June 1960): 163-78.

16 See Freedman and Michaels, *The Evolution of Nuclear Strategy*.

bombers are developed.<sup>17</sup> Thus, the fear, which any use of nuclear weapons would definitely lead to mutual annihilation, contributes to a strategy of deterrence between two superpowers during the Cold War period.

We can assume that North Korea's very limited and incomplete nuclear weapons resources are no match for those of superpower, but North Korea might adapt the fundamental principles of the nuclear strategies of superpowers, which have been demonstrated by various plausible counter-nuclear strategies and nuclear forces through a series of war simulation games. As for an analytical framework to analyze North Korea's nuclear strategy, a rational actor model is applied. Pursuing its national interests using nuclear strategy, the leadership of North Korea must follow the very best ways of maximizing expected value and minimizing incidental costs.<sup>18</sup> In principle, North Korean leadership's decisions on building nuclear weapons and on formulating nuclear strategy have been based on a series of rational decision-making procedures to bolster its security against the United States and South Korea. North Korea almost certainly adopts a nuclear strategy flexible enough to allow for its small size and rudimentary nuclear weapons, constraints that might make it difficult to ensure security as well as to gain a winning position in the worst situation of the second Korean War. North Korea is understandably nervous about the possibility that its nuclear weapons and missile facilities could be destroyed by U.S. preemptive or preventative surgical strikes even before the North completed its ICBMs program. Pyongyang will try hard to build a counter-nuclear strategy, anticipating that Washington's extended deterrence commitment toward South Korea will lead to a massive retaliation if North Korea launches a nuclear attack.

Based on these hypothetical conditions, North Korean nuclear strategy focuses on how to ensure the survivability of its strategic nuclear

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<sup>17</sup> Ibid.

<sup>18</sup> See a discussion of rational actor model in foreign policy decision making, Graham T. Allison, "Conceptual Models and the Cuban Missile Crisis," *The American Political Science Review* 63(3) (September 1969): 689-718.

weapons systems, hiding them into underground tunnels and deep mountains, or moving them around using mobile launchers. In fact, North Korea's poorly equipped and small numbers of nuclear weapons and its incomplete delivery system renders it vulnerable to potential preventative or preemptive strikes by the United States. North Korea might exaggerate the progress and outcome of nonconventional and conventional weapons system developments as a way to ensure a credible means of deterrence and to forestall U.S. preemptive or preventative strikes by expressing Pyongyang's willingness to retaliate with nuclear weapons. As its foremost goal, North Korea would thus make every effort to rapidly achieve fully functional nuclear weapons and ICBMs as a reliable means of deterrence and defense. Even while North Korea was concentrating on nuclear weapons and ICBMs development, the United States and South Korea also devised several counter-nuclear strategies and developed cutting edge military technology that could neutralize North Korean nuclear missiles before they were launched. As a subsequent goal, North Korea must try hard to develop diverse military weapons to increase its second-strike capability and neutralize the United States and South Korea's counter nuclear strategy. In the end, North Korea should secure enough funds to maintain and produce nuclear weapons and missile systems without worsening its economy dying under severe international sanctions.

Because we have very limited information sources about the secret kingdom of North Korea, Kim Jong Un's address, several key official's statements, and trajectory of nuclear weapons development can be a guide in analyzing the motivation of nuclear weapons development, nuclear capability, operation of the weapons, direction and future goals of nuclear weapons strategy. However, we must not ignore that North Korean media have promulgated many bluffs and exaggerations that brag about the progress of North Korean weapons development. North Korean media have very frequently synchronized its own reports with several conservative South Korean media's pessimistic portrayal of the potential future direction of North Korean WMDs. When several conservative South Korean news media reported on North Korea's WMD test and predicted

the future direction of the North's weapons development, the Rodong Sinmun or Korean Central News Agency used the occasion to report that the South's predictions on the North's weapons were successfully achieved through subsequent weapons tests. If we merely believe North Korean media's reporting on the country's weapons development, we will not doubt that North Korea already is an invincible world power. In the end, detailed North Korean media coverages of its leader's speeches, nuclear weapons experiments, several strategic weapons test-launches, as well as other key officials' statements about the United States and South Korea have been tuned up ahead of the publication based on longer-and medium-terms of guided North Korean strategy.

## North Korea's Motivation for Nuclear Weapons Development

Regarding the motivation of nuclear weapons development of states, Scott Sagan proposes three theoretical models. Adding to the traditional motive of nuclear proliferation, in which a state seeks to develop nuclear weapons as a way to counter a nuclear threat from a rival nuclear state ("the security model"), Sagan provided two more models as "the domestic politics model" and "the norms model."<sup>19</sup> Like all states in the world, North Korea's core national interests must be survival (national security) and economic wellbeing. North Korean leaders believed that nuclear weapons are the most efficient means to protect the country. From a historical perspective, North Korea's motivation to develop nuclear weapons germinated from a fear of a threat to its security from the United States. The founding father of North Korea, Kim Il Sung, watched as the dreadful nuclear bomb of the United States contributed to the defeat of imperialist Japan and the end of World War II. Kim Il Sung was very anxious about

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<sup>19</sup> Scott D. Sagan, "Why Do States Build Nuclear Weapons?: Three Models in Search of a Bomb," *International Security* 21(3) (Winter 1996/7): 54-86.

General Douglas MacArthur's intention to use nuclear weapons to repel the Peoples' Republic of China during the Korean War that gave him a strong motivation for nuclear weapons development. Kim Il Sung solicited assistance for nuclear technology from the Soviet Union. After all, Kim was allowed to send North Korean scientists to the Soviet Nuclear Institute for training. In 1965, Kim was able to import an experimental nuclear reactor from the Soviet and established the Yongbyeon Nuclear Scientific Research Center that launched the North Korean nuclear program.<sup>20</sup> Kim Il Sung's anxiety also was ratcheted up by U.S. tactical nuclear weapons deployment in South Korea as well as President Park Chung-hee's clandestine nuclear weapons development in the early 1970s. Later President Park's plan was abandoned due to U.S. pressure.<sup>21</sup> When U.S. tactical nuclear weapons had been deployed in South Korea, North Korea kept on requesting removal of those tactical nuclear weapons from South Korea.<sup>22</sup> Those tactical nuclear weapons were fully withdrawn from South Korea under President George H.W. Bush in 1991, and the two Koreas signed the *Joint Deceleration of the Denuclearization of the Korean Peninsula* in 1992.<sup>23</sup> However, North Korea abrogated the agreed term of the pact's Article I, which states that "the South and the North shall not test, manufacture, produce, receive, possess, store, deploy or use nuclear weapons,"<sup>24</sup> and surreptitiously pursued a nuclear weapons development program.

Several United States administrations sought to use diplomacy or

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20 Don Oberdorfer and Robert Carlin, *The Two Koreas: A Contemporary History*, 3rd ed. (New York: Basic Books, 2014), 196-7; Dae-Sook Suh, "North Korea: The Present and the Future," *Korean Journal of Defense Analysis* 5(1) (1993): 74-5; Victor D. Cha, "North Korea's Weapons for Mass Destruction: Badges, Shields, or Swords?," *Political Science Quarterly* 117(2) (Summer 2002): 219.

21 Edward Kwon, "The U.S.-ROK Alliance in Coping with North Korea's Nuclear Threat," *The Korean Journal of Defense Analysis* 26(4) (December 2017): 497-8.

22 See various issues of the *Rodong Simnun*, April 20, 1980, June 28, 1980, and etc.

23 USCINCPAC, *Commander History I(U)* (Honolulu, HI: Camp H.M. Smith, 1992): 56-7 & 386-7; Kwon, "The U.S.-ROK Alliance," 498; Hans M. Kristensen and Robert S. Norris, "A History of US Nuclear Weapons in South Korea," *Bulletin of the Atomic Scientists* 73(6) (2017): 349-57.

24 See the document in the United Nations, [https://peacemaker.un.org/sites/peacemaker.un.org/files/KR%20KP\\_920120\\_JointDeclarationDenuclearizationKoreanPeninsula.pdf](https://peacemaker.un.org/sites/peacemaker.un.org/files/KR%20KP_920120_JointDeclarationDenuclearizationKoreanPeninsula.pdf).

more harsh methods to deal with North Korea's clandestine nuclear weapons development program,<sup>25</sup> but North Korea would never seriously engage in a denuclearization. Once, President Bill Clinton seriously considered surgical strikes against North Korea's nuclear facilities. Clinton's plan could not be realized due to strong objection from President Kim Young-sam. Clinton's engagement policy toward North Korea achieved the Agreed Framework on October 21, 1994 under which North Korea agreed to freeze its nuclear weapons program in exchange for two light-water nuclear reactors and financial compensation.<sup>26</sup> The next President George W. Bush designated North Korea as an axis of evil and his hawkish policy nullified the 1994 Agreement because Pyongyang cheated, clandestinely continuing its nuclear weapons program. President Barack Obama's policy of Strategic Patience was not successful in inducing North Korea to denuclearize. President Donald Trump's maximum pressure drove North Korea into a perilous situation. On September 27, 2017, Trump delivered his speech in the General Assembly of the United Nations that the United States "will have no choice but totally destroy North Korea" if Washington were forced to defend itself and its allies.<sup>27</sup> Recently, Trump abandoned his fire and fury policy line and brought Kim Jong Un to negotiation tables. Trump and Kim had three summits at Singapore, Hanoi, and Panmunjom to negotiate denuclearization issues, but two states could not reach any progress.<sup>28</sup>

Despite U.S. efforts to persuade North Korea to denuclearize, North Korea has justified its nuclear weapons program as a way to deter hostile policy and nuclear threat of the United States for a long time. All the

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25 See Niv Farago, "Washington's Failure to Resolve the North Korean Nuclear Conundrum: Examining Two Decades of US Policy," *International Affairs* 92(5) (2016): 1127-45; Siegfried Hecker, "Three Kims and Six US Presidents Later, Diplomacy Can Still Solve the North Korea Crisis," *New Perspective Quarterly* (Fall 2017): 16-23.

26 Curtis H. Martin, "Rewarding North Korea: Theoretical Perspectives on the 1994 Agreed Framework," *Journal of Peace Research* 39(1) (January 2002): 51-68.

27 Eli Stokols and Franz Fasihi, "Trump Takes Aim at North Korea," *The Wall Street Journal*, September, 20, 2017; Peter Baker and Rick Gladstone, "'America First,'" in Combative U.N. Speech, Trump Airs List of Threats, *The New York Times*, September 20, 2017, A1.

28 Edward Kwon, "Denuclearization of North Korea: Before and After the Summit," *The Korean Journal of Defense Analysis* 31(3) (September 2019): 309-28.

time, North Korea repeated its inveterate hostility toward the United States. For example, at the plenary meeting of the Geneva Disarmament Conference on February 27, 2018, Tae song Han, the Permanent Representative of North Korea to the UN Office and International Organization in Geneva, addressed that “the DPRK was compelled to possess nuclear deterrent in order to protect its sovereignty and the security of its national from the harsh hostile policy and nuclear threat of the U.S.”<sup>29</sup> On top of the security purpose, North Korea propagandized that nuclear weapons program help to build economy and upgrade the living standard of people.

The DPRK was compelled to make a bold decision to have access to nuclear weapons due to the U.S. hostile policy toward the DPRK, nuclear threat and strategy for stifling it for more than half a century. The DPRK’s nuclear force serves a powerful treasured sword to protect the sovereignty of the country and the dignity of the nation under the prevailing situation and provides a sure guarantee for focusing efforts on preserving peace and security, building economy and improving the standard of the people’s living. The DPRK’s line of simultaneously developing the two fronts serves as a banner for bolstering nuclear deterrence for self-defence to cope with the reckless nuclear threat and aggression by the U.S. and its followers and, on its basis, winning a decisive victory in building a thriving nation.<sup>30</sup>

Nevertheless, its dire economic condition exacerbated by international sanctions as well as natural disasters, North Korea has continued to develop nuclear weapons because asymmetric military capability of nuclear weapons is the only means of surpassing South Korea’s superior conven-

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29 Rodong News Team, “It is Legitimate Right to Increase National Defense Capability: DPRK Permanent Representative,” *The Rodong Sinmun*, March 5, 2018, [http://www.rodong.rep.kp/en/index.php?strPageID=SF01\\_02\\_01&newsID=2018-03-05-0004](http://www.rodong.rep.kp/en/index.php?strPageID=SF01_02_01&newsID=2018-03-05-0004).

30 “Spokesman for DPRK FM Slams U.S. Frantic Anti-DPRK Campaign,” *KCNA*, October 4, 2014.

tional military power and economy. Based on the Bank of Korea's estimation, the Gross National Income of South Korea (1,898.5 trillion Korean Won) is 53 times bigger than that of North Korea (35.9 trillion) in 2018.<sup>31</sup> Under such a poor economy, North Korea might spend about overall \$1.1 billion to \$3.2 billion in developing nuclear weapons and consume \$600 million to \$700 million to build the Yongbyon Nuclear Scientific Research Center based on a 2012 estimate.<sup>32</sup> If we consider an opportunity cost, North Korea's nuclear weapons development cost cannot be measurably high enough. Recently, North Korea officially reported a food shortage under flooding and natural disaster, and requested food aid from the international community.<sup>33</sup> North Korea absurdly squandered its budgets on nuclear weapons and missile programs rather than urgent food import for ordinary people. Pyongyang miscalculates that nuclear weapons development could compensate necessary military expenses for procurement and maintenance of conventional weapons and divert saving costs to economic development.

Even though North Korean authority tightly controls its population using media censorship and cutting off possible access of international news, many peoples in North Korea nowadays could surreptitiously watch South Korean soap operas and foreign movies through USB memory sticks smuggled from China, avoiding surveillance of public security organs.<sup>34</sup> Muddling through the Arduous March of massive famine,<sup>35</sup> the North Korean population may have a great level of toler-

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<sup>31</sup> See the major economic comparison between South and North Korea, The Bank of Korea, <https://www.bok.or.kr/portal/main/contents.do?menuNo=200090>.

<sup>32</sup> James Pearson and Ju-min Park, "North Korea Overcomes Poverty, Sanctions with Cut-price Nukes," *Reuters*, January 11, 2016, <https://www.reuters.com/article/us-northkorea-nuclear-money-idUSKCN0UP1G820160111>.

<sup>33</sup> Sang-Hun Choe, "North Korea Urgently Needs Food Aid After Worst Harvest in Decade, U.N. Says," *The New York Times*, May 3, 2019, <https://www.nytimes.com/2019/05/03/world/asia/north-korea-food.html>.

<sup>34</sup> Dong Hui Mun, "North Koreans Use Solar-powered mini-TVs to Watch South Korean Dramas," *The Daily NK*, May 1, 2019, <https://www.dailynk.com/english/north-koreans-use-solar-powered-mini-tvs-to-watch-south-korean-dramas/>.

<sup>35</sup> Stephan Haggard and Marcus Noland, *Famine in North Korea: Markets, Aid, and Reform* (New York: Columbia University, 2007).

ance against chronic economic crisis, but North Korean regime should appease people's pervasive discontent. Nuclear weapons program has been taken advantage of symbolic national cohesiveness and achievement of North Korea leader. The legitimacy of the Kim Jong Un regime is bolstered by successful nuclear weapons development and ICBM test-fires.<sup>36</sup>

## North Korea's Unclear Strategy

Based on these motivations, North Korea has developed nuclear weapons and delivery system. Following gradual improvement of nuclear weapons technology, North Korea prepared for a principle of nuclear weapons use, a nuclear doctrine. On April 13, 2012, three years after from the second nuclear weapons experiment (May 25, 2009), North Korea revised the Preamble of its Constitution, designating itself a "nuclear power state."<sup>37</sup> A month after from the third nuclear weapons experiment (February 12, 2013), North Korea adopted the *Byungjin* line, "a new strategic line on carrying out economic construction and building nuclear armed forces simultaneously" at the Plenary meeting of the Central Committee of the Workers' Party on March 31, 2013.<sup>38</sup> The following month on April 1, 2013, Pyongyang announced North Korean version of nuclear doctrine as the Supreme People's Assembly Act (hereafter the ACT) on "Consolidating Position of Self-reliant Nuclear Weapons States" at the *Rodong Sinmun*.

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<sup>36</sup> See Alexandre Y. Mansourov, "Kim Jong Un's Nuclear Doctrine and strategy: What Everyone Needs to Know," *NAPSNet Special Reports*, December 16, 2014.

<sup>37</sup> K. J. Kwon, "North Korea Proclaims Itself a Nuclear State in New Constitution," *CNN*, May 31, 2012, <https://www.cnn.com/2012/05/31/world/asia/north-korea-nuclear-constitution/index.html>.

<sup>38</sup> "Report on Plenary Meeting of WPK Central Committee," *KCNA*, March 31, 2013.

The DPRK is a full-fledged nuclear weapons state capable of beating back any aggressor troops at one strike, firmly defending the socialist system and providing a sure guarantee for the happy life of the people. ....

The Supreme People's Assembly of the DPRK decides to consolidate the position of the nuclear weapons state as follows:

1. The nuclear weapons of the DPRK are just means for defence as it was compelled to have access to them to cope with the ever-escalating hostile policy of the U.S. and nuclear threat.
2. They serve the purpose of deterring and repelling the aggression and attack of the enemy against the DPRK and dealing deadly retaliatory blows at the strongholds of aggression until the world is denuclearized.
3. The DPRK shall take practical steps to bolster up the nuclear deterrence and nuclear retaliatory strike power both in quality and quantity to cope with the gravity of the escalating danger of the hostile forces' aggression and attack.
4. The nuclear weapons of the DPRK can be used only by a final order of the Supreme Commander of the Korean People's Army to repel invasion or attack from a hostile nuclear weapons state and make retaliatory strikes.
5. The DPRK shall neither use nukes against the non-nuclear states nor threaten them with those weapons unless they join a hostile nuclear weapons state in its invasion and attack on the DPRK.
6. The DPRK shall strictly observe the rules on safekeeping and management of nukes and ensuring the stability of nuclear tests.
7. The DPRK shall establish a mechanism and order for their safekeeping and management so that nukes and their technology, weapon-grade nuclear substance may not leak out illegally.
8. The DPRK shall cooperate in the international efforts for nuclear non-proliferation and safe management of nuclear substance on the principle of mutual respect and equality, depending on the improvement of relations with hostile nuclear weapons states.
9. The DPRK shall strive hard to defuse the danger of a nuclear war and finally build a world without nukes and fully support the international efforts for nuclear disarmament against nuclear arms race.
10. The related institutions shall take thorough practical steps for implementing this ordinance.<sup>39</sup>

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<sup>39</sup> "Chosun Minjoojuwi Inmin Gonghwagun Choigo Inmin Hoiwi Bupryung: Jawigeok Haek-boyugook wi Jiwi leul Doeuk Gongohi halda daehayeo" (DPRK Supreme People's Assembly Act: Consolidating Position of Self-reliant Nuclear Weapons States), *The Rodong Sinmun*, April 2, 2013; "Law on Consolidating Position of Nuclear Weapons States Adopted," *KCNA*, April 1, 2013, <http://www.kcna.co.jp/item/2013/201304/news01/20130401-25ee.html>, accessed 12 April 2013.

The Act is meaningful in that North Korea proclaimed the purpose of its nuclear weapons program, the basic principles of nuclear weapons uses, and an operational command of nuclear weapons use. From a critical perspective, the Act is merely an expression that North Korea's will relate to the basic principle of nuclear weapons usage. As the Clause 1, North Korea justifies that the purpose of nuclear weapons is to defend the country from the U.S. nuclear threat. North Korea will continue to strengthen its nuclear armaments through various measures in order to retain an assured retaliation capability against the U.S.-ROK alliance as the Clauses 2 and 3. North Korea pronounces the 'no first use' principle of nuclear weapons<sup>40</sup> and nuclear threat against non-nuclear states in the Clause 5. However, we cannot guarantee whether North Korea would observe the principle or not, given North Korea's perception of the U.S.-ROK alliance as a conflictual reality on the Korean Peninsula. The U.S.-ROK alliance is aiming to ensure security of South Korea against North Korea's military threat, while the North, in contrary, recognizes the alliance as a security threat in and of itself. Such misperception of North Korea toward the U.S.-ROK alliance leads to a self-fulfilling security dilemma condition. Clause 4 codifies the final power authority to use the nuclear weapons is given to Supreme Commander, Kim Jong Un, which is no doubt in North Korean personal dictatorship. The mandatory authorization using nuclear weapons by the top leadership connects with a Pyongyang's wishes to be cautious about using nuclear weapons. However, one man's control of nuclear weapons usage would increase scary chances of inadvertent or accidental catastrophic misuses of nuclear weapons considering immature and inexperienced leadership beyond a general assumption of rational behavior model.<sup>41</sup> Due to the

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40 At the 7th Congress of the Workers' Party of Korea on 8 May 2016, North Korea declared the principle of 'no first use' of nuclear weapons. See Jong Un Kim, "Report of the Central Committee Project Generalization at the 7th Congress of the Workers' Party of Korea," *The Rodong Sinmun*, May 8, 2016.

41 Avery Goldstein, *Deterrence and Security in the 21st Century: China, Britain, France, and the Enduring Legacy of the Nuclear Revolution* (Stanford, CA: Stanford University, 2000), 275-7.

lack of an elaborate command and control system of the North, a miscommunication between the top leader and sub-unit battlefield military commanders regarding a launch order of solid fuel type's nuclear warhead missile may drive the Korean Peninsula to a disastrous situation.<sup>42</sup>

Throughout six nuclear weapons experiments and several successful ICBMs test launches, North Korea is close to acquiring military capability to attack any targets in South Korea, Japan, and the U.S. military base in Guam. Until now North Korea has not acquired a fully functional ICBM capable of reaching the United States mainland. In order to produce a fully functional ICBM, North Korea must equip high technology furnishing an extreme thermal stress resistant reentry vehicle and a sophisticated guidance-and-control system.<sup>43</sup> Air defense networks and missile defense system of North Korea are too vulnerable to defend against the U.S.-ROK airstrikes. While the United States strategic weapons can destroy any places in North Korea, any North Korean strategic weapons targeting the U.S. mainland can be neutralized over the Pacific Ocean by U.S. anti-ballistic missile defense system.<sup>44</sup> In addition, the level of North Korea's nuclear capability remains rudimentary, far behind those of the United States in term of the size, technology, means of delivery, guidance system as well as the 3CI (Command, Control, Communications, and Intelligence). Even North Korea's conventional weapons system is outmoded and inferior to that

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<sup>42</sup> Terence Roehrig, "North Korea's Nuclear Weapons Program: Motivations, Strategy, and Doctrine," in *Strategy in the Second Nuclear Age: Power, Ambition, and the Ultimate Weapon*, ed. Toshi Yoshihara and James R Holmes (Washington D.C.: Georgetown University Press, 2012), 93.

<sup>43</sup> U.S. Department of Defense, *Report to Congress on Military and Security Developments Involving the Democratic People's Republic of Korea*, December 2017, <https://media.defense.gov/2018/May/22/2001920587/-1/-1/1/REPORT-TO-CONGRESS-MILITARY-AND-SECURITY-DEVELOPMENTS-INVOLVING-THE-DEMOCRATIC-PEOPLES-REPUBLIC-OF-KOREA-2017.PDF>, 10.

<sup>44</sup> Jen Judson, "Homeland Missile Defense System Takes Out ICBM Threat in Historic Salvo Test," *The Defense News*, March 25, 2019, <https://www.defensenews.com/land/2019/03/25/homeland-missile-defense-system-takes-out-icbm-threat-in-historic-salvo-test/>.

of South Korea.<sup>45</sup> North Korea squandered huge amounts of money for six nuclear weapons tests over a decade in order to reach a rudimentary stage of nuclear weapons, while South Korea has a capability to manufacture effective and reliable tremendous destructive nuclear weapons in a short span of time with an appropriate budget. If South Korea chose to develop nuclear weapons, than could produce nuclear weapons within six months by utilizing its advanced scientific military technology. South Korea could acquire the requisite data to produce nuclear weapons through simulation tests in a laboratory without actual nuclear experiments that is widely known.<sup>46</sup> Furthermore, the poor economy of North Korea under the current international sanctions seriously challenges its ability to consistently procure nuclear weapons parts, equipment, and auxiliary materials necessary for advanced nuclear weapons production in the near future.<sup>47</sup> Consequently, North Korea's nuclear strategy is at most functioning as deterrence by denial against the U.S.-ROK alliance.

As a weak power, the small size of North Korea's nuclear arsenals cannot compete with a superpower, the United States. According to the *SIPRI Yearbook 2019*, the United States has 6,185 nuclear warheads, while North Korea may have 20~30 nuclear warheads.<sup>48</sup> Under the current small rudimentary nuclear arsenal and incomplete ICBM technology, North Korea cannot apply a massive retaliation or a mutually assured destruction nuclear strategy toward the United States. Acknowledging its absence of first-strike nuclear capability, Pyongyang may

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45 International Institute for Strategic Studies, *Military Balance 2020* (London: Arundel House, 2020), 284; Edward Kwon, "South Korea's Deterrence Strategy Against North Korea's WMD," *East Asia: An International Quarterly* 35 (1) (2018): 10.

46 David E. Sanger, Choe Sang-Hun and Motoko Rich, "Allies Rattled by North Korea Rethink Options," *The New York Times*, October 29, 2017, A1; Heeseok Park, "Bukhan: Soopok Silhum keu Ihu" (North Korea: After the Hydrogen Bomb Experiment), *Monthly Chosun* (October 2017), <http://monthly.chosun.com/client/news/viw.asp?ctcd=E&nNewsNum=201710100015&page=11>.

47 Terence Roehrig, "North Korea's Nuclear Weapons Program," 91.

48 Stockholm International Peace Research Institute, *SIPRI Yearbook 2019: Armaments, Disarmament and International Security* (Oxford: Oxford University Press, 2019).

purse “first-strike uncertainty” nuclear strategy.<sup>49</sup> Faithful to the logic of nuclear deterrence based on the credibility of threat of nuclear weapons attacks, North Korea tends to demonstrate or exaggerate its nuclear power capability in order to dissuade a possible act of aggression from the United States. Very frequently used North Korean bluffing of nuclear weapons developments and ICBMs program has been driven by well-prepared longer-term perspective strategic calculations. For example, North Korean claims of successful H-bomb and the Hwasong-14’s potential to reach the American mainland are enough to aggravate the public’s concern over national security.<sup>50</sup> North Korea’s well-known bluffing tactics have been fortified by their military provocations and terror attacks toward South Korea. Sometimes many international relations scholars grumbled about their limited analysis ability on a series of bizarre and inscrutable North Korean military provocations toward South Korea. North Korea’s military provocations include the shelling on Yeonpyeong Island on November 23, 2010, the Korean Air flight 858 terror bombing in November 29, 1987, and the terror bombing in Burma on October 9, 1983, which seem to be explained by madman theory, but those provocations were based on premeditated elaborate schemes.<sup>51</sup> Thus, North Korea wishes to prevent any possible invasion of the United States and South Korea through the use of nuclear retal-

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49 Goldstein, *Deterrence and Security in the 21st Century*, 44-7; Victor D. Cha, “North Korea’s Weapons for Mass Destruction,” 216-7; Vipin Narang, “Nuclear Strategies of Emerging Nuclear Powers: North Korea and Iran,” *The Washington Quarterly* 38(1) (Spring 2015): 81-2; Vipin Narang, *Nuclear Strategy in the Modern Era: Regional Powers and International Conflicts* (Princeton, NJ: Princeton University Press, 2014), 8.

50 Sang-Hun Choe, “North Korea Says It Has Missile-Ready Hydrogen Bomb,” *The New York Times*, September 3, 2017, A10; Rodong News Team, “DPRK Nuclear Weapons Institute on Successful Test of H-bomb for ICBM,” *The Rodong Sinmun*, September 4, 2017, 1; Political News Team, “Kim Jong Un Guides Second Test-fire of ICBM Hwasong-14,” *The Rodong Sinmun*, July 29, 2017, 1.

