



# The Korean Peninsula Crisis (I): In the Line of Fire and Fury

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## Table of Contents

Executive Summary.....	i
I. Introduction .....	1
II. Pyongyang’s Nuclear Motives .....	6
A. Strategic Goals and External Risks.....	6
B. Challenges at Home .....	10
III. Sabre Rattling from Washington .....	13
A. Undeterrable North Korea and a U.S. That Hates Being Deterred.....	14
B. “All Options on the Table” .....	14
IV. Seoul’s Shifting Calculations .....	17
A. No Sunshine 2.0.....	17
B. Not Masters of Their Own Fate .....	19
V. Extent and Limits of Chinese Influence .....	22
A. Three Nos, and Then Some.....	23
B. How Far Can Beijing Go?.....	24
VI. Where Japan and Russia Stand.....	28
VII. Conclusion .....	30
APPENDICES	
A. Map of North East Asia .....	31
B. Map of the Korean Peninsula .....	32
C. About the International Crisis Group .....	33
D. Crisis Group Reports and Briefings on Asia since 2015.....	34
E. Crisis Group Board of Trustees .....	35

# Principal Findings

**What's new?** The threat of catastrophic war on the Korean peninsula is graver than at any time in recent history. North Korea's neighbours – South Korea, China, Japan and Russia – are caught between Pyongyang's sprint to expand its nuclear capability and Washington's apparent determination to stop that dash at virtually any cost.

**Why does it matter?** Strategic calculations in the region are evolving, prompted not only by the fear of North Korean weapons but also by the spectre of chaos provoked by U.S. military action. All of North Korea's neighbours believe that the risks of U.S. strikes against Pyongyang far outweigh any potential benefit.

**What should be done?** The window ahead of the Winter Olympics, thawing North Korea-South Korea relations and Pyongyang's desire to shore up its economy provide an opportunity. A deal whereby Pyongyang freezes its most sensitive tests and Washington freezes some military exercises could help de-escalate the crisis and buy time for diplomacy.

## *Executive Summary*

The threat of nightmarish war on the Korean peninsula is higher than at any time in recent history. As the pace of North Korea's nuclear and missile testing increased throughout 2017, so too did the U.S.' bellicosity. North Korea's neighbours – South Korea, China, Japan and Russia – are caught between Pyongyang's sprint to expand its nuclear capability and an administration in Washington apparently determined to stop that dash at virtually any cost. Strategic calculations in the region are evolving, due not only to fear of North Korean weapons but also to the spectre of chaos provoked by U.S. military action. Yet opportunities for de-escalation exist: North and South Korea have reopened diplomatic channels, while the more U.S. aggressive posture has added urgency to China's efforts to find a way out of the crisis.

The sense of peril owes much to confusion about why North Korean leader Kim Jong-un has ordered his breakneck pace of nuclear and intercontinental ballistic missile tests. There is good reason to believe that, like his predecessor, Kim is driven chiefly by worry that without such deterrence his country risks attack – and his regime risks ouster – by outside powers. He appears propelled by domestic dynamics as well. A greater nuclear capability shores up Kim's internal support, burnishes his prestige and diverts attention from deep economic troubles.

What keeps U.S. officials awake is the possibility that Kim might have a third motivation: that acquiring the means to strike major U.S. cities would allow North Korea to dictate an outcome to the crisis on the peninsula. Those scenarios range from the lifting of sanctions to U.S. withdrawal all the way to forced reunification of north and south. Washington fears that Pyongyang's better ballistic missiles will inhibit its own freedom of action: the U.S. wants to deter not be deterred.

Yet if there is unease about Pyongyang, so too is there puzzlement about Washington. The Trump administration veers from bombast to conciliation. It is squeezing the North Korean regime with a strategy of "maximum pressure". This involves, first, sanctions and demands that China lean harder on Kim, despite pursuing a maximalist objective – denuclearisation – that no amount of pressure will achieve. More obviously, it involves the White House cultivating the impression it is ready to use force to slow Pyongyang's weapons program, notwithstanding the catastrophic – indeed unthinkable – risks such action would entail. Then again, President Donald Trump at times broaches the option of diplomacy.

The game of nerves and one-upmanship places North Korea's neighbours in a bind. South Korea's president, Moon Jae-in, supports harsh sanctions on Pyongyang but the last thing he or his citizens either want or can afford is military confrontation. Moon swiftly accepted Kim Jong-un's 1 January 2018 offer of contact, which has since become a joint commitment to military-to-military as well as high-level political talks.

As the pre-eminent regional power and North Korean economic lifeline, China will have to be an integral part of any solution. President Xi Jinping's assertive leadership includes a tougher line with Pyongyang, which in turn has become ever pricklier at the exertions of Chinese influence. Xi has curtailed economic assistance

and acquiesced to stricter sanctions. Still, and for now, Beijing's core assumptions remain unchanged: it will not incur Pyongyang's overt hostility by signing up to an American drive for denuclearisation at any cost. From Beijing's perspective, a nuclear North Korea is a worry, but a manageable one, while a military conflict is a menace, and an uncontrollable one. China proposes to quell the immediate crisis with a freeze of North Korean nuclear and missile testing in exchange for a freeze of U.S. military exercises in the vicinity. But, thus far, it is confounded in that aim by Kim's recklessness, on one hand, and Trump's stubbornness, on the other.

Japan and Russia play less central parts, but their proximity – and Russia's historical ties – to North Korea give them important stakes in the crisis. Japan broadly tracks U.S. policy on North Korea, and Russia, Chinese policy. Japanese Prime Minister Shinzo Abe has been more supportive than other neighbours of the “maximum pressure” campaign, though in Tokyo, as elsewhere, there is disquiet at the danger of confrontation. Russia opposes North Korea's nuclearisation but has little appetite for hostilities on the peninsula. It also is quick to seize any opportunity to cast the U.S. in a negative light and, on occasion, to offer Pyongyang support.

For decades, Pyongyang's nuclear program has shaped relations among major powers and regional states, as well as dynamics within the latter. While Kim's accelerated weapons program and Trump's combativeness are new, the fundamental challenge – how to restrain North Korea while addressing some of its core concerns – remains. So, too, does consensus among North Korea's neighbours on core principles: the need to halt Pyongyang's military nuclear drive; conviction that this objective is not worth risking war on the peninsula; belief that the costs of even limited military action outweigh any potential benefit; and certainty that a solution must be found through diplomacy. If top U.S. officials genuinely believe that military action is their best option – and it is hard to tell if such indications are tactical bluff or genuine intent – then they are on their own.

Yet there may be (thin) silver linings to the dangerous turn the crisis has taken over the past year. U.S. belligerence has jangled the nerves of regional powers but also likely steeled their will to find an off-ramp. North Korea's advances in its nuclear and missile program could make this moment propitious for diplomacy. Rekindled ties between Seoul and Pyongyang could defuse tensions in the short window ahead of the February 2018 Winter Olympics. Sober heads in Washington might convince the president to use this window to seek some form of de-escalatory deal.

As laid out in a companion Crisis Group Report, *The Korean Peninsula Crisis (II): From Fire and Fury to Freeze-for-Freeze*, this deal would likely involve a freeze of North Korea's nuclear tests and some of its missile tests in return for U.S. commitment to halt deployment of strategic assets to the region and its most provocative joint exercises with South Korea, combined with a new diplomatic process to find a more durable solution. Absent such an initiative, the period after the Olympics could bring fresh escalation and the risk of war on the peninsula could mount still further.

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# The Korean Peninsula Crisis (I): In the Line of Fire and Fury

## I. Introduction

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The nuclear program of the Democratic People's Republic of Korea (DPRK, North Korea) is more than six decades old. Over this period, the program has been influenced by and, in turn, helped shape the North Korean state's economy, ideology and external posture; great power contestation in the region; and dynamics in and between all of the states in North East Asia. It has been critical to the development of the Kim family regime, and is vital to Kim Jong-un's hold on power.<sup>1</sup>

Recent years have seen a marked evolution in the geopolitics surrounding the DPRK nuclear crisis, shaped by four successions: from Kim Jong-il to his son Kim Jong-un in North Korea in 2011 and from Barack Obama to Donald Trump in the U.S. in 2017; but also from Park Geun-hye to Moon Jae-in in South Korea, also in 2017; and from Hu Jintao to Xi Jinping in China five years earlier.<sup>2</sup> While there is considerable continuity in the four states' policies and relations to one another, today's leaders have taken actions, in part to distinguish themselves from their respective predecessors, that have sharpened the existing dynamics and helped provoke the present crisis.

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<sup>1</sup> For previous Crisis Group reporting on the DPRK, see Asia Reports N°61, *North Korea: A Phased Negotiation Strategy*, 1 August 2003; N°87, *North Korea: Where Next for the Nuclear Talks*, 15 November 2004; N°89, *Korea Backgrounder: How the South Views Its Brothers from Another Planet*, 14 December 2004; N°96, *North Korea: Can the Iron Fist Accept the Invisible Hand?*, 25 April 2005; N°100, *Japan and North Korea: Bones of Contention*, 27 June 2005; N°112, *China and North Korea: Comrades Forever?*, 1 February 2006; N°122, *Perilous Journeys: The Plight of North Koreans in China and Beyond*, 26 October 2006; N°168, *North Korea's Nuclear Missile Programs*, 18 June 2009; N°169, *North Korea: Getting Back to Talks*, 18 June 2009; N°179, *Shades of Red: China's Debate over North Korea*, 2 November 2009; N°198, *North Korea: The Risks of War in the Yellow Sea*, 23 December 2010; N°208, *Strangers at Home: North Koreans in the South*, 14 July 2011; N°230, *North Korean Succession and the Risks of Instability*, 25 July 2012; N°254, *Fire on the City Gate: Why China Keeps North Korea Close*, 9 December 2013; N°269, *North Korea: Beyond the Six-Party Talks*, 16 June 2015; and Asia Briefings N°52, *After North Korea's Missile Launch: Are the Nuclear Talks Dead?*, 9 August 2006; N°56, *North Korea's Nuclear Test: The Fallout*, 13 November 2006; N°62, *After the North Korean Nuclear Breakthrough: Compliance or Confrontation*, 30 April 2007; N°71, *North Korea-Russia Relations: A Strained Friendship*, 4 December 2007; N°91, *North Korea's Missile Launch: The Risks of Overreaction*, 31 March 2009; N°101, *North Korea under Tightening Sanctions*, 15 March 2010.

<sup>2</sup> In this and the companion Report, *From Fire and Fury to Freeze-for-Freeze*, various commonly accepted names for the two Koreas are used: the official DPRK (Democratic People's Republic of Korea) and DPR Korea, and ROK (Republic of Korea), and the English vernacular North Korea and South Korea. This usage is for readability and is not an endorsement of the unofficial names. All spellings of DPRK names are derived from the English-language version of the Korean Workers' Party bulletin *Rodong Sinmun*, and of ROK names from the Yonhap News Agency. Where there is no commonly accepted variant, Korean names are romanised using the McCune-Reischauer romanisation system. All Korean names are hyphenated to distinguish family from given names, though this runs contrary to DPRK convention.

Pyongyang has made considerable technical progress since the 2009 missile and nuclear tests that sounded the death knell for the Six-Party Talks. That was the last forum to yield an agreement ostensibly committing North Korea to ending its nuclear program, the 2005 Joint Statement of the Fourth Round of the Six-Party Talks.<sup>3</sup> Its long-range missile tests are more frequent and the results are more reliable – the projectiles are flying further. Since 2012, it has conducted more than 30 operational tests of short- and medium-range missiles from different locations.<sup>4</sup> These dry runs included the visually spectacular simultaneous launch of three extended-range Scud missiles from a highway south of Pyongyang on 5 September 2016.

Even more provocatively, in the last two years, North Korea has conducted three nuclear tests: one on 6 January 2016, a second on 9 September 2016 and a third on 3 September 2017. [The original version of this report misstated the number of tests. It has been corrected.] Over the summer of 2017, it twice tested the Hwasong-14, a new intercontinental ballistic missile (ICBM), with a longer reach and greater mobility than North Korea's previous weapons, and tested two medium-range missiles over Japanese territory.<sup>5</sup> It tested the Hwasong-15, yet another ICBM, but conspicuously larger and which appeared to have a more mobile and sophisticated launch mechanism, at the end of November.<sup>6</sup> The latter can, in principle, strike anywhere on the U.S. mainland. Pyongyang reportedly cannot yet fit nuclear warheads onto missiles. Nor has it developed the technology to protect them during re-entry into the earth's atmosphere. One expert argues the

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<sup>3</sup> For more on the Six-Party Talks – their inception, progress and stalling – see Crisis Group Report, *North Korea: Beyond the Six-Party Talks*, op. cit.; Robert Carlin, "Details, details: History lessons from negotiating with North Korea", 38 North (www.38north.org), 14 October 2016.

<sup>4</sup> Shea Cotton, "Understanding North Korea's missile tests", NTI, 24 April 2017. Marcus Schiller and Robert H. Schmucker, "Flashback to the past: North Korea's 'new' extended-range scud", 38 North (www.38north.org), 8 November 2016.

