



Strengthening U.S.-ROK Relations in the New Administrations of the United States and South Korea

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Published by the RAND Corporation, Santa Monica, Calif.

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Preface

This report summarizes the presentations and discussions from the conference on “Strengthening U.S.-ROK Relations in the New Administrations of the United States and South Korea” held October 10 and 11, 2016, at the RAND Corporation’s Santa Monica office in California. It presents material as prepared for this conference, which was before the impeachment of ROK President Park Geun-hye or the May 2017 ROK presidential election.

At the time of the conference, the United States was facing a presidential election in one month. In Korea, a presidential political scandal had erupted that would lead to the impeachment of the incumbent and fresh elections. Keeping these uncertainties in mind, the conference participants focused on long-term issues that would shape relations. These included the global implications of China’s rising regional influence, North Korea’s nuclear threat, and the changing regional economic architecture that is being shaped by a dominant Chinese economy and ongoing trade imbalances between the United States and East Asian states. This report describes the intellectual search for the solutions to these challenges that U.S. and Korean experts conducted together at the conference.

The authors would like to express their appreciation to Ambassador Key-Cheol Lee, Korean consul general for Los Angeles; Rafiq Dossani, director of the RAND Center for Asia-Pacific Policy; and Un-Chul Yang, vice president of the Sejong Institute, for sponsoring and arranging this conference. The authors also appreciate the efforts of each of the speakers in preparing materials and presentations for the conference.

This conference was made possible, in part, by funding from the Korean Ministry of Foreign Affairs. It was organized by the RAND Center for Asia Pacific Policy (CAPP) and the Sejong Institute.

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Summary

In 2017, both the United States and the Republic of Korea (ROK) face major political change—a new administration begins in the United States and the ROK will hold a presidential election later in the year.¹ It is an opportune time to assess the bilateral cooperation between the two nations. The alliance between them has been the cornerstone of Korean foreign policy and a key U.S.-Asian policy for more than 60 years and has served the interests of both countries in strengthening and upgrading their security and economic ties. A reassessment is needed because of both new administrations and new external developments, which include the global implications of China’s regional influence and, particularly for the ROK and the region, North Korea’s nuclear threat. The reassessment becomes more significant with the rise of Chinese power and the growing nuclear arsenal of North Korea.

On October 10 and 11, 2016, the RAND Center for Asia Pacific Policy and the Sejong Institute held a conference on “Strengthening U.S.-ROK Relations in the New Administrations of the United States and South Korea” to provide insights on these issues. This conference brought together leading U.S. and ROK scholars to share ideas about—and address the potential challenges against—the bilateral alliance of the two countries.

The first day of the conference involved a closed discussion among these scholars and other invited guests. The second day was open to the public, with the scholars explaining the issues and answering questions from the audience. Three sessions focused the discussion.

In the first session, “Strengthening U.S.-ROK Security Relations in the New Administration,” U.S. and Korean security experts examined the shared security interests of the United States and the ROK in East Asia; illuminated current and upcoming challenges posed to the U.S.-ROK security ties, and discussed possible options available for the two allies to strengthen their security cooperation. This included discussions on the role of extended deterrence and the U.S. nuclear umbrella.

The second session was a panel discussion on “Managing Korean Unification via Trilateral Cooperation Among the United States, the ROK, and China.” In this session, a possible crisis scenario was used to encourage more-specific discussions about possible cooperation among the three countries. Each discussant was asked to present specific advice about possible responses from each country and suggested desirable courses of actions that each country might adopt.

Session 3 addressed “Regional and Economic Relations in the New Administration.” It examined two key issues: China’s view on North Korea and U.S.-ROK economic cooperation.

These discussions are summarized in the body of this report.

¹ All material in this report is presented as formulated in October 2016. The ROK presidential election was held subsequently but earlier than planned, in May 2017, because of the impeachment of ROK President Park Geun-hye.

Abbreviations

CAPP	(RAND) Center for Asia Pacific Policy
FTA	Free Trade Agreement
KORUS	Korea and the United States
ROK	Republic of Korea
THAAD	Terminal High Altitude Area Defense
TPP	Trans-Pacific Partnership

Chapter One

Introduction

On October 10 and 11, 2016, the RAND Corporation Center for Asia Pacific Policy (CAPP) and the Sejong Institute of South Korea held a conference on “Strengthening U.S.-ROK Relations in the New Administrations of the United States and South Korea.”

The year 2017 is a year for a new administration in the United States. The Republic of Korea (ROK), too, will have a presidential election in this year. Thus, it is an opportune time to assess bilateral cooperation between the United States and the ROK. The alliance between the two countries has been the cornerstone of Korean foreign policy and a key to U.S.-Asia policy for more than 60 years and has served the interests of both countries in strengthening and upgrading their security and economic ties. At the present time, a reassessment is needed because of both new administrations and new external developments, which include the global implications of China’s regional influence and, particularly for the ROK and the region, North Korea’s nuclear threat. The task becomes more significant with the rise of Chinese power and the growing North Korean nuclear arsenal.

At this conference, leading U.S. and ROK scholars gathered together to discuss ways to strengthen U.S.-ROK relations amid the changing security and economic environments in East Asia and the United States. The conference also sought to increase public awareness in Los Angeles on the significance of the U.S.-ROK relations because Los Angeles has the largest Korean diaspora in the world.