51 See Denny Roy, “North Korea and the ‘Madman’ Theory,” *Security Dialogue* 25(3) (September 1994): 307-16; Roseanne W. McManus, “Revisiting the Madman Theory: Evaluation the Impact of Different Forms of Perceived Madness in Coercive Bargaining,” *Security Studies* 28(5) (October-December 2019): 976-1009; David C. Kang, “International Relations Theory and the Second Korean War,” *International Studies Quarterly* 47(3) (September 2003): 301-24.

iation blackmail. Decision makers of the United States and South Korea may contemplate the worst option, which North Korea might risk using nuclear weapons prior to lose them anticipating preemptive attack from the United States even though Pyongyang's nuclear weapons use should be a suicidal mission.

We cannot deny predicting probable North Korean nuclear strategy as a part of war-fighting strategy to achieve a goal of reunification. If North Korea acquires a reliable miniaturized nuclear warhead of reentry vehicle that can fit on the top of ICBMs capable of attacking major cities of the United States, such as Washington D.C. or New York, U.S. decision-makers would be in a difficult situation.<sup>52</sup> Washington must consider whether its commitment on extended deterrence supported by nuclear umbrella should be observed to defend South Korea at the risk of possible North Korea's nuclear attack on the major cities of the United States. As a way to overcome a first nuclear strike, Pyongyang would rather pursue increasing a second nuclear strike capability. In order to preserve and reinforce a reliable second-strike capability, North Korea has developed various types of weaponry, including a transporter-erector-launcher, submarine-launched ballistic missile (SLBM), medium-and-short range missiles, solid fuel type ICBMs, solid-propellant MRBM (medium-range ballistic missile), etc. North Korea is fully aware that their nuclear weapons and weapons of mass destruction (WMD) facilities are targeted by the surgical bombing of U.S.-ROK alliance, so those facilities located in deep mountainous underground tunnels, near the border of China, and at the forefront demilitarized zones (DMZ), as well as moving those weapon systems around various hidden places evading detection from the U.S.-ROK reconnaissance systems.<sup>53</sup> When former President Obama set nuclear nonproliferation as the top priority for world peace,

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52 Edward Kwon, "Policies of Last Resort for Dealing with North Korea's Nuclear Weapons Programme," *Asian Affairs* 49(3) (2018): 413-4.

53 Kwon, "South Korea's Deterrence Strategy Against North Korea' WMD," 4; Roehrig, "North Korea's Nuclear Weapons Program," 92-3.

his plan was fully supported by a feasible military capability that U.S. conventional strategic weapons could nullify any nuclear threats of adversary countries.<sup>54</sup> The U.S. conventional strategic weapons and antimissile system could fend off North Korea's ICBMs nuclear warheads. North Korea may not recognize that several former ICBMs test launch failures were disturbed by the United States new antimissile program, what is known as the "left of launch."<sup>55</sup> Unidentified secret weapons system of the U.S. and South Korea prepare for any possible North Korean military provocation.

If North Korea only considers targeting South Korea that probably could not be supported by an extended deterrence from the United States, war-fighting strategy as well as a massive retaliation strategy using deterrence by denial or deterrence by punishment can be effective options. However, South Korea has no intention to invade North Korea and, furthermore, renounces unification by military force, although Seoul has maintained predominant position of conventional weapons system compare to that of North Korea. Every South Korean leader clearly understand that a war is an expensive business, so unification by force should not be an effective measure in dealing with North Korean issue. Nonetheless President Moon Jae-in South Korea purses a peace and prosperity between the North and the South with three principles of "zero tolerance for war, mutual security guarantees, and common prosperity,"<sup>56</sup> North Korea would not seriously engage in a confidence building process. Therefore, North Korea's nuclear weapons are useless means to defend the county from South Korea because Seoul

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54 Steven Mufson, "Obama said Nuclear Nonproliferation was a Top Priority. How Did He Do?," *The Washington Post*, March 28, 2016, [https://www.washingtonpost.com/business/economy/obama-said-nuclear-nonproliferation-was-a-top-priority-how-did-he-do/2016/03/28/37aebd18-f391-11e5-89c3-a647fcca95e0\\_story.html](https://www.washingtonpost.com/business/economy/obama-said-nuclear-nonproliferation-was-a-top-priority-how-did-he-do/2016/03/28/37aebd18-f391-11e5-89c3-a647fcca95e0_story.html).

55 William J. Broad and David E. Sanger, "U.S. Strategy to Hobble North Korea Was Hidden in Plain Sight," *The New York Times*, March 4, 2017, <https://www.nytimes.com/2017/03/04/world/asia/left-of-launch-missile-defense.html>.

56 The Republic of Korea Cheongwadae, "2020 New Year's Address by President Moon Jae-in," *Briefings: Speeches and Remarks*, January 7, 2020, <https://english1.president.go.kr/BriefingSpeeches/Speeches/741>.

has no intention to attack Pyeongyang. Then why has North Korea chosen to forego economic development in favor of developing nuclear weapons and ICBMs? As North Korea's nuclear doctrine, does Pyeongyang really want to stick to 'no first use' policy against South Korea or the United States? As posited by neorealist international relations theory, if Pyeongyang ties up a self-help principle of security concern, North Korea cannot come out of a viscous cycle of security dilemma. It is quite obvious that North Korea is on its way to self-destruction by maintaining nuclear weapons program with huge amount of budget without addressing the basic needs of the people.

## North Korea's Weapons of Mass Destruction as Driven by Nuclear Strategy

Persistent development of nuclear weapons, ICBMs, and various types of missile in North Korea is driven by its nuclear strategy. In order to defend the country or to maximize the deterrence despite the small size of its nuclear weapons arsenal, Kim Jong Un has accelerated developing various types of missile systems, as for delivery system carrying miniaturized nuclear warheads. Through four nuclear experiments (February 2013, January and September 2016, and September 2017) under Kim Jong Un, North Korea seemed to accomplish a robust deterrence measure, and the North's nuclear weapons program has caused a dire security threat to South Korea and the United States.<sup>57</sup> An estimated 20~30 nuclear weapons could provide a robust deterrence for the country, but North Korea, probably, could produce more nuclear warheads and weapons using its current supply of fissile material from

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<sup>57</sup> See Daniel R. Coats, "Statement for the Record, Worldwide Threat Assessment of the U.S. Intelligence Community," *Senate Select Committee on Intelligence*, January 29, 2019; Melissa Hanham and Seiyoon Ji, "Advances in North Korea's Missile Program and What Comes Next," *Arms Control Today* 47(7) (September 2017): 6-11.

the Yeongbyeon nuclear complex and other unknown nuclear facilities.<sup>58</sup> Kim Jong Un's ambitious nuclear program has been confirmed in many North Korean official documents. After the fifth nuclear weapons experiment on September 9, 2016, North Korea bragged that a capability of standard production of "smaller, lighter and diversified nuclear warheads" could place on top of various types of ballistic missiles achieved.<sup>59</sup> A year later at the sixth nuclear test on September 3, 2017, North Korean stated that "a test of a hydrogen bomb for ICBM" successfully carried out.<sup>60</sup>

Kim Jong Un also tried to maintain his verbal commitment that North Korea "entered the final stage of preparation for the test launch of ICBM"<sup>61</sup> in his New Year's Address on January 1, 2017. North Korea successfully conducted two ICBM tests in July 2017<sup>62</sup> followed by a solid fuels type missile test (Pukguksong-2) in May 2017.<sup>63</sup> Although North Korea should overcome essential technological barriers, including survival of reentry vehicle and reliable guidance system, an obvious fact is that North Korea's nuclear tipped ICBMs may reach to the United States someday soon. Then, the United States may be placed in a tough situation to observe its extended commitment to defend South Korea and Japan taking a risk of its mainland within North Korea's ICBMs target. The current trajectory of North Korea's nuclear weapons and various missiles development are heading to furnish the county for a possible second-strike capability with war-fighting nuclear strategy.

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<sup>58</sup> Hans M. Kristensen and Robert S. Norris, "North Korean Nuclear Capabilities, 2018," *Bulletin of the Atomic Scientists* 74(1) (2018), 41.

<sup>59</sup> "DPRK Succeeds in Nuclear Warhead Explosion Test," *KCNA*, September 9, 2016.

<sup>60</sup> Rodong News Team, "DPRK Nuclear Weapons Institute on Successful Test of H-bomb for ICBM," *The Rodong Sinmun*, September 4, 2017.

<sup>61</sup> "Kim Jong Un's New Year Address," *Rodong Sinmun*, January 1, 2017, 1-2.

<sup>62</sup> Sang-Hun Choe, "U.S. Confirms North Korea's Claim It Fired Intercontinental Ballistic Missile," *The New York Times*, July 5, 2017, A7.

<sup>63</sup> Sang-Hun Choe, "North Korea Launches 2nd Missile In a Week," *The New York Times*, May 22, 2017, A4.

**Table 1. The DPRK's Nuclear Weapons and Missile Test Under Kim Jong Un**

(see at the end of this paper)

**Figure 1. The Frequency of the DPRK's WMD and Missile Tests Under Kim Jong Un**

(see at the end of this paper)

**Figure 2. The DPRK's WMD and Missile Tests Under Kim Jong Un**

(see at the end of this paper)

As shown in Table 1, North Korea has continued to test-fire various types of missiles except during self-imposed moratorium periods of nuclear weapons and ICBMs tests. Under the Kim Jong Un regime, North Korea has conducted a total of 60 times WMD and missile tests until the end of March 2020 (see Figure 1). The scatterplot, Figure 2, summarizes North Korea's five different weaponry tests by time. Since 2018, North Korea has refrained from weaponry tests of nuclear weapons, ICBMs, intermediate-and medium-range missiles, but has concentrated on developing diverse short-range missiles and SLBMs. Kim Jong Un has visited several research and development organizations and military units encouraging diverse missiles systems development. In recent years, North Korean ballistic missile program have made a significant progress. These missile systems could use for surface to surface, air to surface, surface to air, submarine to surface/air, and different continent to continent against targeting South Korea and Japan.<sup>64</sup>

On February 12, 2017, North Korea successfully launched the Pukguksong-2, a solid fuel type medium-range ballistic missile from a transporter-erector-launcher (TEL), which modified the submarine

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<sup>64</sup> The U.S. Office of the Secretary of Defense, *Military and Security Developments Involving the Democratic People's Republic of Korea: Report to Congress* (2017), 10.

launched missile, Pukguksong-1.<sup>65</sup> A solid-fuel missile operated by a TEL could shave off launching time and dodge from recognizance system's detection. These missiles are being moved around in several places as well as coming in and out of deep underground, tunnels, caves, and forest, evading the U.S.-ROK's anti-ballistic missile systems. If North Korea would operate mobile solid fuel type ICBMs, the United States should rearrange or reinstall more anti-ballistic missile systems to fend off possible launches from Pyongyang. Similar to SLBM, mobile ICBM could provide North Korea an assured nuclear retaliation and second-strike capability. In order to acquire the strategic weapon, North Korea has continuously tested SLBMs since the first successful SLBM launch from a submerged barge in May 2015. Almost four years later on October 2, 2019, North Korea announced a successful new-type SLBM Pukguksong-3 test launch at Wonsan Bay of the East Sea.<sup>66</sup> Because the launch of the Pukguksong-3 took place from underwater launch platform rather than a submarine, North Korea should overcome some more technological challenge. Yet, the missile consolidates survivability benefits with the possible mobile ICBMs.<sup>67</sup> Thus, Kim Jong Un is close to building two legs of a strategic nuclear arsenal - ICBM and SLBM without strategic bombers.

After the lapse of time, Kim Jong has conducted several short-range ballistic missiles tests since May 2019 (see Table 1 and Figure 2). North Korea test fired about 27 times short-range ballistic missiles (SRBM) or new-type tactical guided missiles that some of them might be part of research purpose to develop new missiles rather than live fire exercise. From North Korea's media coverage, we can identify that these arsenals are a multiple rocket launcher, a modified Musudan on TEL, a modified

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<sup>65</sup> "Kim Jong Un Guides Test-fires of Surface-to-surface Medium Long-range Ballistic Missile," *KCNA*, February 13, 2017.

<sup>66</sup> Political News Team, "DPRK Academy of Defence Science Succeeds in Test-firing of New-type SLBM," *Rodong Sinmun*, October 3, 2019, 1.

<sup>67</sup> Ankit Panda, "North Korea Finally Unveils the Pukguksong-3 SLBM: First Takeaways," *The Diplomat*, October 3, 2019, <https://thediplomat.com/2019/10/north-korea-finally-unveils-the-pukguksong-3-slbm-first-takeaways/>.

SCUD SRBM, a new liquid-propellant IRBM (intermediate-range ballistic missile), or two canister-launched probable solid-propellant systems.<sup>68</sup> Amid the global health crisis of COVID-19 (Novel Coronavirus), North Korea launched short-range ballistic missiles on March 2, 9, 20<sup>69</sup>, 29,<sup>70</sup> and April 15, 2020 that must be used as part of North Korea's nuclear war-fighting strategy. North Korea is mobilizing those SRBMs for a salvo attack mixed with dummy missiles supported by self-navigating guidance system in order to disturb the Terminal High Altitude Area Defense (THAAD) and Korean Air and Missile Defense system (KAMD).

## Conclusion

This paper has analyzed North Korea's nuclear weapons program, concluding that it was initiated by a security threat perception of North Korean leaders toward the United States and later that the program has served as a symbol of national solidarity and a means of regime survival boosting legitimacy of the leadership. North Korea believed that nuclear weapons and ICBMs programs would be the best way to ensure its vital goal of survival as a core national interest. Under the North Korean perspective, nuclear weapons serve a masterstroke to counter the United States and South Korea equipped with superior conventional weapons and predominant economic power. Despite a chronic economic deterioration, North Korea once tried to continue its nuclear weapons program simultaneously with economic development through the adoption of the *Byungin* line. After the third nuclear weapons test, North Korea an-

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<sup>68</sup> The U.S. Office of the Secretary of Defense, *Military and Security Developments*, 10-11.

<sup>69</sup> Sang-Hun Choe, "North Korea Fires Short-range Ballistic Missiles, South Says," *The New York Times*, March 20, 2020, <https://www.nytimes.com/2020/03/20/world/asia/north-korea-missile.html>.

<sup>70</sup> "N. Korea Fires at Least 1 Unidentified Projectile into East Sea: JCS," *Yonhap News Agency*, March 29, 2020, <https://en.yna.co.kr/view/AEN20200329000300325?section=national/defense>.

nounced a nuclear doctrine as the “Consolidating Position of Self-reliant Nuclear Weapons States” in April 2013. The Act outlines North Korea’s nuclear weapons operation guideline in which the purpose of nuclear weapons development, “no first use” nuclear weapons, the ultimate power authority of nuclear weapons use, and observing nonproliferation of nuclear weapons are described. However no one guarantee if North Korea will follow the Act because it just provides basic principles on how to use nuclear weapons.

The current small size of North Korea’s rudimentary stage of nuclear weapons program should not be utilized for a massive retaliation or any first-strike attempt toward the United States or its allies. If the North were to adopt an aggressive posture and initiate first-strike toward the United States, South Korea, or Japan truly, that would spell the end of the regime. In fact, North Korea has to overcome several technical barriers in order to furnish fully functional nuclear weapons system. Modern nuclear weapons system has managed by three-pronged military force structures of ICBMs, SLBMs, and strategic aircraft to carry over nuclear weapons, but the current North Korean military technology is too far behind to build a strategic bomber. In addition, North Korea’s poorly performing 3CI system, unreliable ICBMs guidance and navigating system and unsuccessful development of RV should be the most challenging task in operating nuclear weapons system. At best, North Korea nuclear weapons and ICBMs program maybe sufficient for a defense purpose applying deterrence by denial or by punishment. However, North Korea has kept on cultivating several measures increasing survivability of its strategic weapons that may seek a second-strike capability and war-fighting capability. As a way to reinforce a reliable second-strike capability, North Korea has developed TEL, solid-propellant typed of MRBM, SLBM, ICBMs, and others. North Korea has been locating their nuclear weapons and other WMD facilities in deep mountainous underground tunnels, near the border of China, and forefront demilitarized zones (DMZ) avoiding a possible preventative or preemptive attack from the U.S.-ROK. As part of Kim Jong Un’s reckless masterplan, North Korea

continues test launches of SRBMs and SLBMs, followed by possible ICBM test launches in the near future.

It was dismaying to watch as the North squandered an astronomical amount of money to develop nuclear weapons and ICBM programs that could not achieve its intended political or military goals. Kim Jong Un's imprudent nuclear ambition brought a series of severe international sanctions that drove the country's economy to disastrous situation and further, aggravate the risk of being attacked by a massive retaliatory strike by the United States in the last moment. As the former President Obama's plan, the United States conventional strategic weapons system could neutralize any possible North Korean nuclear attacks. The U.S. new cutting edge secret technologies like "left of launch" or EMP (electromagnetic pulse) bomb will deploy to disturb in advance to nullify North Korean military provocation. After all, Kim Jong Un may fall into self-contradiction that even its nuclear weapons and ICBMs program could not guarantee its security from the United States, then what he could do. If Kim is a clever leader who wishes to build self-reliant prospering strong economy for ordinary people, then he should remove any possible major perceived security threats from the U.S.-ROK through a peace treaty with declaration of the end of the Korean War first of all. An optimal choice for Kim Jong Un is to trade its useless nuclear weapons and ICBMs programs with a massive economic and financial aid program proposed by President Moon's "New Economic Map of the Korean Peninsula" and comprehensive economic, political, and diplomatic compensations by the United States.

**Table 1. The DPRK's Nuclear Weapons and Missile Test Under Kim Jong Un**

Date	Type	Information	Evaluation
2/12/13		Third Nuclear Test	6 ~ 7 kilo tons
1/6/16	Nuclear	Fourth Nuclear Test	H-bomb (?): 6 ~ 7 kilo tons
9/9/16	Weapon	Fifth Nuclear Test	less than 10 kilo tons
9/3/17		Sixth Nuclear Test	50~100 kilo tons
4/13/12		Unha-3	Fail, Three-stage liquid fueled,
12/12/12		Unha-3	Success, the satellite entered orbit
2/7/16	Long-Range	Kwangmyungsung-4	The satellite entered orbit
7/4/17	Ballistic Missile	ICBM (Hwasong-14)	Flew 933 km, an altitude of 2,807 km
7/28/17		ICBM (Hwasong-14)	Flew 998 km, an altitude of 3,724 km
11/29/17		ICBM (Hwasong-15)	Flew 960 km, an altitude of 4,000 km
3/23/14		2 Rodong Missiles	
3/18/16		2 Rodong Missiles	
4/15/16		1 Musudan IRBM	
4/28/16		2 Musudan IRBMs	Fail
5/30/16		1 Musudan IRBM	
6/21/16		2 Musudan IRBMs	Partial Success
8/3/16	Intermediate-range Missile/	1 Rodong Missile	
9/5/16		3 Rodong Missiles	
10/14/16	Medium-range	1 Musudan IRBM	Fail
10/16/16	Missile	1 Musudan IRBM	Fail
2/12/17		1 Pukguksong-2	Flew 500 km, a solid-fueled
3/22/17		1 Missile	
4/5/17		1 Pukguksong-2	
5/14/17		1 Hwasong-12	
5/21/17		1 Pukguksong-2	
8/29/17		1 Hwasong-12	
3/21/14		30 Missiles	
6/27/14		3 Missiles	
9/6/14		3 Missiles	
2/8/15		5 Missiles	
3/10/16		2 Scuds	
4/1/16		1 Missile	
7/19/16		3 Scuds	
3/6/17		4 Missiles	
5/27/17	Short-Range	1 KN-06	
5/29/17	Missile	Scud	
6/8/17		Cruise Missiles	
8/26/17		3 Missiles	
5/4/19		A Salvo KN-23	New Missile test
5/5/19		2 KN-23	New Missile test
7/25/19		2 KN-23	
7/31/19		Multiple KN-23	New-Type Large Caliber Multiple Launch Guided Rocket
8/2/19		KN-23	

Date	Type	Information	Evaluation
8/6/19		2 KN-23	
8/10/19		New-Type Tactical Guided Missile	
8/24/19		New-Type Tactical Guided Missile	
9/10/19		2 New-Type Tactical Guided Missile	
11/29/19		Super-large Multiple Launch Rocket	
3/2/20		2 Short-range Projectiles (KN-25)	
3/9/20		Multiple Projectile	
3/21/20		2 Short-range Missiles	
3/29/20		2 Short-range Missiles	
4/14/20		Multiple Cruz Missiles	
5/9/15		1 SLBM	KCNA: Successful, but experts: it was fired from submerged barge
11/28/15		1 SLBM	Fail
12/21/15	Submarine	1 SLBM	Success
4/23/16	Launched	KN-11 SLBM	Flew about 19 miles (30 km)
8/24/16	Ballistic Missile	KN-11 SLBM	Flew about 311 miles (500 km)
10/2/19		New Type SLBM (Pukguksong-3)	Flew 910 km, an altitude of 450 km
10/31/19		2 SLBM	

Source: Updated from Edward Kwon, "Policy of Last Resort," 405-6, *Rodong Sinmun*, *KCNA*, *the New York Times*, and others.

Figure 1. The Frequency of the DPRK's WMD and Missile Tests Under Kim Jong Un

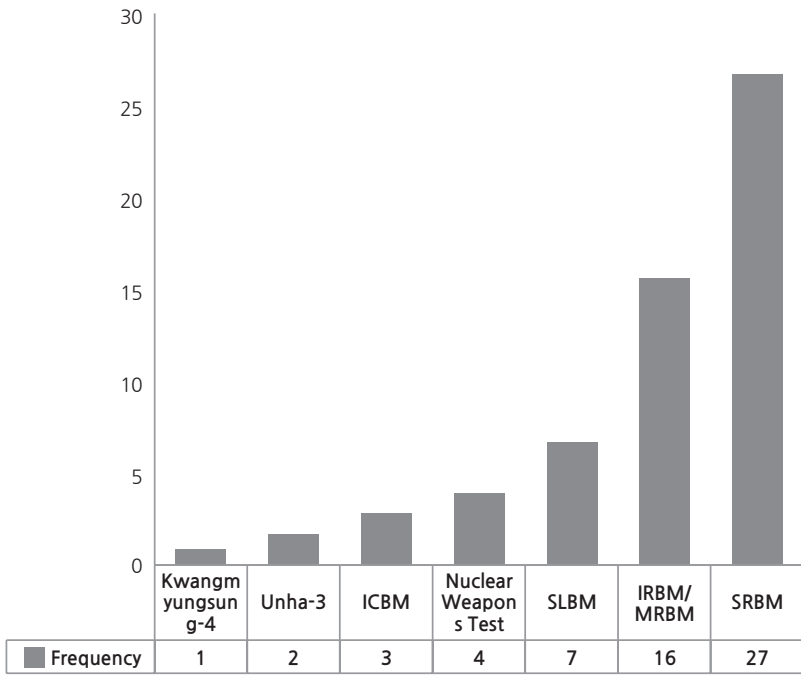
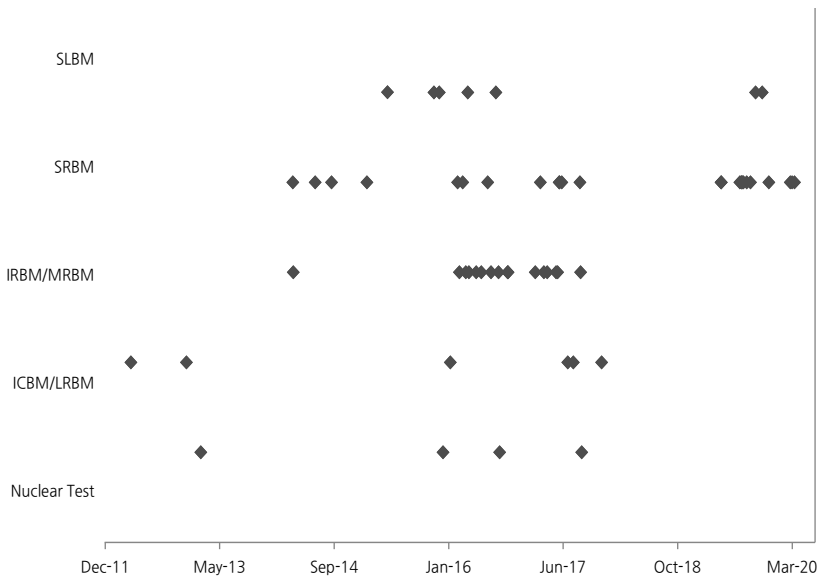


Figure 2. The DPRK's WMD and Missile Tests Under Kim Jong Un



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# Europe - North Korea Relations: Essentials of the European 'Smart Power' Focusing on Capacity Building

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## Abstract

Europeans' approach toward North Korea is different from the strategies taken by South Korea and USA. The article is focusing on concepts and ways of how to successfully communicate with local people in North Korea in order to design and implement joint-projects aiming at capacity building. The most important precondition for pursuing this strategy consists in creating foundation for mutual understanding and communication between European NGOs and local people in North Korea.

**Key Words:** smart power, basic needs, help for self-help, capacity building, mutual learning, system transformation

## Introduction

How can we assess the Europe-North Korea relations? Are they incompatible or indispensable? To begin with the reply, even though there are considerable incompatibilities between both sides their relations have proven *indispensable* and seem to be *sustainable*.

Europeans enjoy more sustainable and reliant relations with North Korea compared with Americans and South Koreans.<sup>1</sup> Joseph Nye (Harvard) once spoke of the European 'soft approach,' Jutta Limbach (formerly head of German Academic Exchange Service) of the 'sanfte gewalt' (soft power). However, looking into the connotations of the European approach towards North Korea it is not only a soft, but implies a *hard strategy* as well: That is the so called *carrot and stick approach* comprising humanitarian and development assistance on the one hand, and economic sanctions on the other.<sup>2</sup> Antoine Bandoz,<sup>3</sup> skeptical of the outcome of the European Union's strategy toward North Korea, is arguing in favor of a *renewed* strategy of change from 'critical engagement to critical commitments' by stressing the '*engagement with the North Korean people*' as a proactive measure.

It seems that the North Korean government has already come to terms with the European strategy, as Kim Jong Un left no doubt about his readiness to continue cooperation with the EU on the occasion of receiving a German parliamentary group two years ago.

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1 Axel Berkofsky, *EU's Policy towards the DPRK - Engagement or Standstill?*, BP 03/01 (European Institute for Asian Studies, Brussels, 2003); L. Gordon Flake, Testimony before the Subcommittee on Asia and the Pacific, House Committee on International Relations (2004); L. Gordon Flake and Scott Snyder, eds., *Paved with Good Intentions: The NGO Experience in North Korea* (Westport: Praeger, 2003); M. A. Taylor and M. E. Manyin, "Non-Governmental Organizations' Activities in North Korea," Congressional Research Service, 7-5700 (2011); Jang Mo Lee, "International and South Korean NGOs' Assistance to North Korea and Cooperation Measures" (2010).

2 Interestingly Flake in 2004 pointed out necessity of the 'carrot and stick strategy' for USA in connection with multinational coordination of strategies toward North Korea.

3 Antoine Bandoz, "From Critical Engagement to Credible Commitments: A Renewed EU Strategy for the North Korean Proliferation Crisis," *EU Non-Proliferation and Disarmament Consortium* (67) (February 2020).

For my paper I will focus on what EU-supported - Resident and Non-Resident NGOs, especially the German NGO, DWHH (Deutsche Welthungerhilfe: German Agro Action) (see Appendix) have been pursuing in North Korea and how they enrich humanitarian and development assistance.

The following distinctions characterizing the European humanitarian and development assistance<sup>4</sup> are particularly palpable.

- Help for North Koreans to set up a self-sufficient food production capacity (*help for self-help*);
- Implement the grass roots development strategy with local people (*development from below*);
- Capacity Building for North Koreans so that they themselves conceptualize and implement projects (*capacity building*);
- Continuous work with North Koreans at grass roots level in non-bureaucratic way with focus to foster mutual learning (*furthering face-to-face communications for mutual learning*);
- Missionarization by (Christian) NGOs not allowed, but leading Christian life being tolerated (*tolerance of Christianity*);
- Long term and sustainable projects aiming at formation of infrastructural structure prioritized (*opportunity costs approach*);
- Efforts to create a 'small space of freedom' allowing for setting up reliant relations with local people (*creation of reliant human relations*).

