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Stephan Haggard Smart Q&A: The US-DPRK Summit and the Future of North Korea

Question 1: What was your main impression and the take away from the summit?

Answer: I think my impression of the summit is shared by a lot of American analysts which is that the document itself was actually quite weak. The bullets were short, they did not have a clear timeline and objectives attached to it, and the one on denuclearization in particular was interesting because it had three things in it that were cause for some concern. The first was a reference to the Panmunjom Declaration, and while in general I think that the United States supports the efforts on North–South relations, the fact that this was a peace and aspirational document was a source of some concern. The second thing about the denuclearization bullet was the promise to work toward denuclearization rather than the promise to denuclearize, which is a little bit weak. And finally there is the whole question on what the North Koreans and Americans mean by denuclearization and that’s got a lot of attention in the United States - this idea that the North Koreans are talking about the denuclearization of the whole Peninsula. What does that mean? The US has been talking about complete, verifiable, and irreversible dismantlement – not just denuclearization – but dismantlement of facilities. I actually don’t think that this is as much of a problem as some others do because clearly there are going to have to be trades about security assurances. So I see the denuclearization of the entire Peninsula as part of the North Korean effort to secure assurances from the United States on the security front.

Question 2: What do you think should be the next steps for the US and South Korea to ensure that North Korea does commit to a denuclearization that all sides can agree on?

Answer: Clearly the summit was never going to achieve denuclearization. The only question was what the nature of the statement would be and the idea was, clearly, that the statement would not begin but continue a set of negotiations that had been undertaken by Secretary Pompeo and also by a team led by Sung Kim that was meeting in Panmunjom right up to the time of the summit. So what we’re really waiting for at this juncture is some indication of what those negotiations yielded. This is one of the reasons I am holding my fire on the joint statements than the summit itself because I think there is still a lot we don’t know about the post-summit negotiation process moving forward.

Question 3: The US-ROK military exercises have been halted for the foreseeable future. What do you think about this move and what do you think about President Trump referring to them as “provocative”?

Answer: The biggest surprise coming out of the summit was not that it took place or the nature of the summit document, but came in the President’s press conference which went on for almost an hour after the summit. And here is where the largest concern in the United States among North Korean watchers was, the use of the language of “provocative”, the use of the term “war games”, and of course a return to the President’s preoccupation with the



costs rather than the benefits of the alliances. On the other hand, this is something that President Moon, I think, was very much open to. But the big takeaway on the exercise issue is the way that the Chinese proposal essentially is put back on the table. The nature of the Chinese proposal, which is sometimes known as the “freeze for freeze” proposal, was essentially for the North Koreans to pause testing of nuclear weapons and missiles - which they’ve done since November effectively with the Olympic truce – but also that the United States would suspend exercises. And as recently as January, Secretary Tillerson - before his departure - had vociferously denied that the United States was interested in this trade, but it now appears that that’s one of the major outcomes of the summit.

Question 4: In 2017, there was a lot of fiery rhetoric between the United States and North Korea, but North Korea launched a charm offensive in early 2018. Why do you think things changed and why was the summit able to take place now instead of last year?

Answer: The process by which we got to the summit actually begins with Kim Jong Un’s New Year’s speech, which was a quite interesting speech. It had three parts to it. One was that the nuclear and missile program had been completed: the idea that the capacity that the regime wanted had effectively been achieved. The second part, interestingly, was about sanctions and the fact that the North Korean public should be alert to the fact that sanctions were coming and that the costs would be manifest. And third, of course, was this kind of blackmail with respect to the Winter Olympics in which Kim Jong Un basically said “We can’t guarantee the safety of the Olympics, but we can if we come.” And that was really the start of this whole process. It was in some way extremely contingent, and then President Moon was in a position to pick up on this, and then you had the North-South Summit and the whole succession of summits involving Kim Jong Un and the Chinese, and then ultimately in the decision by the President, an impetuous decision, to accept the summit for June that actually took place.

I think this means something very important though, because the President believes that the summit something of his doing – that is President Trump – when in fact, a complex set of interests involving the Chinese and the South Koreans were also in play. And what this means is that the conception of the post-summit period is actually quite different between Beijing, Seoul, and Washington. And one of the central fears that American analysts have going forward is that if the sanctions regime weakens significantly, because that was to me one of the main things that drove Kim Jong Un to the summit, then the possibility that these negotiations will drag out increases.

Question 5: If North Korea opens up and adopts some kind of capitalist system, what do you envision is the most appropriate model for them to follow? Do you see them becoming another China? Do you see them becoming another Vietnam? And what role do you think South Korea can play in their opening up and development?