<sup>5</sup> Christopher Green, "The Strategic Thinking behind North Korea's Missile Gambit", Crisis Group Commentary, 30 August 2017.

<sup>6</sup> There is controversy surrounding the rapid progress of the DPRK's missile program in such a short time. Analysts believe the country received illicit outside help. Michael Elleman, "The secret to North Korea's ICBM success", IISS, 14 August 2017. Pyongyang received centrifuge technology and other assistance from Pakistan between 1989 and 2003. Sattar Khan, "Pakistan's indirect role in North Korea's nuclear program", Deutsche Welle, 14 September 2017. Other analysts counter that North Korea's capability has been "systematically underrated" for years, arguing: "How is it that a country that can design and develop submarine-launched ballistic missiles (SLBMs), space launch vehicles and nuclear weapons – among other things – is too incompetent to copy 1950s-vintage rocket motors?", Uzi Rubin, "The Hwasong-14: 'Not quite' an ICBM?", NK Pro, 28 August 2017 and "Kim's shock and awe: analysing North Korea's monster missile", NK Pro, 11 December 2017. See also "Chronology of North Korea's Missile Trade and Developments: 1992-1993", Middlebury Institute of International Studies at Monterey. In the 1970s, North Korea received help with nuclear and missile development from the Soviet Union. After the Soviet collapse, it became illegal for former Soviet nuclear and missile scientists to assist North Korea. Yet some believe that Russia – or Russian individuals – are nevertheless still doing precisely that, and that a ferry service between Vladivostok and Rason is a front for delivering Russian missile technology. Assessing these claims is extremely difficult. Arthur Herman, "The real culprit behind North Korea's missile threat may be Vladimir Putin", *National Review*, 19 September 2017.

DPRK is several years from achieving either.<sup>7</sup> Neither does consensus exist on how many nuclear devices it has in its stockpile.<sup>8</sup>

During his presidential campaign, Donald Trump suggested the U.S. should wash its hands of the North Korea dilemma, and that Tokyo and Seoul should acquire their own nuclear deterrents.<sup>9</sup> He claimed he would be happy to talk to Kim Jong-un and called into question the need for the presence of U.S. troops on the Korean peninsula. Once in office, however, Trump dramatically changed his tune. He and his national security team concluded that the direct threat the DPRK posed to the U.S. necessitated a more robust approach than “strategic patience”, the Obama administration’s policy of eschewing direct dialogue with the DPRK until Pyongyang recommitted to its 2005 promise of denuclearisation. The new administration also ditched its predecessor’s preference for taking its cues from South Korea (Republic of Korea, ROK) on what relations with Pyongyang were possible.<sup>10</sup>

Trump’s rhetoric also changed from the moment he moved into the White House – and, indeed, never stopped changing after that. On 8 August 2017, he promised North Korea “fire, fury and frankly power, the likes of which this world has never seen before” were it to threaten the U.S. At the UN General Assembly, he called Kim Jong-un “rocket man”; Kim retorted that Trump was “mentally deranged” and a “dotard”.<sup>11</sup> At other times, however, Trump has suggested he was ready to meet Kim and that the two of them would get along.<sup>12</sup>

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<sup>7</sup> Former director of the Los Alamos National Laboratory Siegfried Hecker, who has visited North Korean nuclear facilities on multiple occasions, believes the country is one or two years away from mastering ICBM technology and that the re-entry systems needed to house nuclear warheads could be five years away. Elisabeth Eaves, “Talk to North Korea to avert a nuclear disaster: an interview with Siegfried Hecker”, *Bulletin of the Atomic Scientists* (<https://thebulletin.org>), 7 August 2017; “North Korea now making missile-ready nuclear weapons, U.S. analysts say”, *Washington Post*, 8 August 2017; Elisabeth Eaves, “North Korean nuclear test shows steady advance: interview with Siegfried Hecker”, *Bulletin of the Atomic Scientists* (<https://thebulletin.org>), 7 September 2017.

<sup>8</sup> Hecker disagrees with the leaked U.S. Defense Intelligence Agency estimate that North Korea has 60 nuclear weapons, some missile-ready. He argues that, as of the end of 2016, North Korea had fissile material for 20-25 weapons and could produce six-seven per year. See articles in footnote 6.

<sup>9</sup> “Transcript: Donald Trump expounds on his foreign policy views”, *The New York Times*, 26 March 2016.

<sup>10</sup> “Barack Obama warns Donald Trump on North Korea threat”, *Wall Street Journal*, 22 November 2016.

<sup>11</sup> “Trump threatens ‘fire and fury’ against North Korea if it endangers U.S.”, *The New York Times*, 8 August 2017; “‘This Week’ transcript 8-13-17: Lt. Gen. H.R. McMaster, Anthony Scaramucci”, ABC News, 13 August 2017. A transcript of the UN General Assembly speech is archived at [www.whitehouse.gov/briefings-statements/remarks-president-trump-72nd-session-united-nations-general-assembly](http://www.whitehouse.gov/briefings-statements/remarks-president-trump-72nd-session-united-nations-general-assembly). Unusually, the “mentally deranged dotard” retort came in a personal statement from Kim Jong-un appearing in all North Korean media on 22 September. At the time of writing, it was still available at the *Rodong Sinmun* website, but that archive is regularly scrubbed. “A rogue’ and a ‘dotard’: Kim Jong-un’s statement on Trump in full”, *The Guardian* (online), 22 September 2017.

<sup>12</sup> “Trump says he ‘would be honoured’ to meet N. Korea’s Kim Jong Un”, *Financial Times*, 2 May 2017; “Donald Trump offers to meet Kim Jong-un as Pentagon warns only invasion can disarm North Korea”, *The Telegraph*, 5 November 2017.



Amid the mudslinging, there also were signs of divergence within the U.S. administration on its approach to North Korea. While Secretary of State Rex Tillerson displayed openness to diplomacy, and even to unconditional talks, he was repeatedly contradicted by the White House and President Trump himself.<sup>13</sup>

And, amid the divergence, there emerged a clear sense that the administration was open to the prospect of war – whether because it truly believes war is an option or because it wants others to believe it believes that (and thus spur them into action the U.S. desires). Senator Lindsey Graham – known to be close to the White House on this matter – placed the odds of a U.S. attack on North Korea at 30 per cent, warning those chances would rise to 70 per cent should Pyongyang stage another nuclear test.<sup>14</sup> U.S. officials float the idea of a narrow strike to sending a warning to Kim or damage his weapons program, while evincing confidence that an attack can be mounted in a manner that will not provoke retaliation.

At the same time, the U.S. has pushed through increasingly onerous UN sanctions on North Korea, each bringing new and previously unsanctioned or lightly sanctioned economic sectors under the UN's remit. It has also pressed China – the lynchpin of North Korea's trade relations – to implement these sanctions rigorously.

North Korea has communicated indirectly with the U.S. but, according to several sources, has resisted for now the option of direct, unconditional talks.<sup>15</sup> In the early fall of 2017, amid rising tension with Washington, several high-profile U.S. journalists were permitted into the country.<sup>16</sup> Track II talks have taken place, as have discussions through a channel involving U.S. Special Representative for North Korea Policy Joseph Yun, though Pyongyang reportedly questioned the value of such talks, saying that only Trump can speak for Trump.<sup>17</sup> It subsequently used more formal channels, in December 2017 hosting a UN delegation, including the head of the UN's political affairs department, a U.S. citizen, Jeffrey Feltman, who spent fifteen and a half hours in talks with North Korean diplomats, including Foreign Minister Ri Yong-ho. Feltman became convinced that the regime hoped for “some kind of policy dialogue after not having had [one] for a long time”, but reportedly also that it was not yet ready for direct talks with the U.S. – possibly because Kim first wanted to make more progress on his nuclear program.<sup>18</sup>

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<sup>13</sup> “Trump says Tillerson is ‘wasting his time’ on North Korea”, *The New York Times*, 1 October 2017; “Trump administration fans confusion over its stand on talks with North Korea”, *Los Angeles Times*, 15 December 2017.

<sup>14</sup> Graham said he would be “willing to put hundreds of thousands of people at risk, knowing that millions and millions of people will be at risk if we don’t”. Uri Friedman, “Lindsey Graham: There’s a 30 percent chance Trump attacks North Korea”, *The Atlantic*, 14 December 2017.

<sup>15</sup> Crisis Group interviews, senior U.S. official, Washington, December 2017; UN official, January 2018; unofficial intermediaries, New York, December 2017.

<sup>16</sup> Evan Osnos of *The New Yorker* concluded in September that his interlocutors from the DPRK Foreign Ministry's Institute for American Studies hoped to divine from him President Trump's intentions and whether the U.S. public was ready for the conflict being spoken about so much. Evan Osnos, “The risk of nuclear war with North Korea”, *The New Yorker*, 18 September 2017.

<sup>17</sup> Crisis Group interviews, Track II participants, December 2017-January 2018.

<sup>18</sup> Crisis Group interviews, UN and diplomatic envoys, New York, December 2017-January 2018. See also “North Korea's ‘nuclear button’ might be symbolic, but war risk is real: UN official”, ABC News, 3 January 2018.

Relations between Pyongyang and Seoul, which often serve to signal broader dynamics, also progressively thawed. Kim Jong-un announced in his 1 January 2018 New Year Address that the DPRK hoped to take part in the Winter Olympic Games and suggested that the two Koreas meet to discuss the topic, a proposal preceded by several informal contacts between officials from the two Koreas, including in Kunming, China, on 18 December.<sup>19</sup> Seoul responded quickly to Kim's address, offering high-level talks with the DPRK on 9 January, while Pyongyang reconnected an inter-Korean phone line, which had been out of action for almost two years, so as to help plan the meeting. In a joint statement afterwards, the two sides stated they were committed to the success of the Winter Games, and had agreed to military-to-military talks and a high-level conference, as part of a commitment to use talks to resolve issues.<sup>20</sup>

This report is one of two published simultaneously on the nuclear crisis. It examines the evolving geopolitics around the crisis, looking at perspectives from Pyongyang, Washington, Seoul, Beijing, Tokyo and Moscow. Notwithstanding leadership changes, familiar questions dominate debates in these capitals: whether diplomacy or isolation best pressures the North Korean leadership; whether a nuclear North Korea can be deterred; and how far efforts should go to achieve its denuclearisation. As always, each capital must balance a range of domestic considerations and constituencies.

What is new, however, is alarm not only at Kim's weapons tests, but at the U.S. government's belligerence and the risk that unilateral U.S. action could provoke a North Korean response and a dangerous, uncontrollable military escalation. This confluence of events – accelerated North Korean missile and nuclear progress; ambient talk of U.S. military action; alongside signs of potential détente – make this juncture a particularly crucial one in the history of the peninsula's nuclear crisis. It is a moment when international and regional actors should do everything possible to avert a calamitous war by building on mechanisms for de-escalation.

This report sheds light on the evolving positions of the states involved and their implications for the crisis and how to resolve it. The second report examines the dangers in the current U.S. approach and offers an alternative path to de-escalating the crisis and restarting bilateral dialogue.

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<sup>19</sup> Crisis Group interview, former National Intelligence Service official, January 2018; "Choe Mun-sun, 'Contact with North Korea two weeks ago... North, 100% certain to attend Pyeongchang'", *Hankyoreh*, 2 January 2018; "Several meetings led to Olympics breakthrough: Sources", *JoongAng Daily*, 3 January 2018.

<sup>20</sup> "S. Korea offers high-level talks with N.K. next week", *Yonhap*, 2 January 2018; "Inter-Korean communication line reopens after 23 months", KBS News, 3 January 2018; "Joint press statement of high-level inter-Korean talks", *Korea Herald*, 9 January 2018.

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## II. Pyongyang's Nuclear Motives

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North Korea's push for nuclear weapons is partly motivated by fear of threats from abroad, namely U.S. military action, which Pyongyang believes a nuclear capability can deter.<sup>21</sup> It claims to be pursuing a doctrine of "asymmetric escalation", according to which it would use nuclear weapons only if attacked. As discussed below, U.S. officials suspect another, less innocent motive: to alter the strategic balance of power and thus give the regime a freer hand to pursue its ultimate goals, whether U.S. withdrawal from the peninsula or reunification with the South.

Kim's pursuit of nuclear weapons also is driven by domestic political dynamics. He believes that his regime's legitimacy and ability to ward off internal challenges rest in good part on developing nuclear capability. Nurturing the image of an implacable foe that can be resisted only through a nuclear program also reinforces the regime's domestic support while bolstering its control over society. Nuclear weapons serve to enhance both deterrence abroad and prestige at home.

This imperative of self-protection is about more than Kim's need to consolidate Korean national identity – not just the DPRK's – is alive to instances of lost sovereignty. A Korean proverb – "When whales fight, the shrimp's back gets broken" –<sup>22</sup> expresses a widespread sense of a small country at a geopolitical crossroads, surrounded by giant powers, that will be overwhelmed if it does not guard its autonomy. An additional reflex in the North Korean case is the collective memory of the Korean War, when millions died due to aggression North Koreans remember as being carried out almost exclusively by the U.S. To the sizeable DPRK political and military elite, the threat the U.S. poses to their way of life is perfectly real and a nuclear defence entirely logical.