In my opinion the European strategy comprising the granting and implementation of humanitarian and development assistance to, as it has been described above, and the imposing economic sanctions on North Korea aims at a substantially sustainable, self-reliant and effective development which I would call the '*smart power approach*' towards North Korea.

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<sup>4</sup> Sung-Jo Park, *Hanbando Bungge (The Decline of the Korean Peninsula)* (Seoul: Random House Seoul, 2006), 135-6. Reed referred to the detailed strategic points in a similar way. See E. P. Reed, *Unlikely Partners in the Quest for Juche: Humanitarian Aid Agencies in North Korea* (University of Wisconsin-Madison, 2004).

## Democracy-Making without Democratic Actors and Personality Change

The fall of the Berlin Wall (1989) has entailed a wave of liberations of most countries in Eastern and Central Europe from communist dictatorship and socialist economic system. The strong desire for and implementation of change of political system into democracy and of socialist economy into market economy subsumed under the 'transformation' has been looming. The transformation associates itself with introduction of western democracy and capitalistic economic institutions, rules and organizations at macro-and micro-level (*system transformation*).

More than two decades passed by. Experiences with the system transformation indicate that the expectations with new institutions, rules and organizations have not been met in all these so-called transformational countries.

One of the most important reasons is seen in absence of 'proper actors' capable of pursuing democracy and market economy. Since then mention has been made of '*democracy-making without democratic actors*' and '*capitalism-making without market players*.'

What has been forgotten in system transformation is to pay consideration to change of individual value systems and attitudes tailored towards western democracy and market economy. To be short, the question is about the change of the *socialist personality* adequate to democracy and market economy which I would call '*personality change*.'

Experiences with the personality change in East Germany show that it requires time and multi-faceted efforts. The long abiding by 'one nation homogeneity *in toto*' led to making blind of robustness of heterogeneities in the one nation.<sup>5</sup> Hensel underlined importance of the East German personality *having to undergo a long term education and adaptation process in order to get their value system and attitudes socialized into*

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<sup>5</sup> Hans Joachim Maaz, *Der Gefühlsstau* (Berlin, 1990); *Das gespaltene Land* (Ein Psychogramm, Muenchen, 2020).

*western democracy and market economy.*<sup>6</sup>

In connection with the unification research in Korea experts, such as Yi Soon Hyung et al have been referring to heterogeneity inherent within the 'one Korean nation.'<sup>7</sup> based on their empirical research work on North Korean defectors. The question is how much we know about the 'North Korean personality.' How can we approach towards North Koreans? How can we solve this predicament for preparing the unification?

## Idealism and Pragmatism

### Kant and Sen

It has been known among North Korea-concerned experts that a fragile, but silent revolution is ongoing in rural areas of North Korea, thanks to the tireless efforts of NGOs'. Their operations are being greatly appreciated in North Korea, despite the fact that the creed of these mostly Christian NGOs consisting in *altruistic support* for North Koreans are obviously at odds with the ideology of North Korean dictatorship.

How can we interpret their acceptance in North Korea? Is there a plausible argument which justifies this North Korean attitude? I attempt to explore reasons for *cooperative* relations between European NGOs and the Kim dictatorship, through focusing on humanitarian and development assistance related to *capacity building by European NGOs in and for North Korea*.

I borrow from Immanuel Kant's 'Enlightenment' and Amartya Sen's '*Capability Approach*.' Kant's idealistic notion about the enlightenment consists in making the *ratio* the maxim of human-being's behavior: "The

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<sup>6</sup> Jana Hensel, *Zonenkinder* (Reinbeck b. Hamburg, 2004).

<sup>7</sup> Soon Hyung Yi et al., *The Social and Psychological Acculturation of North Korean Defector Families* (Seoul: Seoul National University Press, 2007).

enlightenment begins with getting rid of self-responsible immaturity. This is inability to make use of reason without relying on other's help."<sup>8</sup>

Sen claims global justice for the Third World which is alluding to Seneca's 'alteri vivas oportet, si vis tibi vivere' (if you want to live for yourself, it is necessary for you to live for others) view of capability enhancement as a chance for development inherent in humankind regardless of race, culture and location. Sen says: "Capability is, in fact, no more than a perspective in terms of which the advantages and disadvantages of a person can be reasonably assessed. That perspective is of significance on its own, and it is also critically important for theories of justice and of moral and political evaluation."<sup>9</sup>

Further, Sen's pragmatic justice is of decisive importance for seeking capability of perceiving chance to choose freedom. *Poverty is not simply a lack of material resources, but primarily capability-deprivation*. This philosophy of Sen allegedly left its traces in working out the UN's human development conception.

## The North Korean Personality

As experts on North Korea repeatedly stress it is of utmost importance to know how to create and maintain sustainable and reliable relations with local peoples, groups, institutions, and government agencies in North Korea in order to implement projects jointly with North Koreans.

In this respect the first question may be NGOs' intercultural learning with respect to attitudes, value systems and behaviors of North Koreans. Except a little number of training cases in Germany and England experts of NGOs working in North Korea did not undergo *intercultural training* in advance which might have caused misunderstanding in communication between North Korean local people and foreign experts on the spot of

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8 Immanuel Kant, "Beantwortung der Frage: Was ist Aufklärung?" *Berlinische Monatsschrift* (Dezember-Heft 1784), 481-94, 481-2.

9 Amartya Sen, *The Idea of Justice* (The Belknap Press: Harvard University Press, 2009), 296-7.

projects.

According to reports by NGOs on their working experiences in North Korea (e.g. German Agro Action (GAA) 2004; Medico International 2004; Campus für Christus 2002 and 2003), and further authors on North Korea such as Mohr (2000) and Moeskes (2004) we get some ideas how to accede to North Koreans in their working and learning morale and behavior (Table 1).<sup>10</sup> Based on the above-mentioned reports and my twice North Korea-visits I tried to figure out the following table.

**<Table 1> Positive and negative traits of the North Korean personality**

Negative Traits	Positive Traits
- Authoritarian-orientedness	- Enthusiasm and diligence in learning
- Concealment of the real nature of human-being	- Making strenuous efforts at understanding of project
- Lack of emotion and frankness	- Humbleness
- Passive and receptive attitude	- Cooperativeness
- Lack of creativity	- Pride in their own performance
- Permissive, power-, order -orientation	- Non-sophisticatedness
- Ambiguity in responsibility	- Family-oriented and high group spirit

Source: Sung-Jo Park, "Instrumental versus Solidaric Rationality: European NGOs in North Korea," in *Europe - North Korea: Between Humanitarianism and Business?*, ed. Myungkyu Park, Bernhard Seliger and Sung-Jo Park (LIT Verlag, 2010), 71-2, slightly modified.

The above list-up of North Korean personality traits remind us of Hans Joachim Maaz's book 'Der Gefühlsstau' ('emotional block', 1990),<sup>11</sup> in which he scrutinized the East German personality based on his psychiatric expertise on patients in East Germany before the fall of the Berlin Wall.

<sup>10</sup> German Agro Action, *Annual Report 2004* (2004); Medico International, *Jahresbericht 2004* (2004); Campus für Christus, *Zwischenbericht Nordkorea* (2003); Campus für Christus, *Zwischenbericht Zukunft 2002* (2002); Christoph Moeskes, ed., *Nordkorea. Einblicke in ein rätselhaftes Land* (Links, 2004).

<sup>11</sup> Maaz, *Der.Gefühlsstau* (Berlin, 1990).

The authors of the afore-mentioned reports are not sure about *whether there is a consensus in defining the typical North Korean 'communist personality.'* By taking into account a range of politically extremely autocratic and economically miserable constellations in North Korea, disparagement and repression in human dignity must have led to the formation of *lopsided personality*, as it has been evidenced by Prof. Yi Soon Hyung et al's studies (2007)<sup>12</sup> on North Korean defectors' social psychology. However, for the analysis of NGOs' activities in North Korea it is important to look at how the learning and working motivation of North Korean local people is being generated.

**- a case of partnership capacity building: from distributing food to supporting rural development and water supply<sup>13</sup>**

The Deutsche Welthungerhilfe (DWHH) / GAA (German Agro Action) began with its operation in North Korea in 1996, now the only German NGO - others already retreated - operating in North Korea with a resident office in Pyongyang. The interview with the GAA country representative Andreas Oswald (February 7, 2020) told beside very serious difficulty with the corona virus some details about accent on potatoes and vegetable production, by which the future work will concentrate on the set-up of chain *from* seeds production to processing and storage. He accentuates to continue operations by German Agro Action despite the corona virus-afflicted situation. Further, the food supply is getting worse. However, the North Korean government ordered to increase the ration from 300g to 350g of grains per day. In future there will be great gap!

When the German Agro Action embarked on its operation the accent was placed on so called emergency items such as food, coal, clothes for children, At the end of 1990s the operation was shifted toward rural development projects for increase of food production in the provinces of

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<sup>12</sup> Yi et al., *The Social and Psychological Acculturation of North Korean Defector Families*.

<sup>13</sup> CanKor Report (2020).

Hwanghae and Pyongan Namdo. For this purpose cooperatives were successfully introduced for storing agricultural machineries and equipments. With this development the rural work was more expanded and diversified. 600 greenhouses were constructed adjacent to social institutions such as kindergartens, nursery homes. They were provided with fresh vegetables. Further, villages have been supplied with drinking water system. Besides, a large maize seed processing factory was set up producing 7000 tons of high value seed annually. Also, reforestation projects were implemented.<sup>14</sup> North Koreans and German Agro Action experts understood from the beginning on necessity of mutual understanding even with help of local interpreters. Very interesting fact was that *North Koreans had no opposition against the Sunday church service and festivities*.<sup>15</sup>

It was also reported that at the beginning stage German Agro Action provided trainings for farmers in order to run green houses effectively, even in cold winter, and to keep green plants from being affected by insects. Further, North Koreans have been instructed how to grow green vegetables in urban areas by means of water supply even in a small scale. Even balconies, backyards and roofs are being cultivated. It was reported that “in the provinces of North and South Hwanghae and North and South Pyongan 3,6 million people are enjoying production of high-quality vegetable seeding material”. German Agro Action was “building, in close cooperation with the Ministry of Agriculture, 3 solar greenhouses and 125 tunnel greenhouses for vegetable production. More than 150 local people of seeding cooperatives and distribution centers were trained”.<sup>16</sup>

#### **- a case of external capacity building: a little bit globalization!**

German Agro Action carried out hundreds of capacity building seminars, workshops and study tours relating to PCM (Project Cycle Manage-

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<sup>14</sup> The author cited from the recent CanKor Report (2020).

<sup>15</sup> Park, *Hanbando Bunge* (2006).

<sup>16</sup> See <http://www.welthungerhilfe.de>.

ment), water sanitation, seed management and improved agricultural production methods and erosion control. Participants came from KECCA (North Korean-European Cooperation and Coordination Agency under the Ministry of Foreign Affairs), line ministries, county agencies, and agricultural farms. KECCA was established in 2006 replacing Flood Damage Rehabilitation Committee. European development activities are coordinated by European Union Program Support (EUPS) in the fields of Agriculture, Health, Water and Sanitation.

During this administrative reorganization process in the North Korean administration, it has shown that both KECCA's and EUPS' staff have little experiences in handling European cooperation projects. Therefore, it was necessary to offer intensive capacity building programs for KECCA's staff and related ministerial staff members.

Besides seminars and workshops, which are held in North Korea German Agro Action is offering further study tours to other countries such as China, Germany, New Zealand and so on. In these countries, German Agro Action has partners for capacity building which comprises not only study tours, seminars and training, but also on the job-training. The capacity programs pursued by German Agro Action are extremely systematic. It is reported that at the beginning of every year, first of all, an analysis for the intensive training needs is carried out. After each capacity building measure, an intensive evaluation follows in order to pursue qualified follow-up activities. Topics for evaluation are concepts, methods and procedures of development cooperation. In addition, technical issues such as seed processing, agro-forestry and waste water management are included. Those technical training activities have enabled local technicians to maintain and run all facilities by themselves. North Korean engineers have been trained by German experts and can now manage large scale drinking water systems without external help. Greenhouses are fully operating and provide fresh vegetables all year round. In the seed processing factories in Unsan County the managers and technicians apply international standards which they learned during study tours.

One specific project in agriculture is the cooperation with GNE

(Gesellschaft für Nachhaltige Entwicklung GmbH: Society for Sustainable Development, Ltd), Witzenhausen, Germany within the framework of DEVCO (EU's Development and Cooperation) Food Security Program Capacity Building Organic Agriculture 2011-2012 (EU financing) offering training programs for North Koreans as follows: 1st training course in organic agriculture (10 weeks) is supposed to be held at Witzenhausen and in project management (PM) / PCM (3 weeks) in North Korea; 2nd training course in organic agriculture and PCM / PM (12 weeks) in Germany as well as Follow-up and coaching concept development to ensure the impact.<sup>17</sup>

Swiss AGAPE (Christian NGO) project for North Korean farmers deserves special mention. Regularly, 10-15 farmers undergo a 4 months training in Swiss farmers' houses in mountainous areas, and additionally 2 weeks intensive training at Landwirtschaftliche Schule (farming school) Rheinhof since 1997.<sup>18</sup> Further, Swiss Development Cooperation set up in Pyongyang a Renewable Energy Training Center in 2014 in order to learn how to develop renewable energy by means of sun, wind and bio gas. In the meantime, more than 100 local experts were trained.<sup>19</sup>

### **- local people learn how to make project planning!**

The decisive strategic key of German Agro Action in North Korea lies in strenuous efforts to include local people into all steps of the project concerned (from design to evaluation) and to build up local capacity which is enabled to run project management under this own accountability. Pursuing this project, planning the Project Cycle Management (PCM) was introduced in 2002. The Project Cycle Management (PCM) worked out first by the GTZ (Gesellschaft fuer Technische Zusammenarbeit: Agency for

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<sup>17</sup> In 1st training course, Test Courses for organic agriculture are established in North Korea and are cultivated in the participating academies of North Korea, [http://www.gne-witzenhausen.de/index.php?option=com\\_content&view=article&id=107&Itemid=115](http://www.gne-witzenhausen.de/index.php?option=com_content&view=article&id=107&Itemid=115).

<sup>18</sup> It was said that these trainings are expected to supplement practical works by Swiss expatriates resident in local areas such as Duru Island, Hungsan, Kubin Ri etc, <http://www.agape.ch/nordkoreaprojekt/de/projektstandorte/index.html>.

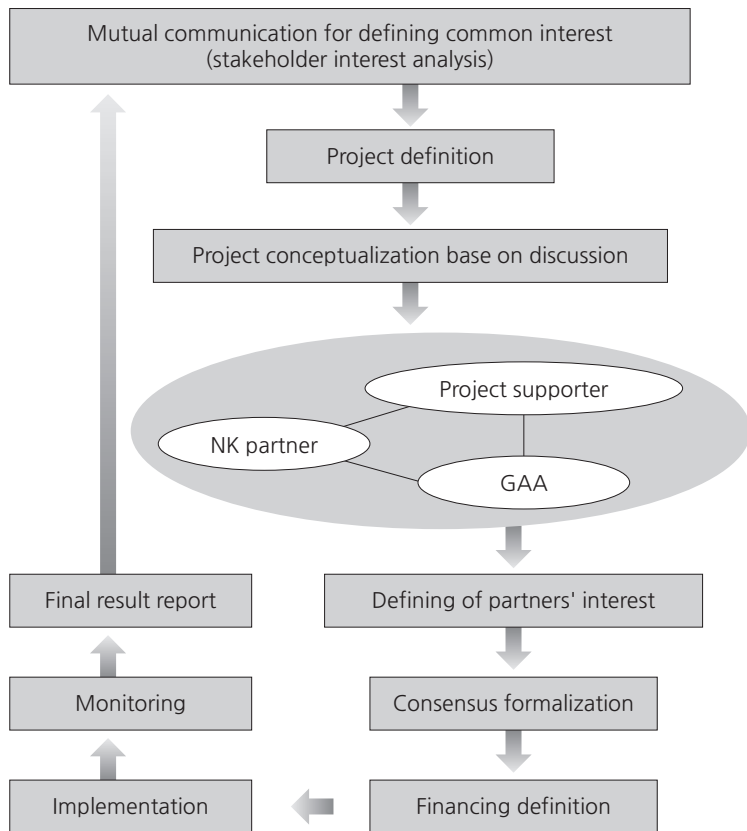
<sup>19</sup> See <http://www.replic.ch>.

Technical Cooperation, Frankfurt) in order to plan, implement and evaluate development projects in the Third World in a more effective and sustainable way was applied in North Korea.

Thomas Magura, AKE Engineering Co, Germany with abundant experiences in the Third World was invited to instruct North Korean farmers, agricultural experts, extension workers, etc.

The following picture shows the rough overview on Project Cycle Management (PCM), based on *participation by local people in all stages of project conceptualization, planning and evaluation* (Figure 1), which is firmly anchored in project planning.

<Figure 1> Overview on Project Cycle Management (PCM)



Source: Park, "Instrumental versus Solidaric Rationality," 69, modified

Magura and Schloms exemplified their PCM in 2002/3 in North Korea and came to the conclusion that the learning motivation of North Koreans was immensely high so that they could learn PCM and Logical Framework Approach (LFA) very enthusiastically and put into practice by themselves in a short period of time. In addition to PCM, North Koreans learned various tools of monitoring such as SWOT analysis, Problem Tree Analysis and Mind Maps analysis. Given this condition, it was said that most projects which have been carried out by German Agro Action, in consortium with European NGOs (European Program Support: EUPS) turned out to be a remarkable success.

The new method which replaced the Logical Framework (Logframe) Method in 2007 is Outcome-Mapping (OM) as an alternative for project planning, monitoring, and evaluation in PCM resting on *dividing of two responsible systems, where the one is project donor's responsibility and the other endogenous responsibility system*. This means a more refined PCM with clear-cut responsibility on both foreigners and North Korean side. The Outcome-Mapping became necessary, because the former Logframe PCM was ambiguous in responsibility at each project step and North Koreans failed to take responsibility and felt lack of work motivation and strong willingness of participation.<sup>20</sup> According to Jones and Hearn (2009) the Outcome-Mapping is based on the following principles: 1) actor-centered development and behavior, 2) continuous learning and flexibility, 3) participation and accountability, 4) non-linearity and contribution, not attribution and control.<sup>21</sup>

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**20** Karin J. Lee, "Working at the People-to-People Level Recommendations for United State Government Involvement / Humanitarian Assistance, Development Assistance and Exchange Programs with the Democratic People's Republic" (paper presented at the 2009 International Conference on Humanitarian and Development Assistance to the DPRK, Seoul, November 24-26, 2009).

**21** In comparison with the logframe the OM has advantages as follows: the clarification of role of stakeholders is being necessarily made, in particular, if the capacity building is important; further, the OM is process of human-centered development, not a technical process and oriented toward grass-roots development with upstream effect and also allowing for communications among beneficiaries and reflection by them on results. Harry Jones and Simon Hearn, "Outcome-Mapping: A Realistic Alternative for Planning, Monitoring and Evaluation," *ODI Background Note* (October 2009), 3.

It is noteworthy that for North Koreans, the first planning process which they experienced was not easy in January 2007. Even though the project documents were not perfect North Koreans had for the first time their own projects, which means that they took responsibility for project implementation. Further, the Monitoring Mission of Nov. 2009 said that many problems still remained unsolved. However, their experience of the success was a remarkable motivation for furthering development projects under their own auspices.<sup>22</sup>

### - evaluation & monitoring

Evaluation Report on “Rehabilitation of the Water Supply System and Sanitation in the Town of Kujang and Anbyon” in 2007 is on the project by German Agro Action “Two gravity-fed water supply and sanitation projects in the town of Kujang and Anbyon.”<sup>23</sup>

Since North Korea has not been able to pursue an overall monitoring and evaluation system, German Agro Action took the initiative of project monitoring, substantially supported by KECCA and technical staffs of the People's Committees in two towns. In opposition to the opinion of North Korea and German Agro Action about the impossibility of Impact Monitoring due to lack of data and information, IBE Consultant GmbH, a swiss consulting company held the opinion that a rough assessment of Impact Monitoring would be possible by leaning on replies of health beneficiaries.

In the following, one can see the assessment of project planning and monitoring in two towns (Table 2)

22 Walter Schlaeppli, “Outcome-Mapping in North Korea,” *Rural Development News* (February 2008), 20-2.

23 The project aimed at the development of the existing water resources, the construction of transmission chains and water shortage facilities and the rehabilitation of the water distribution system. Deutsche Welthungerhilfe e.V., “Rehabilitation of Water Supply and Sanitation in the Town of Kujang and Surrounding Areas,” *EVALUATION REPORT* (November 9 ~ 29, 2007), AS 1294 / PRK 1031-05; “Rehabilitation of the Water Supply System and Improvement of Sanitation in the Town of Anbyon,” AS 1356 / PRK 1035-06, conducted by IBE Consultant GmbH (2007), 2.

**<Table 2> Assessment of project planning and monitoring**

	Kujang	Anbyon
<b>Principal objective</b>	Support of urban population to counteract existing strain for survival	Health improvement and support of urban population to counteract existing strain for survival
<b>Specific objective</b>	Improvement of water supply and sanitation	
<b>Result 1</b>	Water supply in eastern Kujang was rehabilitated	Water supply was safeguarded
<b>Result 2</b>	Sanitation facilities were improved in institutional buildings	Water quantity available for population was increased
<b>Result 3</b>	Sustainable O/M was introduced	Increased sewage production was counteracted
<b>Result 4</b>	-	Sustainable O&M (Operation and Maintenance) was carried out

Source: Deutsche Welthungerhilfe e.V., *EVALUATION REPORT*, 4

Both German Agro Action and People's Committee of Kujang and Anbyon at the project level shared responsibility for project planning, implementation, and monitoring. Special attention was paid to project beneficiaries (Specific Objective) in both towns by terms of rehabilitated water supply system, improved sanitation facilities and further sustainable O&M (Operations and Maintenance), in result-stepwise as notified in the above table.

At the beginning of project construction, the project participants underwent an intensive training joined under direct observation by expatriate specialists. This method was later underlined as contributing to capacity building in various specific skills-necessitated work steps which

finally decisively resulted in success of projects.<sup>24</sup> IBE Consultant GmbH lauded local participants' and local experts' enthusiasm for a successful project implementation.

The responsibility of project management was, however, laid in the hands of two Pyongyang-resident water and sanitation experts. It means that the project management was remote-controlled. IBE Consultant GmbH said that this remote control was not a hindrance for a successful project implementation which implies that the local responsible project managers and local people of North Korea already got sufficient training and experience in on-the-spot management without direct intervention by foreign experts. It can be noted that this remote-control method is different from that of Swiss AGAPE NGO's placing more focus on experts' local stay, direct communication and human touch with local people.

## Marginal Costs and Opportunity Costs

About the way to cope with the famine in North Korea, two strategic arguments have been competing. The first position is an *industry policy approach* favored by American and South Korean experts. This option places priority on a rapid establishment of light industry, which would bring export earnings from manufactured labor-intensive goods. By means of these earnings, grains can be imported to lessen famine in North Korea. The industrial policy approach does not mean that it absolutely ignores the other 'help for self-help' approach. American and South Korean NGOs also have been involved in rural self-help projects through the NGO World Vision and some South Korean initiatives. Anyhow, this strategy stands in contrast with the '*help for self-help*' approach preferred by European NGOs which aims at bringing North Korean people *into consciousness to solve the problem of food supply by their own efforts*. This approach is, however, to be feasible in a *long run perspective, provided structural policy*

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<sup>24</sup> Deutsche Welthungerhilfe e.V., *EVALUATION REPORT*, 6.

*is implemented beforehand.* It seems that North Koreans do not opt for this or that approach. Instead, *they prefer both strategies.*

The *self-help* approach does not reconcile itself with a short-term goal orientation which is, however, a dominant motivation for South Korean NGOs. Also, the NGO's efforts are mostly not coordinated among themselves by persisting on their ego-centric motivation "*I pursue my own project by myself independently of others.*" Marcus Noland is a prominent supporter of the concept of industrial policy and once admitted that "aid is not a viable long-term solution."<sup>25</sup> He emphasized urgent need to revitalize industrial policy with expectation that it could lead to an increase in production of manufactured goods. Exports of those goods could then allow North Korea to import a huge volume of grains. His argument can sound plausible provided that abolition of domestic and external aids is carried out combined with establishment of an infrastructure. This would need a great amount of investment and efficient allocation of resources and logistics management.

In contrast, European NGOs regard this approach with skepticism and stress that a long-term opportunity costs approach with *development from below* is a more feasible way to achieve self-reliant food supply structure combined with comprehensive rural development. Experts with long on the spot expertises such as Bernhard Seliger (Hanns Seidel Foundation Seoul) and Katharina Zellweger (formerly Caritas Internationalis Hongkong), to name only some, are prominent representatives of this notion. This is to be based on strategy with *cooperation with local people on the spot* implying *prima facie* that local people make conscious development under their own responsibility in the sense of Immanuel Kant.

The argument by the European NGOs' *structure formation approach* accentuating gradual increase of domestic food production by reducing import of grains from outside would also entail investments to a certain

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<sup>25</sup> Marcus Noland, "Famine and Reform in North Korea," *Institutional Economics*, WP 03-5 (July 2003). He seems to be recently supporting more local institution building in North Korea. Marcus Noland, *Transition from the Bottom-Up: Institutional Change in North Korea* (Institute for International Economics, 2006).

degree, but it would mainly involve an active and sustainable engagement of human capital for a longer period of time. In this case the identification of local people with projects initiated and implemented under their own auspices contributes to enhancement of work motivation and accountability. Not only classical concepts and tools of community development with a full-fledged extension service, but also tangible, physical and emotional engagement of 'foreign helpers' as 'true, reliable and sacrificing friends' are of great relevance. These foreign experts are not 'flying experts' staying in first class hotels of Pyongyang for a couple of days, but in most cases *residing on the spot with local people*.<sup>26</sup> In more precise terms, the European NGOs' approach depends to a large extent on how reliable the established networking between local people and foreign NGO representatives on the spot is.

How could this notion fit in the philosophy of European NGOs? I am skeptical about attributing this specific notion of European NGOs to the nomadism à la Jacques Attali who has shown primarily his strong inclination towards generalizing young generation's propensity in future. The notion inherent in motivation of European NGOs in North Korea and other Third World countries is contrarily more substantial and sustainable. One could say that the former belligerent Europe became peace-loving Europe. Especially Germany is the standard-bearer. The question that arose for Europeans was to think about how to contribute to international philanthropy.

Fundamental importance for this change especially in Germany was the *satisfactio operis* principle (compensation by concrete action) which aligns with the two other principles of *contritio oris* (heart of remorse) and *confessio oris* (readiness of confession). These principles which appeared for the first time after the Second World War as German protestants' creeds in reflecting on the Nazi fascist misconduct inculcated profoundly the young generation in Europe, especially in Germany. *Satisfactio operis*

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<sup>26</sup> The importance of those foreign helpers residing on the spot is their field experiences described in former internet-available reports such as Caritas, Diakonie, Campus für Christus, German Agro action, ADRA, ASB, CARE Germany, Johanniter Unfallhilfe, World Vision, Maltheser Hilfsdienst, etc.

formed a momentum for cleansing 'the suppression of the past and exploitation through dictatorship, colonialism, and war'.<sup>27</sup> This led to unlimited support, not only in terms of material resources, but also in terms of spiritual engagement in Third World and in transformation economies since 1990. There was no dissent among social and clerical groups and cultural elites, being conducive to 'help for self-help' principle-based structure-development for Third World. Considering this, it is rather normal that European NGOs work together with local people in order to create structures tailored towards, first of all, *meeting basic needs*.

## Conclusion

Based on Kant's ratio and Sen's capability to choose freedom, we undertook a promenade through European, especially German NGOs' activities in and for North Korea. Since North Korea called for help from abroad in 1995 in order to alleviate food supply gaps, European NGOs have given preference to the opportunity costs approach which results in time-consuming, risky rural development with and for local people on the spot.

Due to North Koreans' learning élan and working morale, something which eventually could be named 'a fragile, but sustainable silent revolution' is ongoing in rural areas of North Korea. In other words, self-confidence of local people in their own capacity building can be seen and this may offer an inkling of hope.

