



North Korea's new direction

Oxford Analytica Conference Call summary

We are on the cusp on either history or histrionics. As recently as late last year you could have got very long odds on the president of the United States sitting down with the supreme leader of North Korea. Yet on June 12 Donald Trump and Kim Jong-un are to do just that in Singapore. Any and every outcome is possible and equally unpredictable.

It was only at the start of this year that Kim announced an abrupt change of direction which led in April to the first Korean summit in nearly a decade. He then pledged concrete measure to de-escalate military tensions on the peninsula and to revive economic co-operation with the South. He also announced a wish to denuclearise the peninsula and that will be at the top of the agenda when Kim meets Trump in what will be the first ever summit between the US and a North Korean leader.

Is Kim serious about denuclearisation or is this yet another ploy? We have seen those from Pyongyang before. Can Trump deliver the 'very special moment for world peace' he promises? Or does the high-stakes summit create new risks? And what of the other players involved: South Korea, China, Japan and Russia?

What is Kim's game?

There are two Koreas. South Korea has a centre-left president, Moon Jae-in, who has been in office for a year and has four more years to go. He is not allowed to seek re-election. Politics everywhere is domesticly driven so when the voters chose Moon it was not about North Korea policy. Twenty years ago, then President Kim Dae-Jung launched his Sunshine Policy which led to a decade of engagement between South and North, but then two conservative presidents (now in jail) reversed that so intra-Korean ties froze.

Moon's avowed wish is to return to the Sunshine Policy but last year, South Koreans of all stripes watched the North's nuclear and missile testing anxiously, only too aware of the possible consequences were matters to escalate and were Trump to give Kim that 'bloody nose'. Moon vowed to put South Korea back in the driver's seat. He has achieved a lot. He is now the front seat passenger holding the map, but Kim is at the wheel.

Moon and Kim have swiftly parlayed what began as an Olympic truce with a summit on April 27 into a solid agenda going forward with high-level delegations including railway ministers. It is not all about nuclear weapons. Indeed, Moon and Kim hardly talked about nuclear weapons.

Trump's summit game plan

There are three critical aspects to the Trump presidency that relate to the prospective summit with North Korea on June 12. The first is the style of policy making that is going on within the Trump White House and in the administration generally. It is erratic compared to previous administrations. It includes verbal assault, the notion of a deal and getting a deal and talking about a deal ahead of time, putting forward high stake demands and possibly accepting a deal on that basis. There is huge erratic behaviour and switching of minds. There was a dramatic incident this week in respect to China (the apparent U-turn on sanctioning the Chinese telecoms equipment maker ZTE).

The second point is about Trump's world. How policy is made, who is there and what are the important issues. To the extent that it is possible to be systematic, there are several elements that can be usefully identified. Trump now has a group of advisors around him that he is comfortable with; they are his people. His current advisors are hawkish, particularly his National Security Advisor, John Bolton. We need to know what their world view is and how they see the issues at the moment. Their views drove the Iranian nuclear arrangement. Last week Bolton wrote a piece in which he said, "nobody in the Trump administration has any illusion about the negotiations ahead [with Kim]". This is interesting as the rhetoric and public version is that it is all straight forward. Bolton is putting a caveat there.

A third aspect of Trump's world that is important is his disregard of his allies' interest and advice. His view is that allies do not pay for anything. They do not fund the 30,000 US troops on the Korean peninsula. In the Asian context, this view encompasses Japan and Indonesia. With respect to Europe, it applies to NATO countries and with respect to the Middle East, it applies to attitudes towards Iran.

The president and his advisors are re-writing international politics. The dismissal of the requests by the three Ms (UK Prime Minister Theresa May, French President Emmanuel Macron and German Chancellor Angela Merkel) for the Iranian deal to continue was extraordinary. These experienced and important politicians were disregarded. We need to take account of that. Trump will bring the same mind-set to this summit on June 12.

Another aspect of Trump's policy making is that the notion of international responsibility is vague and probably gone. There is undoubtedly 'America first', a concept of national interest for the Americans. Trump and his advisors feel that they pay for things and on that basis they have to act and they expect allies to come along in tow hence some of the closeness with Israel in the Middle East.

Regarding the deal and its prospects, Trump will push to make a deal of some sort. The content of that deal will be affected by a number of variables. His electoral base will not care about the details. It does not matter how comprehensive or how minimal the deal is. What is important is Trump being able to say, "I have a deal just as I gave you a tax policy and just as I'm resisting an immigration policy unless Congress will pay for a wall". A deal would be a remarkable achievement for someone who came into office so hostile to this area.

