

U.S.-ROK Strategic Communication:

Track II Dialogue on the U.S.-China Strategic Rivalry and the U.S.-ROK Alliance

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On April 6, 2021, the George Washington University Institute for Korean Studies (GWIKS) hosted a virtual Track II Dialogue on “U.S.-China Strategic Rivalry and the U.S.-ROK Alliance,” co-chaired by Yonho Kim, Associate Director of GWIKS, and Heung-kyu Kim, Director of the U.S.-China Policy Institute (UCPI) of Ajou University in South Korea, for a project sponsored by the Korea Foundation with leading experts from the United States and the Republic of Korea participating.

While tensions have been building between the U.S. and China over the past few years and following their first meeting at Anchorage Alaska on March 18 as well as given Seoul’s precarious position between Beijing and Washington, the speakers of the roundtable agree on the fundamental concept that the U.S.-ROK alliance is essential to not only both countries but also for regional peace, prosperity, and stability. This meeting provided a forum for the various experts to voice their positions on issues related to topic of the U.S.-China strategic rivalry and U.S.-ROK alliance, allowing them to become familiar with their colleagues’ viewpoints, and laid the foundation for future discussions on the issue. Based on the discussions, the project will publish a policy recommendation report for the policy leaders in Washington and Seoul in early 2022.

Executive Summary

The discussion showed that there was broad agreement on the necessity of the U.S.-ROK alliance in the midst of change caused by the wider U.S.-China relationship. And while the majority of the participants, from both the ROK and the U.S., agreed that the U.S.-ROK alliance is indeed the lynchpin of Northeast Asian security and prosperity, they differed on how Seoul should properly approach its relations toward both Beijing and Washington.

The American panelists largely argued that the ROK should identify its core interests and defend them against those who threaten them. Among such key interests, values like democratic ideals, human rights, and liberal principles, which place Seoul closer to Washington, were mentioned, but with the caveat that the U.S. will not force the ROK into making a decision contrary to its core interests.

The South Korean participants, on the other hand, largely focused on the factors limiting South Korean policy options and those that characterize the country’s position between Beijing and

Washington, physically and psychologically. They highlighted the security concerns that ever dangle above the heads of South Koreans, such as Chinese retaliation to actions that are perceived as “anti-China” or overtly “pro-American.” And among the South Korean participants, there was some disagreement whether the ROK should participate in organizations like the Quad due to the perception of it as an anti-China group and whether such views are warranted.

On the issue of North Korea, the American participants generally believed that the denuclearization of North Korea is the priority issue with North Korea, with human rights also a key agenda item. The U.S. views sanctions as a key instrument for compelling North Korea to negotiations. South Korea, on the other hand, has emphasized inter-Korean engagement over focus on North Korea’s nuclear program and human rights abuses and actively seeks the restart of dialogue between the three countries without any major preconditions.

However, one Korean participant argued that Seoul must utilize sanctions more to increase the costs for Pyongyang’s pursuit of nuclear weapons, whereas his American colleague emphasized a more focused use of sanctions that targets primarily North Korea’s nuclear weapons program and the state apparatus, avoiding the private sector to facilitate growth among the people who may oppose the Kim regime where possible. While some differences in policy prioritization exist, an American expert observed, both countries will diplomatically amend such differences in pursuit of a peaceful and prosperous Korean peninsula.

Opening Remarks

A speaker from the ROK gave opening remarks on the ROK’s position on the great power conflicts in the region throughout history and how this has influenced Korea’s national identity as well as its perception of the international landscape.

The ROK sees itself increasingly entrapped by the strategic competition between the U.S. and China, particularly since the announcement of China as a strategic competitor to the U.S. in 2017. It heavily depends on U.S. for security due to North Korea’s growing nuclear weapon capabilities. On the other hand, the ROK depends on China for about 34% of its trade as of 2020.

While the Moon administration certainly places priority on the U.S.-ROK alliance, Seoul does not view China as an adversary and pursues strategic cooperation with Beijing due to both historical and recent experiences related to the THAAD deployment as well as to avoid antagonizing Beijing.