Finally, North Korea's nuclear calculus is affected by economic factors. The regime's "*pyŏngjin* line" commits it to the simultaneous pursuit of nuclear capability and economic development. Yet these two aims are in tension. As the 70th anniversary of North Korea's founding approaches in 2018, Kim faces extra pressure to deliver on economic promises. Yet heavy military spending over recent years has hindered his ability to do so. As new sanctions bite, the regime doubtless will blame hostile external powers. But it knows it will need to defuse tensions and open up to diplomacy to obtain sanctions relief and to strengthen economic ties with the outside world.

### A. Strategic Goals and External Risks

The primary objective of North Korea's foreign and defence policy has always been to preserve the sovereignty of the state and the security of the Kim family

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<sup>21</sup> It is extremely difficult to decipher North Korea's intentions, due to the opacity of decision-making in the DPRK, Kim's reluctance to meet foreign diplomats, and the threat of purges looming over officials seen as too open to outsiders. Findings in this section are drawn from analysis of DPRK official documents and media; informal meetings with DPRK officials; email correspondence and interviews with current and former South Korean government and intelligence officials in August 2017, December 2017 and January 2018; and interviews with senior North Korean defectors at South Korea's Institute for National Security Strategy in August 2017.

<sup>22</sup> "Korae ssaume saeu tŭng t'ŏjinda [고래 싸움에 새우 등 터진다]".

regime. A close observer of the DPRK – based on recent discussions with senior North Korean “representatives and experts” – described Pyongyang’s policy goals as follows:

Strategic parity with the U.S. by creating a credible nuclear deterrent and compelling opponents to conclude a peace treaty with the North, recognise the sovereignty and independence of the DPRK, and provide security guarantees to enable the country’s further economic development.<sup>23</sup>

In the eyes of the Kim regime, it must grapple with hard and soft external threats. It fears the U.S. could seek to topple it using military means; Pyongyang’s wariness of U.S. intervention long predates but probably was accentuated by the overthrow of dictatorships in Iraq in 2003 and Libya in 2011 (both of which at one point pursued, but never obtained, a nuclear weapon). The regime is likewise anxious about overdependence on the behemoth on its border: Chinese firms dominate the North Korean economy and suck up limited reserves of foreign exchange.<sup>24</sup> Politically, South Korea – far more prosperous as well as more socially and culturally dynamic – offers a dangerous point of comparison for how other Koreans live.<sup>25</sup>

Nuclear weapons chiefly serve to counteract the hardest of these perceived threats. Pyongyang has espoused an asymmetric escalation strategy, whereby it claims it would use nuclear weapons to respond to an attack, whether conventional or nuclear, by a nuclear weapons state or non-nuclear states allied with a nuclear state. In the DPRK’s view, this latter stipulation makes South Korea and Japan legitimate targets of retaliation for a U.S. strike, whether actual or perceived as imminent.<sup>26</sup> The relevant language in Article 4 of North Korea’s 2013 Law on Consolidating Possession of Nuclear Weapons State for Self-Defence states: “The DPRK shall neither use nuclear weapons against non-nuclear states nor threaten them with those weapons unless they join a hostile nuclear weapons state in its invasion and attack on the DPRK”. The law was adopted in April 2013 by the Supreme People’s Assembly. No one less than Kim himself reiterated the legislation’s stance at the May 2016 Korean Workers’ Party (KWP) Congress, saying the

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<sup>23</sup> Georgy Toloraya, “Can diplomacy work with North Korea?”, 38 North ([www.38north.org](http://www.38north.org)), 13 December 2017. The Korean War ended with an armistice agreement that has not been replaced with the peace treaty it envisioned. “The Korean War Armistice Agreement” is archived by U.S. Forces Korea at [www.usfk.mil/Portals/105/Documents/SOFA/G\\_Armistice\\_Agreement.pdf](http://www.usfk.mil/Portals/105/Documents/SOFA/G_Armistice_Agreement.pdf). DPRK has said on at least six occasions, most recently in 2013, that it is no longer bound by the agreement. “North Korea declares 1953 armistice invalid”, CNN, 11 March 2013.

<sup>24</sup> North Korea’s import substitution policy aims to reduce the dominance of Chinese goods. Anecdotal evidence, including that gathered by Crisis Group, indicates that, indeed, there are significantly fewer Chinese goods in North Korean shops today than ten years ago.

<sup>25</sup> North Korean youth culture is infused with South Korean pop culture, including television dramas and music. “A quiet opening: North Koreans in a changing media environment”, *Intermedia*, 2012; “Compromising connectivity: Information dynamics between the state and society in a digitizing North Korea”, *Intermedia*, 2017.

<sup>26</sup> See, for example, Ankit Panda and Vipin Narang, “North Korea’s ICBM: A new missile and a new era”, *War on the Rocks* (<https://warontherocks.com>), 6 July 2017.

country “will not use a nuclear weapon unless its sovereignty is encroached upon by any aggressive hostile forces with nukes”.<sup>27</sup>

Pyongyang is also keen to present itself as a responsible nuclear power, in keeping with its goal of gaining international acceptance as a nuclear state. Domestic television reports about the 3 September 2017 nuclear test, for example, emphasised the role of consensual decision-making – as opposed to unilateral, and thus fallible, dictatorial fiat – in deciding whether to conduct a test.<sup>28</sup>

Whether such statements of intent can be trusted is another matter. Sceptics – who include senior officials in the Trump administration – cite a history of irresponsible belligerency and brinkmanship on North Korea’s part, including the injury of two South Korean troops with a landmine along the demilitarised zone (DMZ) in 2015, the sinking of a South Korean navy vessel and shelling of a South Korean island in 2010, multiple naval battles in the 1990s and 2000s, back to the bombing of KAL Flight 858 in 1987 and the downing of U.S. spy planes and attempts to assassinate South Korean leaders in the 1960s.<sup>29</sup>

They also adduce North Korea’s history of duplicity and broken pledges – running a secret highly enriched uranium program for the duration of the Agreed Framework (1994-2002), reneging on the 2005 Six-Party Talks commitment to denuclearisation, and abrogating the 2012 Leap Day Agreement in a matter of days. Recent visitors to North Korea emerged from meetings with the impression that officials themselves were unclear about the country’s nuclear doctrine and precise end goals.<sup>30</sup> It would be foolhardy to presume to know under what conditions pre-

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<sup>27</sup> “Work Report at 7<sup>th</sup> WPK Congress”, *Rodong Sinmun*, 8 May 2017: 1. See also “Law on consolidating possession of nuclear weapons state for self-defense adopted”, Korea Central News Agency, 1 April 2013; and Cheon Seong-Whun, “The Kim Jong-un Regime’s ‘Byungjin’ (Parallel Development) Policy of Economy and Nuclear Weapons and the ‘April 1<sup>st</sup> Nuclearization Law’”, Korea Institute for National Unification, April 2013.

<sup>28</sup> State media also said the test had left no “emission through ground surface nor leakage of radioactive materials, and that it had no adverse impact on the surrounding ecological environment”. This claim has been challenged, including by defectors from the test region. “DPRK Nuclear Weapons Institute on successful test of H-bomb for ICBM”, Korea Central News Agency, 3 September 2017; “North Korea’s nuclear tests are causing birth defects and destroying the environment: Report”, *Newsweek*, 7 November 2017. A regular visitor to North Korea, Professor Rüdiger Frank of the University of Vienna, says officials are willing to discuss nuclear safety and non-proliferation. Tweet by Rüdiger Frank, @GTDRP, Professor of East Asian Economy and Society at the University of Vienna, 9:38am, 27 December 2017. The logic behind pursuing dialogue on nuclear safety is explained in Michael Auslin, “Trump should help North Korea keep its nukes safe”, *The Atlantic*, 5 November 2017.

<sup>29</sup> “North Korean torpedo sank Cheonan, South Korean military source claims”, Reuters, 22 April 2010; “North Korean artillery hits South Korean island”, BBC, 23 November 2010; “North Korea denies laying landmines in DMZ that wounded South soldiers”, Reuters, 14 August 2015; Major Daniel P. Bolger, “Scenes from an Unfinished War: Low-Intensity Conflict in Korea, 1966-1969”, *Leavenworth Papers*, no. 19 (1991).

<sup>30</sup> These visitors include Russian North Korea specialist Alexander Vorontsov and former diplomat Georgy Toloraya. Toloraya suggests that the lack of clarity means the doctrine is a work in progress, while Vorontsov reports Ministry of Foreign Affairs officials asserting that other parts of the government hold that knowledge. Georgy Toloraya, “Can diplomacy work with North Korea?”, 38 North ([www.38north.org](http://www.38north.org)), 13 December 2017; Alexander Vorontsov, “Is the US preparing for preventive war? Views from North Korea”, 38 North ([www.38north.org](http://www.38north.org)), 10 January 2018.

cisely the regime might use or threaten to use its nuclear arsenal. It would be equally ill advised to forecast how Kim or a successor might respond to different scenarios, especially direct threats to the regime.

Balanced against such legitimate concerns, however, is the fact – hardly ignored by Pyongyang – that a North Korean first strike almost certainly would precipitate the end of the regime and possibly the destruction of the country. Indeed, given the current atmosphere, even a non-nuclear act of aggression might result in an uncontrollable escalation endangering the regime. In November 2017, Foreign Ministry officials reportedly:

... expressed bewilderment over why the political establishment in the U.S. is unwilling to ask itself a very simple question: even if North Korea does develop the capability to target the continental U.S. with nuclear weapons, why would it launch such weapons if it would result in the destruction of North Korea?<sup>31</sup>

Most close observers, including analysts and officials from the U.S. and the region, believe Kim himself understands this reality: rash perhaps he is, suicidal he almost certainly is not.<sup>32</sup>

But while the DPRK might not be so imprudent as to launch a nuclear strike, U.S. officials worry that it could use the threat of such a strike to pursue other goals, as detailed below. Such fears are partly grounded in statements by North Korean leaders who, at times, have claimed that nuclear weapons would put them in a position to achieve unification with South Korea, the holy grail of North Korean statecraft since the Korean War ended in 1953.

In the same spirit, Pyongyang could regard either gaining international acceptance as a nuclear state or compelling the removal of U.S. forces from the Korean peninsula – whether through a bilateral peace treaty or rupture of the U.S.-ROK alliance – as beneficial to its unification goal.<sup>33</sup> That said, and for the time being at least, any aspiration for reunification seems far removed from practical regime thinking given in particular the challenge of merging the DPRK's sclerotic autocracy with South Korea's dynamic, democratic and free-market society.<sup>34</sup>

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<sup>31</sup> Alexander Vorontsov, "Is the US preparing for preventive war? Views from North Korea", 38 North (www.38north.org), 10 January 2018.

<sup>32</sup> Andrei Lankov, "Kim Jong Un is a survivor, not a madman", *Foreign Policy*, 26 April 2017; "Why the U.S. considers North Korea's Kim a 'rational actor'", *Washington Post*, 5 December 2017.

<sup>33</sup> Jacques E. C. Hymans, "Assessing North Korean Nuclear Intentions and Capacities", *Journal of East Asian Studies*, vol. 8, no. 2 (2008), pp. 259-292. Sue Mi Terry, "North Korea's Strategic Goals and Policy towards the United States and South Korea", *International Journal of Korean Studies*, vol. 17, no. 2 (2013), p. 63.

<sup>34</sup> At a meeting with a journalist in a western city in late 2017, North Korean officials laughed at the idea that they would seek to unify with South Korea at this time. Crisis Group correspondence, person present at meeting, November 2017. Unification has greater value as a domestic political trope than as an immediate goal. A former South Korean intelligence official told Crisis Group that all South Korea had to do to avoid unification under North Korean rule was to continue being a dynamic society. Crisis Group interview, Seoul, August 2017.

## B. Challenges at Home

Pyongyang's assessment of threats from abroad overlaps with concerns about threats from within, with the latter arguably playing at least as important a role in Kim's nuclear calculations. Despite the regime's firm grip, Kim must contend with members of the country's elite, some of whom he has alienated by assembling a ruling coalition that diverges from his father's. Other sources of potential instability or discontent include the tightly controlled but ultimately unpredictable marketisation of the economy, as well as difficulty in controlling information flows, notably from foreign media.<sup>35</sup> For Kim, completing his father's and grandfather's mission of developing a robust nuclear capacity is a key legitimising narrative, of which he enjoys precious few.<sup>36</sup>

Kim Jong-un came to power in 2011 with no soldier's pedigree in a heavily militarised state and with no political accomplishments to his name. Until then largely invisible and unknown to the North Korean elite and society in general, he – and parts of the regime that supported him – had to expand his inherited coercive power quickly into a relatively more legitimate political authority. According to a former official who defected, Thae Yong-ho, Kim sees the nuclearisation project as key to his ability to cement his regime in the face of mounting domestic challenges.<sup>37</sup> The current expansion of North Korea's nuclear capabilities can be understood partly in this light.