The issue of verification is enormously complex. What can be offered around denuclearisation will be hard to read and something for the experts to get at. It is clear that this could be very complicated in the agreement.

The last issue is will Trump need to convince North Korea that he can be trusted in light of Iran, the Paris climate accord and his sudden switch on ZTE this week? Is he too volatile and too untrustworthy to get into a deal with?

Trump is reversing what his predecessor did in many areas. He can argue, "you are dealing with me not with the previous democratic administration. You can take me at my word." He will say that he will try to make this more robust than some of the other deals reached in the last decade and he can try and get congressional support for it, but that will be hard given the ideological divisions.

China has long been seen to be central to North Korea's future. Is this still the case?

If the Trump administration is trying the untried, Beijing is doing something more cautious and defensive. It is seeking to contain the gains it has made in the region whilst also seeking opportunities.

The one major difference right now in mid-2018 compared to two or three years ago the relationship between President Kim Jong-un and President Xi Jinping was frosty. The then-president of South Korea was invited to the great military parade in Tiananmen Square in September 2015. Kim was not. That symbolised an important shift in terms of the way that Beijing looked at the two Koreas.

Whilst relations with South Korea are a bit more scratchy now, it is fair to say that the relationship with North Korea has been sufficiently patched up. We saw earlier this year the dispatch of Kim's armoured train to visit Beijing formally. It was the first visit during Xi's administration. We have also seen North Korean delegates in profusion appear in Beijing in recent days.

What is the purpose of that warming up when it comes to the summit and any potential deal and the relationship with the US? The way to look at this is in the round of Beijing's diplomatic relationships. One cannot look at the North Korean deal in isolation. It is

equally relevant there has been a set of warm, positive visits between Japan and China. Chinese Prime Minister Li Keqiang visited Japan and met the emperor. The establishment of a hotline between the Japanese prime minister and the Chinese president is significant. Beijing's tactic is to ensure that it does not have more than one, major troubled front on its borders at any time. They want the Korean question sorted out.

The ideal scenario for Beijing is a version of the old six-party talks which existed in the 1990s and 2000s. The parties are: North and South Korea, China, the US, Japan and Russia.

Can the actions of the US be trusted? North Korea is only likely to sign off a deal in which Beijing becomes the guarantor. In other words, in a deal that is much stronger than with the Iran one, with an absolute statement that any concessions given by Pyongyang will be enshrined in a fully enacted international treaty.

Beijing has the motivation to do this because the one interest that it has more than denuclearisation is the preservation of the friendly regime on its borders. If Korea were to reunify while South Korea is still a US ally there would be US troops on China's borders for the first time since 1949. That would be intolerable for Beijing and for that reason any agreement which enables North Korea to survive is very important to them.

That said full denuclearisation is less of a priority for China than it is for the US. The crunch question is not about dismantling of nuclear weapon building capacity but whether or not there will be some capacity for North Korea to retain what is already has. The North will push very strongly for that and Beijing will not push them hard in any other direction.

The Trump administration will try to get the North to remove as many nuclear weapons as possible as quickly as possible. The deal will be a thin one. The wider public in the US will see a deal, but may not care about the details and therefore North Korea will likely maintain some nuclear capacity for some time but in a context of being inspected internationally and preventing any expansion of its nuclear capacity.

The two Koreas have a lot in common and have a lot of their own agenda at the moment, distinguishable from the nuclear process. We have this very specific Moon declaration which will probably be delivered. Moon wants to keep South Korea safe and avoid a return to last year's tensions. Kim wants to keep his nuclear capacity, he needs South Korea onside; China and Russia already are. Persuading Trump will take some time.

What else does Kim want? I think it is survival for his regime and for himself. He is only 34 and he could be around for decades. He's been in power for six years and he is doing lot better than many people expected.

There is some support for the hypothesis that pressure has brought Kim to conference table, and that has two strands. Trump's threats are one and ever tighter sanctions are another. Those are real, but they are exceeded by Kim's real agenda, which may be misunderstood in the West. When he came to power he seemed like a hermit, but he was consolidating power at home: he purged his rivals – famously his uncle - curbed the military and restored party rule under him. He's now firmly in charge.

All those tensions accelerated the development of nuclear weapons and especially the missiles. They were three reasons for doing that: to deter the United States from attacking; second, to compel Washington to talk; and third, to have more bargaining chips to trade once such talks begin.