This report summarizes the discussions that occurred during the conference, which was divided into three sessions that are reviewed in separate chapters in the report. Chapter Two describes the first session, “Strengthening U.S.-ROK Security Relations in the New Administration.” It includes a discussion on the shared security interests of the United States and the ROK in the region, possible challenges against the shared interests, and desirable responses to those challenges. It also includes discussions on the role of extended deterrence and the U.S. nuclear umbrella.

Chapter Three contains the proceedings of the second session, which was a scenario-based discussion on the possibility of trilateral cooperation among the United States, China, and the ROK in the process of Korean reunification. A scenario that describes a possible situation in North Korea after Kim Jong-Un’s abrupt death was given to the participants as a basis for discussion about the possible developments of the situation and the courses of actions that each party might take.

Chapter Four describes the third session, “Regional and Economic Relations in the New Administration,” which examined two key issues: China’s view on North Korea, and U.S.-ROK economic cooperation.

The final chapter summarizes the conference outcome and the need for continued discussions of this type.

Chapter Two

Session 1: Strengthening U.S.-ROK Security Relations in the New Administration

In the first session, U.S. and Korean security experts examined the shared security interests of the United States and the ROK in East Asia, illuminated current and upcoming challenges posed to U.S.-ROK security ties, and discussed possible options for the two allies to strengthen their security cooperation.

U.S. Regional Security Interests

The United States has two core regional security interests in Asia, which it shares with the ROK: the free flow of commerce and the deterrence of military threats against peace and stability. Maintaining these interests against an evolving North Korean threat will become increasingly important for the United States, as will maintaining treaty obligations in the region.

Free Flow of Commerce

Trade with Asia constitutes approximately 40 percent of the total trade volume of the United States. Therefore, ensuring free trade of goods across and within the Pacific region is a priority for U.S. foreign and military policy. To this end, the United States desires that the sea-lanes in East Asia always be open and safe, thus ensuring freedom of navigation. The U.S. Navy has, therefore, been tasked with securing the sea-lanes in the region.

The free flow of commerce is also essential for Asian countries, including China, Japan, and the ROK, all of which are large trading partners with the United States and with each other. While not all Asian countries may agree with assigning the task of ensuring security of the sea-lanes to the U.S. Navy, they all—including China—accept the importance of the free flow of commerce.

Deterring Military Threats

The second core U.S. regional security interest is to deter military threats against peace and stability in Northeast Asia. For several years now, this has meant deterring threats posed by the rising military capabilities and nuclear arsenal of the Democratic People's Republic of Korea (hereafter referred to as North Korea), which continues to grow. In August 2016, North Korea successfully tested a submarine-launched ballistic missile that flew more than 500 km and has a maximum range estimated to be roughly 2,000 km. It is believed that North Korea already has the capability to directly target major cities in Japan and other Asian countries and may soon be able to reach the U.S. military facilities in Guam. As its next step, North Korea is expected to

develop submarines that can sail across the Pacific Ocean to the area around Hawaii. The nation is also said to be developing intercontinental ballistic missiles that can deliver nuclear warheads to the U.S. mainland.

These assertions need to be balanced against counterclaims by experts that the North Korean missile tests were failures. Even if the latter is the case, the increasing sophistication of North Korea's tests suggests that it is making gradual but steady progress in developing nuclear weapons and missile technology. Thus, even if the United States could deploy missile defense systems in East Asia, it is possible that a small number of nuclear-tipped missiles could penetrate the missile defense shield, making North Korea a real threat.

There is also a possibility that North Korea could devastate large parts of the ROK with only conventional weapons. North Korea has the world's fourth largest military, with about 1.2 million active-duty military personnel. To counter this conventional force threat, the ROK maintains the world's seventh largest military, with around 630,000 active-duty personnel. The size of these military forces is striking in comparison with many other countries. For example, Indonesia's military, which is composed of 400,000 service members, serves a population of approximately 250 million.

The North Korean military poses a real threat to the region that is becoming more substantial over time. This, in turn, requires cooperation and a coordinated response between the United States and the ROK.

Preparing for Instability and Collapse in North Korea

The North Korean threat has been rising in an environment of domestic political instability. Since Kim Jong-Un succeeded his father in 2011, he has continued to purge the military hierarchy and intelligence agencies. This purge may reflect Kim Jong-Un's anxiety about his authority. He may believe that his political power is still not secure and that the current North Korean regime under his leadership is weaker than when his father ruled the country. If so, his continuing purges suggest that the probability of a North Korean regime collapse is higher than in the past.

The joint military exercises organized by the United States and the ROK address this possibility. This is an expansion from earlier exercises, which mostly assumed a situation where North Korea invades the ROK. Unfortunately, too little is known about the inner workings of Kim Jong-Un's political organization. For example, what type of regime or what kind of people would most likely replace Kim Jong-Un if he were to be assassinated tomorrow? We simply do not know. Thus, there are still many unknowns in the equation of domestic political power in Pyongyang.

Maintaining Treaty Obligations

U.S. defense treaties will play an important role in addressing security threats in the region. These treaties, in place since the early stages of the Cold War, obligate the United States to

protect Japan and the ROK. These defense commitments have been the cornerstone of security and stability in East Asia and remain vital to peace and prosperity in the Asia-Pacific region. But maintaining these alliances will require continued efforts to reinvigorate and upgrade them. The changing domestic political environments of the allies and the fluctuating economic and military realities of the region necessitate skillful adjustment of the alliances to the changing demands.