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<sup>35</sup> Kim Jong-un's early reign has been marked by purges of senior regime officials, most notably Jang Song-taek, Kim's uncle and a key figure in his upbringing. 라종일, *장성택의 길* (서울, 2015): 237-272 쪽 [Ra Jong-yil, *Jang Song-taek's Road* (Seoul, 2015), pp. 237-272]; Adrian Buzo, *Politics and Leadership in North Korea: The Guerrilla Dynasty* (2nd edition) (London, 2017), p. 236. In 2012, Ri Yong-ho was removed as military chief, seemingly after rejecting Kim Jong-un's attempts to withdraw economic privileges from the military and reallocate them to cabinet-controlled organisations. It was a dangerous undertaking in a state whose guiding principle under Kim Jong-il was "military first", an approach that awarded the security forces the lion's share of the national budget. Stephan Haggard and Luke Herman, "Mapping the succession II: The role of the military", *North Korea: Witness to Transformation* (<https://piie.com/blogs/north-korea-witness-transformation>), 13 July 2012; "Purge of Lee Young Ho asks questions", *Daily NK*, 16 July 2012; "N. Korean army chief 'refused to go quietly'", *Chosun Ilbo* (online), 20 July 2012. In February 2017, Kim's half-brother Jong-nam, who, like Jang Song-taek, was believed to be close to Beijing, was murdered in Kuala Lumpur International Airport, seemingly on orders of Pyongyang. Christopher Green, "There are no ordinary North Korean aristocrats", *Foreign Policy*, 15 February 2017. Also see Thae Yong-ho, testimony to House Committee on Foreign Affairs, 1 November 2017, <http://docs.house.gov/meetings/FA/FA00/20171101/106577/HHRG-115-FA00-Wstate-Yong-hoT-20171101.pdf>.

<sup>36</sup> Jacques E. C. Hymans, "Assessing North Korean Nuclear Intentions and Capacities: A New Approach", *Journal of East Asian Studies*, vol. 8 (2008), pp. 259-292; Steven Denney, "North Korea nationalism: Lessons from Pyongyang", *Sino-NK* (<https://sinonk.com>), 8 June 2016; Crisis Group Report, *Beyond the Six-Party Talks*, op. cit.

<sup>37</sup> Thae Yong-ho is the former North Korean deputy ambassador in London who defected to the UK in August 2016. He now lives under armed protection in South Korea, where he makes regular TV appearances. In October-November 2017, he visited the U.S., where he testified before the House Committee on Foreign Affairs. A video testimony is available at [www.c-span.org/video/?436645-1/north-korean-defector-testifies-house-foreign-affairs-committee-hearing&vod](http://www.c-span.org/video/?436645-1/north-korean-defector-testifies-house-foreign-affairs-committee-hearing&vod) and a transcript of his prepared remarks at <http://docs.house.gov/meetings/FA/FA00/20171101/>

Weighing against these interests are the country's economic woes. In 2013, the state adopted the *pyŏngjin* (parallel development) line of simultaneous nuclear and economic development, replacing the *sŏn'gun* (military-first) line of the Kim Jong-il era. Kim Jong-un's legitimacy is thus explicitly tied to two efforts it is virtually impossible to pursue at the same time. Pyongyang's weapons programs are heavily constrained by deleterious economic circumstances; in turn, those programs hinder the regime's ability to prime the pump economically. Indeed, the regime claims that a nuclear weapons program would save it money, by sparing it the expense of its vast standing army.<sup>38</sup> This friction between military and development spending compels the regime to operate cyclically: since the first nuclear test, it has twice splurged on spending on nuclear and missile research, development and testing (2006-2009, 2013-present), periods of high tension separated by a lull during which trade grew with the outside world, predominantly China (2009-2013).<sup>39</sup>

The total size of the North Korean economy is estimated at a mere \$40 billion at purchasing power parity with the 2015 U.S. dollar.<sup>40</sup> Its per capita GDP is paltry compared to South Korea's: South Korea's Bank of Korea estimates this figure in the North at 1.46 million Korean Won (KRW) (\$1,360) for 2016 and at 31.98 million KRW (\$30,000) in the South.<sup>41</sup> Meanwhile, North Korea increasingly is losing income from exports of labour and goods due to deteriorating terms of trade for its natural resources, which accounted for 52 per cent of exports in 2016.<sup>42</sup> New sanctions almost inevitably will lead to further painful losses.

The DPRK has not borrowed internationally since it defaulted on its debt obligations in the 1980s. It is unwilling to undertake the structural reforms that would make it creditworthy, and in any case its radical views on economic sovereignty sit uncomfortably with receiving international loans. It would rather receive unconditional infusions of investment capital – hard to come by, given the banking sanctions and North Korea's inability to guarantee the security of investments.<sup>43</sup> The government must cover expenditures and finance capital infrastructure invest-

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106577/HHRG-115-FA00-Wstate-Yong-hoT-20171101.pdf. Some Chinese analysts make the same case. Crisis Group interviews, Beijing and Jilin province, March-December 2017.

<sup>38</sup> See, for example, "WPK's line on simultaneously carrying on economic construction, building of nuclear forces is justifiable", Korean Central News Agency, 3 April 2014, which states: "The DPRK can greatly benefit from nuclear test and it will drastically cut down investment into manufacturing conventional weapons but channel more fund into developing the economy".

<sup>39</sup> "2016 북한 대외무역 동향", Korea Trade-Investment Promotion Agency, 2017년 7월 27일, pp. 2-6 쪽 ["2016 Trends in North Korean Foreign Trade", Korea Trade-Investment Promotion Agency, 27 July 2017, pp. 2-6]. Trade with China continued to grow in 2014, but then declined.

<sup>40</sup> "North Korea", CIA World Factbook, 12 December 2017.

<sup>41</sup> "남북한의 주요경제지표 비교", 한국은행 ["Comparison of key economic indicators of North and South Korea", Bank of Korea (www.bok.or.kr/broadcast.action?menuNavId=2236)].

<sup>42</sup> "2016 북한 대외무역 동향", Korea Trade-Investment Promotion Agency, 2017년 7월 27일, 3 쪽 ["2016 Trends in North Korean Foreign Trade", Korea Trade-Investment Promotion Agency, 27 July 2017, p. 3].

<sup>43</sup> Marcus Noland, "An unintended consequence of sanctions: OFAC risks granting North Korea debt relief", North Korea: Witness to Transformation (<https://piie.com/blogs/north-korea-witness-transformation>), 11 December 2013; "Amid nuclear standoff, frozen North Korea debt untradeable due to sanctions", Reuters, 11 August 2017.



ments – including its nuclear and missile programs – with income from the increasingly sanctioned exports of natural resources and labour, light manufacturing, illicit activities including traffic in illegal weapons and production of drugs and fake currency, as well as taxes collected from private market actors.<sup>44</sup>

With Kim Jong-un's legitimacy partly hinging on economic development, he is likely to see 2018, when the DPRK will mark its 70th anniversary, as a critical year for demonstrating success.<sup>45</sup> Yet, over the past several years, high military spending has emptied the regime's coffers of needed investment capital. The regime knows its funds will dwindle further with UN and other sanctions, and it clearly wishes to reduce those pressures.<sup>46</sup> The upshot is not, as some in Washington might believe, that Pyongyang will sacrifice a nuclear program it views as essential to its survival. Rather, it is that – after a period of binge spending on weapons – the regime might be nudged toward diplomatic engagement aimed at a realistic outcome. Sanctions can help, in other words, but only if married to a viable aim, not the utopian goal of immediate denuclearisation.

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<sup>44</sup> Christopher Green, "Command and conquer: The co-option of market forces in the DPRK", Sino-NK (<https://sinonk.com>), 31 December 2014.

<sup>45</sup> "신년사 김정은," *로동신문*, 2018년 1월 1일, 1-2쪽 ["New Year's Address: Kim Jong Un", *Rodong Sinmun*, 1 January 2018, pp. 1-2]. There is some debate about how seriously this address should be taken. Seol Song Ah, "Kim Jong Un follows history of empty promises in annual New Year's address", *Daily NK*, 5 January 2018.

<sup>46</sup> Lee Yong-suk, "International Isolation and Regional Inequality: Evidence from Sanctions on North Korea", *Journal of Urban Economics*, vol. 103 (2018), pp. 47-48.

### III. Sabre Rattling from Washington

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The Trump administration has responded to North Korea's race to achieve greater nuclear capability with a campaign of "maximum pressure". This initiative involves a combination of economic sanctions, diplomatic pressure on states with ties to North Korea and, most visibly, pugnacious rhetoric that, together with increasingly aggressive military exercises, overflights and posturing, is meant to signal Washington's preparedness to take military action. The White House even appears ready for measures that would risk unthinkable loss of life, South Korean and American, not just North Korean.

Within the administration views appear to vary somewhat. National Security Adviser H.R. McMaster is perceived widely as inhabiting the more hawkish end of the spectrum, with the secretaries of defence and state, James Mattis and Rex Tillerson, respectively, believed to be more cautious.<sup>47</sup> Mattis, for his part, said in August 2016 that war with North Korea would be "catastrophic". He is not thought to have changed his mind, though he has authorised stepped-up contingency planning for various types of military action. In giving those orders, the defence secretary may be inoculating himself against charges of disloyalty to Trump's agenda.<sup>48</sup> Overall, the effect has been to project a willingness to use force that, while falling far short of a public relations campaign to prepare Americans for war, has shifted the national conversation about how far the administration might go to achieve its objectives.<sup>49</sup>

The sabre rattling could be sincere, reflecting conviction that the U.S. cannot live with the strategic shift brought about by North Korea's ability to strike the North American continent with a nuclear device. It could be a bluff, aimed at persuading China to exert greater pressure on Pyongyang, and at getting Pyongyang to moderate its stance. Or it could be a combination of both. Regardless, the mere prospect that the U.S. is contemplating pre-emptive military action has altered the playing field, raising the likelihood of a war born of the two sides' fear of a surprise attack, with each misreading the other's intent.<sup>50</sup>

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<sup>47</sup> Crisis Group interviews, U.S. officials, Washington, DC, November 2017-January 2018. Uri Friedman, "The world according to H.R. McMaster", *The Atlantic*, 9 January 2018; Jim Mattis and Rex Tillerson, "We're holding Pyongyang to account", *Wall Street Journal*, 13 August 2017.

<sup>48</sup> Helene Cooper, Eric Schmitt, Thomas Gibbons-Neff and John Ismay, "Military quietly prepares for a last resort: War with North Korea", *The New York Times*, 14 January 2018.

<sup>49</sup> "U.S. cannot 'discount the possibility' of war with North Korea, says Gen. McMaster", *The Washington Times*, 25 September 2017; "H.R. McMaster: Potential for war with North Korea increases 'every day'", Fox News, 2 December 2017.

<sup>50</sup> "In such a tense environment, one government's preemptive-war plan can look a lot like a first-strike plan to its enemies. Would Seoul see the movement of Pyongyang's nuclear missiles out of the caves in which they are stored as a drill, a defensive precaution, or the start of an attack? Would Pyongyang mistake a joint U.S.-South Korean exercise simulating a decapitation attack for the real thing? Could an ill-timed inflammatory tweet by Trump provoke a military response from Kim?" Scott Sagan, "The Korean missile crisis", *Foreign Affairs*, November-December 2017.

A. *Undeterrable North Korea and a U.S. That Hates Being Deterred*

In the eyes of senior U.S. officials, Kim Jong-un covets the ability to strike major U.S. urban centres so as to change the strategic picture to North Korea's permanent advantage.<sup>51</sup> According to this view, the regime will not negotiate – certainly not in good faith – until it has reached that goal. At that point, it theoretically could use its nuclear capability as leverage to renegotiate the 1953 armistice, demand U.S. troop withdrawals from South Korea and possibly Japan, roll back sanctions and seek reparations for the economic damage they have done. Some officials argue that the regime might go so far as to press for reunification of the Korean peninsula on North Korean terms.

Most U.S. officials concede that, following traditional deterrence doctrine, Pyongyang likely would not use its nuclear capacity against the U.S. unless faced with imminent demise, since a strike would simply hasten that fate. They argue, however, that the mere ability to reach the U.S. with a nuclear-tipped missile effectively would create a security umbrella under which North Korea could use conventional and non-nuclear unconventional weapons to bully South Korea and Japan with relative impunity.<sup>52</sup>

Another concern – this one widely shared among other governments – is the risk to the global non-proliferation regime, whether emanating from the DPRK's growing capability or from sales of advanced nuclear and missile technology to other state or non-state actors. By raising serious questions about U.S. deterrence – would the U.S. step in to defend its allies if the price to pay were a potential nuclear strike on the continent? – these developments could prompt South Korea or Japan to develop their own nuclear capability.