Answer: One of the signals that suggests that North Koreans are actually interested in a fundamental strategic shift in course - which is a term that Secretary Pompeo used in the run up to the summit - was the Central Committee Plenum that met at the end of April in which Kim Jong Un said that he was undertaking a strategic shift away from the *Byungjin* line and towards a greater emphasis on economic development. That statement coming out of the Plenum was complicated and contradictory because on the one hand, he seemed to say that we have this capability, suggesting that they might be interested in keeping it; but at the same time saying that the *Byungjin* line was no longer necessary, suggesting a more definitive shift



towards economic opening and reform. There is a lot of discussion about what economic reform in North Korea might look like, for example, whether it would follow a Chinese model. But there are some fundamental differences between North Korea and China that make that course of action less likely and less possible in the end.

The start of the Chinese reforms was actually in the countryside, and at the time that the reforms were launched about 80 percent of the Chinese population lived in rural areas. And so the transformation of agriculture and incentives to allow basically a more household-oriented agricultural system really provided dramatic benefits to large shares of the population and set in train a set of developments which ultimately spread to the cities and the external sector. In the North Korean case, there is not really comparative advantage in agriculture and there is not much of a bump that the North Korean economy can get from agricultural reforms alone. Given the fact that the North Korea is basically a small open economy, what's going to have to happen is that the country is going to have to open significantly to trade and investment, and here is where the question of sanctions relief becomes complicated. Obviously sanctions relief is a partial prerequisite for that opening to occur. You're going to have to get countries willing to trade with North Korea and beyond China. But at the same time it's complicated because the fall in trade with the rest of the world is not just simply a function of sanctions, it's also a function of two additional factors: the political risk associated with the nuclear program. But also the fact that historically North Korea has not been very good at protecting the property rights of those that invest and trade with the country. And we know that from surveys of firms - Chinese and South Korean firms that operate there. We know it from the fact that investment was low even when Kim Jong Un was trying to open up these export processing zones.

I think it's quite possible that given the eagerness of the South Koreans and the Chinese to reopen trade relations that this type of external opening could happen fairly quickly. But it will very much depend on the engagement of the United States and whether the Trump Administration goes back to secondary sanctions as a tool of pressing those negotiations forward. Even with respect to the Chinese connection, Trump can disrupt that if he decides to go after particularly larger Chinese firms that are engaged in trade with North Korea. So as President Trump also says, we'll have to see what happens.

Question: It seems that North Korea has achieved its goals to become a de facto nuclear state, and might possibly use that to demand normalization. Many North Korean experts agree that they have nuclear weapons. But it seems that American and South Korean decision makers are still talking about preventing nuclear breakout capability, as if they didn't already have nuclear weapons yet. Do you think that there needs to be shift in the assumptions and ways in which key players approach the issue?

Answer: Let's talk for a minute about what a settlement might look like. And I think there are basically three models that are on the table for how this subsequent process might unfold. The first is that some combination of events, including sanctions relief or the fact that the North Koreans never had any intention to give up their weapons, basically pushes us back to some kind of containment mode. And the idea of containment – and this has been suggested by a number of analysts in the United States – is that we basically give up on the prospect that North Korea would ever denuclearize or ever denuclearize completely – and maintain and go back to maintaining the idea of deterrence as the main way of dealing with the North Korea problem.

The second possibility, and I think the one that most think is possible if not likely, would be that you would get into an extended negotiation with the North Koreans in which



the process is really more important than the outcome. And what I mean by that is that complete, verifiable, and irreversible denuclearization would be treated as a long term goal that would be put in train through an incremental process of steps, in which exchanges of quid pro quos would be made along the way, quite incremental, partial sanctions relief, partial assurances, but really with not with a significant focus on an end goal. The process overtakes the end point. I think, however, what the United States is likely to do in these subsequent negotiations is to try to push the pace. And Secretary Pompeo has talked about a compressed schedule; he subsequently made references to a two and half year timetable – that is, by the end of the first Trump Administration. And here the process would look a little different; it would include significant timelines with deliverables at perhaps not one single process or endpoint as with the Iranian negotiation, but perhaps in a set of staged or phased concessions, but with significant steps in this process being achieved along the way.

So for example, this could mean not just a freeze on nuclear weapons but beginning with the process of shutting down the Yongbyon facilities and subjecting them to verification as a first step. It could mean capping or even identifying and destroying intercontinental ballistic missiles, allowing missiles of shorter ranges to remain in place, and then with subsequent steps in that process moving on to other pieces of the nuclear program. For example, there clearly are stockpiles of fissile materials, there are stockpiles of weapons themselves; there is the military-industrial complex which will need to be repurposed. All of these could be parts of subsequent phases that would be taken *seriatim*, but in a process that would ultimately end up with complete, verifiable, irreversible denuclearization. I still think that is the United States' goal, and even if the first two options remain on the table, it's likely to be what the United States negotiators insist on.