The Obama administration had taken some positive steps to renew and strengthen U.S. alliances with Japan and the ROK, but more could have been done. The “Pivot to Asia” was the right choice to respond to the changing center of gravity of the international politics and economy in the region. It is possible, however, that the pivot required more actions than were taken. A more substantial shift in U.S. policy, such as a change in the number of troops stationed in Asia, would demonstrate a stronger U.S. commitment. These alliances and resource commitments will need to be addressed by the new U.S. administration in coordination with the outgoing and new leadership in the ROK.

ROK Regional Security Interests

Asia has, over the past two decades, become the economic engine of the world. But it has also become a hotbed of security issues. One reason could be China’s central role in both aspects. This discussion examined security threats within the East Asian region, the situation between the two Koreas, and the role of public opinion in affecting outcomes.

Intraregional Security Threats

Asia can be characterized as a “department store” of security issues: arms race, conventional and nuclear rivalries, chemical and biological weapons, cyber and space threats, and so on. All types of security issues are dealt with in Asia as real and present dangers. Therefore, it is no wonder that seven of the world’s 15 countries with the highest military spending in 2015 came from Asia. While China, number two on the list, spends only one-third of the military budget of the United States, which is the largest spender, the difference in purchasing power parity reduces the gap.

China’s growing economic power is making its power projection capabilities and anti-access/area denial assets a reality. As its military power grows, China may try to set up its defense lines offshore at what they call the first and the second island chains. These Chinese efforts would seem aggressive and assertive to other countries in the region. Therefore, China’s plans to strengthen its defense will become a source of concern and conflict in the coming decades.

In addition, the rising North Korean threat, a result of its growing nuclear arsenal and missile capabilities, is likely to lead to a serious security crisis in the Korean peninsula in the coming years. The growing North Korean threat could also have an impact on the U.S.-ROK alliance, if some tipping point were reached.

China is likely to be a key player in such a scenario. Unlike, for example, German unification, which took place during a nadir in Soviet power, tipping points in the Korean peninsula would likely occur during an apex in Chinese power, making China a more likely player. China's strength could make unification difficult while exacerbating crises.

Conflicting Signals from Public Opinion

Since the ROK's democratization in 1987, public opinion has been a factor in regional relations and needs to be considered when making policies dealing with North Korea and the bilateral alliance with the United States. According to recent survey results, South Koreans' opinions about the United States, China, and North Korea are complicated and sometimes even contradictory.

First, many South Koreans prefer the option of acquiring their own nuclear weapons. At the same time, they regard their country's alliance with the United States as central to their foreign policy, and judge that the current bilateral relationship with the United States is the best ever. They do not see a contradiction between having their own independent nuclear weapons program and a healthy relationship with the United States. Does this mean that South Koreans' preference for nuclear weapons is not a result of careful deliberation? Perhaps the voices for an independent nuclear weapons program in the ROK reflect powerlessness and frustration felt by South Koreans.

Second, South Koreans believe that the most important country for them to cultivate a relationship with is currently the United States. However, they also believe that, at least from an economic viewpoint, China is likely to take over that spot in the near future. Interestingly, at the same time, many South Koreans indicate China as the largest hurdle in their way to unification with North Korea.

Lastly, there is a generational gap in South Koreans' views about North Korea. Those in their 60s and older and those in their 20s view North Korea as an enemy while such antagonism is relatively weak among South Koreans in their 30s and 40s.

Challenges for the Next South Korean President

Given the unfolding rivalry between the United States and China—and the ROK's current security and economic cooperation with the two countries—how to handle and respond to the bilateral dynamics between Washington and Beijing will be the most important and challenging task for the ROK in the foreseeable future. However, the ambiguous nature of public opinions may not aid in providing a clear direction for the policymakers in Seoul.

Given the unfolding regional landscape, the ROK's next president will face an increasingly complicated and complex foreign policy agenda. It is possible that a large-scale cyber war could occur between China and the United States, or a limited naval skirmish may occur in the South China Sea or in the East China Sea. Another possibility is a situation where a conflict around the Senkaku Islands invites U.S. intervention. The ROK will have to be prepared for these

possibilities. Since 2010, when the United States and the ROK conducted a large-scale joint naval exercise in response to such North Korean provocations as the Cheonan incident and the Yeonpyeong shelling, the Chinese government has responded in a highly sensitive manner to U.S.-ROK joint military drills.

Extended Deterrence and the U.S. Nuclear Umbrella

Extended deterrence and the U.S. nuclear umbrella are concepts that have been used by security experts for decades.² But there is an inherent ambiguity between them, which causes different people to have different ideas when they think of extended deterrence and the nuclear umbrella.

Deterrence May Not Work

The varying definitions of the key concepts of the U.S.-ROK alliance create differing expectations between the allies. For example, many South Koreans and Americans simply assume that if North Korea strikes first with nuclear weapons, the United States will retaliate with nuclear weapons. However, during the Obama administration, some South Koreans began to harbor skepticism about whether the United States would actually do so. What if senior U.S. military personnel advise the President against the use of nuclear weapons and instead favor a conventional response, even after a first use of North Korean nuclear weapons? In such a case, the United States could take the “moral high ground” and continue to use only conventional weapons in a war with North Korea.

This kind of skepticism is not new. In Western Europe during the Cold War, the North Atlantic Treaty Organization allies of the United States had similar suspicions about credibility of U.S. extended deterrence because they were skeptical that the United States would retaliate with nuclear weapons if the Soviet Union invaded Western Europe. They believed that policymakers in Washington would be reluctant to strike back with nuclear weapons in such a case knowing that Moscow might retaliate by firing intercontinental ballistic missiles with nuclear warheads toward the U.S. mainland.