In China’s view as well, the Korean participant stated, the ROK is a lynchpin and North Korea is a cornerstone in the Asia-Pacific region, critical components in its foreign policy calculus. Chinese policymakers would like to maintain a balanced approach toward the two Koreas to deepen its influence on the Korean peninsula. If the U.S.-China strategic rivalry intensifies, China will pay more attention to China-North Korea relations.

For China, acquiring a stable and sufficient supply of memory chips from Samsung and SK Hynix amid the U.S.-China strategic competition is crucial. Also, China needs to embrace not only the ROK but also Japan in its dual circular economic strategy, which will encourage Beijing to keep improving its relations with Seoul and Tokyo in the coming years absent obvious anti-China positions taken by two countries. The participant observed that for China, a more serious security

issue than the denuclearization of North Korea is preventing the U.S. from upgrading THAAD and deploying any mid-range ballistic missiles in the ROK. Such a development could cause a Cuban-Missile Crisis-like scenario for China, the participant argued.

U.S.-China Economic Rivalry

China's Belt and Road Initiative

A participant from the U.S. observed that, while some see the Chinese Belt and Road Initiative (BRI) as providing much-needed infrastructure development, capital, and more effective tools for poverty alleviation in developing countries, others consider the effort as an undertaking in “debt-trap diplomacy.”

In the past few years, in responding to some criticisms of the BRI, the so-called “BRI 2.0” has aimed to be more inclusive and mindful of governance issues, economic effectiveness, public health, and green development. For China's leaders, the participant argued, the BRI is not a strategic choice but a necessity because of the country's demographic conditions and political-economic reality. The BRI will most likely remain in the spotlight in both U.S.-China bilateral relations and multilateral developments in the years to come.

The American participant described three strategic shifts undertaken by Beijing due to the prolonged trade war with the U.S. and the economic decoupling launched during the Trump administration, as well as the Biden administration's coalition-based boycotts against Chinese products and other punitive moves to undermine Chinese industries and supply chains.

The first shift is the so-called dual circulation strategy that emphasizes domestic-driven growth. Beijing believes that China has more leverage in the current global economic landscape with its huge domestic market and its relative sociopolitical stability. The second shift is from its foreign policy emphasis on the U.S., which was previously considered “the very top of the top priorities,” to the EU, and more importantly, to China's neighbors in Asia. And the third shift corresponds to China's concerted efforts to promote a strategic and economic partnership with Iran, where on March 27, 2021, China and Iran signed a 25-year strategic cooperation agreement.

The expert believed that all of these shifts, combined with the proceedings at the U.S.-China dialogue in Anchorage on March 18, indicate that the Chinese leadership has decided to play hardball with the U.S.

U.S.-China Technological Competition

A Korean participant observed that in facing China's technological rise, the U.S. strategy could be broadly summarized into three categories. First, the U.S. has been trying to put Chinese firms under pressure through a variety of means, such as export restrictions, regulations on mergers and acquisitions (M&A), and intellectual property lawsuits. Second, the U.S. has been strengthening domestic technological innovation, especially for its manufacturing base. Third, the U.S. has been attempting to form a technology alliance with other countries against China under the concept of “techno-democracies vs. techno-autocracies.”

The Trump administration's hard push has seemed to have had a significant impact on the Chinese tech sector as Huawei and other Chinese firms have faced great challenges when they could not acquire software and equipment due to U.S. sanctions. Conversely, however, the willingness of the Chinese government and firms to upgrade their technology base and increase R&D investment has been strengthened.

The situation has not calmed under the Biden Administration, which is moving to put semiconductors, artificial intelligence, and next-generation networks at the heart of U.S. strategy toward China and Asia. While a compromise between the two countries may be difficult, it is evident that management and institutionalization of these conflicts while reducing the costs and damages to both sides is necessary, the participant stated.

The Korean participant argued that the U.S. should narrow its focus to apparent illegal technology takeovers or clear infringements of U.S. core interests. In the long run, since a certain amount of U.S. technology leakage to China is inevitable, the U.S. should strengthen the competitiveness of its technology base.

The recent U.S.-China technological rivalry and the decoupling of the U.S. and China in the global ICT supply chains have caused great challenges for many countries, including the ROK. In this highly integrated global economy, countries will face difficulty in restricting economic and technological relationships solely based on national security concerns.