Even though a comprehensive and systematic report on the status of supported projects is not available, European NGOs seem to have tellingly achieved their envisaged goals to that extent, to which *they evoked change of mind and consciousness of local people*. This is a signal for ensuring project sustainability in future. It is also a process of mutual learning for NGOs and North Koreans, through which the global justice of Sen experiences a new sustainable dimension.

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<sup>27</sup> Park, "Instrumental versus Solidaric Rationality," 61-2.

Let us deal with UN's concept of capacity, *in concreto*, the capacity is seen as something that is "comprising the abilities of individuals, communities, institutions, organizations and political systems to make use of natural, political, social and human resources that are available to them for the definition and pursuit of sustainable development goals." Further, capacity building is regarded as the "process in which individuals, institutions and countries enhance these abilities." As a matter of fact, the capacity building as a development goal has played an important role recently when pursuing external assistance for the Third World, particularly for famine-, and underdevelopment-afflicted economies.

Special consideration for this purpose is paid by external actors (for instance NGOs) by focusing on the following: 1) strengthening skills, knowledge and social abilities that already exist among individuals, institutions and social and political systems, 2) supporting their integration into knowledge networks that help maintain these abilities, 3) continuing to material and financial support which is required to apply skills, knowledge and social abilities.<sup>28</sup>

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<sup>28</sup> UNDP, "Report of the UN Inter-agency Workshop on Capacity Development" (November 20-22, 2002), 4.

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# Appendix

## European Union Support Units:

### Resident International NGOs

- Premiere Urgence
- Save the Children International
- Concern Worldwide
- Deutsche Welthungerhilfe (GAA)
- Triangle Generation Humanitaire
- Handicap International

### Non-Resident European NGOs

- Agape International
- Gesellschaft fuer nachhaltige Entwicklung
- PMU-Interlife
- Kinderhilfe Nordkorea
- Corporazione e Sviluppo (CESVI)



# South Korean Economy and the Free Trade Agreement with China

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## Abstract

South Korea has had a continuous engagement with significant trade, investment and security matters simultaneously in its relations with other nations.<sup>1</sup> South Korea's bilateralism with China is a part of a larger milieu which China has been constructing, that includes the Belt and Road Initiative<sup>2</sup> (BRI) and the Asian Infrastructure Investment Bank (AIIB). South Korea has become a member of the AIIB in December 2015 and it has not joined the BRI. The discussion here also concerns South Korea-China FTA agreement's aftermath. China is a nation with a very broad range of regional, intraregional and global ambitions and strategies.<sup>3</sup> Undoubtedly, the East Asian security framework has an overbearing impact on the trade and investment environment.<sup>4</sup> Moreover, the relations between Seoul and Pyongyang are relevant to the economic and political developments in East Asia.<sup>5</sup> There are earlier discussions of the structure of the US-South Korea and China-North Korea alliances<sup>6</sup> and there is also prior coverage of the effects of China on North Korean economy and the consequences for South Korea, neither of which will not be recapped here due to lack of space.<sup>7</sup> South Korea, together with the US, Japan, North Korea, China and Russia, has been engaged in a long process of negotiations in several 'six party talks'<sup>8</sup> since 2003, to bring a lasting peace to the Korean Peninsula, which have not, as yet, led to a final outcome, as has been the case with the series of the US and North Korean disarmament talks that originated in 1994. While these issues are relevant to the larger context of the topic, in this discussion, the focus is on the South Korean economic model and business systems<sup>9</sup> and its interaction with the Chinese economy and the 2015 FTA and the Chinese business systems.

**Key Words:** South Korean economy, chaebols, China, FTA, Belt and Road Initiative, global value chains

## South Korean Business Systems

The state and chaebols are the two primary factors that have integrated South Korea into the global economy.<sup>10</sup> National economic survival strategies of the South Korean state culminated in a new viable developmental model in East Asia.<sup>11</sup> In the neoliberal globalisation phase of the global economy too, the South Korean state maintained its guidance of the national economy and the chaebols.<sup>12</sup> The South Korean business systems are specific to the conditions and the time it has originated from which makes it arguably hard to replicate elsewhere.<sup>13</sup> The

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- 1 Yul Sohn, "South Korea under the United States - China Rivalry," *The Pacific Review* 32(6) (2019): 1019-40.
  - 2 Seong-hyon Lee, "The Shift of Security Environment in Northeast Asia," *Journal for Peace and Nuclear Disarmament* 1(2) (2018): 352-62.
  - 3 Celal Bayari, "Economy and Market in China," *Academy of Taiwan Business Management Review* 14(1) (2018): 13-36.
  - 4 Kiyong Chang and Choongkoo Lee, "North Korea and the East Asian Security order," *The Pacific Review* 31(2) (2018): 245-55.
  - 5 Christina Kim Chilcote, "Bridges of Ambition to North Korea," *Critical Sociology* 44(3) (2018): 437-53; Muhui Zhang, "Institutional Creation or Sovereign Extension," *International Relations of the Asia-Pacific* 18 (2018): 249-78.
  - 6 Stephen Blank, "Korean Denuclearization in the Context of Earlier Proliferation and Disarmament Negotiations," *The Journal of East Asian Affairs* 32(2) (2018): 1-58; Audrye Wong, "Managing Small Allies Amidst Patron-Adversary Rapprochement," *Asian Security* 16(1) (2020): 107-26.
  - 7 Balbina Y. Hwang, "Northeast Asian Perspectives on China's Belt Road Initiative," *East Asia* 36 (2019): 129-50; Seung-Ho Jung and Byung-Yeon Kim, "Trade between North Korea and China," *Emerging Markets Finance and Trade* 54(7) (2018): 1475-89; Tat Yan Kong, "China's Engagement-oriented Strategy towards North Korea," *The Pacific Review* 31(1) (2018): 76-95.
  - 8 Seong-hyon Lee, "The Shift of Security Environment in Northeast Asia," *Journal for Peace and Nuclear Disarmament* 1(2) (2018): 352-62; Anthony V. Rinna, "Russia's Strategic Partnerships with China and South Korea," *Asia Policy* 13(3) (2018): 79-99.
  - 9 The term 'business systems,' for the purposes of this discussion, signifies the different clusters or levels of business entities [i.e. state-owned-enterprises, private enterprises, public utilities, etc.] in a hierarchy that is determined by a corresponding share of GDP, with each cluster having a specifically defining membership (see Conceptual Models 1 and 2 below).
  - 10 Kyung Mi Kim and Hyeong-Ki Kwon, "The State's Role in Globalization," *Politics & Society* 45(4) (2017): 505-31.
  - 11 You-il Lee and Kyung Tae Lee, "Economic Nationalism and Globalization in South Korea," *Asian Perspective* 39 (2015): 125-51.
  - 12 Hyeong ki Kwon and Kyung Mi Kim, "Varieties of Globalisation and National Economy," *Journal of International Development* (2018): 1-27.
  - 13 Eun Mee Kim, Pil Ho Kim and Jinkyung Kim, "From Development to Development Cooperation," *The Pacific Review* 26(3) (2013): 313-36.

discussion below will first investigate, in stages, the elements of the South Korean business systems. From the 1960s onward, the South Korean state assisted business formations, provided 'how-to' blueprints and supplied finance for targeted investments and industries that culminated in the present chaebols-led economy that characterises South Korea.<sup>14</sup> Throughout the 1960s and 1970s, in order to develop strategic industries, the South Korean state created 'quasi state-owned-enterprises' that matured into chaebols, nationalized the banking sector, and provided foreign lenders with guarantees for loans to chaebols.<sup>15</sup> This is a point of difference from the situation in China where the state developed state-owned-enterprises and has continued to maintain some of them as such and the ones that became privatised cannot really be classified as private capitalist enterprises. The symbiotic relationship between the South Korean state and the chaebols has had varying balance of power from the start and throughout the Park Chung Hee government, whence they established their monopolistic positions across all industries as the domestic economy that had not yet sufficiently developed markets.<sup>16</sup>

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<sup>14</sup> Seok Hyeon Choi and Pan Suk Kim, "Failure and Success in South Korea and Taiwan," *Philippine Political Science Journal* 36(1) (2015): 19-34.

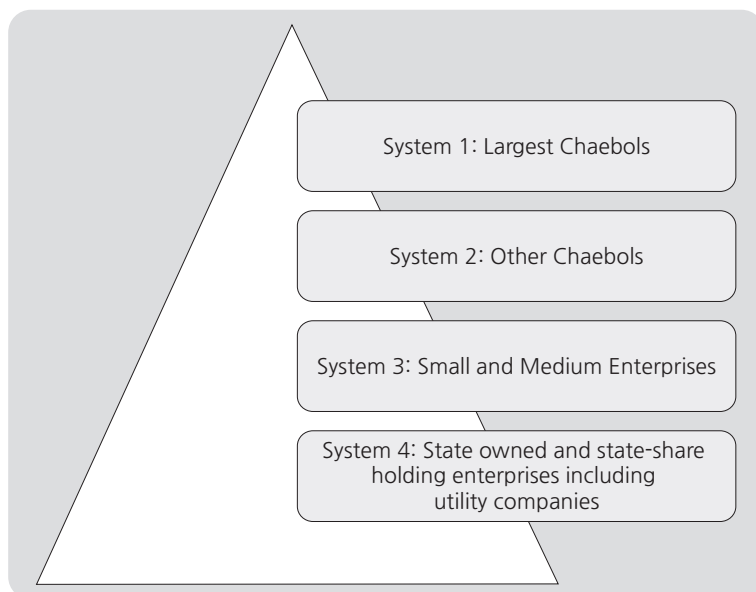
<sup>15</sup> Phillip Wonhyuk Lim, "The Evolution of Korea's Development Paradigm," ADB Institute Working Paper (2001), 21.

<sup>16</sup> Seung-Rok Park and Ky-hyang Yuhn, "Has the Korean Chaebol Model Succeeded," *Journal of Economic Studies* 39(2) (2012): 260-74; Tan Aik Seng, "The Changing Arena of Power Contestation between the State and Chaebols in South Korea," *Cornell International Affairs Review* 11(1) (2017).

**Table 1: Chaebols value-added share (%) of GDP**

Top 46 chaebols combined: 43% [1978 data] <sup>17</sup>
Top 20 chaebols combined: 13.5% [1994 data] <sup>18</sup>
Top 4 chaebols combined: 30% [1997 data] <sup>19</sup>
Top 30 chaebol combined: 30% [2000 data] <sup>20</sup>
Top 5 chaebol combined: 48.6% [2010 data] <sup>21</sup>
Top 10 chaebol combined: 80% [2012 data] <sup>22</sup>

**Conceptual Model 1<sup>23</sup> : South Korean business systems<sup>24</sup>**



- <sup>17</sup> Jae-Jin Yang, *The Political Economy of the Small Welfare State in South Korea* (Cambridge: CUP, 2017).
- <sup>18</sup> Makoto Abe and Momoko Kawakami, "A Distributive Comparison of Enterprise Size in Korea and Taiwan," *The Developing Economies* 35(4) (1997): 382-400.
- <sup>19</sup> Yang, *The Political Economy of the Small Welfare State in South Korea*.
- <sup>20</sup> Chuk Kyo Kim, *Economic Development of Korea* (Singapore: WSP, 2019).
- <sup>21</sup> Keunsoo Kim, "Chaebols and Their Effect on Economic Growth in South Korea," *Korean Social Sciences Review* 3(2) (2013): 1-28.
- <sup>22</sup> Kwon Eun-jung, "Top Ten Chaebol Now Almost 80% of Korean Economy" (2012), accessed March 16, 2020, <http://english.hani.co.kr>.
- <sup>23</sup> The author's conceptualization.
- <sup>24</sup> Samsung Group, Hyundai Motor Group, SK Group, LG are the largest four as per Chae Yun-Hwan, "FTC Names 59 Chaebol to 2019 Watch List," *Joong Ang Daily*, May 15, 2019. Forbes Global 2000 in 2019 provides a ranking of individual companies, not the chaebols.

Chaebols, with their subsidiary firms, have come to define South Korean economy as a result of their high levels of ownership in the economy, their role in the rapid industrialisation, exports, overseas expansion as result of which the state-chaebols relationship has developed from more of control to one of coordination.<sup>25</sup> However, chaebols still do benefit from extensive political and legal patronage.<sup>26</sup> The classical chaebol models display complex circular chain ownership structures frequently within a family-centric holding company or simply circular shareholdings by several firms, but among the smaller chaebols, a range of mutual funding and cross-shareholding models have also become increasingly common.<sup>27</sup> Among all the chaebols, the top 30 groups account for two-thirds of shipments in South Korea's manufacturing and mining sector, a quarter of sales in services and 32% of total national sales, while Samsung Group, Hyundai Motor Group, SK Group and LG, account for nearly half of stock market capitalisation.<sup>28</sup> While Samsung Group, Hyundai Motor Group, SK Group, LG are the largest four chaebols,<sup>29</sup> Forbes Global 2000<sup>30</sup> provides a different ranking of the individual companies, as separate from chaebols.

There are power and influence matrixes that exist beyond the contemporary structures of the state-chaebols links. Chaebols have connections with political, economic, judicial and social institutions. From the 1980s financial deregulation till the 1997 Asian economic crisis, vertically

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25 Soyon Kim, "Global Capital, Business Groups and State Coordination," *Social Studies* 11(1) (2016): 145-73; Jae Yong Shin et al., "The Effects of Politically Connected Outside Directors on Firm Performance," *Corporate Governance International Review* 26 (2016): 23-44.

26 Tan Aik Seng, "The Changing Arena of Power Contestation between the State and Chaebols in South Korea," *Cornell International Affairs Review* 11(1) (2017).

27 Hong-min Chun, "CEO Pay Disparity, Chaebol Affiliations, and Implied Cost of Equity Capital," *Finance Research Letters* 31 (2019): 480-8; Jaimin Goh, Wonwook Choi and Jungeun Cho, "Changes in Chaebol Firms' Overinvestment after the Asian Financial Crisis," *Asia-Pacific Journal of Accounting and Economics* 23(1) (2016): 75-111; Taeyoon Sung and Doyeon Kim, "How Chaebol Restructuring after the 1997 Crisis Has Affected Corporate Decision and Performance in Korea," *China Economic Journal* 10(2) (2017): 147-61.

28 OECD, *OECD Economic Surveys: Korea 2018* (Paris: OECD Publishing, 2018).

29 Yun-Hwan Chae, "FTC Names 59 Chaebol to 2019 Watch List." *Joong Ang Daily*, May 15, 2019.

30 Fortune 2000 (2019), <http://www.fortune.com>.

integrated chaebols entered into finance and banking sectors, became more independent on investment decisions but still continue to enjoy the assistance of the state.<sup>31</sup> The state, by contrast chose to re-regulate the finance and banking sectors in the post-Asian crisis period.<sup>32</sup> While chaebols were once able to usurp affiliate funds but in the post-1997 crisis regulatory period this practice became untenable.<sup>33</sup> The state investment is also directly relevant to the South Korean economy as state-owned-enterprises have been essential to the economy since the 1950s and despite the privatisations of the 1980s and 1990s, essential services and utilities remain as the property of the state.<sup>34</sup>

**Table 2: Top four nations with large state-owned sectors<sup>35</sup>**

Rank by corporate valuation	Country	Employee Numbers	Value (US\$)
1	China	20.2 million	29.2 trillion
2	India	3.3 million	338.5 billion
3	Korea	147,833	217.8 billion
4	Italy	499,765	207.5 billion

The South Korean state investment in the domestic economy is approximately 5 percent of the GDP and 17 percent of all investment.<sup>36</sup> South Korea has the third global ranking in terms of the value that state-owned-enterprises hold in the national economy. By contrast, the Chinese state

<sup>31</sup> Jiyoung Kim, "Corporate Financial Structure of South Korea after Asian Financial Crisis," *Economic Structures* 6(24) (2017): 2-14; Byung-Kook Kim and Hyug-Baeg Im, "Crony Capitalism in South Korea, Thailand and Taiwan," *Journal of East Asian Studies* 1(1) (2001): 5-52.

<sup>32</sup> Hong Yung Lee, "A Comparative Study of Korean, Chinese, and Japanese Traditional Family and Contemporary Business Organizations," EAI Working Paper (2008), 14.

<sup>33</sup> Jaimin Goh, Jaehong Lee and Jungeun Cho, "A New Relationship between Ownership," *Asia-Pacific Journal of Financial Studies* 45 (2016): 222-53.

<sup>34</sup> Kyongsun Heo, "Effects of Corporate Governance on the Performance of State-Owned Enterprises," *Policy Research Working Paper* (8555) (2018).

<sup>35</sup> OECD, *The Size and Sectoral Distribution of State-Owned Enterprises* (Paris: OECD Publishing, 2017).

<sup>36</sup> OECD, Government at a Glance Chapter 2 Public Finance and Economics, Figure 2.48. Government investment as percentage of GDP, 2007, 2009, 2015 and 2016, accessed March 16, 2020, <http://www.oecd.com>.

ownership in the entire national economy is approximately one-third of all the shares for Chinese listed corporations, including SOEs,<sup>37</sup> plus it also owns the unlisted state-owned-enterprises and the public utility companies, which are the largest globally. The state has ownership in many businesses such as Korea Electric Power Corporation (Forbes global rank 588), Industrial Bank of Korea (rank 616), Korean Gas Corporation (rank 984) and Korean Investment Corporation (rank 1441). There are also formerly state-owned but now privatized enterprises such as Korea Telecom Corporation (rank 940) in which National Pension Service is still a shareholder. To conclude this section, the state ownership in South Korea is not insignificant yet quite minimal in comparison to the Chinese economy.

## Chaebols and Small & Medium Enterprises

Until the end of the 1980s, the state was less supportive of small and medium size enterprises (SME) and their financial needs.<sup>38</sup> However, SMEs occupy a substantial place in the South Korean economy. The relationship between SMEs and the South Korean state appears to be almost an afterthought, as these are a set of economic agencies the significance of which became apparent in the globalisation phase of the mature-industrialisation period. The state has become aware of the importance of the support for SMEs, like it did once support chaebols, for them to grow with the rest of the national economy and the global market.<sup>39</sup> Global restruc-

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<sup>37</sup> Xiaohong Huang, Rezaul Kabir and Lingling Zhang, "Government Ownership and the Capital Structure of Firms: Analysis of an Institutional Context from China," *China Journal of Accounting Research* 11(2018): 171-85.

<sup>38</sup> Yong-Chool Ha and Wang Hwi Lee, "The Politics of Economic Reform in South Korea," *Asian Survey* 47(6) (2007): 894-914; Byung-Kook Kim and Hyug-Baeg Im, "Crony Capitalism in South Korea, Thailand and Taiwan," *Journal of East Asian Studies* 1(1) (2001): 5-52.

<sup>39</sup> Eun Mee Kim, "Korea's Evolving Government Business Relationship," United Nations University World Institute for Development Economics Research (2015); Su-Yol Lee and Robert D. Klassen, "Drivers and Enablers that Foster Environmental Management Capabilities in Small and Medium-Sized Suppliers in Supply Chains," *Production and Operations Management* 7(6) (2008): 573-86.

turing in the 1990s and the decline in the labor intensive industries began to reduce the chaebols' employee numbers.<sup>40</sup> Despite the chaebols' dominance of the economy, the value-added share and the employee numbers of SMEs in the national economy began to increase in the 1990s.<sup>41</sup> This structured duality of chaebols and SMEs and their co-dependency is another characteristic of the South Korean economy. Overall, South Korea's domestic supply chain is a massive network of chaebols and SMEs. The South Korean SMEs employ 87.9 percent of the national labor market, create 51.2 percent of the added-value of national output and are responsible for 37.5 percent of the exports.<sup>42</sup>

**Table 3: South Korean manufacturing industry value-added distribution (%) (2014)<sup>43</sup>**

	Heavy Industries	Light Industries
SME	41.3	84.6
Chaebol	58.7	15.4

In 1962-2014, the SMEs contributed nearly half of the value-added production.<sup>44</sup> The significance of these SME figures is apparent in their inclusion of domestic supply chain firms in the country. The origin of this duality lies in the South Korean state and chaebols coordination in order to maintain stable domestic supply chains. Chaebols emerged out of the South Korean economy with their domestic supply chain network

40 Keunsoo Kim, "Chaebols and Their Effect on Economic Growth in South Korea," *Korean Social Sciences Review* 3(2) (2013): 1-28.

41 Cheonsik Woo and Kwang-Eon Sul. *Industrial Upgrading of Korea* (Korea Development Institute, 2001).

42 Ministry of SMEs and Start-ups, "Status of Korean SMEs," accessed March 16, 2019, <https://www.mss.go.kr/site/eng/02/20202000000002019110610.jsp>.

43 OECD, "Enhancing Dynamism in SME and Entrepreneurship in Korea," *Economics Department Working Papers* (1510) (2018).

44 Yong-Hwan Noh, "Status of Korean SMEs and Policy Tasks for the Implementation of SME Centred Economy" (paper presented at Korea Development Institute Journal of Economic Policy Conference, December 2017).

upon which they remain reliant.<sup>45</sup>

**Table 4: Korean labor market distribution by company size<sup>46</sup>**

SME	Chaebol
87.9	12.1

The extent of the partnership between the South Korean state and chaebols is still clearly visible as, in 2019, the state made new investments in the domestic industries to create new SME supply chains and revitalize manufacturing.<sup>47</sup> Table 1 provides a brief review of the chaebols' literature, in terms of their value-added production share of the South Korean GDP. The point of this argument is to emphasise the weight of the profit-driven private ownership in the national economy which is geared toward global investment and trade. In terms of manufacturing, South Korean SMEs have a larger share of the light industries but also have a substantial share of the heavy industries (Table 3). The financial structures of SMEs are dependent on the financial sector which chaebols dominate.<sup>48</sup> The increase in chaebols' dominance of the service sector, with the accompanying increase in their economic power after the 1997 crisis, has reduced the percentages of the self-employed and long term employed in the national labor market but increased the

<sup>45</sup> Su-Yol Lee and Robert D. Klassen, "Drivers and Enablers that Foster Environmental Management Capabilities in Small and Medium-Sized Suppliers in Supply Chains," *Production and Operations Management* 17(6) (2008): 573-86; Wonhyuk Lim, "Chaebol and Industrial Policy in Korea," *Asian Economic Policy Review* 7 (2012): 69-86; Carlos Sakuramoto, Luiz Carlos Di Serio and Alexandre de Vicente Bittara, "Impact of Supply Chain on the Competitiveness of the Automotive Industry," *RAUSP Management Journal* 54(2) (2019): 206-25.

<sup>46</sup> Ministry of SMEs and Start-ups, "Status of Korean SMEs."

<sup>47</sup> Yun-Hwan Chae, "[Sustainable Future] Local Production Could Be the Key to Global Success," accessed March 16, 2020, <http://koreajoongangdaily.joins.com>; Sung-hyun Lim and Eun-joo Lee, "Korea Pledges \$5 bn Funding to Groom Local Supply Chain for Chip Industry," accessed March 16, 2020, <https://pulsenews.co.kr>; Ju-min Park, "Supply Chain Pain," accessed March 16, 2020, <https://www.reuters.com>.

<sup>48</sup> Kim, "Corporate Financial Structure of South Korea after Asian Financial Crisis," 2-14; Solec I. Shin and Lanu Kim, "Chaebol and the Turn to Services," *Journal of Contemporary Asia* (2019): 1-24; Ji-Whan Yun, "The Myth of Confucian Capitalism in South Korea," *Pacific Affairs* 83(2) (2010): 237-39.

percentage of the casual work.<sup>49</sup> That is, the national labor market has become increasingly more directly affected by the strategies of chaebols.

## The Beijing Consensus and the BRI

China's rapid surge in trade and investment engagements in Asia, Africa and Latin America from the 2000s onward has become informally known as the Beijing Consensus, in contrast to the perceived limitations of the Washington Consensus policies in the same geographies.<sup>50</sup> The Washington Consensus encompasses the institutions of the Bretton Wood system, the United Nations, the IMF, World Bank and WTO all of which China joined over an extended period of time. The Beijing Consensus, and its creation BRI, massively rely on bilateral trade deals, Chinese state credit system and the AIIB. The Beijing Consensus essentially represents the growth in the Chinese economy and the rapid rise in the Chinese state's international expansion; foreign investment, trade and credit supply. This is arguably a new mercantilist economic system.<sup>51</sup> The critiques of the Chinese mercantilism focus on the institutions and practices of the state-dominated economy, export-driven economic growth, foreign investment attracting policies with clearly set domestic market benefits such as technology transfer and loose intellectual property regulation, underpaid labor market segments, state-owned and/or state-directed financial system, undervalued currency to cheapen exports, massive foreign reserves accumulation, continuous and targeted strategic acquisition of foreign assets and

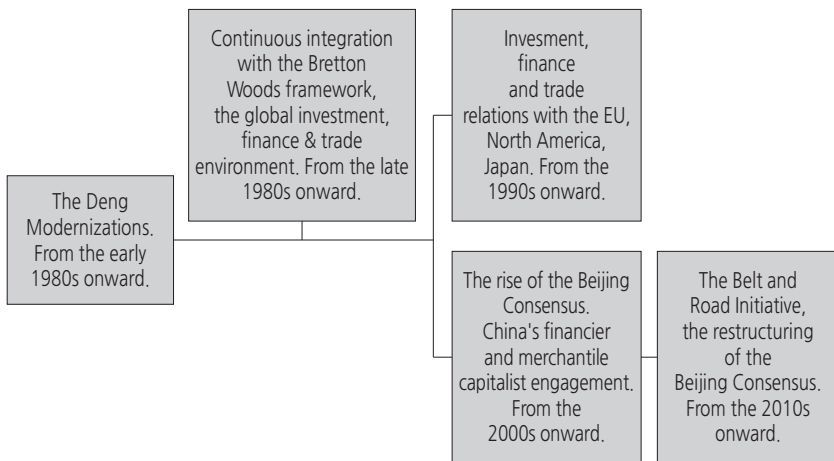
<sup>49</sup> Kim, "Corporate Financial Structure of South Korea after Asian Financial Crisis," 2-14.

<sup>50</sup> Lai Ha Chan, Pak K. Lee and Gerald Chan, "Rethinking Global Governance," *Contemporary Politics* 4(1) (2008): 3-19; Arif Dirlik, "Beijing Consensus: Beijing 'Gongshi'," *Globalization and Autonomy Online Compendium: Mimeo* (2004); Max Rebol, "Why the Beijing Consensus is a Non-Consensus: Implications for Contemporary China-Africa Relations," *Culture Mandala* 9(1) (2010): 7-20.

<sup>51</sup> Jennifer Lind and Daryl G. Press, "Markets or Mercantilism," *International Security* 42 (4) (2018): 170-204; Marcel Schroder, "Mercantilism and China's hunger for International Reserves," *China Economic Review* 42 (February 2017): 15-33.

natural resources.<sup>52</sup> The BRI is viewed, in this context, as the future of the Chinese mercantilism as it is defined to be a demand creation project for two distinct zones of the state-owned or state-dominated internationalized businesses: the Chinese state finance (that has access to the Chinese state's vast foreign reserves) and the construction, logistics and utilities.<sup>53</sup> Under the BRI, the Chinese state is projected to be the premier or singular creditor.

### Conceptual Model 2<sup>54</sup> : The origins of the Beijing Consensus



52 Joshua Aizenman, Yothin Jinjarak and Huanhuan Zheng, “Chinese Outwards Mercantilism: The Art and Practice of Bundling,” *Journal of International Money and Finance* 86 (September 2018): 31-49; Dani Rodrik, “Is Chinese Mercantilism Good or Bad for Poor Countries,” Project Syndicate (2010); Michael Dooley, David Folkerts-Landau and Peter Garber, “The Revived Bretton Woods System,” *NBER Working Paper* (10332) (2004); Yang Jiang, “Vulgarisation of Keynesianism in China’s Response to the Global Financial Crisis,” *Review of International Political Economy* 22(2) (2015): 360-90; Charles E. Ziegler and Rajan Menon, “Russia, China, and the United States are Neomercantilism and Great-Power Energy Competition in Central Asia and the Caspian,” *Strategic Studies Quarterly* (Summer 2014): 17-41; Zhang Xiaotong and James Keith, “From Wealth to Power: China’s New Economic Statecraft,” *The Washington Quarterly* 40(1) (2017): 185-203.