If North Korea can target major cities on the U.S. mainland with nuclear weapons, it could make the United States more reluctant to use nuclear weapons against North Korea. Even the possibility of one nuclear weapon falling on a major U.S. city could have that effect. In this sense, North Korea does not need to have a huge number of nuclear warheads, the way the Soviets did during the Cold War. The possibility of a single nuclear explosion may be enough to influence U.S. decisionmaking toward caution.

² *Extended deterrence* refers to the ability of a state to deter attacks by an adversary state on an ally of the first state. The term *nuclear umbrella* refers to the protection gained by an ally state from its alliance with a state that possesses nuclear weapons and will use them to protect its ally.

Moreover, U.S. nuclear employment strategy may have changed. The Obama administration appeared reluctant to use nuclear weapons in any manner, and the existing U.S. nuclear weapons strategy dictates that it should not target civilians. Despite the growing nuclear arsenal of North Korea, therefore, the options available to Washington may have narrowed.

In addition, attention should be paid to the chemical and biological weapons—that is, the nonnuclear weapons of mass destruction—that North Korea is believed to have. If North Korea uses such weapons in an actual combat situation, the U.S.-ROK forces' ability to counter the attacks might be shaken. For example, if North Korea drops chemical and biological bombs over the 19 airfields of the ROK, these attacks may undermine the cohesion of the U.S.-ROK combined forces.

Other groups of South Koreans are raising the question of whether the U.S. nuclear umbrella can stop the growth of the North Korean nuclear arsenal. By some accounts, it is expected that North Korea will have approximately 75–80 nuclear weapons by 2020. From a strategic point of view, having 80 nuclear weapons is fundamentally different from having two or three. If North Korea can fire dozens of missiles tipped with nuclear warheads at the same time, some of them may reach their targets by saturating otherwise effective missile defense systems. Even one or two nuclear weapons falling into civilian residential areas could cause formidable damage to human lives and property. The resulting psychological damage could rival the physical damage to humans and assets.

Moreover, skeptics worry about the rationality of the North Korean regime. During the first Korean nuclear crisis in 1993, Kim Jong-Un's father told his grandfather that if North Korea lost a war with the United States, he would “destroy the earth,” presumably including even Russia and China. This anecdote suggests that nuclear deterrence might not work when the North Korean leader believes that he and his regime will soon be destroyed. Alternatively, if Kim Jong-Un judges that he is threatened by a military coup, he might divert the North Korean military's attention by ordering it to invade the ROK, and he could order the use of massive amounts of chemical weapons—and possibly even some nuclear weapons—to break the ROK's defenses and allow the North Korean ground forces to penetrate deep into the ROK. His first use of nuclear weapons may appear suicidal in the eyes of most strategists on the U.S.-ROK side, but the inherent domestic political instability of the North Korean regime may lead to such a seemingly irrational decision.

When we consider the size of the possible civilian casualties in a war on the Korean peninsula, it is important to include the Chinese population in the ROK because it will affect the Chinese state's thinking about how to manage relations with North Korea. As of 2016, more than a million Chinese citizens were living in the ROK, most residing in urban areas, including Seoul. In the 2011 Libyan crisis, when Muammar Gaddafi was overthrown, there were about 35,000 Chinese citizens in Libya (many were oil workers), and the Chinese government evacuated the vast majority of them. However, it will be hard for the Chinese government to evacuate a million Chinese from the ROK.

If Kim Jong-Un's *Byungjin* policy (simultaneous pursuit of economic growth and military power) fails in North Korea, Kim Jong-Un might face a serious economic crisis. In that situation, the elites of North Korea might turn against Kim's leadership. U.S. secondary sanctions targeting Chinese companies supporting North Korea may accelerate this process. Of course, it is not clear how the economy is doing. There are some indications that the North Korean regime headed by Kim Jong-Un seems to be quite stable and pretty strong.

On the other hand, the argument that Kim Jong-Un might want to use his nuclear weapons to divert attention to external factors if a military coup threatens his survival suggests that this might be a source of risk. However, any use of nuclear weapons would mean the end of his regime as well as his physical life. Moreover, North Korea's first use of nuclear weapons will have an impact on not just the United States but also China. It is not clear if the North Korean regime would want to use nuclear weapons as a tool for a first strike, knowing all these repercussions.

Lastly, as North Korea increases the number of its nuclear weapons to the projected 75–80, the possibility of nuclear proliferation may become a reality. North Korea may feel that it has sufficient nuclear weapons and sell some in order to earn valuable foreign exchange.

Measures That Need to Be Taken

Given these growing concerns about North Korea's nuclear weapons, the United States and the ROK should be more proactive now to counter North Korean threats. Both the United States and the ROK would prefer to deter North Korean nuclear weapon tests beyond the five already performed. But neither country has done much to achieve that deterrence.

One approach could be to inform North Korea that if it again tests a nuclear weapon, the United States and the ROK will send hundreds of thousands of leaflets to Yongbyon and other North Korean nuclear facilities. These leaflets would be aimed at the North Korean nuclear weapon communities. They would describe physics research opportunities at ROK universities (cutting-edge physics research is not possible in North Korea), employment options at the 24 ROK nuclear power plants (arguing that such jobs would not be as dangerous as working in the contaminated Yongbyon nuclear reactor), and cash payments that the ROK is prepared to offer defectors. After the delivery of such leaflets, the defection of even one North Korean nuclear scientist would be a loss of face for Kim Jong-Un and could provide critical intelligence information to the United States and the ROK. To prevent this, Kim would have to tighten security around his nuclear program and likely send fewer scientists overseas for training, thus reducing North Korean proliferation activities.