The U.S. has clear technological dominance in design, software, and equipment in the global semiconductor supply chain. As a result, South Korean semiconductor firms are dependent on the U.S. for these inputs. At the same time, China has been a major market accounting for almost half of South Korean semiconductor exports. Samsung and SK Hynix have been placed in a complicated situation due to the U.S. sanctions.

If cooperation on the technology front between the U.S. and the ROK deepens under the Biden Administration, China may exert pressure on the ROK, as was the case with the THAAD deployment. In such a complex situation, the Korean panelist believed that U.S. and ROK technological cooperation should be predicated on shared values such as openness, transparency, and democracy, rather than explicitly anti-China dimensions.

Changing U.S. Military Strategies and Security in Northeast Asia

China's Potential Direct Military Threat to the ROK

An American participant argued that while it made sense for Seoul and Washington to have prioritized the threat from North Korea in the past, the ROK needs to consider the possibility of a direct military threat from China. In a decade or even within a few years, China will have the ability to project major military power throughout the Western Pacific – including against the ROK. The participant argued that Beijing will have at least some incentive to use force against the ROK and that, while annexation is a low possibility, compelling Seoul to toe Beijing's line is more likely.

As a coalition forms to check China's aspirations to regional dominance, the participant stated, China will attempt to find weaknesses in such a coalition. While Beijing will attempt to split this

coalition apart through its economic leverage, most of these states know that bowing to Beijing will mean the end of their autonomy. Thus, the participant asserted, Beijing will understand that force will ultimately have the most compelling effect on its neighbors. Beijing's best bet is to start with vulnerable, nearby Taiwan, whose political status is ill-defined. It also could try to exploit chinks in the coalition such as the Philippines, Vietnam, or the ROK.

U.S. Military Policy for Indo-Pacific Region and the ROK Policy Stance

A Korean expert argued that, while Koreans initially welcomed the new Biden administration over the previous one, they now generally view that the strategic environment that the Biden administration is shaping does not seem favorable to the ROK, nor very different from Trump's. The speaker believed that the Biden administration is executing the inherited Indo-Pacific strategy as quickly as possible, and that there is a push to resume the trilateral U.S.-ROK-Japan military exercises. The participant claimed that the Biden administration is working to bring Seoul more squarely into the anti-China camp, to Seoul's detriment.

Precision Strike Missiles (PrSM) would replace USFK's ATACMS missile and have a longer range than the ATACMS, which would render Chinese A2AD assets and vessels close to the Korean peninsula vulnerable. It is unimaginable how great Chinese retaliation would be when such offensive missiles are deployed to the ROK, the participant stated, given the recent experience with THAAD. A similar situation would occur if the ROK participated in the trilateral military exercises.

Despite this, the participant believed that Seoul, with its military and economic power, would be able to maintain its ambiguous position, as neither side could prevail without the ROK's endorsement. The participant also stated that the ROK could provide sufficient missile defense for USFK with its own capacities in order to forestall a U.S. missile deployment. Despite a tremendous potential cost for the ROK, it would be crucial in preventing the Korean peninsula from becoming further ensnared in the U.S.-China rivalry. A similar reasoning should be applied to the trilateral military exercises, the participant argued.

U.S. Indo-Pacific Strategy

Continuity and Discontinuity

An American participant claimed that by maintaining the Trump administration's term, "Free and Open Indo-Pacific," the U.S. is signaling both its support for Japan, which first used the term, and significant continuity in the U.S. approach to the region.

The participant observed that the Biden administration's main objectives in the Indo-Pacific are: 1) to preserve peace and stability in the region; 2) to maintain a balance of power favorable to the U.S. and its allies and partners; and 3) to forge coalitions to push back against aggressive Chinese policies. President Biden seeks to regain global leadership and respect by prioritizing alliances, reengaging in multilateral organizations, and strengthening partnerships.

According to the expert, the visit by Secretary of State Tony Blinken and Secretary of Defense Lloyd Austin to both Japan and the ROK demonstrated the Biden administration's commitment to

rejuvenating ties with allies. The Biden administration hopes that the Quad will serve as a flexible platform that can conduct a range of activities with other like-minded countries, including the ROK.