53 Simeon Djankov and Sean Miner, eds., “China’s Belt and Road Initiative: Motives, Scope, and Challenges,” Peterson Institute for International Economics (March 2016); David Dollar, “China’s Rise as a Regional and Global Power: The AIIB and the One Belt, One Road,” Brookings Paper (2015); David Jones and Hanzhen Liu, “Management of Chinese Foreign Direct Investment: ‘One Belt, One Road’ across Eurasia to Africa and Europe Amidst Maritime Tensions in the South China Sea Region,” *International Relations and Diplomacy* 5(8) (2017): 486-500.

54 The author’s conceptualization.

## Chinese Business Systems

Since the late 1990s, the Chinese state has pursued global infrastructure projects that have all become integrated into the platform of the BRI.<sup>55</sup> The value of China's overseas investment and construction combined, since 2005, is \$2 trillion and the BRI represents the largest share.<sup>56</sup> There are several emergent critiques of the BRI and its visions.<sup>57</sup> Overall, the Chinese state and companies have been greatly increasing their power in geographies where the BRI projects are built and related to this process is the need to consider how the companies of other nations will fare. For this, it is necessary to understand how the BRI has been structured by the Chinese state. That particular question is the origin of this discussion that focuses on the model of the Chinese international business as built by the Chinese state. The BRI has several facets: market creation, financial system creation, infrastructure construction, land and maritime trade route building, power generation and distribution. The BRI is a structured global extension of the existing Chinese business systems, domestic and international.

In System 1 (formed in the 1950s-1990s), the Chinese SOEs characterized the domestic economy in the timeline from the Mao's rule throughout the maturation of the Deng modernizations and the 1990s privatization of the SOEs.<sup>58</sup> In System 2 (formed in the 1990s-Present), at the end of the major privatization phase of many SOEs in the 1990s and with the emergence of private MNEs, the Chinese state gained a

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55 Hong Yu, "China's Belt and Road Initiative and Its Implications for Southeast Asia," *Asia Policy* 24 (2017): 117-22; Joel Wuthnow, "Chinese Perspectives on the Belt Road Initiative," *China Strategic Perspectives* (12) (2012).

56 American Enterprise Institute, "Worldwide Chinese Investments & Construction (2005 - 2019)," accessed August 27, 2019, <http://www.aei.org/china-global-investment-tracker/>.

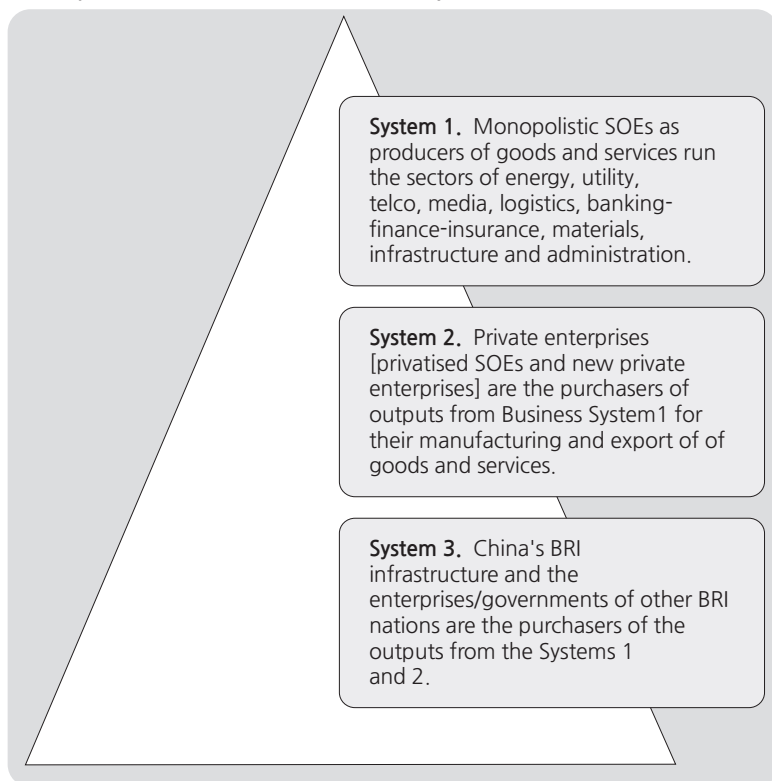
57 Xue Gong, "The Belt & Road Initiative and China's Influence in Southeast Asia," *The Pacific Review* 32(4) (2018): 635-65.

58 Ann Harrison, Marshall Meyer, Peichun Wang, Linda Zhao and Minyuan Zhao, "Can a Tiger Change Its Stripes?," *NBER Working Paper* (25475) (2019); Hongxia Chai and Xiongwei Song, "The Adaptive State, Understanding Political Reform in China," *Policy Studies* 34(1) (2013): 73-88; Wanfa Zhang and Feng Sun, "Resurrection through Adaptation," *Journal of Comparative Asian Development* 11(2) (2012): 349-78.

clearer rentier characteristic. The economy became divided into ‘upstream’ and ‘downstream’ domains. The rents that are extracted from the private businesses profits downstream (privately owned corporations and some of the privatized state-owned-enterprises) are being used to finance, partially, the upstream; state-owned-enterprises operating domestically (as monopolies) and internationally (as strategic investors, procurers and traders).<sup>59</sup> System 2 represents the present snapshot of the Chinese international business and the origins of its competitive advantages with a view of its current development into the BRI (System 3). Chinese international business activities have a co-dependence with the Chinese rentier state finances. This status is preserved in System 3 which includes the Chinese-owned BRI infrastructure (transport, communication, logistics and technology) as the purchaser, with the enterprises/governments from the BRI members, of the output from the Business Systems 1 and 2. Notionally, System 3 is the plug-in point for the BRI membership and while the credit supply comes from the Chinese state, the profits will feed into the upper levels.

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59 Otavio Canuto, “China’s Growth Rebalance with Downslide,” Policy Center for the New South, PB 19 07 (2019); Chih Shian Liou, “Varieties of State Capitalism across the Taiwan Strait,” in *Taiwan and China*, ed. Dittmer Lowell (Oakland, California: University of California Press, 2017), 117-32; Ruiming Liu, “Upstream Monopoly,” in *How State-owned Enterprises Drag on Economic Growth*, ed. Ruiming Liu (Berlin: Springer Verlag, 2019), 97-113; Xiaodong Zhu, “Understanding China’s Growth: Past, Present, and Future,” *Journal of Economic Perspectives* 26(4) (2012): 103-24.

Conceptual Model 3<sup>60</sup> : Chinese business systems

## South Korea and China FTA

During the Cold War, South Korean and Chinese companies were banned from having direct relations, whereby until 1988 all negotiations took place in Hong Kong, and the two nations did not have diplomatic ties until 1992.<sup>61</sup> In 2015, the two signed a free trade agreement (FTA) which has attracted varying commentary.<sup>62</sup> Tables 6 to 9 present a brief snapshot of South Korea's trade content and bilateralism with China. The

<sup>60</sup> The author's conceptualization.

<sup>61</sup> Hyejin Kim, "Transnational Korean Networks and Business in China," *Europe-Asia Studies* 70(7) (2018): 1143-58.

<sup>62</sup> Muhui Zhang, "Proceeding in hardship," *The Pacific Review* 31(1) (2018): 57-75.

bilateral aims and intentions aside, the FTA has not, arguably, provided the South Korean businesses better access to the Chinese market and what appeared to be newly acquired opportunities in China had been actually guaranteed by the Chinese commitments as per the conditions of joining the WTO in 2001, thus the FTA has neither bolstered commerce nor led to further market liberalizations in China.<sup>63</sup> Stand-alone agreements may fare rather poorly in a context that is the playing field of much larger forces. The US and China trade disputes, and the lack of a Pacific and East Asian multilateral trade and investment system (such as the now-defunct Trans Pacific Partnership) have both shown to have a negative impact on the South Korea-China FTA.<sup>64</sup> The FTA's background was that South Korea's export-oriented growth strategy was the basis of its link to the Chinese economy, which was a situation unsustainable in the long term.<sup>65</sup> In the public sphere, most South Koreans view China as a competitor due several reasons that include to the South Korea's Cold War experiences followed by China's post-Cold War activities to project its hard power in Asia such as the South China Sea militarisation, the Koguryo Dynasty issue of the mid-2000s and the China's economic retaliation, the so called *de facto* sanctions of 2017, as a response to the THAAD system deployment.<sup>66</sup>

The *de facto* sanctions bypassed the bilateral electronics manufacturing trade (thus shielding the Chinese enterprises) but focused on the South Korean service sector thereby showing that there is an inherently asymmetrically reciprocal interdependence between the two nations that can disadvantage South Korea.<sup>67</sup> This made South Korea re-examine the na-

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63 Inkyo Cheong, "Analysis of the FTA Negotiation between China and Korea," *Asian Economic Papers* 15(3) (2016): 170-87.

64 Youngmi Choi, "A Middle Power's Trade Policy under U.S.-China FTA Competition: South Korea's Double Hedging FTA Diplomacy," *Contemporary Politics* 24(2) (2018): 233-49.

65 Jong-Wha Lee, "Korea's Economic Growth and Catch-up," *China & World Economy* 24(5) (2016): 71-97.

66 Min-gyu Lee and Yufan Hao, "China's Unsuccessful Charm Offensive," *Journal of Contemporary China* 27(114) (2018): 867-86.

67 Florence (Wen-Ting) Yang, "Asymmetrical Interdependence and Sanction," *Issues & Studies: A Social Science Quarterly on China, Taiwan, and East Asian Affairs* 55(4) (2020): 1-39.

ture of its economic links with China and create its 'New Southern Policy' to further strengthen its ties with South East Asia and India.<sup>68</sup> As its competitive-export-driven economy matured, South Korea had already begun to modify its existing industrial structure that would also lead to a reduction on its reliance on the existing relationship with China.<sup>69</sup> China too has been focusing more on the next stage of its industrial development which may not necessarily eventuate in further liberalization of the foreign investment environment.<sup>70</sup> As such, there is concern in South Korea that China will eventually move toward putting up protective barriers for a range of its industries.<sup>71</sup> Such developments would naturally dissolve the FTA substantially, and may make the BRI (or its future version) more relevant.

South Korea is the fifth largest export economy globally and occupies the sixth position in Economic Complexity Index (ECI) that measures relative knowledge intensity of an economy by considering the knowledge intensity of the products it exports.<sup>72</sup> South Korea, along with Japan and Taiwan, is exporter of sophisticated components to China which, in turn, assembles them into final products, and all of these activities form the largest segment of the present global value chains (GVCs).<sup>73</sup> Table 5 shows the level of sophistication attained by the South Korean enterprises since 1987. South Korean exports and imports both have China as the prime location, defining the nature of the 'asymmetrically reciprocal interdependence'. South Korea is the prime import location for China but it is not among China's top five export destinations. Crude petroleum is in

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68 Wooyeal Paik, "The Politics of Chinese Tourism in South Korea," *The Pacific Review* 33(2) (2020): 331-55.

69 Seung Hyok Lee and Wooyeal Paik, "Is South Korea Leaning Toward China," *Pacific Focus* 33(2) (2018): 237-59.

70 Jungmin Lee and Jai S. Mah, "Korea's Foreign Direct Investment in the Automotive Industry in China," *China Report* 54(2) (2018): 175-93.

71 Hyuntai Lee et al., "China's Manufacturing Development and Its Implications for Korea," *World Economic Brief* 8(18) (2018): 1-5.

72 Observatory of Economic Complexity, "Economic Complexity Rankings," accessed March 4, 2020, <http://www.oec.com>.

73 WTO, "Trade in Value-added and Global Value Chains," accessed March 3, 2020, <http://www.wto.org>.

the top two imports for both countries that show their external energy dependency and their dependence on the integrate circuit trade display their integration in the GVCs.

**Table 5: Economic Complexity Index<sup>74</sup>**

	1987 Rank	1987 Value	2017 Rank	2017 Value
Korea	19	0.92	6	1.78
China	40	0.13	33	0.69

**Table 6: South Korea Top Five Trade Partners<sup>75</sup>**

Exports	% of total	Imports	% of total
China	25	China	21
US	12	Japan	11
Vietnam	8	US	10
Hong Kong	5.8	Germany	4.2
Japan	4.5	Australia	3.8

**Table 7: China Top Five Trade Partners<sup>76</sup>**

Exports	% of total	Imports	% of total
US	20	Korea	9.7
Japan	6.5	Japan	8.8
Germany	4.5	US	8.7
Korea	4.1	Germany	6.2
Vietnam	2.9	Australia	5.5

The Chinese industries have continuously competed on labor cost as they entered into the global trade and investment environment and were served well by the support from the major Western economies.<sup>77</sup> South

<sup>74</sup> Observatory of Economic Complexity, "Economic Complexity Rankings."

<sup>75</sup> Observatory of Economic Complexity, "South Korea," accessed March 4, 2020, <http://www.oec.com>.

<sup>76</sup> Observatory of Economic Complexity, "China," accessed March 4, 2020, <http://www.oec.com>.

<sup>77</sup> Celal Bayari, "Economy and Market in China," *Academy of Taiwan Business Management Review* 14(1) (2018): 13-36.

Korean chaebols, by contrast, have managed to carve out a niche in global markets where they were late entrants, such as the automobile manufacturing in the 1970s and mobile phone manufacturing in the 1990s.<sup>78</sup> South Korean trade content has a certain level of overlap with that of China that shows the matter of the ‘asymmetrically reciprocal interdependence’ in its present form. It is possible to observe the 2015 FTA as an outcome of the post-Cold War policy direction searches that signified different intentions and perceptions. For China, the FTA was a tactic within a wider strategy.

**Table 8: South Korea Top Five Trade Content<sup>79</sup>**

Exports	% of total	Imports	% of total
Integrated circuits	17	Crude petroleum	12
Cars	6.7	Integrated circuits	8.2
Refined petroleum	5.5	Petroleum gas	3.7
Passenger and cargo ships	4.1	Photo lab equipment	2.9
Vehicle parts	3.2	Refined petroleum	2.8

This is more so, as China is the epicenter of the most of the GVCs and at the intersection of others. China wanted to demonstrate its own way of coping against the (now-defunct) TPP by actively promoting the FTA with South Korea, the ‘FTA in Asia Pacific’ for the APEC membership the ‘One Belt One Road’ (OBOR) for Central Asia and the EU, all at the same time.<sup>80</sup> China may have been self-assured that the South Korean FTA would be eventually rolled into the OBOR. Of course, the OBOR, then, mutated into the BRI with more enhanced implications. China’s ambitious path to link several continents has not necessarily included the change of status quo in the Korean Peninsula, as its strategic goals involve

<sup>78</sup> Joonkoo Lee, Jong-Cheol Kim and Jinho Lim, “Globalization and Divergent Paths of Industrial Development,” *Journal of Contemporary Asia* 46(2) (2016): 222-46.

<sup>79</sup> Observatory of Economic Complexity, “South Korea.”

<sup>80</sup> Inkyo Cheong, “Analysis of the FTA Negotiation between China and Korea,” *Asian Economic Papers* 15(3) (2016): 170-87.

the maintenance of extra-territorial stability in the bordering countries such as North Korea.<sup>81</sup> The South Korean and Chinese economies, with their very own respective characteristics and differences from Western models, are two very different domains of global capitalism.<sup>82</sup>

**Table 9: China Top Five Trade Content**<sup>83</sup>

Exports	% of total	Imports	% of total
Broadcasting equipment	9.6	Integrated circuits	13
Computers	6.1	Crude petroleum	9.4
Office machine parts	3.8	Iron ore	3.8
Integrated circuits	3.3	Cars	3
Telephones	2.6	Gold	2.6

**Table 10: South Korean top export industries. Domestic and foreign value-added % share in industry total gross exports**<sup>84</sup>

	Domestic value-added	Foreign value-added
Computer and electronic products	64.1	35.9
Motor vehicles	72.8	27.2
Chemical products	64.8	35.2

There is not sufficient space here to discuss the term of ‘Confucian capitalism’, which is a significant paradigm that the analysts have applied to the business models of South Korea, Japan, Taiwan, China and Singapore.<sup>85</sup> Indeed, South Korea, Japan, Taiwan and China are the dominant partners of the GVCs. What is unique about East Asian capitalisms

<sup>81</sup> Balbina Y. Hwang, “Northeast Asian Perspectives on China’s Belt Road Initiative,” *East Asia* 36 (2019): 129-50.

<sup>82</sup> Arif Dirlik, “Critical Reflections on ‘Chinese Capitalism’ as Paradigm,” *Identities Global Studies in Culture and Power* 3(3) (1997): 303-30.

<sup>83</sup> The Observatory of Economic Complexity, “South Korea.”

<sup>84</sup> WTO, “Trade in Value-added and Global Value Chains,” accessed March 3, 2020, <http://www.wto.org>.

<sup>85</sup> Hwan Cha Seong, “Myth and Reality in the Discourse of Confucian Capitalism in Korea,” *Asian Survey* 43(3) (2003): 485-506; Sun-Ki Chai and Mooweon Rhee, “Confucian Capitalism and the Paradox of Closure and Structural Holes in East Asian Firms,” *Management and Organization Review* 6(1) (2010): 5-29.

is the role of the state in the development, moderation, modification and maintenance of the business systems.<sup>86</sup> In this context, the BRI appears as an ‘alternative future’ scenario, for East Asia, to the present state of multilateralism that the mature East Asian capitalist models; South Korea, Japan and Taiwan have long been engaged alongside the rest of the industrial world.<sup>87</sup>

There are variety of opinions on the BRI among the political, business and public spheres in South Korea.<sup>88</sup> South Korea responded to the unfolding of the BRI and its implications, in October 2013, with the former President Park’s *Eurasia Initiative* which was directed as stronger economic ties to connect better with Europe, and later [as also stated above], after China’s April 2017 *de facto* sanctions, with President Moon’s *New Southern Policy*, in November 2017, as the nation viewed Beijing’s BRI goals as being subordinate components of broader national goals with the BRI itself as an attempt by Beijing’s leadership to shape the rules and norms governing the surrounding regions to better reflect Beijing’s preferences.<sup>89</sup> In South Korea’s neighbouring region, there is consensus over the BRI’s role in the expansion of the Chinese business systems even though there are doubts over the feasibility of the initiative itself.<sup>90</sup>

## Conclusion: Chaebols, the GVCs and China

The above discussion has discussed the significance of the chaebols in the formation of the South Korean markets in context of multilateralism

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<sup>86</sup> I-Liang Wahn, “The State–consumer Relationship and the Instituting of Consumer Protection in East Asian Societies,” *Journal of Consumer Culture* 19(1) (2018): 82-103.

<sup>87</sup> Tristan Kenderdine, “Death of the East Asian Goose and the Rise of China’s Geoindustrial Policy,” *Journal of Chinese Political Science* 23 (2018): 437-53.

<sup>88</sup> David Hundt and Sooyoung Kim, “Elite Opinion and the ‘Belt and Road’ Debate in South Korea,” *Pacific Affairs* 92(1) (2019): 27-48.

<sup>89</sup> Balbina Y. Hwang, “Northeast Asian Perspectives on China’s Belt Road Initiative,” *East Asia* 36 (2019): 129-50.

<sup>90</sup> Xue Gong, “The Belt & Road Initiative and China’s Influence in Southeast Asia,” *The Pacific Review* 32(4) (2019): 635-65.

that characterised the post-Second World War order. In the case of China, the state involvement in the business systems is a ‘strategic going concern’ and not in a phase of devolvement to profit-seeking market activity yet. Chaebols, with the continuing necessity of expanding out the limited domestic market, begun, in the 1980s, to join the MNEs that manufacture in several countries.<sup>91</sup> There is extensive coverage of the chaebol integration with the GVCs from the 1990s onward.<sup>92</sup> Tables 11 and 12 present the current engagement of the South Korean economy with the GVCs.

**Table 11: South Korean forward participation in the GVCs. % share in total exports of domestic inputs sent to third countries<sup>93</sup>**

Computer and electronic products	19
Wholesale and retail trade	10.6
Motor vehicles	7.4

**Table 12: South Korean backward participation in the GVCs. % share in total foreign content of exports<sup>94</sup>**

Computer and electronic products	24.4
Motor vehicles	11.4
Chemical products	8.4

<sup>91</sup> Joonkoo Lee, Jong-Cheol Kim and Jinho Lim, “Globalization and Divergent Paths of Industrial Development,” *Journal of Contemporary Asia* 46(2) (2016): 222-46; Seungrae Lee and Seung Jae Park, “Global Production vs. Inventory Supply and Financial Performance,” *Management Science and Financial Engineering* 22(1) (2016): 21-6.

<sup>92</sup> Du Sig Choi, Paul Michell and Dayananda Palihawadana, “Exploring the Components of Success for the Korean Chaebol” *Journal of Business and Industrial Marketing* 23(5) (2008): 311-22; Yongwook Jun and Dong-Soon Kim, “Korean Chaebol,” in *South Korea*, ed. Young Chan Kim, Kim Doo Jin and Young Jun Kim (Oxford: Chandos Publishing, 2008), 25-53; Eun Mee Kim, “Korea’s Evolving Government Business Relationship,” WIDER Working Paper 2015/103 (2015); Joonkoo Lee, Jong-Cheol Kim and Jinho Lim, “Globalization and Divergent Paths of Industrial Development,” *Journal of Contemporary Asia* 46(2) (2016): 222-46; Wonhyuk Lim, “Chaebol and Industrial Policy in Korea,” *Asian Economic Policy Review* 7 (2014): 69-86; Henry Wai Chung Yeung, “Governing the Market in a Globalising Era: Developmental States,” *Review of International Political Economy* 21(1) (2014): 70-101.

<sup>93</sup> WTO, “Trade in Value-added and Global Value Chains,” accessed March 3, 2020, <http://www.wto.org>.

<sup>94</sup> WTO, “Trade in Value-added and Global Value Chains.”

The position of chaebols in the GVCs, from the early 1990s onward, has been characterised as, being, primarily highly export oriented brand manufacturers and secondarily as specialised suppliers, in specific niches that are not in direct competition with the other matured East Asian business systems of Japan and Taiwan.<sup>95</sup> That is, from the start of the globalisation of investment and trade period, chaebols have strategically attempted to avoid competing with the existing market actors. MNE trade and FDI activities appear as the prime drivers of the GVCs.<sup>96</sup> To state the obvious, MNEs are extensions of the respective nation states' business systems out of which they emerge and on which they remain reliant.<sup>97</sup> MNEs and their foreign affiliates represent 28 percent of the global GDP.<sup>98</sup> From the mid 2000s onwards, MNEs and GVCs activities have become further synchronized.<sup>99</sup> MNEs have increasingly come to function as networks within the international production networks of GVCs though sometimes the boundaries and structures of GVCs overlap with those of MNEs and the GVCs' set-ups as networks across multiple borders provide MNEs with a large degree of strategic and operational flexibility.<sup>100</sup> The entrance of developing nations into the GVCs as suppliers led to high expectations.<sup>101</sup> The GVCs have allowed the integration of many developing nations' domestic companies into the global economy but the increasing cost-cutting activities through automation and the application new digital technologies

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95 Joonkoo Lee, Jong-Cheol Kim and Jinho Lim, "Globalization and Divergent Paths of Industrial Development," *Journal of Contemporary Asia* 46(2) (2016): 222-46.

96 Claes Alvstam, Inge Ivarsson and Bent Petersen, "Are Multinationals and Governments from Emerging Economies Configuring Global Value Chains in New Ways?," *International Journal of Emerging Markets* 15(1) (2019): 111-30; In Song Kim et al., "Firms and Global Value Chains," *International Studies Quarterly* (2019): 1-15.

97 Peter Dicken, *Global Shift: Transforming the World Economy*, 3rd ed. (London: PCP, 1999); Paul Dore et al., *The Myth of the Global Corporation* (NJ: Princeton University Press, 1999).

98 OECD, "Multinational Enterprises in Domestic Value Chains," *OECD Science, Technology and Industry Policy Papers* (63) (March 2019).

99 Charlie Joyez, "Aignment of Multinational Firms along Global Value Chains," GEDEG Working Papers 2019-05 (2019).

100 Charles Koen De Backer Cadestin et al., *Multinational Enterprises and Global Value Chains: New Insights on the Trade-Investment Nexus* (Paris: OECD, 2018).

101 APEC, "Integrating SMEs into Global Value Chains: Policy," *Issues Paper* (6) (2014).

can shrink the length of the GVCs and widen disparities between regions.<sup>102</sup> The respective business systems of East Asian capitalism, South Korea, Japan, Taiwan and China, each use the GVCs in a different modulation to augment their respective competitive advantages. South Korea's top three exports have high domestic value-added content but their reliance on the GVCs is clear. This is somewhat of a problem.

The GVCs are not neutral mediums of barter or equitable benefit redistribution platforms. They are instruments of the market exchange. Due to the increasing competition between China and South Korea in advanced markets, the industrial configuration between them is morphing into a competitive structure from mutually complementary structure in the GVCs.<sup>103</sup> South Korea has entered the global capitalist order and carved a niche for itself in a very competitive environment and then, from the 1990s onward, it has negotiated the globalization of investment and trade on its own terms and has advanced its standing in the new order. The question, for future studies, is whether the BRI would provide South Korea with equally malleable groundwork to continue to modify and transform its economy. The relatively co-operative economic link between China and South Korea will morph into competition.

The BRI, in its present form, appears to be a blueprint to absorb a matrix of geographies of physical locations, finance, FDI and trade. It can, if fully realized, form a domain that may pose a competitive challenge to MNEs and GVCs that are placed in its periphery. The primary difference between the South Korean business systems and those of China is that, in the former the top echelon of the economy is occupied by profit-dependent private enterprises in contrast to China where the dominators are the state-owned-enterprises that are readily financed and supported with public funds. These are entities that are treated as 'going concerns' with readily available Chinese state credit from the nation's massive foreign exchange

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<sup>102</sup> David Dollar, "Executive Summary," in *Global Value Chain Development Report 2019*, ed. WTO (Geneva: World Trade Organization, 2019), 1-8.

<sup>103</sup> Hyunju Kang, "The Time-varying Impact of China's Economic Rebalancing on Korea's Exports to China," *International Economic Journal* 32(1) (2018): 31-42.

reserves.<sup>104</sup> Clearly, the BRI, may then, contain a seemingly hefty monopolistic sector, while enforcing competitive behaviour for all other market actors.

Chaebols and SME relationship is not equitable but symbiotic. Yet, the global economy is the pace-setter of their relationship. The Chinese business systems, discussed above, have no such disadvantages, due to their clear dominance which is arguably going to be expanded via the BRI. Chaebols have distinct characteristics that are apparent as such that they are able maintain their management styles in their overseas ventures.<sup>105</sup> In the case of the Chinese business systems, the overseas activities are a primary reflection of the national politics governing an economic system. The growth factors behind the Chinese and South Korean models are different. The most important source of South Korean economic growth, for the 1960-2014 period, was annually continuous productivity growth, followed by human capital accumulation.<sup>106</sup> The case of China is quite different as its present economic status is an outcome of the major Western economic powers' willingness to accommodate and integrate it rapidly into the global finance and investment multilateralism, throughout the 1990s and 2000s, which is detailed elsewhere.<sup>107</sup>

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**104** Celal Bayari, "Economy and Market in China," *Academy of Taiwan Business Management Review* 14(1) (2018): 13-36.

**105** Jaehee Cho, "Impacts of Information-providers' Perceived Cultural Backgrounds on Information-seeking Behaviors," *International Journal of Intercultural Relations* 4 (2014): 66-79.

**106** Hyeok Jeong, "Korea's Growth Experience and Long-Term Growth Model," *Policy Research Working Paper* (8240) (2017).