Another approach could be to target the general-purpose military and counterforce capabilities of North Korea rather than the leadership and the elites because the so-called decapitation—operations targeting the North Korean leadership and its elites—may be counterproductive. Those operations could end up as a self-fulfilling failure because such plans may strengthen the siege mentality of North Korea and lead the North Korean elites to coalesce

around the leadership of Kim Jong-Un and possibly behave more aggressively and negatively toward the external world. In this regard, advance announcement of a general amnesty for North Korean bureaucrats and military officers, except for the core leadership, should be considered as an option, because amnesty could weaken the loyalty of North Korean elites to Kim Jong-Un.

In addition, a plan for psychological operations targeting the civilian population in North Korea is arguably needed. The general public of North Korea is isolated and insulated from outside information; more efforts would be required to provide objective information about the real face of the North Korean regime and the events that are actually unfolding outside North Korea.

Some analysts have called for a cyber war to be waged against North Korea. However, North Korea's resources for cyber warfare should not be underestimated. North Korea selects its cyber warriors in early childhood and trains them in a systematic manner. They mostly work in China, moving from one place to another,³ and they basically feed themselves by using their skills—for example, by participating in Internet gambling.

The ROK also needs to do more to take advantage of the domestic changes within North Korea, where the elites are adapting to expanding markets. Many elites are reportedly becoming more like capitalists, and the ROK should take advantage of this change. The ROK government also needs to be taking active, aggressive actions to counter Chinese and North Korean psychological operations and point out the degree to which China is also threatened by North Korean missiles and nuclear weapons.

³ Some senior North Korean defectors describe different patterns of organization for North Korean hackers in China.

Chapter Three

Session 2: Panel Discussion on Managing Korean Unification via Trilateral Cooperation Among the United States, South Korea, and China

Trilateral cooperation among the United States, the ROK, and the People's Republic of China will be essential to efficiently and effectively manage any major crisis or conflict that might arise on the Korean peninsula. To better prepare for possible future events in Korea, more discussions are required among scholars and experts about what they can expect and what the governments of the three countries should do in case of a North Korean crisis or emergency. To encourage such discussions, we described a possible crisis scenario and asked conference participants to present their opinions about how the ROK and the United States should manage such a crisis and the desirable courses of action that each country could adopt.

Scenario: Kim Jong-Un's Death and Factions Struggling for Power

This scenario involves a collapse of the North Korean government following the death of Kim Jong-Un. Within days of his death, three different North Korean senior elites claim the leadership of North Korea. Soon, these different factions are struggling with one another for power. There are some isolated signs of military power being used; North Korea seems to be on the verge of a civil war. However, no visible large-scale military conflict within North Korea has begun. Outsiders do not know which faction has what kind of weapons. Foreign countries are becoming increasingly interested in the domestic political situation of North Korea.

Discussion

Discussion question: If you were the president or a foreign or defense minister of the ROK, what conditions would be required for deploying your military forces into North Korea, and what are the things that you would have to do before the intervention? Conference participants offered the following responses:

- Given this situation, the first thing a South Korean president should do is invite the Chinese ambassador into the Office of the President. In that meeting, the Chinese would present their demands. For example, China would likely ask that the U.S. forces not advance north of the DMZ (Korean Demilitarized Zone). In addition, the Chinese might demand that the status quo in North Korea not be changed within 24 months from the meeting.

- The United States would feel strongly that it should assist the ROK rather than lead a response. According to the contingency plan that the United States and the ROK have prepared, the ROK is supposed to lead the emergency response efforts, so it should lead the intervention and stabilization efforts in North Korea, including the restoration of social order and the provision of food to North Koreans to counter an anticipated humanitarian crisis.
- If such a crisis occurred in North Korea, people on the outside would know very little about what is going on inside North Korea. The People's Army of North Korea may set up a kind of collective leadership. Or China might have groomed someone to take the place of Kim Jong-Un. In any case, the development of the situation in a crisis like this would be very fast and would be difficult for external observers to follow.
- Another significant factor is who in China will be in charge of dealing with North Korean affairs at the time of crisis. This is important because there are many contending opinions within China regarding what to do about North Korea. When the ROK and the United States are given what are described as "the Chinese demands," it is important to make sure that they are demands from the part of the Chinese leadership that has authority over North Korean affairs, rather than the position of an aggressive part of the Chinese Communist Party or the People's Liberation Army.
- The ROK already has various contingency plans about North Korea in the event of a collapse. But these plans could be useless if they did strategic planning by favorable assumptions and failed to think about "what if" scenarios.

Discussion question: What about legal conditions? When North Korea is about to fall into a civil war, how much of its sovereignty can we recognize? How much would China recognize? In such a situation, the United Nations Security Council might want to find and dismantle the nuclear weapons of North Korea. Which country would go into North Korea and dismantle the nuclear weapons?