Currently, Secretary Austin is undertaking a global force posture review that will align U.S. military posture more closely with its foreign policy priorities. Decisions are expected to be made that will begin to reverse the deteriorating strategic situation in Asia created by China's unrelenting military buildup and aggressive actions. The participant stated that the Biden administration sees a pressing need to bolster regional conventional deterrence and reassure allies and partners. A separate review of U.S. defense policy toward China is also taking place, along with reviews of policies toward China in the areas of technology and trade.

U.S. Indo-Pacific Strategy and Quad: A South Korean Perspective

A Korean participant argued that it is still too early to write off the Quad as an anti-China military alliance because the future of the Quad is largely up to China. If China continues its aggressive behavior toward its neighbors, the Quad could develop into a military alliance in response.

The participant contended that, while some fear ROK participation in the Quad would make China's retaliation certain, the most tangible benefit for the ROK is expected to be strengthening ties with Washington by participating in the Biden administration's top priority – namely checking China. Conversely, if the ROK does not join, it will not only give the impression that Seoul is lukewarm toward interactions with countries participating in the U.S.-led network, but it would also be seen as uninterested in maintaining a rules-based international order.

Thus, the participant stressed that, given the Quad is neither an official treaty organization with fixed members nor an established institution, the ROK should not object to participating. The question for Seoul is not whether to 'join,' rather, it is important for the ROK to decide at what level and how much strategically it should participate.

Regional Cooperation

South Korea's Dual Hedging Strategy

An American participant observed that South Korea has dreamed that regional multilateral cooperation will serve as the antidote to regional strategic rivalries through establishment of an institutionalized multilateral cooperation that would constrain great power unilateralism, giving smaller countries an equal stake through such cooperation. This would eliminate the need for strategic choice between great power rivals but has become increasingly untenable given recent developments in the region.

The ROK pragmatically seeks to balance its security ties with the U.S. against preservation of economic opportunities with China. The ROK faces increasing pressures to meet the Biden administration's expectations for the ROK's greater cooperation and alignment on issues as a fellow democracy and, on the other hand, a China that can appeal to South Korean pragmatic interests in securing China's cooperation alongside the fear of Chinese coercion and the costs of

China's non-cooperation on areas of direct interest to the ROK. Thus, the ROK will be tempted to pursue dual hedging strategies as a means to continue its choice avoidance.

The U.S. and the ROK have differing geography, differing preferred instruments for dealing with China, and differing risk exposure to China's possible retaliation that must be bridged through more intensive alliance-based consultations on regional issues, the participant asserted. The most recent U.S. successes in pursuing such an approach are the establishment of a working-level dialogue to align Seoul's New Southern and the U.S. Free and Open Indo-Pacific policies as well as the U.S. successful revival of South Korean and Japanese commitments to institutionalized trilateral coordination.

Regional Trade Agreements and South Korea

A Korean participant spoke on the topic of regional trade, stating that President Biden's promise that "America is back, diplomacy is back, and alliances are back," has been acted out. While the Virtual Quad Leaders' Summit and the Foreign and Defense Ministers' Meeting ("2+2") in Tokyo and Seoul were well received, aside from these developments, there are few signs, except for the climate change agenda, that the Biden administration has begun rebuilding the multilateralism that had been overlooked by the previous administration. The Biden administration has no intention of pursuing new trade deals before a sufficient amount of investment is made in the U.S. and nor does it intend to rejoin the CPTPP at this stage. Thus, U.S. reengagement in the region is expected to be delayed.

During America's absence, China has assumed greater leadership roles. As the RCEP and EU-China Comprehensive Agreement on Investment (CAI) shows, China made enormous progress in multilateral diplomacy. In other areas, the Digital Silk Road and vaccine diplomacy have strengthened China's centrality to the region.

The Korean expert noted that the CPTPP can be a very effective platform for balancing against China's influence, whereas the Indo-Pacific strategy is a hard sell across the region. The strategy pursues military objectives that are likely to provoke China's retaliation and makes allies and partners reluctant to participate. Even China holds a favorable position toward the CPTPP, with Chinese officials recently making it no secret that the country considers joining.

The China-Japan-ROK (CJK) FTA that is under negotiation will further increase the ROK's heavy economic dependence on China. Before the completion of the FTA, U.S. return to the CPTPP will help South Korea gain momentum in reducing its reliance on China. If the U.S. wastes this opportunity, the participant believed that China, as the biggest trading partner for many regional powers, can easily consolidate its dominance in the region.