Fundamental to White House thinking, it follows, is that Pyongyang cannot be permitted to threaten the U.S. directly and thus inhibit Washington's own freedom of action.<sup>53</sup> Stated differently, Washington wants to deter, not be deterred. To that end, Pyongyang's nuclear program must be halted and the DPRK denuclearised, for the Trump administration does not believe the regime will abide by a commitment to cap its program. This line of thinking sharply contrasts with the perception that had gained some currency within the Obama administration: that denuclearisation was a "lost cause".<sup>54</sup> It clashes as well with the belief in China and South Korea that classic deterrence logic will prevail in North Korea's thinking, so long as U.S. extended deterrence assurances are solid.

B. *"All Options on the Table"*

The administration is pursuing its desired denuclearisation outcome along two different tracks. One is through punishing economic sanctions aimed at forcing

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<sup>51</sup> This section draws on Crisis Group interviews with senior current and former U.S. officials, Washington, October–December 2017.

<sup>52</sup> Crisis Group interview, senior U.S. official, October–December 2017; Bradley K. Martin, "Be afraid, be very afraid: North Korea's long-term strategy", *Asia Times*, 10 January 2018.

<sup>53</sup> Crisis Group interview, U.S. official, Washington, November 2017.

<sup>54</sup> "Getting North Korea to give up nuclear bomb probably 'lost cause': U.S. spy chief", Reuters, 25 October 2016.

the DPRK to yield. Accordingly, the U.S. has gradually tightened the economic noose around North Korea, banking on other capitals' fears that war is an idea Washington is entertaining. U.S. officials argue that China only agreed to harsher sanctions in December 2017 because it is eager to avert a war and the ensuing disruption of the regional strategic balance, and because it believes Trump might not be blowing smoke. Hence, the argument goes, its willingness to antagonise and isolate Pyongyang.

At the same time, U.S. officials concede this scheme is a gamble, and that Kim likely will be able to move the nuclear program forward faster than the sanctions can hurt or threaten him. Sanctions and economic pressure alone, they acknowledge, are highly unlikely to alter Pyongyang's basic calculations and persuade it to negotiate away its nuclear capacity.

Hence the administration's assertion that it is pursuing, on a parallel track, a variety of military options. Among these options is the "bloody nose" scenario under which the U.S. would conduct a limited, targeted strike, for example on a launch site prior to a missile test or on command and control centres or nuclear facilities.<sup>55</sup> Alternatively, some administration officials describe military action short of full-scale attack that would target the country's missile production and staging facilities so as to damage the North Korean leadership's confidence in the viability of its nuclear capability.

What these options supposedly have in common is the belief among several senior officials that they could be carried out without North Korean reprisal, provided the strike were accompanied by a dual message: that the goal was not regime change, and that any military response would be met by a far larger, devastating attack. What the plans also have in common, however, is recklessness: they are premised on the almost certainly mistaken notion that the North Korean regime would not respond.<sup>56</sup>

A third option – diplomacy – at times has been treated by the administration as a dirty word, and at others as a genuine possibility. It remains nebulous whether and, if so, how the U.S. might have conveyed its openness to unconditional talks with Pyongyang. When Secretary of State Tillerson suggested the idea, he was quickly contradicted by the White House; privately, U.S. officials and unofficial intermediaries claim the offer was made and that North Korea rejected it unless and until "hostile U.S. policy were to halt", a standard vague enough to suggest that Kim does not believe the time for direct talks is ripe.<sup>57</sup> The U.S. insistence that the purpose of talks be North Korea's denuclearisation – a goal the regime has flatly rebuffed – also might stand in the way of dialogue.

In the wake of the announcement of inter-Korean talks, Trump spoke directly to President Moon Jae-in and, according to South Korea's readout of the conversation, offered reassurance that a *Wall Street Journal* report suggesting that he was

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<sup>55</sup> "Exclusive: US making plans for 'bloody nose' military attack on North Korea", *The Telegraph*, 20 December 2017.

<sup>56</sup> Crisis Group Report, *The Korean Peninsula Crisis (II)*, op. cit. Crisis Group interviews, U.S. officials, Washington, December 2017.

<sup>57</sup> Crisis Group interviews, U.S. officials and third-party intermediaries, Washington and New York, November 2017-January 2018.

contemplating a military strike was “completely wrong”.<sup>58</sup> Nor did Washington object to the talks. Instead, seemingly caught off guard, it merely informed South Korea that in the future it would appreciate greater coordination.<sup>59</sup> This acquiescence, together with other clashing messages from Washington, kept Pyongyang and the rest of the world guessing once again.

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<sup>58</sup> “Trump, on possibility of North Korea talks, says ‘Who knows where it will lead?’”, Reuters, 9 January 2018.

<sup>59</sup> Crisis Group interview, U.S. official, Washington, January 2018.

#### IV. Seoul's Shifting Calculations

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For the administration of Moon Jae-in, North Korea's nuclear threat can be managed only through diplomatic means, though these overtures should be backed by harsh sanctions to ensure the DPRK negotiates in good faith.<sup>60</sup> This balancing act mirrors complex South Korean dynamics: anger at North Korea for its aggressive and often violent comportment; sympathy for the suffering of fellow Koreans across the border; disquiet at U.S. belligerence; and dread at the prospect of a confrontation that could result in untold South Korean fatalities.<sup>61</sup> Seoul does not share Washington's confidence that Pyongyang will not respond militarily to a "bloody nose" attack.

##### A. *No Sunshine 2.0*

Historically, South Koreans have held widely diverging opinions on how to deal with their neighbour to the north. The "sunshine policy" – a ten-year project of engagement with North Korea launched by Kim Dae-jung, a former dissident who became president in 1998 – still enjoys some support, notably among older self-declared progressive voters.<sup>62</sup> Conversely, older conservative voters tend to see North Korea through the hostile, anti-communist lens that was state doctrine during the South's authoritarian period prior to 1987. The North Korea question does not mould the political views of younger voters, no matter where they fall on the spectrum, to nearly the same extent.

President Moon Jae-in's background – notably his position as chief of staff to left-wing President Roh Moo-hyun in 2003-2008 – led international observers to conclude he would adopt a policy of engagement comparable to Kim Dae-jung's.<sup>63</sup> That prediction misinterpreted the 2017 election. The North Korean nuclear program and possible engagement of Pyongyang were not the salient campaign issues; rather, disdain for the preceding administration as well as pocketbook concerns carried the day.<sup>64</sup> Tellingly, significant numbers of conservative, security-conscious

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<sup>60</sup> Crisis Group interview, senior Ministry of Unification official, August 2017; "South Korea's Moon says 'no more war on Korean peninsula', urges North to halt provocations", Reuters, 14 August 2017.

<sup>61</sup> Han Kang, "While the US talks of war, South Korea shudders", *The New York Times*, 7 October 2017; "한강 NYT 기고...미국이 전쟁 말할 때 한국은 몸서리친다," *한겨레*, 2017년 10월 9일 ["Novelist Han Kang pens NYT op-ed on South Koreans' view of tensions between US and North Korea", *Hankyoreh*, 9 October 2017].

<sup>62</sup> Although the sunshine policy continued for a decade, it divided politicians and society at large. There was widespread consternation when Seoul's transfer in 2001 of \$500 million to Pyongyang ahead of the first inter-Korean summit became public in 2003. The sunshine policy died unlamented in 2008, when conservative Lee Myung-bak won the presidency, and after an unarmed South Korean tourist was shot by North Korean forces in July. The 2010 sinking of a South Korean naval corvette and shelling of a South Korean island – the first armed aggression since the Korean War – further hardened anti-engagement domestic sentiment. Until her impeachment in December 2016, Park Geun-hye maintained this line, drawing closer to the U.S. and agreeing to deploy the Terminal High Altitude Area Defense (THAAD) missile system.

<sup>63</sup> S. Nathan Park, "Moon's secret weapon is sunshine", *Foreign Policy*, 19 May 2017.

<sup>64</sup> Paul Park, "Experts discuss the South Korean election result", *Brookings*, 11 May 2017.

citizens ended up voting for Moon because they valued his reputation as an honest leader and were looking for a change after his predecessor, Park Geun-hye, had been impeached on charges of extortion, bribery, abuse of power and leaking state secrets, and her party had collapsed.<sup>65</sup> That means some of Moon's voters support a tough posture toward the DPRK.

Moon is in fact an ardent sceptic on North Korea and more hawkish on national security than most on the left of South Korean politics. His position derives in part from personal experience: his parents were evacuated out of North Korea by the U.S. in the Korean War, and as a soldier, he was deployed in the DMZ at a time of high tensions in 1976.<sup>66</sup> His defence minister, Song Young-moo, is a former admiral; upon his cabinet appointment, he was directed to establish "unwavering national security".<sup>67</sup>

Pyongyang's provocative nuclear and missile tests after Moon's election have helped South Koreans from across the political spectrum coalesce around certain core principles. Broadly speaking, public opinion in the South favours engagement in the humanitarian and cultural spheres and disfavors major economic assistance. In the latter category would be reopening the Kaesong Industrial Complex, which South Korea shut down in February 2016 due to charges that its income was funding the DPRK's nuclear and missile programs.<sup>68</sup>

In recent months, Pyongyang has – as it often does – manipulated the complex feelings of South Koreans for the North, first spurning and even slapping away President Moon's extended hand, then suddenly reaching out. Some 20 per cent of Kim Jong-un's 1 January 2018 New Year address was dedicated to relations with the South, prompting hopes for improvement in bilateral ties.<sup>69</sup> In making the Olympics and other overtures, the DPRK most likely wanted to alert the outside world that it was open to diplomatic engagement when the U.S. was not. The

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<sup>65</sup> Ibid.

<sup>66</sup> "South Korea's shy new President Moon hits the spotlight", Reuters, 9 May 2017; "문 대통령, 장진호 전투비 헌화...3 박 5 일 '동맹외교' 첫발", *한겨레*, 2017년 6월 28일 ["President Moon, floral tribute at Battle of Changjin Reservoir memorial... first step in 3-night, 5-day 'alliance diplomacy'", *Hankyoreh*, 28 June 2017].

<sup>67</sup> "Impact Player: Song Young-moo", Center for Strategic and International Studies (CSIS), 22 June 2017.

<sup>68</sup> The Moon administration did not shut the door on engagement: a North Korean team participated in the World Taekwondo Federation championships in South Korea in July 2017; the South Korean government agreed in July 2017 to fund a UN-run census in North Korea in 2018; in September Seoul pledged \$8 million to the World Food Programme and UNICEF for food, vaccines and medicine for vulnerable groups. "N. Korean taekwondo practitioners stage historic performance in S. Korea", *Yonhap*, 24 June 2017; "Seoul willing to pay N. Korea \$6 million for census", *Chosun Ilbo* (online), 17 July 2017; "South Korea approves \$8 million aid to North Korea, timing to be decided later", Reuters, 21 September 2017.

<sup>69</sup> Kim said the DPRK would be celebrating its 70th anniversary on 9 September and that the Republic of Korea would host the Winter Olympics, making it a momentous year for both. It was essential to improve inter-Korean relations so 2018 could be "noteworthy in the history of the nation (민족사)". He did not mention the 15 August 70th anniversary of the Republic of Korea, which the DPRK does not see as something to celebrate. "North Korea's Kim Jong Un offers hope of thaw with Seoul", *Financial Times*, 1 January 2018.

regime likely also is seeking to drive a wedge between Washington and Seoul.<sup>70</sup> The approach seems to have borne fruit: following unofficial talks with the North in November and December, South Korea deferred its joint military exercises with the U.S. until after the Olympics and Paralympics.<sup>71</sup> Beyond the games, the regime seeks to tap ethnic solidarity among South Koreans in order to secure assistance and access to the global economy amid the prospect of stricter sanctions.

In light of these developments, Moon's North Korea policy – limited outreach coupled with support for economic and other forms of pressure – presently enjoys strong public backing as the expression of the middle ground in the South.<sup>72</sup> But should inter-Korean talks continue and deepen, Moon could be drawn toward diluting the coercive element, which might expose cracks in his electoral coalition, draw criticism from the right and create a rift with the U.S.<sup>73</sup>

### B. *Not Masters of Their Own Fate*

Because their country would suffer the most devastating fallout from any conflagration on the peninsula, and because their future is at stake, South Koreans long have resented efforts to sideline Seoul on peninsula issues. Circumventing Korea – an approach known in South Korea as “Korea passing” – has an unhappy history dating back to Japanese colonialism and, immediately thereafter, the U.S.-Soviet division of the peninsula.<sup>74</sup>

Yet South Korean leaders also recognise they have only limited control over their fate. Caught between far more powerful actors with their own conflicting agendas, they have little room to manoeuvre. A senior South Korean official said:

U.S.-China relations overshadow inter-Korean relations, and unless there is cooperation between these countries there is not much that a medium power such as South Korea can do to change the situation. Moreover, the Korean peninsula is where the strategic national interests of the four great powers – China, Japan, Russia, U.S. – meet, so it would be tough for any government to take charge of South Korea's policy and to take the initiative under these circumstances.<sup>75</sup>

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<sup>70</sup> “We won't get fooled again”, *Joongang Daily*, 3 January 2018; “Kim Jong-un's trap”, *Joongang Daily*, 4 January 2018. South Korea's main left-wing newspaper welcomed Kim's words. “한겨레 사설] 파격적인 북한 신년사, ‘평화’ 돌파구 여는 계기로,” *한겨레*, 2018년 1월 1일 [“Unusual North Korean New Year's address, an opportunity to make ‘peace’ breakthrough”, *Hankyoreh*, 1 January 2018].