- The ROK would want its sovereignty to extend to the northern part of the Korean peninsula. But will China recognize the ROK's sovereignty over North Korea when North Korean factions are contending with one another for power? It will depend on too many variables. Any plan for intervention into North Korea should take the responses of the North Korean residents into account. In the Iraq War, the United States underestimated the backlash to U.S. intervention and subsequent actions from the local Iraqi people. If the North Korean people feel that they are being treated as second- or third-rate citizens, then strong reactions to the occupying forces would be natural.
- China would not try to occupy North Korea. China needs a reasonable and valid reason to intervene in the Korean peninsula. The most likely scenarios for Chinese intervention are: (1) if a legitimate regime in North Korea officially asks China to intervene or (2) a potential Chinese adversary is about to take control of the whole Korean peninsula. Unless either of these two conditions is met, China will be reluctant to intervene.
- There have been many historical cases where China intervened in the affairs of the Korean peninsula, backed by military forces. For example, in the seventh century, the

Tang dynasty joined forces with the Kingdom of Shilla and brought the Kingdoms of Baekjae and Koguryo to the ground, effectively ending the Era of Three Kingdoms in Korea. In the late sixteenth century, when Japan invaded Korea, the Ming dynasty decided to come to the aid of the Chosun dynasty, when the king of Chosun officially asked for Chinese help, although the Ming dynasty partly collapsed due to the financial burden that the military expedition to Korea caused to Ming's fiscal soundness. In the next century, the Qing dynasty of Manchus twice invaded Korea when it suspected that Korea might be colluding with Ming to attack Qing from the rear. In 1882, when some Korean soldiers rose up in a revolt against the Korean royal court, the Chosun government requested military intervention from the Qing court, and Qing responded with a military expedition. In 1894, when a religious group called Donghak occupied some parts of southern Korea and threatened Seoul, the Chosun dynasty again asked for military intervention from Qing. But this time, Qing had to notify Japan of this military expedition due to a treaty obligation. In response, Japanese forces also invaded Chosun, and the confrontation between the Chinese and the Japanese forces led to the Sino-Japanese War of 1894. In the most recent intervention, the "People's Volunteers" came to the aid of Kim Il-Sung during the Korean War. After losing almost all his power base and territories, Kim Il-Sung (who was then the North Korean leader and is the grandfather of Kim Jong-Un), asked Mao Zedong to provide troops to help North Korea, and, in response, hundreds of thousands of Chinese soldiers crossed the Yalu River and participated in the Korean War.

Common among these cases is that the Chinese military intervention was either a response to a request from a legitimate government in Korea or an action to prevent Korea from falling into the hands of forces that might threaten the interests of China. Historical experiences are important because current policymakers are aware of these past events and will consider important related factors when they have to make similar decisions.

Discussion question: If both China and the Republic of Korea decide to intervene in North Korea after Kim Jong-Un's death, would this be a dangerous situation?

- This same scenario occurred in Korea in 1894 when Chinese and Japanese forces simultaneously entered the country, resulting in the Sino-Japanese War. It is hard to imagine how China, the ROK, and the United States could find a way to cooperate in North Korea to search for and dismantle nuclear weapons. If political struggles are still ongoing when the Chinese and ROK-U.S. forces come into North Korea, some stabilization operations would be necessary. In performing such operations, the best outcome would be for China and the ROK–United States to divide North Korea between them and have each operate only in the part assigned to it. If this does not happen, there is a high probability that troops from both sides might shoot at each other, with disastrous consequences.
- An alternative perspective is that the Chinese would want to march into North Korea. There are even some Chinese who say boldly that they want a reformist leader set up in Pyongyang. If a reformist leader comes into power in North Korea, then even the ROK government would likely support him. However, it is possible that the new leader could adopt a position antagonistic to the ROK. Whether a reformist scenario is likely is in

question, of course. The generals in North Korea are believed to be conservative. They need to secure their posts and make money to survive, and any response will be devised based on the particulars of a given situation. This is why the leader of North Korea after Kim Jong-Un will be very important.

Discussion question: What is needed to avoid a World War III in Korea?

- It is important to prevent a situation from arising where the ROK-U.S. and Chinese forces confront each other in North Korea. Perhaps the Chinese need reminding that the ROK has legitimacy over the whole of Korea, and that China has first to consult with it when there is a crisis in a post-Kim Jong-Un North Korea. There is no guarantee, however, that reminders will achieve their purpose here.
- Because it will be hard to reach a deal that fully satisfies all three parties—the United States, China, and the ROK—it is important to develop compromise options among the three parties.
- A trilateral discussion among the United States, China, and the ROK about North Korean affairs was and remains the top priority of the ROK's foreign policy agenda. The ROK foreign ministry has been working hard to realize that consultative framework. However, the responses from the Chinese side have been cautious. Some Chinese ask the following question: Why do we have to speak with the United States and the ROK at the same time and at the same place, knowing that the ROK will speak with the same voice as the United States? They argue that if the positions of the United States and the ROK are one and the same, the Chinese would prefer to speak with the United States alone.

Summary

Participants agreed that further discussions on this topic are needed and that such discussions need to be bilateral between the United States and the ROK because the two countries have different perspectives. With continued discussion, both nations can be better prepared in the event of a North Korean crisis or conflict. In addition, a more strategic dialogue with China about North Korea is needed, and formal discussions with China about the North Korean issue should be pursued (whether officially or unofficially).

Chapter Four

Session 3: Regional and Economic Relations in the New Administration

The third session of the conference addressed two key issues concerning regional and economic relations in the Asia-Pacific region: (1) China's view of North Korea and (2) how to handle issues related to the Trans-Pacific Partnership (TPP) and the Korea and the United States (KORUS) Free Trade Agreement (FTA) to strengthen the economic cooperation between the United States and the ROK. The first discussion considered China's dilemma in dealing with the North Korean problem, China's long-term vision for the Korean peninsula, and what these mean for ROK policies toward North Korea. The second issue involves U.S.-ROK bilateral economic relations and a desirable architecture for regional economic integration.