Roundtable Discussion

While American and South Korean experts agreed on the broad issues related to the U.S.-ROK alliance and the issue of China, however, some disagreement over the perception of South Korean geopolitical situation and how Seoul should approach its strategic dilemma emerged. A key point of contention between the two sides was centered on the question of whether the South Korea was

justified in its concern over upgraded missile systems being deployed by the U.S. on South Korean soil. A Korean participant opened the discussion with a concern over actions such as American missile deployment and joining the Quad, asking how Seoul can respond to Beijing's reaction to these perceived "anti-China" moves.

The American side tended to emphasize the drawbacks of the ROK acquiescing to China's demands, real or perceived, and overall stressed that this approach is not beneficial to the ROK in the long-term. One American speaker responded to a Korean colleague's argument for strategic ambiguity in the face of tough strategic environment by asserting that strategic ambiguity is the worst possible choice for Seoul. Due to the ROK's strategic ambiguity, the U.S. may have to pursue a more focused and potentially more ruthless approach to secure its regional interests in the future. Given South Korea's location, the participant argued, it may become a metaphorical or even a literal battlefield for the two sides as they compete for influence. Alternatively, it could go under the Chinese sphere of influence, as the Chinese will also not be satisfied with a half-hearted arrangement. This American expert's argument prompted many responses from the other participants, particularly among the Korean side, who are deeply concerned with this strategic dilemma.

Another American expert voiced a similar view on Seoul's strategic ambiguity, stating that one should view the actions of other countries and how China has reacted. It has become clear that China takes advantage of weakness, as is the case of the maritime issue with the Philippines in the South China Sea, among others.

However, an American participant refuted the notion brought up by a fellow American expert on the lack of resources available to the U.S., stating that the six of the nine countries after the U.S. on defense spending are U.S. treaty allies and that last year the U.S. defense budget rose 5%, while the Chinese defense budget increased a little less than 5%.

Other American experts commented on the significance of the economic dimension of the U.S.-China strategic rivalry. One American participant emphasized that, while debate going on among the leadership and the intellectual community in China, there is a consensus that the U.S.-led effort to contain China is a major threat facing the country. There are two different views on this issue. The first view, a hardline position, is that China should prepare for the worst-case scenario situation. The second one, the expert believes, is that China should wait out the Quad, partly because not all members will follow the U.S., but also, they believe that the U.S. cannot afford a military confrontation. So, there is a sense that China should not overreact. Another American expert added that the core dimension of the U.S.-China competition is economic, which cannot be cleanly divided in a country-by-country manner.

In sum, the American experts generally agreed that, while the ROK should decide for itself what the best course of action is to pursue its national interests, they argued that strategic ambiguity ultimately pushes back the crucial decision-making time without making tangible progress on issues.

The South Korean side, in contrast, stressed the complexity of their country's strategic dilemma and the potentially perilous consequences of the ROK taking an overtly "pro-American" stance.

One Korean expert emphasized a concern that the U.S. attempt to upgrade its missile systems on ROK soil will result in Chinese retaliation similar to the THAAD case. Another Korean expert believes that the North Korean perspective should be examined regarding U.S.-China strategic competition. China will recognize North Korea as a very useful card to hedge against the U.S.,

which will increase the strategic value of North Korea. Hence, China does not want a destabilized North Korea. On the other hand, the U.S.-China strategic competition may be a serious challenge for North Korea as under the current circumstances, negotiation of issues such as the normalization of relations with North Korea is unlikely. Also, since the U.S.-China strategic competition has the dimension of norms and values, North Korea is directly implicated. This shapes the Biden administration's critical view of North Korea's human rights issues. The expert stated that there is a motivation for both sides to make North Korea a scapegoat in the U.S.-China strategic competition.

On the issue of dual hedging and the drawback of strategic ambiguity, a Korean participant asserted that, while the ROK is leaning more towards the U.S. and the public sentiment toward China in South Korea is on the whole worsening, the problem is that the U.S. expects the ROK to act like Japan and Australia. But given the ROK's unique circumstances, such as its close proximity to China, its close economic relations with China, and the necessity of Chinese cooperation on the North Korean nuclear issue, such expectations are rather unrealistic.