<sup>71</sup> In his address, Kim said the two Koreas should “work together to ease the acute military tension between the north and the south and create a peaceful environment on the Korean peninsula”. Official English translations of North Korean media use lower-case letters to spell North and South Korea, to signify the DPRK's belief that the South Korean state is illegitimate.

<sup>72</sup> Crisis Group interview, senior Institute for National Security Strategy analyst, August 2017.

<sup>73</sup> *Ibid.*

<sup>74</sup> Hyungu Jeong and Jiwon Park, “Korea passing and the ROK-US alliance”, *Stimson Spotlight*, 6 November 2017.

<sup>75</sup> Crisis Group interview, senior Ministry of Unification official, Seoul, August 2017.



Hence, the mixed reactions to the Trump administration's new posture. On the one hand, there is widespread support for a significant tightening of the screws on North Korea. As early as August 2017 – before the contours of Washington's "maximum pressure" campaign became clear – South Korean officials suggested they wanted China to shut off the oil pipeline that runs into North Korea under the Yalu River "for a couple of months" before the winter, to see if fuel shortages would be enough to bring North Korea back to negotiations. (The U.S. long has pushed China to cut off this oil supply, likely for similar reasons.) On the other hand, Seoul is opposed to U.S. – or any other – military action against the DPRK.<sup>76</sup>

Another aspect of the Trump administration's posture has sown a sense of deep foreboding in Seoul. U.S. feelings that North Korea's development of ballistic missiles capable of reaching the U.S. mainland would be a game changer feed South Korean anxiety that – should the U.S. come within North Korean striking range – the extended deterrence Seoul enjoys as part of its alliance with the U.S. would crumble. Put bluntly, South Koreans fear the U.S. would not risk San Francisco for the sake of saving Seoul.<sup>77</sup>

South Korea's policy also must take account of China. Relations with Beijing significantly soured in 2016, following then-President Park's agreement to deploy the U.S. Terminal High Altitude Area Defense system (or THAAD) on the peninsula. Washington argued this step was needed to bolster protection against North Korean ballistic missiles. But China saw it differently: the radar system associated with THAAD, in its eyes, would significantly degrade its own second-strike ability against the U.S. and thus fundamentally undermine China's strategic deterrent.

In mid-2016, Moon said the strategic costs of THAAD deployment outweighed its benefits, and urged then President Park Geun-hye to reconsider the decision.<sup>78</sup> Once in office, and in the context of North Korean provocations and support for THAAD across the South's political spectrum, he shifted course. Installation of the missile defence system was completed in September.<sup>79</sup>

Throughout 2016 and 2017, South Korea bore the brunt of China's anti-THAAD campaign: Beijing informally sanctioned several South Korean conglomerates, ejecting them from the Chinese market, blocked access to popular South Korean music and television shows, and halted Chinese tourism to South Korea. Foreign Minister Wang Yi made veiled threats to the effect that deploying THAAD would make South Korea less secure.<sup>80</sup>

<sup>76</sup> "South Korean leader warns against attack on North, ahead of Trump's Asia trip", *Wall Street Journal*, 1 November 2017.

<sup>77</sup> Brad Glosserman, "Decoupling and Divergences Among Allies: New Deterrence Dilemmas in Northeast Asia: US-ROK-Japan Trilateral Strategic Dialogue Conference Report", *Issues & Insights*, vol. 17, no. 14 (2017).

<sup>78</sup> During his campaign, Moon only proposed that the next government should address THAAD. "팩트체크] 대선후보 사드배치 입장... 安 '급회전', 文 '직진'?" *중앙일보*, 2017년 4월 7일 ["Presidential candidates' stances on THAAD deployment... Ahn 'sharp turn', Moon 'straight ahead'", *JoongAng Ilbo*, 7 April 2017].

<sup>79</sup> "4 more Thaad missile defense launchers to be deployed in South Korea", *Straits Times*, 4 September 2017.

<sup>80</sup> "China says South Korea deployment of THAAD is a mistake, urges halt", Reuters, 8 March 2017. Fei Su and Lora Saalman, "China's Engagement of North Korea: Challenges and Opportu-

As U.S.-DPRK tensions escalated, though, Seoul and Beijing agreed to disagree on THAAD, leaving the issue to one side, for now, and improving diplomatic and economic ties.<sup>81</sup> South Korea found further common cause with China in opposition to U.S. military action. At a December 2017 summit, Presidents Xi and Moon announced four common principles for dealing with North Korea: (1) no war on the Korean peninsula; (2) denuclearisation of the peninsula; (3) peaceful resolution of the nuclear issue; and (4) improvement in inter-Korean relations.<sup>82</sup> In view of this rapprochement, it would be to Washington's strategic detriment to indulge once more in "Korea passing", as it has recently appeared willing to do.

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nities for Europe", SIPRI, February 2017; Crisis Group discussions, Chinese analysts and advisers and foreign diplomats, Beijing, Shanghai, Jilin and Liaoning, March-December 2017.

<sup>81</sup> "China, South Korea agree to mend ties after THAAD standoff", Reuters, 31 October 2017.

<sup>82</sup> "Moon-Xi summit a 'good signal' about S. Korea-China ties: Cheong Wa Dae", *Yonhap*, 15 December 2017.

## V. Extent and Limits of Chinese Influence

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No solution to the North Korean crisis is conceivable without China's assent and proactive support. Its global and regional clout, the lifeline it represents for the regime in Pyongyang, and its ability to loosen or tighten North Korea's access to critical imports and exports lend it outsize influence. Pyongyang and Washington are reacting accordingly, with the Kim regime chafing whenever it appears that China is not its champion, and the Trump administration trying hard to bring Beijing to its side through a mixture of pressure and inducements.

In reality, Beijing's interests do not align perfectly with either Pyongyang's or Washington's, and its sway over both sides is limited. China's core interests lie in avoiding chaos or instability on its border; preventing unpredictable changes to the strategic balance; and expanding its influence in North East Asia while restricting Washington's. None of these prerogatives is served by the bluster and provocation Beijing sees emanating from Pyongyang and Washington. With a North Korean leader it cannot control and a U.S. president it struggles to predict, China says both sides are at fault. As a senior Chinese official put it, "we are caught between hardliners in Pyongyang and in Washington. And both are driving us toward war".<sup>83</sup> As a result, China has called upon the two sides to end the diatribes and engage in dialogue.<sup>84</sup>

So far, it has seen only trifling results. Beijing's channels of communication to Washington remain open, and relations between Presidents Xi Jinping and Donald Trump are superficially positive, if uncertain. But the gap between Beijing and Washington, in terms of both the desired end result and the means of achieving it, remains wide. Even as it espouses denuclearisation of the peninsula as a longer-term objective, China is unwilling to push for that goal now; instead, it is seeking Pyongyang's assent to a halt to nuclear testing in exchange for a freeze of U.S. military manoeuvres. And while Beijing has proved willing to ratchet up economic pressure on North Korea, it will only go so far, and remains adamantly opposed to any form of military action.

The most striking deterioration has been in relations with Pyongyang, whose missiles and nuclear tests China sees as risking the conflict it fears, as well as justifying a heavier U.S. military presence in the region. Accordingly, China has agreed to impose unprecedented sanctions on its smaller neighbour and enforce them more strictly than ever before. Still, there are limits to what Beijing is prepared to do, Washington's pressure and Pyongyang's truculence notwithstanding.

China's posture has earned it occasional outbursts from Washington – with Trump lashing out at Beijing after reports surfaced that Chinese ships had transferred oil to North Korean vessels at sea.<sup>85</sup> From Pyongyang, China has gotten a

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<sup>83</sup> Crisis Group interview, Beijing, December 2017.

<sup>84</sup> This section draws on Crisis Group interviews with officials, scholars, analysts, diplomats and journalists, Beijing, Hong Kong, Jilin, Liaoning, Shanghai, New York and Washington, February 2017-January 2018.

<sup>85</sup> In a tweet, Trump said that China had been "caught RED HANDED" adding he was "very disappointed that China is allowing oil to go into North Korea". "There will never be a friendly solution to the North Korea problem if this continues to happen!", Associated Press, 28 December 2017.

cold shoulder: the foreign ministry's lead official on the Korean peninsula, Vice Minister Kong Xuanyou, reportedly is unwelcome in the North Korean capital, and, in November 2017, the Communist Party's envoy, Song Tao, was denied an audience with Kim Jong-un.<sup>86</sup> For all the benefits of its historical closeness to China, the DPRK long has resented what it deems to be the arrogance and chauvinism of its giant patron, which it views as far too willing to exploit North Korean economic weakness.

#### A. *Three Nos, and Then Some*

For the past decade, Beijing's policy on the Korean peninsula has sought to balance "three nos": no nuclear weapons, no war and no chaos. Some analysts privately add an unofficial fourth: no unification, out of concern that this eventuality would set up a U.S.-aligned Korean state on China's north-eastern border. With Sino-DPRK relations at a historical nadir and regional tensions on the rise, the challenge for China is how to reconcile these often-contradictory objectives.

Since the DPRK's first successful nuclear test in 2006, China has seen denuclearisation as a long-term goal to be achieved through economic cooperation with the North, internal North Korean governance reforms and diplomatic engagement to alleviate Pyongyang's security concerns. Beijing's approach grows from the conviction that Kim will not forsake his nuclear arsenal in the foreseeable future, persuaded as he is that having the bomb is critical for regime survival. A senior Chinese official said:

What North Korea wants is a guarantee, a protection. It sees that South Korea has an American nuclear umbrella and that China will not give it one, so it has concluded that it must build its own.<sup>87</sup>

Having set an unrealistic objective, the U.S. has, in China's view, offered North Korea no viable way out, fuelling rather than discouraging its nuclear aspirations. "For Pyongyang, the current situation is like a tunnel with no exit. Instead of giving it one, the U.S. has decided to beat the driver. The problem with U.S. policy is that it continues to head down a path it should know cannot work".<sup>88</sup>

Nor does China believe that the goal of a nuclear-free peninsula is worth the risk of either war or regime change, both of which would have unpredictable consequences – mass refugee flows, loose weapons of mass destruction, a U.S. military presence north of the 38th parallel or a hostile regime in Pyongyang, to name

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<sup>86</sup> Crisis Group discussions, Chinese and Western officials and analysts, Beijing, Shanghai, Atlanta, New York and Washington, October 2017-January 2018. "Ruling parties of China, DPRK agree to strengthen exchange, push forward ties", Xinhua, 20 November 2017; "North Korea's Kim Jong-un 'snubs' China in failure to repay diplomatic favour", *South China Morning Post*, 21 November 2017; "China envoy goes home empty-handed from North Korea", *The Times*, 21 November 2017.

<sup>87</sup> Asked whether Beijing might consider extending its nuclear umbrella to North Korea as a means of resolving the crisis, the official said: "Why should we? That would mean potentially transforming this into a direct China-U.S. conflict, which is the last thing we want". Crisis Group interview, December 2017.

<sup>88</sup> *Ibid.*

a few. Senior officials at times express dismay at the Trump administration's careless talk of war, and are quick to draw parallels to U.S. military misadventures abroad: "Look at what happened in Iraq in 2003. We have learned through history that a people that is attacked has many ways to defend itself and more motivation to do so".<sup>89</sup> Any course of action provoking chaos also could disrupt the regional trade and investment critical for China's economic growth and social stability.

Pending eventual denuclearisation, Chinese officials believe a nuclear-armed North Korea can be deterred and the risks of nuclear blackmail and proliferation managed. A senior foreign policy official said: "[The DPRK] will only use its nuclear weapon if it fears death. It won't commit suicide, unless the alternative is to be killed".<sup>90</sup>

For China, therefore, the immediate goal ought to be to defuse tensions through incremental steps. That means Kim halting his worst provocations, and the U.S. adopting a more realistic stance that could offer a viable exit ramp.

#### B. *How Far Can Beijing Go?*

President Trump's mercurial policymaking and broad hints of military action unquestionably have gotten China's attention. To that extent, as U.S. officials are quick to point out, they have worked, spurring China to demonstrate it is doing more to bring Kim Jong-un to heel.<sup>91</sup>

But beyond these official positions lies a growing and increasingly intense debate among Chinese officials and experts over Korean peninsula policy. More traditionalist and nationalist voices continue to view the U.S. as the greatest geostrategic threat. Deeply suspicious of Washington's intentions, they blame it for stoking tensions on the peninsula, attributing its hawkish attitude to domestic political considerations or to the goal of justifying a continued U.S. military presence and alliance system aimed at containing China.