We are now in a third stage when Kim is secure at home and can turn to prioritise economic development. Moon gave Kim at the summit a USB stick with lots of plans of how the South will develop the North. Even Washington and Secretary of State Mike Pompeo are offering help. There is just one hurdle: Singapore has to yield a deal on 'denuclearisation'. That will happen in some form, if only for fear of losing face.

Pyongyang is having a big media fest at its Punggye-ri nuclear testing site but that does not really cut it. Bringing journalists to watch a mountain being blown up is not the same thing as verification. They will have to allow some inspections, soon There is an intriguing rumour that five North Korean warheads will go to France. Missile concessions will let Trump boast that he has made the homeland more secure.

There is a lot of yearning to move on from the failure of previous policies. There is also a move to lure Kim into the world economy.

Has Trump underestimated Kim?

Washington does not know enough about Kim to know whether they have underestimated him. Trump underestimates many of his adversaries. People have observed that Trump likes other strong men. Trump will see Kim as a youthful pretender who has got quite far. The State Department is not well stocked with Korean experts. Pompeo has visited Korea. His views and his talent will be very important to this process.

The world has underestimated Trump, and he will be keen to vindicate that by coming away with some sort of deal. The conversation about Trump being impeached is now long dead. Trump is doing quite well in domestic approval ratings and economic conditions are good. He is on a high here, and this could be important to him.

We had not expected this, because like so many US presidents he came to office declaring no interest in foreign policy or reaching agreements with foreign countries. Instead, he wanted to beat them down in terms of trade and economy and North Korea's nuclear aspirations. It is important for him to show his domestic base that this is a fruitful path.

Is there a risk that Kim has underestimated Trump?

That is always possible. Kim has carefully built a strategy -- the whole intra-Korean process: getting South Korea on board, then China and Russia, if not Japan as that is another matter. His narrative is, 'everyone accepts that I am serious about this and accepts that I want to go down the path of economic development. We cannot do disarming overnight.'

The idea is to hem in Trump and John Bolton.

What about Beijing's role?

This is not a transparent process, but there is no doubt that the Chinese are very close to Kim. It is accepted that on Pompeo's visit Beijing was consulted first. Any idea that there is a solo diplomacy that cuts China out, if that was true a few months ago, is certainly not the case now. However, it is worth remembering that the Korea issue is a second-tier issue for China. It is important but it is more a matter of containing the issue so that it causes Beijing as few problems as possible.

Other things are more directly important such as the trade relationship with the US, dealing with the new security and commercial arrangements that China is seeking in the region under the One Belt One Road Policy, the regional common economic partnership and a whole variety of infrastructure issues. North Korea is slightly marginal to all of this.

If there was a deal, North Korea would be integrated into Chinese-led regional structures more easily, but the fact is that North Korea's economy is hardly a major driver in the region. South Korean is a different matter. Essentially, it is question of making sure that this troublesome neighbour does not pop up and embarrass Beijing when it has bigger fish to fry in terms of expanding its presence in the region.

For the various regional players, what would be a good outcome and a barely tolerable outcome?**Pyongyang**

For Kim, a good outcome is a process whereby he gets to keep most of his nuclear weapons capacity. This would be a deal where it is accepted that denuclearisation would be, as with past ones, a slow, step-by-step process. A less tolerable one would be no-deal being reached if demands are made of Kim that he is not going to agree to. The 'Libya model' is laughable; North Korea knows extremely well what happened to Gadhafi. That is not going to happen. They will not accept it.

Beijing

The best scenario for Beijing is a six-party treaty signed off at an international level and embedded at the UN. It is not the most likely outcome, but it would suit China as it would solve the North Korea problem for a generation. In terms of the worst-case scenario, this would be an outcome that encourages the United States to go back to where it was three or four months ago when a conflict in which the US strikes first against nuclear facilities was a prospect. That might be difficult if, as it seems, those facilities are being broken up as we speak. At the same time, the prospect of a volatile unresolved relationship between the United States and North Korea would be troublesome for both Beijing and Seoul.

Washington

A barely tolerable scenario would be no deal and it would be dangerous. Trump could probably sell a no deal by escalating the level of tension to what it was three months ago and reviving plans for strategic strikes on North Korea. The best case has two elements: measures of denuclearisation promised, and, second, some evidence that his sanction strategy is working. This would be very helpful for Trump. Sanctions are an important element in foreign policy as it is developing in the administration.