A Korean participant believed that the impact of the Chinese sanctions is relatively exaggerated. While the sanctions did hurt at the time, overall, they did not significantly damage the South Korean economy. Currently, the ROK is still under Chinese sanctions and the number of Chinese tourists visiting the ROK plummeted due to the pandemic and thus, if there are additional sanctions from China, the expert argued, the impact will be not as severe. Thus, the right time to join the Quad is now. The participant expected the U.S. to give some kind of a gift to the Moon administration, such as increased autonomy on inter-Korean relations, to incentivize Seoul's participation. Regarding the problem of THAAD, there was no security guarantee from Washington when the Seoul was sanctioned by Beijing, and so he believed that this left the ROK more hesitant to openly defy China with a lack of the tangible U.S. assurances.

Questions that encapsulate the Korean position posited by Korean experts include: "How would China respond to the upgrading of the THAAD system on the Korean peninsula, and the how do we respond to the Chinese reaction? And "What kind of assurance can the U.S. give to like-minded countries when they decide to make a choice and receive retaliation from China?" Such questions bedevil the South Korean side.

In sum, Korean participants emphasized the precarious nature of the ROK's limited strategic environment and believed that Washington should understand the delicate position Seoul occupies.

Generally, the American side emphasized the Biden administration's efforts in revamping the U.S. position in the Asia-Pacific and around the globe. The Korean side, on the other hand, tended to view the Biden administrations words and actions with more scrutiny. Also, there was a nuanced divergence between the Korean experts on the question of joining the Quad and strategic ambiguity. However, they were unanimous in their support for the U.S.-ROK alliance.

Biden's North Korea Policy and U.S.-ROK Alliance

An American participant argued that Biden's approach to North Korea is assuming a more strategic outlook, taking into consideration factors beyond North Korea itself. The Biden administration understands that the future of North Korea is closely related to the future of China and is a crucial

component in the future of U.S.-China relations. The ROK, currently under a progressive government, is more accommodating to North Korea and more focused on inter-Korean relations than on progress toward denuclearization. That, the participant observed, will likely cause tension between Seoul and Washington in policy prioritization. But these issues will be resolved behind-the-scenes, diplomatically and professionally, and such differences are not unbridgeable.

Another American expert observed that the North Korean issue has undergone a speedy policy review process at the National Security Adviser level, indicating that in the Biden administration the National Security Council and the White House will lead on the issue. The expert believed that this is a prudent approach, given the high-profile nature of the U.S. engagement under the Trump Administration as well as the propensity for relations to sour quickly with little warning. The April 2 U.S.-ROK-Japan trilateral National Security Advisers meeting signaled that the policy review is nearing completion and will be announced soon. According to the participant, the Biden Administration hopes that such coordinated policy planning will avoid a blunder from the outset and keep policy options open.

The ROK will be hoping for direct U.S. engagement with North Korea, which they view as the key to resuming dialogue with the North. Thus far, there is no information on whether the Biden Administration is willing to name a special envoy to Pyongyang. For President Moon's "peace process" to succeed, the ROK is counting on an active and direct U.S. role, even as it seeks to shape what the process should look like. Dialing in Washington's level of permissible "sunshine" in relations will remain a challenge, the American participant argued, especially as North Korea continues escalation in missile or nuclear-related activities to test Washington's resolve and response.

The participant asserted that there are no real options beyond dialogue, ruling out the military option as not realistic, given the North's stockpile of nuclear weapons and considerable conventional capabilities. Sanctions on the other hand, the expert stated, are inextricably linked to U.S.-China and, to a lesser extent, U.S.-Russia relations. As relations with both countries are dismal currently, there is no clear path to increased sanctions or even serious enforcement of existing sanctions.

Another American participant pointed out that political elements are crucial in the policymaking process, and key consideration is who will lead potential negotiations with the North Koreans. The Biden administration understands that approach of strategic patience from the Obama administration was a failure. As denuclearization will always be an essential U.S. policy, one that cannot be back-pedaled on, the question of how important denuclearization will continue to be in U.S. foreign policy strategy is a vital one, the expert stated.