**107** Celal Bayari, "Economy and Market in China," *Academy of Taiwan Business Management Review* 14(1) (2018): 13-36.

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# Small is Beautiful: Environmental Cooperation and Peace on the Korean Peninsula

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## Abstract

Despite the hope related to the détente starting with the Pyeongchang Winter Olympics in 2018 and frenzied diplomatic activity, including several inter-Korean and North Korean - US summits, in 2020 the political situation on the Korean Peninsula looks bleak again. However, this does not need to be the end of all inter-Korean cooperation. Too often, politicians looked just at grand-scale schemes (like “Opening - Denuclearization - 3000 USD per-capita income) or projects (like the now-defunct Kumgangsán project, the railway project, formerly KEDO etc). The field of environmental cooperation shows that engagement with North Korea is still possible and meaningful, though in a small-scale. Since 2015, a group of international INGO like IUCN and WWF, as well as Hanns-Seidel-Foundation of Germany, worked together to help North Korea join various important international conventions and organizations, bringing it into the Ramsar Convention on Wetlands as well as the East Asian Australasian Flyway Partnership (EAAFP). This shows that in less politically-laden fields like environmental policy exchange can flourish even under difficult political circumstances. It also shows that, while material incentives are an important driver for exchanges of North Korea, they are by far not the only motivation for international engagement.

**Key Words:** Korean Peninsula, engagement, environmental policy, inter-Korean relations

## Introduction: Inter-Korean Détente - What Remains of the 2018 Olympic Spirit?

In early 2018, after ten years of souring relations culminating in the serious crisis of 2017, suddenly an opening for peaceful inter-Korean relations seemed to come up: the election of president Moon Jae-In in 2017 had changed South Korean politics, and with the start of sports diplomacy during the Pyeongchang Winter Olympics, a rerun of the Sunshine policy of the 2000-2007 phase seemed possible. Hectic diplomatic activity unfolded, with two US-North Korean summits in Singapore and Hanoi, inter-Korean summits and Chinese-North Korean summits. In Panmunjeom in April 27, 2018, president Moon Jae-In and chairman Kim Jong-Un agree to promote common prosperity and unification, eliminate military tension and war risk, and establish a permanent and peaceful Korean Peninsula peace regime.<sup>1</sup> This includes a number of more concrete steps listed in the table below.

### **1. Promote common prosperity and reunification of Korea through dramatic improvement and development of inter-Korean relations**

- Continue high-level working-level talks for the full implementation and implementation of the agreement
- Establishment of Joint Liaison Office in Gaeseong between South and North Korea
- Multilateral cooperation and exchange
- Inter-Korean Red Cross talks and reunions of separated-families on 15 August 2018

<sup>1</sup> For the full text in English language see Ministry of Foreign Affairs, "Panmunjom and Unification of the Korean Peninsula," accessed March 3, 2020, [http://www.mofa.go.kr/eng/brd/m\\_5478/view.do?seq=319130&srchFr=&srchTo=&srchWord=&srchTp=&multi\\_itm\\_seq=0&itm\\_seq\\_1=0&itm\\_seq\\_2=0&company\\_cd=&company\\_nm=&page=1&titleNm=](http://www.mofa.go.kr/eng/brd/m_5478/view.do?seq=319130&srchFr=&srchTo=&srchWord=&srchTp=&multi_itm_seq=0&itm_seq_1=0&itm_seq_2=0&company_cd=&company_nm=&page=1&titleNm=)

- Connecting and modernizing roads with Donghae and Gyeongui railways

## **2. Elimination of military tension and substantial elimination of war risk**

- Cease all hostile acts
- Designed as a peace zone in the western part of the west coast
- Establishment of military mutual guarantee measures through high-rank military-level talks

## **3. Establishing a permanent and peaceful Korean peninsula peace regime**

- Inviolable agreement
- Stepwise disarmament
- In celebration of the 65th anniversary of the Korean Armistice Agreement in 2018, South and North Korea co-operate closely with the US and China to establish a peace treaty on the Korean peninsula after ending the 1953 Korean War.
- Finalise the complete denuclearization of the Korean peninsula

Content of the Panmunjeom Declaration

Source: Ministry of Foreign Affairs, "Panmunjeom Declaration for Peace, Prosperity and Unification of the Korean Peninsula," April 27, 2018.

Both the original sunshine policy and Moon Jae-In's policy were based on principles and were promoting policies, which had an important thing in common: they were both designed to give North Korea an assurance that the South, an economically much more powerful state, would not try to forcibly or "by absorption" unify the two Koreas, and at the same time, they tried to insure the own population and its allies, foremost the US, that South Korea would stand by its security commitments. In sunshine policy, this was a rejection of any military provocation by the North, and in the case of Moon Jae-In's policy, it was even more explicitly stated that

the policy would be aiming at peace and prosperity on the Korean Peninsula as well as Northeast Asia together with North Korea, regional neighbors, and the international society. Given the principles of Kim Il-Sung for unification, which included the principle of “by our nation itself”, as a rejection of foreign intervention and meddling,<sup>2</sup> such an explicit inclusion of other interested parties seemed problematic and indeed later in 2018 and 2019 the foreign dependence of South Korea was often cited as a major stumbling block to closer inter-Korean relations.

	Moon Jae-In	Kim Dae-Jung
<b>Goals</b>	<ol style="list-style-type: none"> <li>1. Denuclearization</li> <li>2. Sustainable Inter-Korean Relations</li> <li>3. New Economic Community Peaceful rapprochement</li> </ol>	Peaceful rapprochement
<b>Strategies</b>	<ol style="list-style-type: none"> <li>1. Denuclearization - step by step</li> <li>2. Denuclearization ← → Improvement of Relations</li> <li>3. Institutionalization</li> <li>4. Beneficial Cooperation</li> </ol>	<ol style="list-style-type: none"> <li>1. Persuasion is more powerful than Force</li> <li>2. Dialogue, economic, cultural exchanges</li> </ol>
<b>Principles</b>	<ol style="list-style-type: none"> <li>1. Korea-led Initiative</li> <li>2. Defense</li> <li>3. Respect</li> <li>4. Interaction</li> <li>5. International Co-operation</li> </ol>	<ol style="list-style-type: none"> <li>1. No toleration of armed provocation</li> <li>2. No attempt to absorb</li> <li>3. Cooperation and reconciliation</li> </ol>

Unification policies of Kim Dae-Jung and Moon Jae-In in comparison

Source: Ministry of Unification, [https://www.unikorea.go.kr/eng\\_unikorea/policyissues/korean-peninsula/goals/](https://www.unikorea.go.kr/eng_unikorea/policyissues/korean-peninsula/goals/)

<sup>2</sup> For the North Korean unification policy under Kim Il-Sung and Kim Jong-Il, see Wan-Kyu Choi, “North Korea’s New Unification Strategy,” *Asian Perspective* 25(2) (2001): 99-122.

However, the main problem was a different problem. When President Kim Dae-Jung formulated his sunshine policy, North Korea came out of a major recession, leading to an unprecedented famine and economic hardship, coming close to a complete failure of state functions in many areas.<sup>3</sup> The military, largely a huge, but defensive land army, underwent equally major difficulties and the development of missiles and nuclear weapons, though underway, was far away from presenting an immediate threat.<sup>4</sup> When, however, Moon Jae-In came to power, North Korea had recovered from the worst of the famine and transition shock, saw moderate growth rates, a strong increase in trade, and had made major advances in military technology. Plus, sanctions now practically made anything but the most elementary forms of cooperation impossible. And while North Korea obviously tried to achieve growth, among others through accepted widespread marketization in the country, there was no indication that North Korea would give up its military achievements unilaterally. Indeed, the armament was seen as a centerpiece of independent development, and nuclear armament had obviously the advantage of being at the same time more effective and also efficient, given much lower cost than the same deterrence potential a conventional army could have. Already in 2017, therefore, Roy judges that for denuclearization policy “failure is the only option”. And Jackson<sup>5</sup> points out that because denuclearization is antithetical to Kim Jong Un’s bottom line, U.S. attempts at diplomacy to that end are self-sabotaging. Instead, he proposes a policy of arms controls gradually increasing to more and more areas of armament.<sup>6</sup> Despite these dismal

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3 For example, the Public Distribution System almost stopped working. But also other functions, like control of movements inside North Korea and, to some extent, over the border to China, became much less well working.

4 See Mirko Tasic, “North Korea’s Strategic Approach, under the Auspices of Big Brother,” *The Diplomat* (November 2019), accessed March 3, 2020, <https://thediplomat.com/2019/11/north-koreas-strategic-approach-under-the-auspices-of-big-brother/>.

5 Van Jackson, “Risk Realism: The Arms Control Endgame for North Korea Policy,” *Center for New American Security* (2019), accessed March 3, 2020, <https://www.cnas.org/publications/reports/risk-realism>, 5.

6 For an overview of arms control talks with North Korea, see Elisabeth Suh, “North Korea and Arms Control: Past Agreements and Future Proposals,” *S&F Sicherheit und Frieden* 36(2) (2018): 92-7.

preconditions, South Korea started hopefully into the new area of cooperation in 2018. And initial movements, including the meaningful Panmunjeom declaration, seemed to confirm the South Korean position. However, after the unsuccessful summit of Hanoi in 2019 and several aborted attempts to restart US-North Korea relations, gradually it became clear that hope was premature. By the end of 2019, all approaches chosen seemed to be unsuccessful:

- No family reunions took place. This issue is urgent and close to the heart of many Koreans, since the time for reunions run out for the octogenarians who make up the bulk of applicants. Even in the times of President Lee Myung-Bak and Park Geun-Hye, they had taken place, but not now.<sup>7</sup>
- No reopening of the two large sunshine-era projects, Kaesong Industrial Complex and Kumgangsan Tourism project. While the first one was prevented from the very beginning by international sanctions, in the second case Kim Jong-Un added insult to injury by ordering the removal of "ugly South Korean buildings".
- Border security becomes questionable again - after the initial drive to clear mines and destroy some guard posts, coastal drills like in November 2019, the fortification of a contested island in the area, life fire drills in March 2020 all point to an end of military stability even on a small scale<sup>8</sup>
- Factual stop of inter-Korean cooperation in the inter-Korean office in

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<sup>7</sup> See Office of the United Nations High Commissioner for Human Rights (OHCHR), Torn apart, *The Human Rights Dimension of the Involuntary Separation of Korean Families* (Geneva: OHCHR, 2016). For the current debate, Oliver Hotham, Patrick Cronin and Chiew-Ping Hoo, "Inter-Korean Family Reunions: Why Now, and What Broader Impact?," *Technical Report* (2018), accessed March 3, 2020, [https://www.researchgate.net/publication/327154479\\_Inter-Korean\\_family\\_reunions\\_why\\_now\\_and\\_what\\_broader\\_impact/](https://www.researchgate.net/publication/327154479_Inter-Korean_family_reunions_why_now_and_what_broader_impact/).

<sup>8</sup> NK News, "North Korean Coastal Artillery Drills Violated Military Agreement, South Says," accessed March 3, 2020, <https://www.nknews.org/2019/11/north-korean-coastal-artillery-drills-violated-military-agreement-south-says/>.

Gaesong: For quite a considerable cost the inter-Korean exchange office was opened in Gaesong, basically a refurbishment of the existing administrative building. When the office was opened, it seemed like a prelude to the re-opening of Gaesong. Also, it was the physical point where North and South Korean administrations worked together and where originally regular high-ranking meetings on inter-Korean issues (on the vice-Minister level) took place. However, by now there is not much more than an occasional exchange of letters or notes, which also could be arranged in a different way.

- Stop of the inter-Korean railway project: this was another flagship policy of the Moon administration and started in November 2018 with an 18-day inspection tour of major railway lines in the North requiring UN sanctions exemptions and culminating December 2018 with a symbolic groundbreaking ceremony including the South Korean Transport Minister Kim Hyun-mee and Unification Minister Cho Myoung-gyon, North Korea's chairman of the state agency in charge of inter-Korean ties, Ri Son-gwon, and Vice Railway Minister Kim Yun-hyok, but also officials from China, Mongolia, Russia and the United Nations. After that, nothing more has happened, though occasionally, last in January 2020, the South Korean side calls for a restart of the project.

So, inter-Korean relations seem to be back to square one...and this seems to prove the critiques, who see inter-Korean relations never moving forward, but rather going in cycles. Are the possibilities of the “Moon cycle” already finished? Are there no more viable ways to break out of the cycle? The second part of this paper reviews the failure of schemes and projects to forward inter-Korean relations in the past decades, identifying the size of projects as a crucial factor. The third section looks into the counter-experience of international and inter-Korean environmental relations and cooperation, showing that small projects still can work in adverse overall political conditions. The next section discusses success factors of the environmental cooperation project (4.), followed by a con-

clusion sketching a policy of small steps as way to achieve progress in inter-Korean relations (5.).

## South Korean Unification Policy - How and Why Large - Scale Projects Tend to Fail

The history of inter-Korean relations knows a few episodes of contact and even exchange in a long history of violent conflict, like inter-Korean Red Cross talks in 1971 and 1972, inter-Korean economic talks of 1984 and 1985, and the Agreement on Reconciliation, Nonaggression, and Exchanges and Cooperation of 1991. However, only after the first nuclear crisis in 1993 and 1994, the death of Kim Il-Sung, partial opening of North Korea for “flood aid” in 1995 - indeed aid during its worst recession and famine - inter-Korean relations picked up pace, though not without hiccups, crisis, and breakdowns. In all the different inter-Korean and international negotiations, large-scale aid projects or exchange projects played an important role. While here not all these projects can be discussed in detail, the most important one of them will be shortly sketched here.

From 1995 to 2006 the Korean Peninsula Energy Development Organization (KEDO) was active to implement the 1994 US-North Korea Agreed Framework aiming at freezing North Korea's nuclear development and, in particular, power plant in Yongbyon, and instead replacing it with two light water reactors, and, before there start, bringing oil into North Korea. The US, South Korea and Japan were part of the KEDO, and they were joint later by other states, and, most importantly, in 1997 the European Union. However, from the beginning difficulties arose in the implementation, with North Korea unwilling to complete open the country for nuclear inspections, secretly working as well on Highly Enriched Uranium and Plutonium enrichment technologies, and at the same time buying missile and nuclear technology and developing long-range missiles, with a first test of a Taepodong missile in 1998. The US, on the other hand, was mistrusting, delaying the delivery of oil, and seeking revisions

to the KEDO treaty, particularly after the change of government in 2001 (Nuclear Posture Review). In 2002, North Korea in negotiations with the US first admitted its secret development of nuclear weapons, and in 2003, North Korea ultimately left the Non-Proliferation Treaty. The construction of light water reactors stopped, and in May 2006, finally KEDO was dissolved, after investing 2,5 bn. USD, building around 35 percent of the planned reactors, leaving all building materials and plans there, pressured by North Korea, but not having delivered any key elements of the reactors. The complex ownership structure, long-term planning prone to changes by political changes in participating countries, lack of trust and lack of credible enforcement mechanisms of the contract were contributing to its failure.

During the Sunshine policy, two large-scale projects, the Mount Kumgang Tourist Region and Kaesong Industrial Complex, were flagship projects on the East and West coast of Korea. Both started an amazing amount of exchanges, but ultimately failed. At the Korean East coast, from 1998 tourists were allowed to visit one of the most scenic Korean mountain massive, Mount Kumgang (Diamond Mountain), directly behind the inter-Korean border. First by boat and being placed into a floating hotel, and later by busses brought overland and housed in various hotels, mostly built by Hyundai Asan, who managed the resort, almost two million South Koreans visited the mountains in the 530 km<sup>3</sup> large special tourism zone, where restaurants and other facilities, like a branch of the Pyongyang circus and a spa, brought additional entertainment possibilities. For the land and operation rights alone, North Korea earned almost 500 mill. USD. Tourism was thought to open up North Korea, since it involved frequent people-to-people contacts.<sup>9</sup> When in July 2008 a South Korean 53-year-old tourist, Wang-ja Park, was twice shot by climbing over a fence, South Korea's demand

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<sup>9</sup> See Samuel Kim, Bruce Prideaux and Jillian Prideaux, "Using Tourism to Promote Peace on the Korean Peninsula," *Annals of Tourism Research* 34 (2007): 291-309, accessed March 3, 2020, 10.1016/j.annals.2006.09.002. North Korea tried to minimize this impact, for example by employing largely Chinese nationals with ethnic Korean background as waiters, drivers etc. in the resort.

of a joint inquiry was denied. By that time, inter-Korean relations had soured already, with the coming to power of President Lee Myung-Bak, who was much more skeptical on Sunshine policy than his predecessor and had put all inter-Korean agreements on review. Afterwards, numerous negotiations failed to revive the agreement. In 2018, President Moon Jae-In and Chairman Kim Jong-Un agreed to restart the project, but a year later, North Korea ordered the destruction of all South Korean buildings and planned to reopen the resort on its own. In the case of Kumgang tourism project, large cash payments to the North as well as constant tensions due to the direct contact of North and South Koreans in the sensitive military border area led to frequent conflicts, growing mutual distrust and finally the breakdown of the project.<sup>10</sup>

On the Korean West coast, the Kaesong Industrial Complex was for a long time the symbol for successful inter-Korean cooperation, and indeed seemed to survive many crises, before ultimately breaking down in 2016. Here, up to 54,000 North Korean workers worked together with up to 900 South Korean managers in 123 companies, mostly in labor intensive industries like textile, household goods, automotive parts etc. The whole infrastructure of the industrial park, including energy, water and waste water, and roads were provided by the South, which invested more than 800 mill. USD in the complex. While it never achieved the originally planned growth, it had a sizeable impact on North Korean laborers and the economy.<sup>11</sup> In 2013, after two nuclear tests, North Korea blocked access to the complex for South Koreans and withdrew its workers. Only after five months, production was resumed. In 2016, the

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**10** South Korea under the presidency of Moon Jae-In obviously wanted to restart the project as a first flagship inter-Korean agreement; see Joongang Daily, "Kumgang Will Be First to Restart: Moon," February 19, 2019, accessed March 3, 2020, <http://koreajoongangdaily.joins.com/news/article/article.aspx?aid=3059558>; however, it remains in the current situation elusive. Saeme Kim, "The Trouble with Resuming Mount Kumgang Tourism," *The Diplomat* (November 2019), accessed March 3, 2020, <https://thediplomat.com/2019/11/the-trouble-with-resuming-mount-kumgang-tourism/>.

**11** Suk Hi Kim and Eul-Chul Lim, "The Kaesong Inter-Korean Industrial Complex: Perspectives and Prospects," *North Korean Review* 5(2) (2009): 81-92; Ralph Wrobel, "Kaesong Industrial Complex: The Centrepiece of Inter-Korean Cooperation at a Turning Point," *East Asia: Comparative Perspective* 9(1) (2010): 7-47.

heightened pace of the nuclear and missile testing of North Korea led to stronger South Korean reactions, and, after South Korea announced a temporary closure of KIC in February, the next day North Korea expelled all South Korean managers and threatened complete expropriation. When in 2018 the Inter-Korean Liaison office opened in the zone, there was hope for revival of the KIC. However, by now international sanctions effectively prevented North and South Korea to act unilaterally, and the complex did not open until today, while the Liaison office is largely idle. The failure of the KIC, which started hopefully and an agenda agreed by both Koreas, has again to do with large cash payments to the North - all the wages of between 90-100 mill. USD were paid directly to the North Korean state -, which invited criticism and was later banned effectively by international sanctions. Also, while the foundation of the project by the leaders President Kim Dae-Jung and Chairman Kim Jong-Il meant that the project was sacrosanct in North Korea, North Korea always had to worry about the impact of the complex on a large group of its workers, the military did not like the position directly in the sensitive border area, and with a recovering North Korean economy the economic benefits might have been seen as less important than before.

The advent of the conservative government of President Lee Myung-Bak (2008-2013) brought not only soon the end of the flagship project of Sunshine policy, Mount Kumgang tourism project, and later of Kaesong Industrial Complex, but also a complete reevaluation of unification policies from the two previous administrations of President Kim Dae-Jung (1998-2003) and President Roh Moo-Hyun (2003-2008). In particular, President Lee wanted to have a less one-sided, more mutually beneficial relation of both sides.<sup>12</sup> Ultimately, he concluded that sunshine

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<sup>12</sup> Jae Jean Suh, *The Lee Myung-bak Government's North Korea Policy* (Seoul: Korea Institute for National Unification, 2009), accessed March 3, 2020, <http://repo.kinu.or.kr/bitstream/2015.oak/1372/1/0001396359.pdf>; Aidan Foster-Carter, "Lee Myung Bak's Nordpolitik: A U-turn in the Pipeline? (Part I)," accessed March 3, 2020, <https://www.38north.org/2011/09/afostercarter091111/>; Aidan Foster-Carter, "Lee Myung Bak's Nordpolitik: A U-turn in the Pipeline? (Part II)," accessed March 3, 2020, <https://www.38north.org/2011/09/afostercarter091111-2/>.

engagement policy was an expensive failure, not creating trust, but propping up the North Korean regime.<sup>13</sup> One thing, however, did not change: the love for great schemes and projects. President Lee even named his proposal a “grand bargain”, meaning a proposal to solve simultaneously all different areas of problems between the two Koreas. President Lee unveiled his “vision 3000”, while still being mayor of Seoul and after a visit of Kaesong Industrial Complex in 2006. A unification of the advanced South and the lagging North, so his idea, would only be possible after North Korea reached at least a per-capita GDP of 3000 USD, from the less-than-1000-USD at that time. Opening of the economy and denuclearization would be preconditions for this. If these would take place, South Korea could help North Korea to more than triple its GDP in a decade, creating the precondition for unification. The “Grand Bargain” was to be a single agreement including all the steps necessary for denuclearization, opening and economic, not necessarily in one step, but by pairing and sequencing measures and having a specific timeline.<sup>14</sup> While the plan was well-meant, it never took off. North Korea snubbed South Korea's efforts for negotiations, saw the “vision 3000” as a form of bribery of its citizens, and developed a strong hatred for President Lee,

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<sup>13</sup> See Reuters, “Sunshine Policy Failed to Change North Korea,” November 18, 2010, accessed March 3, 2020, <https://www.reuters.com/article/us-korea-north-sunshine/sunshine-policy-failed-to-change-north-korea-report-idUSTRE6AH12520101118>. For an analysis Kwang Cheol Kim, “Retrospective on the Sunshine Policy and Suggestions for the EU’s North Korea Policy” (2015), accessed March 3, 2020, 10.13140/RG.2.1.3052.1448. Naturally, such an assessment led to a lively policy debate, which was however, in no way only partisan; for an early criticism of South Korean sunshine policy and call for its “recalibration”, see Hazel Smith, “How South Korean Means Support North Korean Ends: Crossed Purposes in Inter-Korean Economic Cooperation,” *International Journal of Korean Unification Studies* 14(2) (2005): 21-51; for an analysis of the “failure” of sunshine policy, Bruce Klingner, “Deny, Deceive, and Delay - North Korea’s Nuclear Negotiating Strategy,” *Journal of East Asian Affairs* 26(2) (2011): 1-24. However, for the defense of the legacy of sunshine policy, see James Hoare, “Why the Sunshine Policy Made Sense,” *38 North* (2010), accessed March 3, 2020, <https://www.38north.org/2010/03/why-the-sunshine-policy-made-sense/>; Chung-In Moon, “The Sunshine Policy,” in *Defense of Engagement as a Path to Peace in Korea* (Seoul: Yonsei University Press, 2012).

<sup>14</sup> Ministry of Foreign Affairs and Trade, “Grand Bargain” (2010), accessed March 3, 2020, [http://www.mofa.go.kr/eng/brd/m\\_5476/view.do?seq=309478&srchFr=&srchTo=&srchWord=&srchTp=&multi\\_itm\\_seq=0&itm\\_seq\\_1=0&itm\\_seq\\_2=0&company\\_cd=&company\\_nm=](http://www.mofa.go.kr/eng/brd/m_5476/view.do?seq=309478&srchFr=&srchTo=&srchWord=&srchTp=&multi_itm_seq=0&itm_seq_1=0&itm_seq_2=0&company_cd=&company_nm=).

putting his face onto targets for target practice and denouncing him as a traitor in mass rallies.

But also on a project level, President Lee, like his predecessors, was rather enamored with large-scale projects. One of these was the inter-Korean gas pipeline project. A gas pipeline through North Korea, build by South Korea to get access to Russian natural gas, was first discussed during the Kim Dae-Jung presidency, and later agreed by President Lee Myung-Bak and Russian President Dmitry Medvedev.<sup>15</sup> Indeed, there had been a precedent during Cold War times: from 1973 Gazprom, Soviet Union's state gas company, delivered natural gas to West Germany, and even during crises like the missile crisis in the early 1980s gas exports never ceased. This might have led to the reasoning, that North Korea could not reject an attractive economic offer. However, North Korea is not the Soviet Union, and had no interest in letting a South Korean company build a pipeline through its territory.<sup>16</sup> Again, mutual distrust was a main factor making this project a non-starter, very similar to the "Iron Silk road proposal" of a connection of South Korea to the Transsiberian Railway via North Korea, in later years.<sup>17</sup>

Before President Park Geun-Hye (2013-2017) came to power, she outlined her vision of North Korea policy in an article in *Foreign Affairs*.<sup>18</sup> After her election, she outlined her vision of unification policies in a speech held in Dresden, Germany. She pleaded for a moderate North Korea policy, in the middle between hard-line and soft-line approach and spoke of the central issue of the lack of trust. Indeed, this was a central problem of

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15 Jin W. Mok and Sung Gul Hong, "The Russo-Korean Cooperation for Natural Resources: The Prospect of the Trans-Siberian Gas Pipeline Project," *International Journal of Korean Studies* 16(2) (Fall 2012): 130-56.

16 Yusin Lee, "Potential Risks of the Russia-North Korea - South Korea Gas Pipeline: Is there Any Lesson Seoul Can Learn from the Russia-Ukraine Gas Disputes?," *Asian Survey* 53(3) (2013): 584-606.

17 With a negative outlook on the "Eurasia initiative", see Dong-Ching Day, "The Development and Responses of South Korea's Eurasia Initiative: Realization vs. Illusion," *Journal of International Relations and Foreign Policy* 5(2) (2017): 23-31.

18 Geun-hye Park, "A New Kind of Korea: Building Trust between Seoul and Pyongyang," *Foreign Affairs* (2011), accessed March 3, 2020, <https://www.foreignaffairs.com/articles/northeast-asia/2011-09-01/new-kind-korea>.

all inter-Korean projects failed so far, and “trust politik”, a policy to establish trust between the two Koreas, became the cornerstone of her presidency's North policy.<sup>19</sup> This included three policies, namely the normalization of inter-Korean ties through a trust-building process, small-scale unification projects that ultimately lead to economic integration and practical measures to prepare for unification by strengthening necessary capabilities in the South. All of these policies were indeed responding to the failure of previous policies. Unfortunately, they did never make it from concept to reality.<sup>20</sup> The Park government in the first years did wait for trust to develop, rather than actively working on it, and later the increasing testing of missiles and nuclear devices by North Korea led to increasing sanctions, and the end of Kaesong Industrial Complex. Certainly, the vilification of her by North Korean propaganda did not help. As far as concrete inter-Korean projects were concerned, for a long time President Park did support the Kaesong Industrial Complex, but ultimately gave it up. Regarding tourism, she proposed an inter-Korean peace park in the DMZ, however, despite long debates and a fierce competition of South Korean municipalities to host the peace park, there never was a realistic chance to implement it.<sup>21</sup>

19 Byung-se Yun, “Global Asia - Park Geun-hye’s Trustpolitik: A New Framework for South Korea’s Foreign Policy” (2013), accessed March 3, 2020, [http://www.mofa.go.kr/eng/brd/m\\_5689/view.do?seq=318641&srchFr=&srchTo=&srchWord=&srchTp=&multi\\_itm\\_seq=0&itm\\_seq\\_1=0&itm\\_seq\\_2=0&company\\_cd=&company\\_nm=&page=12&titleNm=](http://www.mofa.go.kr/eng/brd/m_5689/view.do?seq=318641&srchFr=&srchTo=&srchWord=&srchTp=&multi_itm_seq=0&itm_seq_1=0&itm_seq_2=0&company_cd=&company_nm=&page=12&titleNm=).

20 Aidan Foster-Carter, “Trust or Bust: What is Park Geun-hye’s Real Nordpolitik? Part 1,” accessed March 3, 2020, <https://www.38north.org/2014/04/afostercarter040114/>; Brendan Howe and Kyhung Min Lee, “Trustpolitik: The Failure to Build Trust in Inter-Korean Relations,” *Journal of Peace and Unification* 6(2) (Fall 2016): 95-124, accessed March 3, 2020, <http://cms.ewha.ac.kr/user/boardList.action?command=view&page=2&boardId=2162250&boardSeq=8151683&year=2019&month=2&startDate=&endDate=>.