The Obama administration's so-called pivot to Asia, the Trump administration's "America First" doctrine and the deployment of the THAAD missile defence system to South Korea have only deepened this mistrust.<sup>92</sup> Should China acquiesce in U.S. demands for heightened pressure on North Korea, the traditionalists argue, it could pay a steep price, in the form of either the regime's hostility or collapse. Some also fear that Kim at some point could strike a separate deal with Washington, particularly if relations with Beijing worsen, leaving China out in the cold. In this view, absent a new grand bargain on the balance of power in East Asia, China cannot risk surrendering a valuable bargaining chip.<sup>93</sup>

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<sup>89</sup> Crisis Group interview, senior Chinese official, December 2017.

<sup>90</sup> Ibid. Also see Crisis Group Reports, *Shades of Red*, op. cit.; *Fire on the City Gate*, op. cit.; Crisis Group interviews, February 2017-January 2018.

<sup>91</sup> Crisis Group interviews, February-December 2017.

<sup>92</sup> A senior Chinese official said, "THAAD was a wake-up call. It made China realise that it will need to prepare better against threats emanating from the U.S. It is shaping Chinese thinking and will lead to a defence build-up". Crisis Group interview, December 2017.

<sup>93</sup> Crisis Group interviews, February 2017-January 2018. See also Crisis Group Reports, *Shades of Red*; *Fire on the City Gate*, both op. cit.; 朱志华: "评贾庆国在朝核危机上的一派胡言", 中美印

At the other end of the spectrum, more and more Chinese strategists are vocally calling for Beijing to take a harder line toward a North Korean regime that – they contend – no longer respects or advances China’s interests. Pyongyang’s accelerated series of nuclear and missile tests, some of them provocatively coinciding with high-level summits China was hosting, coupled with its hardening political posture (including the 2013 execution of China’s key North Korean interlocutor Jang Song-thaek) gave further impetus to this school of thought. Its proponents have begun to question the benefits of an alliance with a regime that is raising the risk of conflict, chaos and accidental nuclear contamination and whose deeds serve as justification for a larger U.S. military footprint in North East Asia. These thinkers worry that the increasing reach of North Korea’s ICBMs could encourage South Korea and Japan to develop their own nuclear weapons and conventional capabilities, provoking a regional arms race that could threaten China’s ambitions and unsettle the balance of power in North East Asia.

According to this line of thought, China’s need to maintain functional relations with the U.S., its growing global status and expectations of global leadership, and the costs of its alliance with Pyongyang outweigh the value of historical ties to its smaller neighbour. China’s policy of economic incentives has failed, these strategists say, and must now be complemented by far harsher punishment and pressure, greater efforts to kick-start negotiations and engagement with the U.S. on contingency plans should efforts at a diplomatic resolution fail, when the risks of conflagration could be high and China’s need to secure its borders urgent.<sup>94</sup>

While the precise impact on Chinese policymaking of strategic thinkers less sympathetic to Pyongyang is unclear, President Xi Jinping indisputably has brought – alongside a more assertive approach to governing – a harder line toward North Korea. He has presided over a virtual end to economic cooperation initiatives and been willing to accept successive waves of tighter sanctions. The approach reflects increasingly negative public views of North Korea and anger at Kim Jong-un, as well as anxiety that Pyongyang’s actions could produce outcomes contrary to Chinese interests. It also arguably reflects growing confidence that the People’s Liberation Army and other Chinese security forces are better prepared than in the past to manage a crisis on the peninsula.<sup>95</sup>

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象网 [Zhu Zhihua, “Comment on Jia Qingguo’s nonsense on the Korean nuclear crisis”, US-China Perception Monitor, [www.uscnpm.com](http://www.uscnpm.com)], 11 September 2017.

<sup>94</sup> Crisis Group Report, *Shades of Red*, op. cit.; 贾庆国, “我们在哪些地方看错,”了朝鲜 [Jia Qingguo, “Where do we misread the DPRK”, Sina, 27 August 2016]; Jia Qingguo, “Time to prepare for the worst in North Korea”, East Asia Forum, 11 September 2017; “Realistic solution needed for NK nuke issue”, *Global Times*, 22 April 2017; 王鹏, “朝鲜有恶意利用“双暂停”倡议的可能吗?” [Wang Peng, “Could the DPRK make malicious use of the dual suspension initiative?”], *Financial Times Chinese*, 27 September 2017; Crisis Group interviews, February 2017–January 2018.

<sup>95</sup> According to unconfirmed reports, China is taking measures and developing contingency plans for a conflict or humanitarian crisis – including constructing refugee camps in border areas. Crisis Group interviews, officials, diplomats, analysts, journalists and scholars, Beijing, Shanghai, Liaoning, Jilin, Hong Kong, New York and Washington, February 2017–January 2018. Also see “China’s engagement of North Korea”, *ibid.*; “China ‘will not accept North Korea as nuclear

But none of these shifts should be interpreted as signalling alignment between Xi and Trump regarding how far China will go in pressing its neighbour. The disagreement over ends, discussed above, extends to divergence over means. To begin, Chinese officials make clear their influence over Pyongyang is limited. As one senior official remarked:

The U.S. is calling on China to use its leverage. Fine. But China cannot order North Korea to do things it refuses to do and expect to see results any more than it can influence the U.S. Besides, pressure won't work in the way the U.S. believes. Indeed, why ask China to increase pressure on North Korea when the U.S. has done so much already to press them and it hasn't succeeded either?<sup>96</sup>

More broadly, “the problem of North Korea is a problem made in the U.S. The U.S. should take responsibility to solve it”.<sup>97</sup>

In addition, Beijing worries that pushing the DPRK too hard could turn it into an inveterate enemy as opposed to the current fractious yet dependent neighbour with which it has experienced repeated cycles of friction and reconciliation. Indeed, Pyongyang grew significantly warier of China's role throughout 2017, as Beijing agreed to ever harsher UN Security Council resolutions.<sup>98</sup> Some visitors to the DPRK assess that internal propaganda there is laying the groundwork for increasing hostility toward Beijing. Many analysts fear the depth of North Korea's resentment, with one reporting that North Korean officials have said “their missiles can fly in any direction”.<sup>99</sup>

Intensified pressure could prove counterproductive in other ways. Cutting off the flow of fuel through the pipeline under the Yalu River – a pointed U.S. request – could precipitate a humanitarian catastrophe in North Korea while harming Pyongyang-Beijing relations possibly to the point of rupture.

In short, even a leader as powerful as Xi can only do so much. With each round of Security Council sanctions, his room for manoeuvre shrinks. A steady stream of information, documented in media accounts and reports of the UN Panel of Experts, offers evidence of Chinese violations.<sup>100</sup> China has gone further in 2017 than ever before in terms of exerting pressure on the DPRK. But it has stopped short of measures and levels of enforcement that it believes might tip the DPRK into en-

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weapons state', ambassador warns”, *The Independent*, 16 September 2017; “Fearing the worst, China plans refugee camps on North Korean border”, *The New York Times*, 11 December 2017.

<sup>96</sup> Crisis Group interview, December 2017. A South Korean official described China's stance: “the Chinese think North Korea has been through the Arduous March, so they can survive anything”. Crisis Group interview, senior Ministry of Unification official, August 2017.

<sup>97</sup> Ibid.

<sup>98</sup> “Security Council Imposes Fresh Sanctions on Democratic People's Republic of Korea, Including Bans on Natural Gas Sales, Work Authorization for Its Nationals”, UN press release, 11 September 2017; “North Korean companies in China ordered to close”, *Financial Times*, 29 September 2017. There is also recurrent evidence of non-compliance. “Report: Busy North Korean restaurant in China turning away South Koreans”, United Press International (UPI), 10 January 2018.

<sup>99</sup> Crisis Group discussion, Chinese analyst, Beijing, July 2017.

<sup>100</sup> PRC Foreign Ministry Spokesperson Hua Chunying's Regular Press Conference, 27 December 2017. For violations, see Report of the Panel of Experts established pursuant to Resolution 1874 (2009) S/2017/150, 27 February 2017.

emy status, war or disintegration, any of which could upset the regional strategic balance in ways that China lacks confidence it could predict, let alone shape to its advantage. The ceiling almost certainly will stay in place.<sup>101</sup> Beijing is loath to sacrifice a familiar status quo for the sake of a plunge into the unknown.

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<sup>101</sup> Scott A. Snyder, “Confronting the North Korean Threat: Reassessing Policy Options”, statement before the U.S. Senate Committee on Foreign Relations, U.S. Senate 1st Session, 115th Congress, 31 January 2017; “China’s North Korean Liability”, *ibid.*; Crisis Group interviews, Beijing, Hong Kong, New York and Washington, September 2017-January 2018.



## VI. Where Japan and Russia Stand

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Although they play far less central roles, Japan and Russia nevertheless have significant interests in what happens on the Korean peninsula that shape their approach.

Alone among regional powers, Japan's conservative government has strongly backed the U.S.' "maximum pressure" strategy, with Prime Minister Shinzo Abe offering particularly vocal support.<sup>102</sup> While this concord is driven partly by Abe's desire to ensure relations with Washington are as close as possible and partly by his domestic agenda of enhancing Japanese military power, it also reflects Japan's fatigue and frustration after decades living in the shadow of North Korea's threats. Politicians in Tokyo say that dialogue today must discuss denuclearisation to be credible.<sup>103</sup>

That said, Tokyo appears to understand the risks of such pressure, including the seeming lack of a diplomatic off-ramp. A senior Japanese official said he was not sure the squeeze would loosen in the event that North Korea froze weapons and missile development. The same official noted escalation of the crisis could compel Japan to stage a mass evacuation of its citizens from harm's way – some 60,000 of them are present in South Korea on any given day.<sup>104</sup>

Russia, which, like China and South Korea, shares a land border with North Korea, is animated by a different set of interests. Open hostilities in the northern half of the Korean peninsula would threaten the stability necessary for economic development of the Russian far east. Vladivostok and other regional cities host tens of thousands of North Korean labourers, and a longstanding agreement covers North Koreans working in Russian logging camps. A Russia-DPRK joint venture company founded in 2008, RasonConTrans, operates a \$300 million railway link between the Russian town of Khasan and Rason port in North Korea, offering year-round ice-free access to the Sea of Japan/East Sea for the export of coal and other goods. The project is exempted from the UN Security Council sanctions against North Korea.<sup>105</sup> Two million tons of cargo, mostly coal, were transported via this route in the first ten months of 2017.<sup>106</sup>

Russia's interests also are advanced by thwarting or limiting U.S. influence in East Asia. As a result, Moscow appears content to offer, in some instances, political cover to North Korea as well as economic openings. Moscow also is likely to seize any opportunity to portray itself as responsible global power. Russia has

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<sup>102</sup> "Address by Prime Minister Shinzo Abe at the Seventy-Second Session of the UN General Assembly", speech to UN General Assembly, 20 September 2017. Archived by Japanese government at [https://japan.kantei.go.jp/97\\_abe/statement/201709/\\_00010.html](https://japan.kantei.go.jp/97_abe/statement/201709/_00010.html).

<sup>103</sup> Crisis Group interviews, Japanese foreign ministry official and former senior official, New York and Tokyo, October, December 2017.

<sup>104</sup> Crisis Group interview, senior Japanese foreign ministry official, Tokyo, December 2017.

<sup>105</sup> Para. 16 of S/RES/2397, passed on 22 December 2017: "The provisions of this resolution shall not apply with respect solely to the trans-shipment of Russia-origin coal to other countries through the Russia-DPRK Rajin-Khasan port and rail project". The trade is also expressly excluded from S/RES/2371 (2017; para.8) and S/RES/2375 (2017; para.18).

<sup>106</sup> The website of RasonConTrans is <http://rasoncontrans.ru> (in Russian).

supported, alongside Beijing, the concept of “freeze-for-freeze”, pursuant to which North Korea would halt its nuclear and missile tests in return for the U.S. halting military exercises with, and the deployment of strategic assets to, South Korea.<sup>107</sup>

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<sup>107</sup> See Crisis Group Report, *The Korean Peninsula Crisis (II)*, op. cit.

## VII. Conclusion

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North Korean weapons testing and U.S. bellicosity have raised tensions on the Korean peninsula to a level not seen in decades. They also have prompted some North East Asian states to revisit basic assumptions, as the crisis has injected uncertainty into what had been a gradual recalibration of geostrategic relations among North East Asia powers prompted by China's expanding influence. Core assumptions about the DPRK's weapons program remain unchanged however, and here the U.S. is to a significant extent out of step with the region. While all of North Korea's neighbours worry about its nuclear capability and share with the U.S. the objective of its denuclearisation, none believe that the threat it poses is worth risking a preventive military strike that could itself provoke an escalation potentially leading to nuclear confrontation.

After a dangerous last half of 2017, tensions have subsided since the beginning of this year. Despite their bluster, both Pyongyang and Washington have taken steps – albeit for now only temporarily – that largely mirror China's freeze-for-freeze proposal. Kim's pledge that North Korea will compete jointly with the South in the Winter Olympics and the recent thaw in North-South relations suggest further North Korean tests are unlikely before the Games. Presidents Trump and Moon have deferred joint military exercises until after the Paralympics, which follow the Olympics and run until mid-March.