Tokyo

In the short term, the good outcome for Tokyo is a comprehensive deal. However, the direction that would take Japan is an interesting and important one. There is no doubt that Prime Minister Shinzo Abe has wanted to take both a more assertive and engaged role in Asia and in global politics as a whole. The fact that the relationship between China and Japan has improved in the past few weeks is a sign that this is achievable through mutual interests rather than confrontationally.

There are still fundamental issues between the two sides that need to be sorted out. Korea is proving a rather useful stepping stone in terms of China and Japan deciding what they share rather than what divides them in the region. If Abe can come out saying that I, too, played a role in an agreement, that would help him as his domestic standing has fallen.

Seoul

A good outcome for Seoul is that Moon and his government is left to get on with the peace process, Sunshine II, which is what they have wanted to do all along. It will be difficult to achieve. Kim has made North Korea not a local problem but a global one because of the nuclear issue, which clearly has to be resolved.

On the Sunshine advocacy, apart from its ideologically left-wing nationalism, empirically the argument has always been as per the Aesop's fable that Kim based this metaphor on, that you warm stuff up and then they take their coat off. That is harder nowadays, and hard for the US to admit it is that way around.

If you get railways connected and other measures happening – that cannot be a lot because of the sanctions – that is what Seoul wants. The negative scenario would be if we go back to last year and the threats around nuclear buttons. That is unlikely to happen, but anything is possible.

Victor Cha, who is very hawkish, was nixed as the Trump administration's nominee to be US ambassador in Seoul because he would not sign up to a pre-emptive strike.

What is the US capacity and appetite to follow through on a deal?

Trump will use any deal politically and electorally in the second half of this year during in the mid-terms in November and the presidential elections next year. It will not disappear over the horizon.

Detail is a problem for this administration. They would have to divert resources. A lot would come down to Pompeo and Bolton focusing on it and giving it the time. However, a deal of this significance would encourage and facilitate the allocation of sufficient resources to it.

Despite the fact that Bolton and others are giving assurances that Trump will follow through on its promises and not renege in the way that it has on the Iranian deal, the day-to-day evidence is slightly at variance with that, as there is a president who is willing to change his mind, and thus the White House fluctuates and changes views.

There are other dangers and embedding any deal in a formal process is important. A weakness of the Iranian deal is that it was not brought to Congress more robustly. However, unlike his predecessor, Trump has a supportive majority in the Senate and the House that will be there until at least November, so there is some possibility to get this cut into law. That limits the administration's flexibility but as evidence of self-binding to a policy and increasing credibility it could be a useful thing to do.

Trump did not make particular promises about North Korea in his campaign as he did on opening an embassy in Jerusalem or coming out of the Iranian nuclear deal. The checklist on this one in terms of getting it done is lower.

How deeply have sanctions affected the North Korean economy?

There are different views on this. There have been successive UN sanctions for more than a decade since the first North Korean nuclear test in 2006. These clearly failed. Sanctions are now hurting, and the pain became severe in the last year or so. China has become North Korea's only serious trading partner ever since the South Koreans took their bat home in 2010. All North Korea sells at the moment is minerals and seafood. Kim wants to be allowed to trade normally and will demand that sanctions are lifted. Maybe it will suffice for Beijing to stop enforcing the current ones, which is what will probably happen anyway.

North Korea would like more access to the international banking system. This is not an immediate prospect. There are other exports including cyber terror and weapons technology that do not show up in the trade statistics. That will be a second and important element of a way an agreement seeks to try to tame North Korea. The idea is that if it is selling seafood and coal it cannot be selling nuclear weapons.

For Kim, it is about survival. North Korea's economy was bigger in GDP terms than the South's until about 1971. The idea of the North as a mentor to the South's economy has long since disappeared. Keeping close enough to China to keep the economy going is the key aim.

What is the cultural and social attitude towards North Korea among China's bureaucrats?

Chinese diplomats do not have a great deal of respect or affection for North Korea. They see it as a problem state. Beijing feels that it has an alternative model that would work well. The idea would be to keep a highly authoritarian system government and combine that with a consumer economy like Vietnam.

Kim's uncle, Jang Song-thaek, went to talk about reform issues with Chinese officials in 2013 and was shot shortly after. There is faction in Pyongyang that still does not want economic reform.

Opinion polls in South Korea seem to show less interest in reunification among the young than among the older counterparts. That suggests a growing lack of interest in reunification. If that question is taken off the table, it makes a grand bargain easier to fix but leaves the North Koreans in a difficult situation for generations to come.