21 The peace park ideas pre-date the Park presidency. See Youngsun Shin, “A Critical Review of Peace Park Tourism Planning and Development in the Border Region,” *Tourism and Hospitality Planning & Development* 4(2) (2007): 111-20. However, at that time it was more an ecological concept following the German Green belt in the former border area than a political or tourism idea; see Byungchun So, “A Study of Establishing an International Ecological Peace Park in Korean DMZ,” *International Area Review* 8(1) (2005): 65-83; and also Peter Hayes and Roger Cavazos, “An Ecological Framework for Promoting Inter-Korean Cooperation and Nuclear Free Future: a DMZ Peace Park,” *NAPSNet Special Reports* (August 27, 2013), accessed March 3, 2020, <https://nautilus.org/napsnet/napsnet-special-reports/an-ecological-framework-for-promoting-inter-korean-cooperation-and-nuclear-free-future-a-dmz-peace-park/>.

As this tour d'horizon shows, ultimately all large-scale schemes and projects of unification failed at some point. Among the reasons, flaws in design, like large-scale cash payments leading to resentment by a large part of the South Korean electorate, but also other international actors, played an important role, but the main factor for failure was usually the lack of trust, making large-scale project either impossible or prone to fail. The next section shows with the example of environmental cooperation, how small-scale projects could survive even under the same dismal conditions.

## International and Inter-Korean Environmental Cooperation - Experiences from the Field of the Protection of Nature and Biodiversity

The frequent failure of large-scale, highly-politicized projects does not need to be the end of all inter-Korean cooperation. The field of environmental cooperation shows that engagement with North Korea is still possible and meaningful, though on a small-scale. Basically, from the beginning of North Korea's existence as a socialist state there was a certain interest in the protection of national heritage, including the environment, e.g. in the form of natural monuments or protected areas. This was true under Kim Il-Sung as well as his predecessors Kim Jong-Il and Kim Jong-Un. However, not unlike in many other developing countries, other goals of the state, in particular economic development, always took precedent over environmental protection in the case of conflicts: Wetlands vs. land reclamation, clean air and water vs. development of the chemical industry and intensive agriculture etc.<sup>22</sup> Also, under Kim Jong-Il in the difficult times of the 1990s and 2000s environmental policy

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<sup>22</sup> This became obvious in an interview with a nature reserve ranger in Kangryong (Hwanghae-Namdo) in 2011, who recounted that before 1990, rangers were equipped with guns, but afterwards, Kim Il-Sung ordered to take their guns away, when the hunger crisis began in serious, because he feared clashes between hungry poachers and reserve rangers.

was not an important goal. North Korea was however responsive to international demands and opportunities after the partial opening of the country in 1995, as long as these opportunities were funded. For example, in 2007 the GEF program on the West Sea eco-region with UNDP was carried out. In that time already plans for joining the EAAFP and Ramsar convention were made, but never carried out under the worsening political international environment due to the nuclear program of North Korea. Also, the preparation for CDM projects falls into the late time of the Kim Jong-Il reign.

Under Kim Jong-Un, we see basically a very similar pattern of a reactive environmental policy: Environmental policy proposals are accepted, as long as they are not costly and to some extent even beneficial (in material terms) for North Korea. There are, however, some factors improving and facilitating this kind of project under Kim Jong-Un. These include:

- increasingly better and more reliable communication and access to the country
- easier travel rules from the side of North Korea
- acceptance of international and South Korean knowledge like books
- a less ideological approach in functional cooperation (e.g. with MoLEP)
- a sometimes explicitly stated orientation towards “advanced” states like Switzerland or Germany by Kim Jong-Un himself in his on-the-spot guidance (e.g. in Samjiyeon)

These were factors contributing to the renewed interest and successful application/ adherence to the EAAFP, Ramsar Convention and IUCN (MoLEP membership).

What are the benefits of international cooperation? For North Korea, it means a certain form of recognition as a “normal” state, as status often denied in other fields. For the international community, first, it is important to protect nature comprehensively. Take, for example, migratory birds. If one state along the flyway neglects its protection, important

stop-over and resting places, wintering places or breeding places are missing. Even, if all other states do a good job, birds cannot survive. In the Yellow Sea area, which is used by an overwhelming part of migratory birds in the Asia-Pacific, already China and South Korea (where 75 percent of tidal flats disappeared due to reclamation and land development) are pressed hard by development. North Korea still provides important resting areas for migratory birds. One example is the swan goose, of which more than 40 percent of the global population use Mundok in North Korea as a crucial resting area in their long migration. A second reason to cooperate with North Korea is the fact that North Korea can practice normal, peaceful relations in environmental agreements, where they are taken serious as partners, but also have the same duties like other partners, for example in reporting. Given that North Korea is so much isolated from the rest of the world, this is an important way to re-integrate North Korea peacefully in those areas, where it is possible. For South Korea, cooperation with the North would be equally beneficial. It could be a way to foster stronger peaceful relations in a time, when due to sanctions economic cooperation still is not feasible. Also, it can contribute to the reduction of military tensions in the border area, if it achieves to focus attention on the valuable habitats in and along the DMZ, including for example the Han River estuary or the outlying islands like Baegnyeongdo. As it is the case with forestry cooperation, cooperation on the protection of wetlands and other valuable habitats and species can add to foster people-to-people contacts, build trust and so contribute to a peaceful development of the Korean Peninsula. Therefore, South Korea should not forget to focus attention on these issues, which are currently marginalized in the inter-Korean agenda. Protection measures, joint nature surveys, joint publications of research (e.g. a joint research on bird species on the entire Korean Peninsula, which is still lacking) could be coupled with the offer of humanitarian assistance. In the long run, a better protection of the nature and biodiversity in the North also benefits the South, and the whole world.

Therefore, policy proposals for North Korea in this field, if they are

funded, might be seen favorable in most cases. Additionally, due to the strong political isolation of North Korea due to its nuclear program, also the additional goal of becoming recognized as a “normal state” plays a role. This also favors participation in international environmental mechanisms or regional environmental schemes. Naturally, certain caveats and obstacles remain in North Korea, e.g. regarding direct cooperation with South Korean partners. But the range as well as depth of programs seems to be enhanced under the Kim Jong-Un rule.

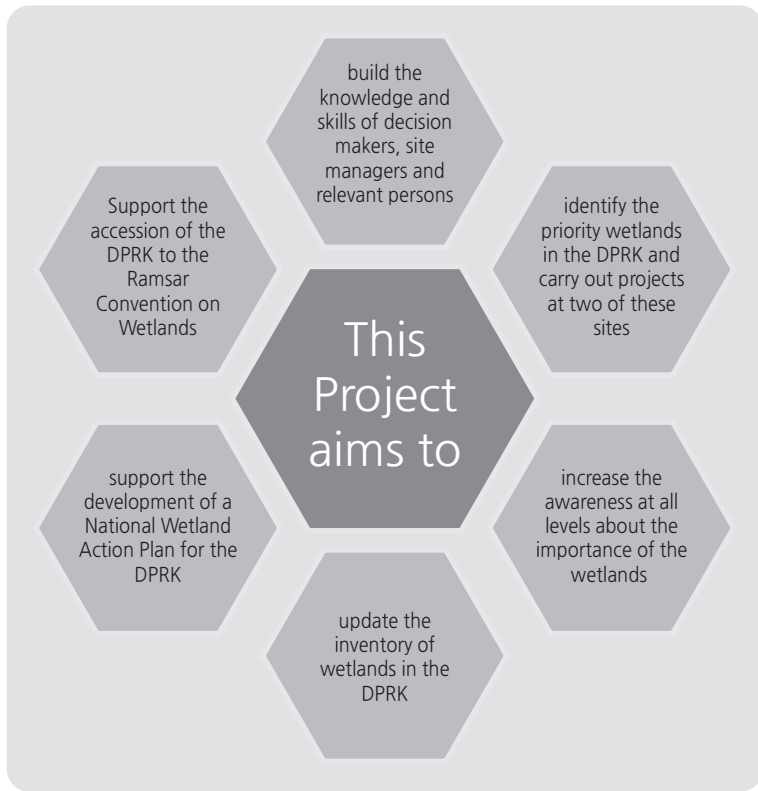
Since 2015, a group of international INGO like IUCN and WWF, as well as Hanns-Seidel-Foundation of Germany, worked together to help North Korea join various important international conventions and organizations as well as improve environmental knowledge, in particular in the fields of biodiversity, climate change and nature protection.<sup>23</sup> People and animals benefit from the existence of wetlands. They play a critical role in the natural water cycle. However, they are endangered. In the Democratic People’s Republic of Korea (an estimated 6% of all land are wetlands, a unique habitat for many species, from plants to animals like birds, fish and amphibians). Those habitats are threatened by over exploitation, pollution, water withdrawal, and climate change. The DPRK tries to solve this problem. This project was designed to support the DPRK achieve its goals regarding the conservation of wetlands.<sup>24</sup> The project was a multi-actor, multi-aim project to comprehensively improve the policy towards wetlands, but not by one big design, but rather by a multitude of smaller, more realistic intermediate steps, which then would lead to a big push forward for the environment.

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23 Nial Moores et al., “Wetlands: Ecosystem Services, Restoration and Wise Use,” in *Wetlands: Ecosystem Services, Restoration and Wise Use*, ed. An SQ and Verhoeven JTA (Berlin: Springer, 2019), 159-84.

24 Felix Glenk and L. Kim, “International Cooperation for the Environment of the Democratic People’s Republic of Korea,” in *Global Policy Brief* (Sejong City: Korea Environment Institute, 2019).

Figure 1: Aims of the Wetland Project in DPRK



Source: Hanns-Seidel-Foundation Korea

Through international workshops, national workshops, environmental surveys, translation of important documents into Korean language to raise awareness and international networking for DPRK delegations a number of goals to enhance environmental cooperation could be achieved:

- Enhancing Networks: Regular participation of representatives of the DPRK in international meetings, conferences, and workshops, as well as visits of representatives of more than 15 international organizations (IO or INGO) to the DPRK since 2014 enhanced the international net-

work of stakeholders in the DPRK. The international community is actively supporting projects to conserve and ensure the wise use of wetlands.

- **Capacity Building:** Trainings abroad and in the DPRK supported the environmental sector in the DPRK and led to an improvement of skills and knowledge for hundreds of participants so far<sup>25</sup>
- **Awareness Raising:** The implementation of awareness raising activities (e.g. the translation of the Ramsar Convention and related handbooks into Korean, and the celebration of International Environment Days) support a better understanding for the significance of healthy ecosystems among representatives of government institutions, officials, students, media and actors on the local level. In October 2019 the first “Mundok Swan Goose Festival” brought together local school children and teachers, environmental officials, local officials, and foreign diplomats to celebrate the importance of this wintering site for an endangered species, the Swan Goose.
- **Reintegration into International Environment Networks:** The Ministry of Land and Environment Protection of the DPRK became a member of the International Union for the Conservation of Nature in 2017. In April 2018, DPRK became the 180th signatory state to the (Ramsar) Convention on Wetlands, and in 2018 DPRK also became the 35th member of the East Asian Australasian Flyway Partnership, with two Flyway Network sites in Mundok at the West coast and Kumya at the East coast.

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25 Capacity-building has a number of benefits for future inter-Korean and international cooperation, which here cannot be discussed in more detail; see, however, Bernhard Seliger, “Engagement at the Margins: Capacity-building in North Korea,” in *Korea’s Economy 2009* (Washington, D.C.: Korea Economic Institute, 2009), 67-75; and Bernhard Seliger, *Capacity-building for Agriculture, Energy and the Environment: The Experience of Hanns-Seidel-Foundation* (Seoul: KDI School of Public Policy and Management, 2020 forthcoming).

One of the potential extensions of this cooperation is transboundary nature protection. This is as well true for the Korean-Russian-Chinese border, where important wetlands exist in Rason, the Russian Far East and Hunchun, but potentially also for the inter-Korean border.<sup>26</sup> Environmental cooperation with HSF and IUCN led also to new initiatives in related fields like climate change and afforestation. DPRK designated an authority to cooperate with the Green Climate Fund and currently in cooperation with the FAO started a first preparatory “readiness” project.<sup>27</sup> As part of the process to bring North Korea into these agreements, also frequent exchanges with South Korean academics, practitioners in the field of environment and officials took place. While this project was not designed as an inter-Korean cooperation project from the beginning, it shows how also inter-Korean projects can progress.

## Towards a Policy of Small, Feasible Inter-Korean Projects

In the project on biodiversity and wetlands, there are a number of success factors to be considered. First of all, the issue of trust. As pointed out rightly by former President Park Geun-Hye, with her ultimately failed trustpolitik, without trust there are no project possible. Therefore, trust is a precondition for projects. In the case of the cooperation for biodiversity and wetlands, this trust was outcome of prior cooperation, in a more loose sense since 2008, when Hanns-Seidel-Foundation started its first projects on sustainable forests with the Ministry of Land and Envi-

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<sup>26</sup> See Felix Glenk, “Transboundary Wetlands Conservation in the Democratic People’s Republic of Korea and the Republic of Korea,” in *State of Nature in a Globalised World: Conflict and Conservation* (Geneva: International Union for the Conservation of Nature, 2020), 43-4.

<sup>27</sup> Green Climate Fund, “NDA Strengthening and Country Programming Support for DPR Korea through FAO (2019),” accessed March 3, 2020, <https://www.greenclimate.fund/document/nda-strengthening-and-country-programming-support-dpr-korea-through-fao>.

ronment Protection, but much more intensely since 2014, in an EU-funded project on sustainable forestry (“Improvement of rural living conditions through healthy forests - establishment of a training center for sustainable forestry in DPRK”). Intense cooperation in this projects helped to overcome initial problems and concerns regarding the new project, which did, differently from most other projects with DPRK, no fixed budget or timeline, a sign of trust from the side of DPRK, who usually required these as a precondition for starting new initiatives. Trust, however, is also an outcome of projects - this is a point which trustpolitik completely neglected, therefore, more projects, initially maybe small, due to small trust, will lead to more trust and this will lead to more new projects. This is also, among others, a very physical process: given the strong isolation of DPRK partners and the rare opportunities to engage in talks with them (and not just exchange letters, e-mails, or carried out pre-arranged programs), the creation of more of such opportunities will invariably lead to the discovery of more opportunities for cooperation. Once trusted, DPRK partners themselves often point out these and ask for cooperation on certain matters.

But what can be done when trust is not given in the first place? One possibility to proceed without initial trust it cooperation in an international framework, to borrow trust from the international setting. Clearly, a bilateral cooperation between DPRK and international partners, not to speak of South Korean partners, is highly risky for DPRK partners, if something goes wrong. This can be a simple newspaper article in a South Korean newspaper describing the DPRK or partners in a negative way, even a picture showing poverty in DPRK, etc. Often, even sympathetic reporting on events or joint plans can get DPRK partners into a lot of trouble, if these events or plans are not (yet) sanctioned by upper echelons of decision-making. In this way, in the past for example plans for trilateral cooperation of universities of North Korea (Kim Il-Sung University), South Korea (Kangwon National University) and China (Yanbian University) failed, and also plans to support North Korean students of forestry via the FAO by South Korea. An international framework offers much more

safety, and the more international, starting with numbers of countries participating, and the more official, like the UN framework, the safer it is to participate. Also, for international and South Korean actors, meeting in such a framework might make sense. It obliges DPRK to act cooperatively when bilateral cooperation is difficult, and it gives DPRK personnel a chance to practice "normal" international relations often inhibited by the Pariah status DPRK suffers from in many fields, foremost political and human rights issues. This is one of the reasons why Hanns-Seidel-Foundation helped DPRK to actively participate in the Clean Development Mechanism (CDM) under the United Nations Framework Convention on Climate Change (UNFCCC). In that project, capacity-building by HFS supported the successful registration of originally eight CDM projects at the UNFCCC. Given the importance of climate change action and the successful, but expensive introduction of a national Emissions Trading System in South Korea, this field holds great promises for future cooperation between North and South Korea.

Another example for a framework helping to overcome the lack of trust is cooperation in the field of Sustainable Development Goals, formerly known as Millennium goals. UN Sustainable Development Goals (SDG) are a very promising way to discuss the improvement of livelihood and human rights, since the SDG are accepted by North Korea and North Korea actively participates in a number of projects focusing on SDG (as, for example, the recent UN-ESCAP conference on SDG in Vladivostok in October 2019). The potential importance of SDG as a tool to improve human rights is the potential to work over a number of inter-related topics (e.g. clean water, climate, biodiversity, zero hunger), with a good justification in a situation where otherwise often the cooperation potential in North Korea is severely restricted by the design of partner institutions. If it is possible to work on "SDG" broadly understood, a wide range of actions is possible, e.g. in village renewal projects, in wetland conservation projects etc. Therefore, it would be very meaningful to promote the use of the concept of SDG in North Korea. As a yardstick for human rights in North Korea, they might be less important (compared to traditional

analysis covering the same issues in different words), but as a tool for practical cooperation with North Korea it might be very important in the future. The framing of projects in the form of SDG thereby not only solves the trust issue, but also helps to overcome a second problem, namely the compartmental organization in DPRK, where every foreign or South Korean organization has to work with one partner only in DPRK, and cannot always choose the (topically) best partner, but has to work with the given partners. SDG are broadly-enough defined to allow overcome to some extent the boundaries of compartments.

Third of all, the project was also successful because it did not start with a noble, but too lofty goal (like "developing an environmental or wetland strategy of DPRK"), but rather had small, better to control and implement goals. These included certain trainings, publications, activities which were intermediate goals in a larger project view, but stand-alone goals, too. This was important since they allowed the project to proceed even if some original intentions could not be fulfilled, some not yet, and others were added. To understand this, the asymmetric relationship of success and failure in bureaucracies in general, but in particular in DPRK have to be seen. Generally, failure is much more feared in bureaucracies than success is looked for, since the benefits of successful programs are rather limited in bureaucracies (for example, there is no direct relation of the income of a ministerial official and the success of his work), but the sanctions on failure can be harsh. When, for example, in 2016 the South Korean government initially rejected North Korea's participation in the East Asian Australasian Flyway Partnership (EAAFP) at the Convention of the Parties in Singapore, this was a problem for the DPRK delegation which had invested its prestige in going there and had to go back empty-handed. However, since there were a number of other, short-term goals attained, including some negotiations during the Singapore meeting, this rejection became less crucial. And fortunately, until the next COP in China all parties, including South Korean agreed to welcome North Korea in the EAAFP. A step-by-step approach, where the MoLEP had many achievements throughout the way, was able to cover for occasional hick-

ups and obstacles on the way.

## Conclusion: Small Is Beautiful, but Big Can Be More Beautiful... Once the Conditions Are Right

The discussion of “big” versus “small” projects shows that in the difficult times of inter-Korean relations and the ongoing nuclear standoff rather a strategy of small, feasible, and less politicized actions should be taken. These projects should start with fields where already an initial trust has been built, or, more likely, where international cooperation can allow for inter-Korean activities under a trust-building roof. In this sense, while direct, bilateral amicable relations are the ultimate goal of inter-Korean policy, for the time being much more effort, including financial effort, should be spent on international cooperation projects with North and South participation. This participation often can be in a more exclusive way, e.g. in breakout sessions or special sessions on Northeast Asian issues, maybe even Korean Peninsula issues, in otherwise international or pan-Asian conferences, but it can rarely be exclusively bilateral in the very beginning of cooperation. This needs more trust to be built. While such a strategy functions already in the absence of any change of sanctions and legal constraints, it is important to have direct benefits of cooperation ready, whenever possible. This can for example include books and other information often not easily to be sourced in North Korea.

Also, to foster inter-Korean projects, a policy of small steps would work, by first going in a trilateral way, for example a cooperation of a South Korean partner with an international partner, who on behalf of the South Korean side, but not necessarily with actively saying so in North Korea, carries out projects.<sup>28</sup> This has become of the most difficult

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<sup>28</sup> For the theory of “triangular” cooperation and its implementation in the framework of South Korean ODA, see Sujin Lim, “Determinants of Aid Modalities: A Case of South Korea on Triangular Cooperation and Its Implication Toward North Korea,” *North Korean Review* 15(1) (Spring 2019): 73-93.

issues: it should not be the case that projects are carried out by misinforming the North Korean side; North Korean project partners need to know the cooperation model. However, this does not mean going to North Korea with openly promoting the South Korean origin of materials, aid etc. Often, a tacit agreement can be found. This is mostly difficult to accept for South Korean partners, for obvious reasons. But if one accepts the premise that small projects would foster trust, and trust would allow for more and, ultimately bigger cooperation projects, then forgoing the recognition in initial projects might still be a superior strategy than to insist on full disclosure of cooperation and wait forever for anything to happen in vain.

Recently, relations on the Korean Peninsula took again a very negative turn. All steps of engagement, small and big, seem to be in vain. But this does not devalue the argument that small steps can be carried out first. Very clearly, the ultimate goal are big projects: joint economic projects, tackling jointly environmental challenges, bringing the people of North and South together. However, there is no sense in lamenting the (bad) state of relations and not acting. Carrying out whatever is possible on small projects is not a guarantee for success. But it remains the best bet. This is true for the politically less sensitive issues, like environment and energy policy, but also for the big issues like denuclearization and human rights. Naturally, a big advance is more beneficial than a small one. But is it more likely? When reviewing the European experience, with big advances like the Helsinki conference, starting point of the CSCE/ OSCE process, we should not forget that this was not the real starting point of Cold War cooperation, but rather the end-point of ten prior years of trust building, with small projects, many backlashes, and small successes. And this is needed on the Korean Peninsula, too.

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# U.S. Strategy and Role in Cross-Strait Relations: Focusing on U.S.- Taiwan Relations

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## Abstract

The United States is a crucial factor in cross-Strait relations and there is a U.S. role in conflict and competition between China and Taiwan. The U.S. has officially approved the 'One China' principle while maintaining 'strategic ambiguity' in cross-Strait relations, appearing deliberately vague on the issue of Taiwan's legal status. Its strategic ambiguity takes the form of recognizing Taiwan's substance at the unofficial level and maintaining friendly relations while supporting the 'One China' principle on the other. Historically, the U.S. recognized Taiwan's strategic values after the Korean War. Since the 2000s, meanwhile, major political parties in Taiwan have shown marked differences in their perceptions and policies toward China. Over the past 20 years, so-called 'identity issues' have become a key point of friction in Taiwan's politics and cross-Strait relations. Thus, since the 2000s, when relations between the two sides were hostile or strained, the U.S. played a role in helping maintain balance and stabilize the situation. With the emergence of President Tsai Ing-won seeking independence, uncertainties in cross-Strait relations are also very high. Since Tsai Ing-wen took power, conflicts between the two sides have intensified due to Taiwan's continued criticism of China and China's political and diplomatic pressure on Taiwan. In particular, the deterioration of relations has widened since President Trump took office, threatening the 'One China' policy due to the strengthening of exchanges between the United States and Taiwan. With China under Xi Jinping challenging U.S. hegemony, the U.S. is likely to have no choice but to take full advantage of the Taiwan issue to keep China in check. Comparing U.S. foreign policy changes and roles in South Korea and Taiwan, which are in a somewhat similar situation in Northeast Asia in terms of facing the rise of China and the U.S. 'pivot to Asia,' can also be a meaningful research topic.

**Key Words:** U.S. Strategy, cross-Strait relations, China, Taiwan, U.S.-China relations, identity issue

## Introduction

The theoretical framework that politically explains the cross-Strait relationship includes integration theory, divided-nation model theory, and triangle theory. In the domestic political sphere a number of models as well, 'vote-maximizing model,' 'developmental state paradigm,' and the 'political psychology theory.' From an international standpoint 'triangle theory,' 'systems theory,' and the 'cognitive approach' are often applied.<sup>1</sup> The study of cross-Strait relations can be analyzed separately by the effect of exchanges between China and Taiwan in general, the effect of domestic variables of China and Taiwan on both sides, and the effect of international variables such as the U.S. policy on both sides. In other words, the three sides of China-Taiwan interaction, the changing domestic environment within China and Taiwan, and the international environment can be the framework for analysis. Internationally, the United States is a crucial factor in cross-Strait relations. There is a U.S. role in conflict and competition between the two sides. There is an unstable triangular relationship between the two sides and the United States. In particular, the U.S. position on Taiwan issues deeply affects not only China's Taiwan policy, but also China's policy toward the U.S. and U.S.' policy toward China. This is also deeply related to the perception of China in the U.S., whether the U.S. sees China as a competitor for world dominance or a partner in world order.

In cross-Strait relations, the U.S. basically insists on a peaceful solution to the Taiwan issue and actively supports dialogue between the two sides.<sup>2</sup> The U.S. opposes any unilateral attempt to change the status quo on the Taiwan issue, whether from the Chinese or Taiwanese side. The U.S. maintains that it opposes China's reunification of Taiwan by force and at the same time does not support Taiwan's independence ac-

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1 Yu-Shan Wu, "Theorizing on Relations across the Taiwan Strait: Nine Contending Approaches," *Journal of Contemporary China* 9 (2000): 409.

2 Sung Jin Moon, *A Study on Correlation between U.S.-China Relations and Taiwan Issue* (Seoul: Han Yang University, 2011), 4-5.

tivities. The United States deters Taiwan's independence through the Taiwan Relations Act, which defines its relations with Taiwan, and at the same time recognizes the principle of 'One China' embodied by the mainland government. The U.S. has officially agreed to the 'One China' principle while maintaining 'strategic ambiguity' in actual cross-Strait relations, which is vague on the issue of Taiwan's legal status. This appears to deepen unofficial relations with Taiwan in stabilizing the Taiwan Strait and maintaining the status quo. Strategic ambiguity aims to recognize Taiwan's substance at the unofficial level and maintain friendly relations, while supporting the 'One China' principle on the other. Above all, the U.S. seeks to manage optimal cross-Strait relations that maintain the status quo in between complete reunification and total independence. The 'strategic ambiguity' about Taiwan was particularly evident during the Clinton Administration.

The United States, however, has intervened in Taiwan affairs beyond its unofficial relationship, including massive arms sales to Taiwan on the basis of the Taiwan Relations Act.<sup>3</sup> The U.S. appears to use the Taiwan's card to keep China in check in Northeast Asia. The U.S. is in the same position as China in blocking Taiwan's independence for the sake of peace and stability on both sides, but the U.S. also intends to use Taiwan to check China's rise.<sup>4</sup> That's because the military outpost that the U.S. uses to keep China in check is the Taiwan Strait, adjacent to the South China Sea. The United States could promote or hinder reconciliation between the two sides. Indeed, while reconciliation between China and Taiwan was still in its early stages, China and Taiwan dealt with such easy issues as the so-called 'three direct links' (三通) and the United States could actually feel relatively comfortable thanks to a thaw in cross-Strait relations. But when cross-Strait relations begin to deal with more sensitive political and security issues affecting U.S. interests and

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3 Heung Ho Moon, "Taiwan's Democratic Progressive Party Re-election and the Development of Triangular Relations with China and the United States," *China Plus* 114 (2016): 34.

4 Quansheng Zhao, "America's Response to the Rise of China and Sino-U.S. Relations," *Asian Journal of Political Science* 14(1) (2005): 13.

future U.S.-China-Taiwan relations, it may become difficult for the U.S. to adapt to the changing realities of cross-Strait relations.<sup>5</sup>

For Taiwan, maintaining its own military power alongside the mainland continues, especially through the purchase of weapons from the United States, and, in addition, maintaining the possibility of U.S. involvement in the event of an actual military conflict, serves as an effective deterrent against military action by China's People's Liberation Army (PLA). Thus, talk of periodically freezing arms sales has caused great unrest within Taiwan, although the U.S. has never equivocated its promise to supply Taiwan with weapons and defense technology.<sup>6</sup>

Based on the above background discussion, this paper outlines how the U.S.' position on Taiwan in cross-Strait relations has historically changed. It also looks at the duality of U.S. policy on Taiwan due to changes in Taiwan's domestic political structure, along with the use of the U.S. '*Taiwan Card*' to check the rise of Chinese hegemony in the Asia-Pacific region. As the hegemonic conflict between the U.S. and China over the Asia-Pacific region has shown signs of growing, this paper is a very timely topic at this point. There are many papers dealing with cross-Strait relations, but the subject of research that deals with the U.S.-Taiwan relations is rare. In this regard, this paper differs from the existing research. Taiwan's geopolitical position, which is blocking China's advance into the Pacific, is becoming increasingly important in relation to the hegemony of the U.S.-China in Northeast Asia. Despite the recent Covid-19, the conflict between the U.S. and China is foreshadowing a second round, and bilateral relations are definitely emerging as an issue that must be noted.