As described in Crisis Group's companion report, *The Korean Peninsula Crisis (II): From Fire and Fury to Freeze-for-Freeze*, the priority now is for the U.S. to seek to use the window ahead of the Winter Games to lay the groundwork for a more formal freeze-for-freeze deal and wider diplomatic talks. China, which first proposed the plan and is now the major power in the region, and South Korea, the thaw in whose relations with Pyongyang provides an opening for diplomacy, should redouble efforts to convince Washington to do so.

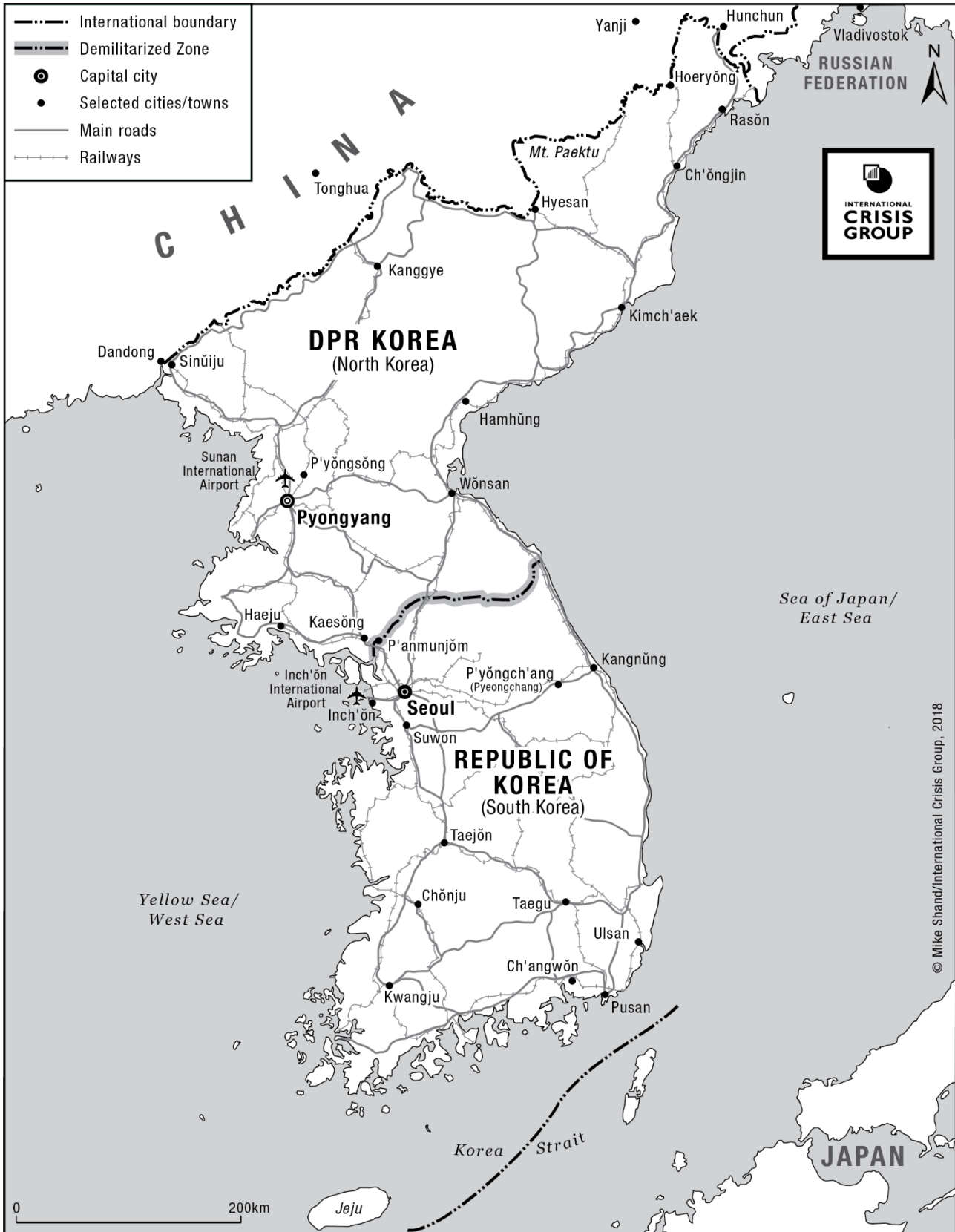
Without such an initiative, however, the respite before the Olympics will likely end shortly afterwards. April, the anniversary of Kim's grandfather's birthday, is a month when Pyongyang frequently tests weapons. Joint U.S.-South Korean military exercises could restart around the same time. Given the Trump administration's repeated threats, any provocation by Pyongyang would leave Washington with a nasty dilemma: back down and risk seeing its threats turn to bluster; or act, potentially eliciting a North Korean response and a perilous escalation. Miss the opportunity before the Olympics, in other words, and the risk of a war with potentially hideous consequences for the region and its people will only increase.

**Seoul/Beijing/Washington/New York/Brussels, 23 January 2018**

Appendix A: Map of North East Asia



Appendix B: Map of the Korean Peninsula



## **Appendix C: About the International Crisis Group**

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The International Crisis Group (Crisis Group) is an independent, non-profit, non-governmental organisation, with some 120 staff members on five continents, working through field-based analysis and high-level advocacy to prevent and resolve deadly conflict.

Crisis Group's approach is grounded in field research. Teams of political analysts are located within or close by countries or regions at risk of outbreak, escalation or recurrence of violent conflict. Based on information and assessments from the field, it produces analytical reports containing practical recommendations targeted at key international, regional and national decision-takers. Crisis Group also publishes *CrisisWatch*, a monthly early warning bulletin, providing a succinct regular update on the state of play in up to 70 situations of conflict or potential conflict around the world.

Crisis Group's reports are distributed widely by email and made available simultaneously on its website, [www.crisisgroup.org](http://www.crisisgroup.org). Crisis Group works closely with governments and those who influence them, including the media, to highlight its crisis analyses and to generate support for its policy prescriptions.

The Crisis Group Board of Trustees – which includes prominent figures from the fields of politics, diplomacy, business and the media – is directly involved in helping to bring the reports and recommendations to the attention of senior policymakers around the world. Crisis Group is chaired by former UN Deputy Secretary-General and Administrator of the United Nations Development Programme (UNDP), Lord Mark Malloch-Brown. Its Vice Chair is Ayo Obe, a Legal Practitioner, Columnist and TV Presenter in Nigeria.

Crisis Group's President & CEO, Robert Malley, took up the post on 1 January 2018. Malley was formerly Crisis Group's Middle East and North Africa Program Director and most recently was a Special Assistant to former U.S. President Barack Obama as well as Senior Adviser to the President for the Counter-ISIL Campaign, and White House Coordinator for the Middle East, North Africa and the Gulf region. Previously, he served as President Bill Clinton's Special Assistant for Israeli-Palestinian Affairs.

Crisis Group's international headquarters is in Brussels, and the organisation has offices in ten other locations: Bishkek, Bogota, Dakar, Kabul, Islamabad, Istanbul, Nairobi, London, New York, and Washington, DC. It has presences in the following locations: Abuja, Algiers, Bangkok, Beirut, Caracas, Gaza City, Guatemala City, Hong Kong, Jerusalem, Johannesburg, Juba, Mexico City, New Delhi, Rabat, Sanaa, Tblisi, Toronto, Tripoli, Tunis, and Yangon.

Crisis Group receives financial support from a wide range of governments, foundations, and private sources. Currently Crisis Group holds relationships with the following governmental departments and agencies: Australian Department of Foreign Affairs and Trade, Austrian Development Agency, Canadian Department of Foreign Affairs, Trade and Development, Danish Ministry of Foreign Affairs, Dutch Ministry of Foreign Affairs, European Union Instrument contributing to Stability and Peace (IcSP), European Commission, Directorate General for Neighbourhood Enlargement Negotiations, Finnish Ministry for Foreign Affairs, French Development Agency, French Ministry of Foreign Affairs, German Federal Foreign Office, Global Affairs Canada, Irish Aid, Principality of Liechtenstein, Luxembourg Ministry of Foreign Affairs, New Zealand Ministry of Foreign Affairs and Trade, Norwegian Ministry of Foreign Affairs, Swedish Ministry of Foreign Affairs, and the Swiss Federal Department of Foreign Affairs.

Crisis Group also holds relationships with the following foundations: Carnegie Corporation of New York, Heinrich Böll Stiftung, Henry Luce Foundation, Humanity United, John D. and Catherine T. MacArthur Foundation, Oak Foundation, Omidyar Network Fund, Open Society Foundations, Ploughshares Fund, Robert Bosch Stiftung, and Wellspring Philanthropic Fund.

**January 2018**

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**Appendix D: Reports and Briefings on Asia since 2015**

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**Special Reports**

*Exploiting Disorder: al-Qaeda and the Islamic State*, Special Report N°1, 14 March 2016 (also available in Arabic and French).

*Seizing the Moment: From Early Warning to Early Action*, Special Report N°2, 22 June 2016.

*Counter-terrorism Pitfalls: What the U.S. Fight against ISIS and al-Qaeda Should Avoid*, Special Report N°3, 22 March 2017.

**North East Asia**

*Stirring up the South China Sea (III): A Fleeting Opportunity for Calm*, Asia Report N°267, 7 May 2015 (also available in Chinese).

*North Korea: Beyond the Six-Party Talks*, Asia Report N°269, 16 June 2015.

*Stirring up the South China Sea (IV): Oil in Troubled Waters*, Asia Report N°275, 26 January 2016 (also available in Chinese).

*East China Sea: Preventing Clashes from Becoming Crises*, Asia Report N°280, 30 June 2016.

*China's Foreign Policy Experiment in South Sudan*, Asia Report N°288, 10 July 2017 (also available in Chinese).

**South Asia**

*Mapping Bangladesh's Political Crisis*, Asia Report N°264, 9 February 2015.

*Women, Violence and Conflict in Pakistan*, Asia Report N°265, 8 April 2015.

*The Future of the Afghan Local Police*, Asia Report N°268, 4 June 2015.

*Revisiting Counter-terrorism Strategies in Pakistan: Opportunities and Pitfalls*, Asia Report N°271, 22 July 2015.

*Sri Lanka Between Elections*, Asia Report N°272, 12 August 2015.

*Winning the War on Polio in Pakistan*, Asia Report N°273, 23 October 2015.

*Nepal's Divisive New Constitution: An Existential Crisis*, Asia Report N°276, 4 April 2016.

*Political Conflict, Extremism and Criminal Justice in Bangladesh*, Asia Report N°277, 11 April 2016.

*Sri Lanka: Jumpstarting the Reform Process*, Asia Report N°278, 18 May 2016.

*Pakistan's Jihadist Heartland: Southern Punjab*, Asia Report N°279, 30 May 2016.

*Pakistan: Stoking the Fire in Karachi*, Asia Report N°284, 15 February 2017.

*Afghanistan: The Future of the National Unity Government*, Asia Report N°285, 10 April 2017.

*Sri Lanka's Transition to Nowhere*, Asia Report N°286, 16 May 2017.

*Sri Lanka's Conflict-Affected Women: Dealing with the Legacy of War*, Asia Report N°289, 28 July 2017.

**South East Asia**

*Myanmar's Electoral Landscape*, Asia Report N°266, 28 April 2015 (also available in Burmese).

*Southern Thailand: Dialogue in Doubt*, Asia Report N°270, 8 July 2015.

*Myanmar's Peace Process: A Nationwide Ceasefire Remains Elusive*, Asia Briefing N°146, 16 September 2015 (also available in Burmese).

*The Myanmar Elections: Results and Implications*, Asia Briefing N°147, 9 December 2015 (also available in Burmese).

*Thailand's Lengthening Roadmap to Elections*, Asia Report N°274, 10 December 2015.

*The Philippines: Renewing Prospects for Peace in Mindanao*, Asia Report N°281, 6 July 2016.

*Myanmar's New Government: Finding Its Feet?*, Asia Report N°282, 29 July 2016 (also available in Burmese).

*Southern Thailand's Peace Dialogue: No Traction*, Asia Briefing N°148, 21 September 2016.

*Myanmar's Peace Process: Getting to a Political Dialogue*, Asia Briefing N°149, 19 October 2016 (also available in Burmese).

*Myanmar: A New Muslim Insurgency in Rakhine State*, Asia Report N°283, 15 December 2016 (also available in Burmese).

*Building Critical Mass for Peace in Myanmar*, Asia Report N°287, 29 June 2017 (also available in Burmese).

*Buddhism and State Power in Myanmar*, Asia Report N°290, 5 September 2017 (also available in Burmese).

*Jihadism in Southern Thailand: A Phantom Menace*, Asia Report N°291, 8 November 2017 (also available in Thai and Malay).

*Myanmar's Rohingya Crisis Enters a Dangerous New Phase*, Asia Report N°292, 7 December 2017 (also available in Burmese).

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