When it was announced that the two Koreas would field a joint women's ice hockey team at the Winter Olympics, Moon's popularity dipped six points because of this proposal. The teams did meld, and it was quite a success. The older generation like Moon have to

recognise that the attitude of the young is different on reunification. They are wary of North Korea and with good reason. It is unfortunate that the discourse in South Korea is always about reunification instead of about peace. Reconciliation and peace would be better words.

Attitudes in the North towards reunification

There is always the problem that public opinion in the North cannot be gauged accurately. The party line is that unification is a great and glorious goal. North Koreans do want it. There is quite a bit of knowledge that South Korea is richer, and people may want reunification for more material reasons -- that they would get more freedom and goodies. They are not supposed to listen to South Korean K-pop, which Kim enjoyed so much recently.

Russia's role

Russia has had no consistent policy towards North Korea for the past 20 years. There was a lot of anger in the Gorbachev years. Gorbachev recognised South Korea, which was a truly revolutionary act. Putin met Kim's father for three successive years but then dropped it. Every now and then there is rumour that the Russians will come back in.

Russia has a view that it could rebuild infrastructure in North Korea paid for by South Korea. Needless to say the South Koreans are not up for that.

Russia is something of a spectator. For them, it is a second order issue. In the broader six-party context, Russia and Japan are always in the back seat: Japan because of its colonial past on the peninsula and Russia through self-exclusion because of past mistakes.

Post-summit mechanics

Many outcomes are possible. The talk which has been on the table is that a formal peace treaty embedded in the UN could be helpful. It would not solve everything as there are decades of deep mistrust between the United States and North Korea which a mere piece of paper will not overcome. There will be much bilateral scabbling on the economic front if the optimists are correct that some sanctions will be lifted and finally, after 40 years, North Korea is open for business.

Until just two months ago, Beijing was stating that it was bilateral issue between the United States and North Korea. When Trump started to make it a bilateral issue, the Chinese realised that they did not want that all. Now there is no chance that the Chinese will support a deal that is not fully internationally embedded.

There is more advantage to having six powers sign off on this than having a tantrum-inclined North Korean baby, to use a metaphor. That is where Russia may have a role. Although it has been side-lined through its own actions, the opportunity of being seen as an honest broker is potentially a winning scenario from Moscow's point of view. There is motivation for many of the actors to get this deal done. That might just be enough to pressure North Korea into doing what these powers regard as the most convenient thing.

If the talks go badly, does Trump have other hard measures?

Trump would revive and try to deepen sanctions, and will threaten military action. It is harder to know whether a military strike would occur. The Trump administration will certainly go back to bellicose language. The constraints on decision-making within the White House have declined. The Defence Secretary has been marginalised. It is very much now the people we see. South Korea will be important. Its consistent fear of a strike and the damage that would be caused by a North Korean retaliatory one will be the decisive influence as it seems to have been so far.

What would China's reaction be if the talks go badly?

There are a couple of scenarios that would give Beijing cause to pause for thought. Technically speaking, until 2021 a mutual defence pact continues to operate so theoretically if there is an attack on North Korea, China has to respond to the aggressor. Thus there could be a China-US war.

That is extremely unlikely for a variety of reasons. But it is worth remembering that those alliances are real.

It would play strongly into Beijing's hands if there were any kind of really disruptive reaction from the United States to a breakdown in the talks. This would destroy a large part of US credibility in the region. It would give all in the region pause for thought about what a US security guarantee actually means.

That would be in Beijing's interest in terms of pushing its own plans for security and economic partnerships in the region. It is worth recalling it is only a year or so since Trump's first action in Asia was to pull out of the Trans-Pacific partnership, so there is 'form' there.

How vulnerable is President Moon?

Moon is very popular, more popular than his own party. There is a lot of scepticism in South Korea, which is understandable. It is hard to see if there will be an open rift between Trump and Moon if the talks were to go badly. The South Koreans have gritted their teeth and flattered Trump a great deal even though he complains that they do not pay for the US troops that defend them. It could go badly for Moon, but he's in power securely for four years, will not have a re-election to contest (the South Korean presidency is single term) and does not face midterms.

Are there potential unintended consequences from the summit?

- There could be commercial opportunities. The time for investing could be now.
- The risks are severe, but the opportunities for Trump are significant. He could show the world that he can lead. It could be profound in terms of restructuring international relations.
- A blank cheque for China to increase its power and influence in the region and calming the Korean peninsula could be another building block of China's dominance in the region.