Addressing Chinese Concerns with North Korea

This discussion, based on interviews with Chinese officials and experts, examined China as a factor in ROK policies toward North Korea. It addressed such topics as how to view the China–North Korea relationship and how to strengthen the ROK's consultation with China over the North Korean problem.

China's Ambivalent Stance on North Korea

There are many unknowns about China's positions on North Korea. China's ambivalence reflects Beijing's dilemma regarding North Korea. Despite continued requests from the outside, China seems reluctant to place increased pressure on North Korea. If China pushes too hard, North Korea might collapse, and no one can predict what the result of that would be. On the other hand, China is also under constant pressure from other countries, including the United States and the ROK, to take more responsibility about the North Korean problem. China does not proactively support the North Korean regime and always emphasizes that it wants peaceful unification of the Korean peninsula—though it is still unclear what China would view as favorable terms of Korean unification. Still, the Chinese leadership wants to break through this dilemma. The ROK government hopes to establish a trilateral framework among the ROK, the United States, and China to discuss issues related to North Korea. The question is, even if such a framework can be established, can it last? Would this trilateral framework be compatible with the ROK–United States–Japan trilateral framework?

From an Ally to an Ordinary Partner?

During the Cold War, China and North Korea were “blood” allies. In the Korean War, they fought shoulder to shoulder against the U.S.-ROK forces. Mao Anying, the eldest son of then-Chinese leader Mao Zedong, was killed in the Korean War along with hundreds of thousands of Chinese soldiers. North Korea even named a middle school after Mao Anying to commemorate his sacrifice.

But China’s position on North Korea is changing. Now, the official stance is that China is not an ally of North Korea; the relationship is becoming more like China’s relationship with other general partners. Some Chinese are calling the Korean War simply a war, rather than referring to its past official title, “Anti-American War Assisting Korea” (*Kangmei Yuanchao Zhanzheng*).

There are many other signs of this changing relationship between China and North Korea. For example, in 2006, Chinese President Hu Jintao visited Vietnam before he went to Pyongyang. This visit after visiting another country was regarded in North Korea as a humiliation. On a personal level, Kim Jong-Un seems ill at ease with the Chinese leaders, which is probably why he has not visited China since coming to power in 2011. On the other side, various illegal activities of North Korea at home and abroad make the Chinese feel uncomfortable. In addition, the ROK’s continuous efforts to improve relations with China are contributing to changes in the North Korea–China relationship.

Despite these changes, however, China is unlikely to drive North Korea to the edge. Chinese policymakers are wise enough to recognize that U.S. forces might come all the way to the current China–North Korea border if North Korea collapses. The Chinese also do not believe that the ROK can guarantee that such a change of status quo would not happen.

When it comes to a public stance toward North Korea, China is reluctant to criticize its neighbor and believes that there is a limit to its own influence. Rather, China criticizes the ROK for changing its North Korea policy too frequently. For the Chinese, Kim Jong-Un’s *Byungjin* policy, or the simultaneous pursuit of nuclear power and economic development, belongs to the domestic affairs of North Korea. As for the path to reunification of the Korean peninsula, China prefers a gradual approach.

What is China’s long-term vision regarding North Korea? China seems to view North Korea as a buffer zone. And even in the event of a North Korean collapse, if U.S. forces stay in the southern part of the Korean peninsula, China would still be able to use the whole Korean peninsula as a buffer.

An Alternative to China Required

At the same time, however, China recognizes the need to reorganize its relationship with North Korea based on new principles. It is worth noting that within China, there are shades of opinion regarding Korean affairs. Years of effort on the part of South Korea to persuade the Chinese to review long-standing support for North Korea at the expense of the ROK have turned

out to be fruitful, and young Chinese experts on Korean affairs have been showing relatively friendly attitudes toward the ROK.

Recently, however, the Chinese stance has become more aggressive in response to the ROK's decision to introduce a Terminal High Altitude Area Defense (THAAD) battery on ROK soil. China's government has noted that the intention of the nuclear and missile tests of North Korea is to show the Americans that the Obama administration's "strategic patience" was wrong.

Some ROK policymakers feel that their country should be free to decide whether to introduce a THAAD battery to defend itself against North Korean missile threats. Nevertheless, if China refuses to cooperate with the ROK on the North Korean problem as a result of THAAD, then Seoul needs to find an alternative to China in dealing with North Korea. One option will be to strengthen the trilateral cooperation among the ROK, the United States, and Japan. The ROK can also try to improve bilateral consultations with the United States and China, respectively. However, it should be noted that the essence of China's North Korea policy is to change North Korea gradually by having more economic cooperation rather than less. Along this line of policy, China's economic cooperation with North Korea will gradually increase in the future.

U.S. Participation in the Trans-Pacific Partnership and Other Free Trade Agreements

The Trans-Pacific Partnership (TPP) has come under fire in the United States amid concerns about its effects on U.S. manufacturing and jobs.⁴ For example, some critics, especially U.S. politicians, argue that the TPP will eliminate U.S. jobs. Others argue that it will weaken the U.S. manufacturing sector and lower U.S. wages. But there are straightforward explanations to counter these criticisms.