The same participant agreed with a fellow American colleague that, in the interim national security strategic guidance, North Korea did not figure very prominently. It was mentioned, along with Iran, as a regional actor mostly threatening U.S. allies and some aspects of regional stability. The participant believed that the Biden administration will put North Korea not only in the regional box, but also the nonproliferation box. However, by not placing denuclearization as the central point of focus, the participant asserted, there are more approaches that can be taken with Pyongyang. And while incremental progress on the issue may appear as mere drops in the bucket in the short term, the expert stated, with the long-term goal of denuclearization as the focus, these developments will accumulate.

A Korean participant believed that because North Korea has low expectations for the U.S. policy review, they chose provocation. By opting out of the Tokyo Olympics, North Korea in effect rejected the Moon administration's plan to use the Olympics as a platform to improve ties with Pyongyang. The expert stated this as one of North Korea's traditional diplomatic tactics to gain concessions from the U.S.

The participant observed that at the trilateral National Security Advisors meeting, the ROK seemed hesitant in regard to denuclearization and sanctions. On the other hand, ROK NSA Suh Hoon mentioned the importance of a prompt restart of dialogue with North Korea, but that sentiment was not reflected by U.S. North Korea will likely seize this opportunity to exploit the difference between the two governments, the participant surmised. If North Korea carried out a military provocation this summer, then there will be a demand from the South Korean side for a strengthening of the extended deterrence shield from the U.S., which has not been discussed for three years.

Sanctions and the North Korean Economy

A Korean participant stated that, although sanctions against North Korea do not threaten the regime's survival, sanctions are crucial in preventing the development of North Korea's economy, which Kim Jong-un admitted to in his address at the 70th anniversary of Korean Workers Party Foundation, and at his New Year address this year. Due to COVID 19, North Korea has chosen to further isolate itself from the outside world, which, coupled with international sanctions, is making economic recovery more difficult. China will also have limited choices due to sanctions on North Korea, which can provide Pyongyang an excuse to criticize China. If the current situation persists, North Korea will suffer from foreign currency shortages and ultimately will try to exploit the capitalist elements in the North Korean economy. This could lead to a crack in the control of the ruling class and weaken Kim's rule.

Given this situation, Seoul will need to make full use of sanctions against North Korea, the participant argued. This is a better way toward the complete denuclearization of the Korean peninsula and for peace. And ironically, the South Korean government agreed with the U.S. that sanctions against North Korea became a major catalyst for dialogue in 2018. This is also a potential way for Seoul to show Washington solidarity for the U.S.-ROK alliance, solving the task of denuclearization together in an era of strategic competition between the U.S. and China.

In contrast to the Korean participant, who advocated a stronger sanctions policy toward North Korea as a means to compel Pyongyang to talks, an American expert focused on the North Korean economic trends separate from the political dimension, particularly on the role of sanctions as inducements, and distinguishing between the people of North Korea and the Kim regime.

The American expert observed the North Korean economy runs mostly on money with Kim's regime in short supply. While money is a much more efficient way of encouraging production and rationalizing economic activities, the participant stated, it also decentralizes power and economic power is now flowing away from the state and toward individuals and groups. This puts enormous strain on the society and the state.

The infiltration of U.S. dollars and Chinese yuan into the economy has shaken the centrally planned system and its fixed won prices and wages collapsed over the past two decades. To protect the value of won, the participant stated, Pyongyang must adhere to an incredibly tight monetary policy that has driven the economy into recession. This is all on top of the pain inflicted by China's adoption of exceedingly tough trade sanctions in 2017 and North Korea's own closure of the land border with China more than a year ago have halted the flow of vital imports.

The pressure Kim Jong Un feels is less than many may assume, the expert stated, since Kim probably believes that he holds the several keys to restoring consumption and growth when he decides it necessary. Sanctions relief, after all, is only one decision (a major nuclear deal) away and the border closure seems to be overdone, and he can pursue other policies such as selling licenses for domestic and foreign trade and housing rights, military cuts, and land reform.

U.S. and South Korean inducements to end North Korea's nuclear weapons program must thus weave between keeping up pressure on the state apparatus while possibly easing pressure on the private sector, to allow growth among people and groups who may challenge Kim to reform, the expert argued. Inducements, positive and negative, cast in the right way, will make the nuclear weapons program more costly and dangerous for the regime itself to tolerate, and thus open the door to negotiations.

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