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5 Jianwei Wang, "Is the Honeymoon Over? Progress and Problems in Cross-Strait Relations," *American Foreign Policy Interests* 32 (2010): 164.

6 Bi-khim Hsiao, "A DPP Perspective on Domestic and Cross-Strait Challenges for Taiwan," *American Foreign Policy Interests* 31 (2009): 43.

# Historical Trends and Changes in U.S. Policy toward Taiwan during the Cold War

## 1. The rise of Taiwan's Status Uncertainty (臺灣地位未定論) after the Korean War

Before the outbreak of the Korean War, the U.S. policy on Taiwan was a one of nonintervention.<sup>7</sup> President Truman established and promoted the Taiwan Self-Governing Plan in early 1949, and declared on January 5, 1950 that the United States would not defend Taiwan from Chinese aggression. What was crucial was the U.S. Secretary of State Acheson's declaration that South Korea and Taiwan would be excluded from the U.S. defense line.

But in the wake of the Korean War, Taiwan became the outpost of the United States and was placed under military and economic protection. Meanwhile, Free China (Taiwan) planned to take over China in the wake of the Korean War.<sup>8</sup> This was in line with Syngman Rhee's (李承晚) plan to march northwards to unify Korea (北進統一), and Rhee also asked the U.S. to participate in Free China's war of aggression. However, the U.S. was reluctant to accept Taiwan's continental conquest for fear of expanding the war, and rejected Taiwan's participation in the Korean War. Taiwan proposed on June 27, 1950 the dispatch of three divisions of 33,000 infantry in its capacity as a member of the United Nations, but was rejected by opposition from the United States, Britain and India. However, unofficially, records proving Taiwan's participation in the Korean war were confirmed in diplomatic and military materials released by the Taiwan Foreign Ministry and the U.S. government in 1994. These documents revealed that Taiwan, after consultation with General Walker, Commander the Eighth

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<sup>7</sup> Ralph N. Clough, *East Asia and U.S. Security* (Washington D.C: The Brookings Institution, 1975), 9.

<sup>8</sup> 建東 邵, "美國與臺灣: 歷史的評說," *中國·臺灣研究* (1996): 65-7.

U.S. Army, dispatched 1,500 psychological warfare units, led by intelligence agents and operatives.<sup>9</sup>

U.S. intervention in the Korean War triggered China's participation, and the U.S. implemented a containment policy to keep China fenced in. The strategic value of Taiwan was re-recognized in the wake of the Korean War, and the Taiwan Defense Strategy, which resulted from the dispatch of the U.S. Seventh Fleet to the Taiwan Strait, contributed to the Taiwan problem that has continued so far. The U.S. sent the Seventh Fleet to Taiwan shortly after the Korean War broke out, blocking the Taiwan Strait, declaring a 'neutralization of the Taiwan Strait'. This was a basic guarantee of security for Taiwan by the United States,<sup>10</sup> and came to prevent conflicts between Taiwan and China. The conflict between the two countries threatened the safety of U.N. forces in South Korea and threatened to escalate the dispute to all parts of the Pacific. Truman declared that the U.S. action was fair to both sides of the Strait.<sup>11</sup> U.S. policy makers recognized the need for U.S. protection and assistance to the Kuomintang (國民黨) government of Taiwan, and the U.S. goal was to stabilize the situation in Taiwan and prevent it from falling during the Korean War. The U.S. has confirmed its goal of curbing the Chinese Communist Party's control of Taiwan by lifting military restrictions placed on Taiwan's Kuomintang government and cooperating on Taiwan's protection. In addition, in July 1950, the U.S. recognized that strengthening the Kuomintang government army was a prerequisite for Taiwan's defense.

Truman then expressed his intention that "in the future, Taiwan's status will be determined by the recovery of safety in the Pacific and Japan's peace settlement, or by U.N. considerations."<sup>12</sup> This has since been the

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9 Hwa Deuk Hong, "Taiwan's Special Forces Secretly Participate in the Korea War," *Monthly Chosun* 179 (1995): 279-80.

10 President Truman's Message to the Congress of the United States, 外交部檔案 11-417/0092 (Taipei: MOFA, July 19, 1950), 88.

11 The full text sent by Vi Kyuin of the ambassador of the United States to the Ministry of Foreign Affairs of Taiwan, 外交部檔案 11-417/0092, 143.

12 Steman Issued by the President, *FRUS VII* (Washington D.C.: DOS, June 27, 1950), 202-3.

origin of the 'Theory of the Undetermined Status of Taiwan.'<sup>13</sup> In other words, U.S. policy was limited to "neutralization of Taiwan and localization of the Korean War."<sup>14</sup> To avoid expanding the Korean War, Truman also ordered increased military aid to the Philippines and Indochina, where the war was likely to escalate along with Taiwan's defense.<sup>15</sup>

Based on this, the theory of 'Theory of the Undetermined Status of Taiwan' emerged. In 1951, in the San Francisco Peace Treaty, the U.S. demanded Japan sign a peace treaty with the Republic of China. However, by not specifying in the treaty that the Republic of China is the only China, the unresolved state of Taiwan's sovereignty continued. The 'undetermined status of Taiwan' has since persisted as a struggle between the People's Republic of China, the Kuomintang, which has been under real control of Taiwan, and the independent forces in Taiwan whose sovereignty is purely Taiwanese. President Eisenhower adopted the U.S.-Taiwan Mutual Defense Treaty and the Taiwan Resolution in 1954. The Mutual Defense Treaty was signed in Washington on December 2, 1954, and ratified by the Senate on February 9, 1954, the ratification was exchanged on March 3. In 1955, the U.S. Congress adopted the Taiwan Resolution, which empowered the president to send U.S. troops in the event of a Chinese armed attack on Taiwan.

## **2. The establishment the U.S.-China diplomatic relations and the maintenance of informal relations with U.S.-Taiwan through the Taiwan Relations Act (臺灣關係法)**

The improvement of relations with China, which brought about a relaxed Cold War structure shift from the tight Cold War structure into the loose bipolar system or a multi-polar system began in April 1971 with

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13 國史館中華民國史外交志編纂委員會 編, *中華民國史外交志* (台北: 國史館, 2002), 545-6.

14 正銘 黃, *中國外交史論集* (台北: 中華文化出版事業委員會, 1957), 27.

15 Stateman Issued by the President, *FRUS VII* (Washington D.C: DOS, June 27, 1950), 202-3.

the so-called '*ping-pong diplomacy*' in which the Chinese government invited the U.S. ping-pong team to China, and on February 1, 1972, Nixon visited China for six days to normalize relations. In the '*Shanghai Statement*' (上海公報), the U.S. and China agreed that Taiwan is part of China and the U.S. agreed that the final goal is to withdraw U.S. military and military equipment from Taiwan if China and Taiwan overcome their differences.<sup>16</sup>

China's entry into the United Nations has led to the realization of the logic that the sovereignty of free China (Taiwan) should be vested in China. In the communique, the two countries fully normalized relations and chose to describe their respective positions in parallel regarding sharp diplomatic issues. Especially with regard to Taiwan, the biggest issue, China insisted that "Taiwan is part of the People's Republic of China," and that the U.S. "does not challenge China's position." The U.S. decided to gradually reduce the number of U.S. troops stationed in Taiwan and push for a complete withdrawal. After improving relations between China and the U.S., the U.S. pursued the status quo and stability of the Taiwan Strait as a priority policy based on the principle of '*One China*,' the inability to insist on Taiwan's independence and China's opposition to the use of force against Taiwan. But the U.S. commitment to Taiwan's defense has made it difficult for China to subjugate to Taiwan through force.

After the diplomatic break-up, the U.S. relations with Taiwan have been exhibited mainly through the expansion of economic scale and US economic support for Taiwan. Trade between the U.S. and Taiwan increased from \$1.5 billion in 1971 to \$3.7 billion in 1974. On the other hand, trade volume between the U.S. and China was only \$950 million in 1974. Since then, U.S.' economic aid to Taiwan has continued. Also, the U.S. has been active in providing military support for the defense of Taiwan from China. In 1973, the U.S. provided Taiwan with a large-scale military loan to build fighter jets and agreed to give submarines. At that

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<sup>16</sup> Jun Gab Chang, "Asia Detente of the Nixon Administration and Korea-U.S. Relations," *History & the Boundaries* 70 (2009): 198.

time, the reason why China could not strongly protest against the U.S. military support in Taiwan was because it could not respond to the U.S. or Taiwan with all its might due to political instability in China and, on the other hand, the confrontation between China and the Soviet Union had reached a peak. As the Soviet Union's access to Taiwan was also a cause for alarm, China did not protest much against the U.S. military support for Taiwan.

The U.S. Taiwan Relations Act was enacted shortly after the Carter Administration established diplomatic relations with China in 1979. Due to the U.S. agreement to the 'One China' principle, the U.S. could not maintain an official alliance with Taiwan, but the U.S. established a domestic law for intervening in cross-Strait issues. The Taiwan Relations Act is a means to keep China in check by strengthening military and security policies in preparation for China's rise as a hegemonic power. According to the wording of the Act, the U.S. is required to sell its weapons to Taiwan if China invades or poses a military threat and the U.S. will intervene automatically in case of an emergency. This was a dual strategy of the U.S. politically vis-à-vis China and Taiwan, and economically, it was a policy of continuously securing customers for arms sales, something the U.S. needed. In Article 2 of the Taiwan Relations Act, which was passed by the U.S. Senate, the U.S. would be eligible to use force if Taiwan's people and social and economic systems were threatened. On the other hand, however, the rule also meant that the Taiwan issue does not only fall under U.S. jurisdiction, under that of other countries too.<sup>17</sup>

For China, meanwhile, U.S. arms sales to Taiwan have been an important issue that seriously affects U.S.-China relations. After normalizing diplomatic relations with China, the U.S. continued to sell defensive military equipment to Taiwan. U.S. arms sales to Taiwan could not only deter China's military adventurism against Taiwan, but also served as a deterrent against Taiwan causing tension in the Taiwan Strait. On August 17, 1982,

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<sup>17</sup> Huangui Guo, *Taiwan's Future: International Politics and the Taiwan Issues* (台北: 致良出版社有限公司, 2005), 33.

the U.S. and China reached an agreement on the issue and a joint statement was issued. In it, the U.S. said it did not pursue a long-term arms sales policy toward Taiwan, and that arms sales to Taiwan will not exceed the level of those supplied in recent years, in terms of quality or quantity, after the establishment of diplomatic relations between the U.S. and China. Furthermore, the U.S. would gradually reduce arms sales to Taiwan. But the U.S. continued to sell weapons to Taiwan, even after signing the joint statement with China. In particular, the U.S. sale of 150 F-16 fighter jets to Taiwan in 1992 was not in line with the joint statement that it would reduce the quality and quantity of sales.

## Political Change in Taiwan and the Duality of U.S.-Taiwan Relations since the 2000s

### 1. Change of government to the Democratic Progressive Party in Taiwan and deterrence of U.S. to the Taiwan independence faction

In Taiwan, major political parties have shown marked differences in their perceptions of China and policies. Over the past two decades, the so-called *'identity issue'* has become a key stress factor in Taiwanese politics.<sup>18</sup> Taiwanese voters showed considerable differences about whether they are Chinese or Taiwanese, and this identity issue served as a key factor in party preference and election competition. Conflicts have also persisted between the Pan-Blue Coalition centered on the Kuomintang and the Pan-Green Coalition centered on the Democratic Progressive Party (民進黨) over how Taiwan establishes relations with China, with conflicting

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<sup>18</sup> Ulyses Balderas and Stockton Hans, "Whither Identity?: National Identity and Partisan Support in Presidential Elections on Taiwan 2004-2012," *American Journal of Chinese Studies* 20(1) (2013): 43.

policy positions of independence, unification or maintaining the status quo. In addition, Taiwanese voters have been divided over how to establish relations with China, expressing conflicting positions depending on party support, region and income levels.<sup>19</sup>

Its beginning was marked by Taiwan's first change of government to Democratic Progressive Party, which ended the Kuomintang's long reign. Chen Shui-bian (陳水扁) of the Democratic Progressive Party, which succeeded in changing power for the first time in Taiwan's history, proposed a number of policies for Taiwan's independence, including the 'two states theory' (兩國論), 'one China one Taiwan' (一中一臺), and the 'one state two sides' theory (一國兩邊論). But Chen Shui-bian's independent line has resulted in only a rift in cross-strait relations due to China's opposition and the implied opposition of the United States.<sup>20</sup> The Democratic Progressive Party, which succeeded in changing power in the early 2000, clearly revealed Taiwan's independence in its party platform.<sup>21</sup> Chun repeated his remarks on the 'one state two sides' theory pursued by former President Li Teng-hui (李登輝) in 1999. Thus, during the Chen Shui-bian Administration, there was no semi-official dialogue with China, such as the Taiwan Strait Exchange Fund (SEF) and the China Strait Relations Association (ARATS).

But when cross-strait relations have been hostile or tense since the 2000s, the U.S. has played a role in helping maintain balance and stabilize the situation. During Chen Shui-bian's reign, the U.S. played a positive role in maintaining peace and maintaining the status quo between the two sides.<sup>22</sup> Ahead of his re-election, Chen Shui-bian began pushing for Taiwan's new constitution through a referendum in 2003 and linked it to the

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19 Yun-Han Chu et al., "The Blue-Green Divide and the Function of Democracy in Taiwan" (paper presented at Asian Barometer Workshop on Democracy in a Divided Society: East Asia in Comparative Perspective, August 11, 2014).

20 Kwang Dug Park, "The Variables and Roles of the United States in Cross-Strait Relations," *Social Science Research* 15(1) (2009): 105.

21 Vincent Wei-cheng Wang, "The Chen Shui-Bian Administration's Mainland Policy: Toward a Modus Vivendi or Continued Stalemate?," *American Asian Review* 20(3) (2002): 121.

22 Lingwei Hu, "The Basic Features and Challenges of Cross-Strait Relations in the New Era," *American Foreign Policy Interests* 32 (2010): 11.

2004 presidential election. Chen Shui-bian was concerned about the danger that Taiwan would become too economically dependent on the mainland.<sup>23</sup> But after winning re-election, Chen Shui-ben took a step back from an independent position at the recommendation of the United States, which wants to ease tensions between the two sides. President George W. Bush, who met with Chinese Premier Wen Jiabao (溫家寶) in December 2003, made clear the U.S. position on the Taiwan issue that “we oppose the unilateral change in the status quo of Taiwan relations between China and Taiwan.” Bush rejected Chen Shui-bian's referendum action as a measure to maintain the status quo. After Bush's accusations, Chen Shui-bian amended the questions in the referendum he planned to hold. At the same time, Bush warned that the U.S. would intervene if mainland China attacked Taiwan.<sup>24</sup>

## **2. Signing the Economic Cooperation Framework Agreement (ECFA) and Taiwan's purchasing advanced weapons from the U.S.**

As the Kuomintang regained power after 8 years of rule by the Democratic Progressive Party, cross-Strait relations improved dramatically. In particular, as cross-Strait relations improved, focusing on the establishment of the Economic Cooperation Framework Agreement (ECFA) with China, ambitiously pursued by President Ma Ying-jeou (馬英九), the U.S. played little role in cross-Strait relations.

But China's breakthrough development in advanced weapons, especially long-range missile development technology, has caused security jitters in Taiwan and raised the need to purchase advanced weapons from the United States. The increase in mainland China's military power made potential attacks on Taiwan easier. China's continued increase in defense spending, even though the U.S. and Taiwan are reevaluating their joint

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<sup>23</sup> Quansheng Zhao, “Beijing’s Dilemma with Taiwan: War or Peace?,” *The Pacific Review* 18(2) (2005): 223.

<sup>24</sup> Zhao, “Beijing’s Dilemma with Taiwan?,” 218-9.

defense commitments, meant that Taiwan was unlikely to accept China's line that the need for U.S. arms sales to Taiwan reduced due to the stability of bilateral relations. During the Ma Ying-jeou period, there was widespread agreement on the benefits of cross-Strait economic exchanges internationally and domestically, but the security situation between the two sides was not. Ma experienced a sharp decline in domestic support for his cross-Strait policies unless Taiwan's security concerns were ameliorated through a clear U.S. commitment to Taiwan's security guarantees through sales of U.S. high-tech weapons.

In this regard, it was illogical for Taiwan to establish a military confidence-building measure (CBM) mechanism between mainland China and Taiwan, while continuing to import weapons from the United States. Experts in Taiwan also pointed out that Taiwan's military confidence in China is constrained by the United States. Taiwan believes that the risks are too high to sacrifice military ties with the United States in order to establish a military trust-building mechanism with China. The deployment of missiles by China, which poses a security threat to Taiwan, had the potential to escalate cross-Strait tensions at any time. The Taiwanese government accepted the tangible benefits of increasing trade and investment with mainland China, along with reducing tensions in the Taiwan Strait, but opposed the political settlement of cross-Strait relations. Ma thus promised not to negotiate political issues with China.

## The Escalation of the U.S. - China Confrontation and the Use of the 'Taiwan Card' to Keep China in Check

### **1. Promotion of U.S.-Taiwan relations after the election of Tsai Ingwen**

The cross-Strait relationship, which developed dramatically during the Ma Ying-jeou Administration, came under a new adjustment when

the opposition Democratic Progressive Party took power. With the emergence of Tsai Ing-wen, who seeks independence, uncertainties in cross-strait relations have also increased significantly compared to the past. Since Tsai Ing-wen (蔡英文) took power, conflicts between the two sides have intensified due to Taiwan's continued criticism of China, China's political and diplomatic pressure on Taiwan. In particular, since President Trump took office, relations have worsened, with the strengthening of exchanges between the U.S. and Taiwan effectively negating the 'One China' policy.

On November 8, 2016, Donald Trump, was elected President of the United States. He called Tsai Ing-wen after her election as Taiwanese president on December 2. Trump's paternalistic move towards Taiwan has boosted hopes for Taiwan's independence, while weakening Tsai Ing-wen's control over Taiwan's independence faction.<sup>25</sup> On March 16, 2018, President Trump finally signed the Taiwan Travel Act (臺灣旅行法) which allows exchanges between high-ranking U.S. and Taiwanese government officials. Since establishing diplomatic ties with China, the U.S. has banned meetings and mutual visits between high-ranking government officials of the U.S. and Taiwanese governments<sup>26</sup> In its 'India-Pacific Strategic Report' released in June 2019, the U.S. Department of Defense classified Taiwan as a state. In June 2018, the U.S. sent Assistant Secretary Marie Royce to attend the completion ceremony of the American Institute in Taiwan (AIT). She became the highest-ranking U.S. official to visit Taiwan since 2015. On June 20, 2018, the Defense Authorization Act 2019, which calls for participating in Taiwan's annual defense military exercise, the Hangwang Exercise (漢光演習), and expanding military exchanges, was passed.<sup>27</sup>

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25 Shih-Ping Fan, "Changes in Cross-Straits Relations and Impact after Trump's Election," *Sungkyun China Brief* 44 (2017): 96.

26 "U.S.-China Conflict Ignited with Trump's Final Signature of the Taiwan Travel Act," *The Journal of East Asian Affairs* 7(4) (2018): 1.

27 Sang Hu Park, "Let's Participate in the 2020 Tokyo Olympics as the National Name of Taiwan," *Monthly Chosun* (2018): 330.

Therefore, China believing that Taiwan is being incorporated into the U.S. side, is raising pressure on Taiwan. Although the U.S. is enacting measures that are friendly toward Taiwan, it has not brought practical benefits to Taiwan as it is using the Taiwan card for the purpose of checking China. Tsai Ing-wen is active in improving relations with the U.S., but there seems to be no diplomatic gain so far, and the setback in cross-Strait relations is hurting Taiwan economically. With the severing of cross-Strait relations, Taiwan has been dealt a fatal blow in investment and trade.<sup>28</sup> Intensifying trade disputes between the U.S. and China are further hurting Taiwan's economy. The Taiwanese economy, which is highly dependent on China, has been slowing down since 2018 due to the U.S.-China trade dispute and China's supply-side structural reforms.<sup>29</sup> Taiwan has an export structure that mainly exports intermediate goods to China and reprocesses them at production bases there, taking advantage of China's cheap labor costs. Through it export finished products to the U.S. Therefore, if the U.S. imposes tariffs on Chinese products due to the U.S.-China trade dispute, it will be a direct blow to Taiwan.

The United States allowed Tsai Ing-wen's visit to New York and Denver in July 2019, on her way home from visiting Caribbean nations. The U.S. approved \$2.2 billion in arms sales to Taiwan and allowed U.S. warships to sail through the Taiwan Strait, showing signs of empowering Tsai's 2020 presidential campaign.<sup>30</sup> In response to these friendly measures by the U.S. following Tsai Ing-wen's pro-U.S. move, China labels them an infringement of its "core interests" and vows to take strong action.<sup>31</sup> With Tsai Ing-wen's re-election success, tensions between the two sides are more rise further, and U.S. intervention in the Taiwan Strait is

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28 In Hwan Chung, "Will Taiwan's Independence Route' Change," *Hankyoreh* 21 (December 10, 2018).

29 Jeong Ha Park, "Relations between China and Taiwan and Hong Kong: Trends and Prospects," *The Bank of Korea* (2019), 3.

30 志群 朱, "Taiwan's Future Depends on Hong Kong?," *Newsweek Asia* 1385 (2019): 23.

31 Sung Gul Kim, "China Is Strengthening the Isolation of Taiwan and Taiwan Is Looking for a Way to Pro-U.S.," *KIDA* (2018): 3-4.

also will be frequent.

## 2. The U.S.' *'Taiwan Card'* checks Xi Jinping's expansionism

As Taiwan's room to maneuver in the community of nations has shrunk since Chinese President Xi Jinping's second term began in 2018, it has sparked further interest from the U.S. allies in Taiwan. Taiwan is a vital part of the maritime strategy of both the United States and China. Taiwan is key to China's maritime defense, and Taiwan serves as a defense zone in the Okinawa-Taiwan-South China Sea, China's early warning zone and the first island chain (第1島鏈).<sup>32</sup> Since Taiwan is the gateway for China to advance into the Pacific Ocean, the Taiwan Strait is a point where U.S. and Chinese national interests clash, with China's expansion of hegemony in the region and the U.S.' strategy to maintain global hegemony.<sup>33</sup>

Thus, as the confrontation between the U.S. and China increases in many ways, Taiwan's geopolitical importance in countering China's expansionism in the Asia-Pacific region is once again highlighted. Since Xi Jinping's rise to power, China has been actively supporting island nations in the South Pacific and has become a major foreign aid force in the region. Currently, investments by Chinese state-owned enterprises in the South Pacific are mainly concentrated in mining, logging and fisheries sectors. In order to gradually unite the nations of the South Pacific, China seeks to connect its efforts to construct artificial island in the South China Sea, pave the way for free navigation through the first and second island chain (第2島鏈) and advance into the third island chain (第3島鏈) for the defense of China's main targets. China seeks to expand its maritime defense area to Japan, Australia, and even the United States. China's development of naval and air forces is already aimed at Hawaii for a third island chain.

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32 An archipelago consisting of neighboring islands which are roughly aligned, as if chained one to the next.

33 Moon, *A Study on Correlation between U.S.-China Relations and Taiwan Issue*, 115-6.

China's expansion into the Pacific has long caused security concerns in countries like the United States, Japan and Australia. On January 15, 2019, the U.S. Department of Defense's intelligence agency released a report titled '*China's Military Power 2019*,' saying China has carried out ambitious military reforms over the past few years, and its military power has gradually come to threaten the world. The U.S. fears China's confidence in its military might increase, and believes that will increase the possibility of using force against Taiwan.

## Conclusion

The U.S., which now serves as a guarantor of Taiwan's security against China's threats, has been and will continue to be a source of external influence upon Taiwan. Not only that, but also in Taiwan's domestic politics, the U.S. influence is a crucial factor in measuring the price that Taiwan's voters may incur in their pursuit of Taiwanese identity.<sup>34</sup>

Since the end of U.S. formal diplomatic relations with Taiwan, the conflict between the U.S. and China has escalated when U.S.-China relations are hostile, and the conflict over the Taiwan issue has been mitigated when the U.S.-China relations are cooperative. However, at a time when China is challenging U.S. hegemony under Xi Jinping, the U.S. is expected to have no choice but to take full advantage of the Taiwan issue to keep China in check. As Zbigniew Brzezinski said, rather than the strategic importance of Taiwan itself, the Taiwanese card is needed to protect the interests of the U.S. in the Asia-Pacific region.<sup>35</sup>

So far, the U.S. basic policy on Taiwan can be summarized as follows. First, no U.S. President has been able to complete normalization

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34 S. Philip Hsu, "Between Identity Quest and Risk Aversion: lessons from the Chen Shui-bian Presidency for Maintaining Cross-Strait Stability," *Journal of Contemporary China* 19(66) (2010): 716-7.

35 Zbigniew Brzezinski, *The Grand Chessboard: American Primacy and Its Geostrategic Imperatives*, trans. Myung Sub Kim (Seoul: Samin, 2000), 243.

with China without guaranteeing Taiwan's safety, so the U.S. continues to sell defensive military equipment to Taiwan even after normalizing relations with China. Second, the Taiwan issue should be resolved peacefully, thus maintaining a military balance between China and Taiwan. Thus, U.S. arms sales to Taiwan not only deter China's military adventurism against Taiwan, but also prevent Taiwan from reaching the level that encourages it to cause tension in the Taiwan Strait. However, the more the U.S. checks China, the more likely the Taiwan issue will be to be a source of conflict between the U.S. and China. The status quo of both sides intended by the U.S. is not fixed, but can change at any time depending on internal situations such as the U.S. public strategy, regime change and public opinion change in Taiwan.<sup>36</sup>

In this regard, the principle of U.S. policy toward Taiwan will be to continue to sell weapons for the national interest of the U.S. and to continue to maintain friendly informal relations. The U.S. has strategies and security concerns for peace in East Asia, political interest of seeing democracy working on Taiwan, and economic interest of maintaining strong trade and investment relations with Taiwan. China, a powerful, united communist state, clearly does not match the interests of the United States. Therefore, the U.S. will actively use Taiwan Card to help the Taiwan issue be resolved peacefully and to transform China into a democratic country.<sup>37</sup>

On the other hand, Taiwan is pursuing economic benefits through China in the niche offered by hegemonic competition between the U.S. and China. In security, Taiwan seeks to survive against the backdrop of U.S. power, while also showing a move towards independence from China. This is similar to South Korea's position of seeking economic benefits from China and security from the U.S. through the Korea-U.S. alliance. In this regard, comparing the changes and roles of the U.S.

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<sup>36</sup> Heung Ho Moon, "China-U.S. Relations and Taiwan Affairs: Focusing on U.S. Policy toward Taiwan," *Sino-Soviet Affairs* 117 (2008): 34.

<sup>37</sup> Chi Su, "Cross-Strait Exchanges and Their Impact on China and Taiwan," Lecture on November 24, 2017 in Asiatic Research Institute, Korea University.

foreign policy toward South Korea and Taiwan, which both face a similar situation in Northeast Asia with the rise of China and the U.S. *'pivot to Asia,'* could be a meaningful research topic at this point.

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*Feature Theme:*

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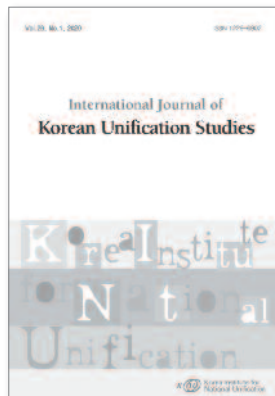
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