What the TPP Can and Cannot Do

The three main goals of the TPP are: (1) promotion of free trade and foreign direct investments, (2) protection of intellectual property rights, and (3) creation of a uniform environment for competition across the member countries. However, there are things that the TPP cannot do: One is to protect the manufacturing sectors from foreign competitors, and another is to prevent foreign effects on domestic wage levels.

One positive effect expected from the TPP will be the reduction of nontariff barriers among the member countries. The world has now moved to a trade environment where the average tariff among the economies is less than 5 percent. According to World Bank data,⁵ the average nontariff barriers translated into dollar amounts add up to around 15 percent. By trying to create

⁴ The various concerns about the TPP led President Donald Trump to abandon that effort well after our conference.

⁵ Hiau Looi Kee, Alessandro Nicita, and Marcelo Olarreaga, "Estimating Trade Restrictiveness Indices," *Economic Journal*, Vol. 119, No. 534, 2009, pp. 172–199.

uniform environments for competition across the member countries, the TPP should lower the nontariff barriers.

Implications of the TPP for South Korea

In this regard, the TPP will be able to provide an opportunity for the ROK, which contributes approximately 2.9 percent of total global trade. The ROK is a champion of free trade, having FTAs concluded with many economies and economic blocs, including the United States.

Nonetheless, the tariff and nontariff barriers in the ROK are still quite high, especially in such sectors as agriculture, services, currency, and intellectual property rights. For example, the average tariff on agricultural products in the ROK is 52 percent. The government regulations and interventions are still quite strong in finance, retail markets, and the information technology industry. There are also indications that the ROK government intervenes in the exchange rates. In addition, the protection of intellectual property rights in the ROK still seems to be weak.

If the ROK joins the TPP or mimics its conditions, this will force open large sectors of the ROK economy that currently are largely domestically controlled, such as banking, retail, and agriculture. This, in turn, could force the Korean leadership to make some difficult choices regarding the globalization of its economy, given that these sectors have been viewed as strategically important for the Korean economy.

The TPP is a new type of agreement. It is regarded by some countries, such as Singapore and Japan, as a kind of security treaty that demands a high level of commitment. The admission process is long and complicated, and every existing member country should agree upon the participation of a new member. The requirements for participation in the TPP might demand the applicant country to transform part of its domestic arrangements. If the ROK wants to participate in the TPP, complying with those requirements in such sectors as agriculture, finance, and retail markets will be quite a challenge for the ROK government. Of course, it is entirely possible that the new administration in the United States will put the TPP on a back burner or renegotiate it entirely. If this happens, it offers an opportunity for the United States and Korea to renegotiate KORUS FTA with a more evenhanded sharing of benefits.

Asymmetric Distribution of Benefits from Trade Agreements

The intent of the KORUS FTA is very similar to the TPP. It includes services, intellectual property protection, agriculture, environmental protection, investment, and labor protection. Its success might, therefore, be an indicator of whether Korea should join the TPP.

Since KORUS FTA went into operation, the bilateral trade in goods (between 2010 and 2016) has soared. However, the gain is entirely because of a rise in Korean exports of goods to the United States. U.S. exports of goods to Korea have stayed stagnant at about \$40 billion per year, while Korean exports have risen from \$50 billion a year in 2010 to \$70 billion in 2016. These statistics suggest an asymmetric benefit in favor of Korea. But the rise in Korean exports of goods to the United States has been offset somewhat by rising exports in services from the

United States to Korea. Between 2010 and 2015, U.S. services exports to Korea rose by 42 percent, from about \$15 billion to more than \$21 billion. Services imports from Korea to the United States rose by 19 percent, from about \$9 billion to about \$11 billion. While these growth rates may sound impressive, U.S. services exports globally rose by 46 percent (and imports from the rest of the world rose by 26 percent). Thus, under KORUS FTA, U.S. exports of services to Korea rose by less than its services exports to the world.

When measuring the effect of the KORUS FTA, the bilateral investment between the two countries should be included. For the past five years, many ROK companies have invested in the United States and built manufacturing centers there, employing tens of thousands of U.S. citizens. In contrast, U.S. foreign direct investment in the ROK is still much smaller than it is in other countries. Lower U.S. foreign direct investment in the ROK could mean that there were nontariff barriers against U.S. investment—something also seen in some other Asian economies, notably Japan. Although tariff barriers are low, nontariff barriers, such as business practices and regulations, make it very difficult for nondomestic firms to operate in the services business.

In summary, it appears that Korea's experience under the KORUS FTA has been more favorable than the U.S. experience. Renegotiating the terms to open up the Korean economy to services and lowering nontariff barriers will likely be key priorities for future U.S. administrations.

Chapter Five

Concluding Remarks

The conference summarized in this report brought together a distinguished group of experts to discuss ways to strengthen the security and economic relations between the United States and the ROK. These are important and timely topics; the conference occurred amid the rising threats and challenges against the security ties between the two countries and growing complaints and ambivalence on both sides of the Pacific Ocean regarding the regional framework of economic cooperation. The discussions offer insights that can be useful to new policymakers coming into office on both sides of the Pacific Ocean. That said, these discussions merely scratch the surface. There is much work to be done in each issue area, and more discussions are required between security and economic experts from both the United States and the ROK to better understand the problems that each nation faces in trying to resolve the differences between them. The expert communities may not agree on every aspect of the challenges facing both nations; each topic is a complex and tough issue. But it is time to press ahead to strengthen U.S.-ROK cooperation.