

Variables and Pathways of Changes in North Korea: Focused on Different Combination of 'Nuclear Issues' and 'Reform·Opening'

Young-Ja Park

Eun Mee Jeong

Ki Bum Han

Young-Ja Park

Research Fellow, Korea Institute for National Unification

Eun Mee Jeong

Research Fellow, Korea Institute for National Unification

Ki Bum Han

Named Endowed Chair Research Fellow, Institute of North Korean Studies

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This English translation is a summarized and edited version of the research paper “*Variables and Pathways of Changes in North Korea: Focused on Different Combination of 'Nuclear Issues' and 'Reform · Opening'*” by Young-Ja Park, Eun Mee Jeong, and Ki Bum Han (Seoul: Korea Institute for National Unification, December 2019). The analysis, comments, and opinions contained in this paper are those of the authors and do not necessarily represent the views of the Korea Institute for National Unification.

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Variables and Pathways of Changes in North Korea:
Focused on Different Combination of
'Nuclear Issues' and 'Reform · Opening'

1. Purpose of the Research

This research identified macroscopic types of changes taking place in North Korea and made a projection about their pathways and patterns by combining the two variables of "nuclear issues" and "reform-opening"—variables that will determine changes in North Korea for the next few decades.

Three most feasible types of changes in North Korea were derived from a combination of the variables "nuclear issues" and "reform-opening"—the former is subject to changes depending on nuclear negotiations and the latter depending on internal circumstances within the regime. Based on that, pathways and patterns of each type were projected. These efforts aim to derive policy implications on the basis of the prediction of macroscopic situations in North Korea's future.

Variables and Pathways of Changes in North Korea:
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'Nuclear Issues' and 'Reform · Opening'

2. Concepts and Combination of Two Variables: “Nuclear Issues” and “Reform · Opening”

Nuclear weapons-centered denuclearization, nuclear freeze, and nuclear build-up were adopted as major concepts of the “nuclear issues” variable. North Korea’s doctrine of self-reliance (known as *Charkyok Kaengsaeng* in Korean), opening without reform, reform without opening, and a combination of reform and opening were introduced as major concepts of the "reform-opening" variable. Twelve types of changes in North Korea were derived by predicting policy decisions made through a combination of "nuclear issues" and "reform-opening" variables. The three most feasible or ideal types of situations for the future of North Korea were selected by predicting possible changes over the next 10-plus years via the use of brainstorming on each type.

<Type 1> is an ideal type where the policy of ‘denuclearization+reform+opening’ gets implemented in North Korea. This scenario suits the international norm and could be deployed when nuclear negotiations with the North would make rapid progress as a result of its preemptive implementation steps.

<Type 2> is a scenario when ‘nuclear freeze+opening’ occurs in North Korea. This scenario becomes highly feasible when the political determination of the U.S. (recognition of North Korea’s already possessed nuclear arsenal) leads to a progress in U.S.-DPRK negotiations. <Type 3> refers to a situation of maintaining the current status quo with ‘North Korea’s nuclear build-up+self-reliance (reform-opening at a standstill).’ This scenario braces for the possibility where current North Korea’s policy continues to remain in place due to stalled nuclear negotiations or the situation could even reverse back to the crisis of 2017.

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3. Historical Experiences from North Korea's Nuclear Policy

The nuclear policy in the Kim Il Sung era from 1955 to 1994 could be referred to as a policy of ‘ambiguity on nuclear development.’ North Korea in the era of Kim Il Sung, who viewed the ‘peaceful nuclear development’ as a future energy source, emphasized that it did not have an intention to develop nuclear weapons amid the international check and monitoring on nuclear development. However, as the North had witnessed chasms in the Chinese-Soviet socialist bloc and international trends of regime transition, it had adopted a ‘practical deterrence’ policy over time, implying that it was capable of manufacturing one to two nuclear weapons. The nuclear policy in the era of Kim Jong Il (1994~2011) can be evaluated as a policy of ‘ambiguity on nuclear abandonment.’ Its nuclear policy was formulated under a strategic baseline of making its ‘will to give up nuclear weapons’ ambiguous as it went through compromises and break-downs of negotiations with the international community.

Meanwhile, the nuclear policy in the era of Kim Jong Un (2011~current) is characterized as ‘distinct (explicit) nuclear development.’ Such a characteristic becomes clear as the policy direction of ‘nuclear possession equals the regime identity’ has come to the surface as North Korea’s strategic position. Features of the nuclear policy under Kim Jong Il suggest that the North had developed nuclear weapons without making clear its intention of abandoning the nuclear arsenal on one side while engaging in negotiations with the outside world on the other side. By contrast, ‘nuclear advancement’ has been achieved with an explicit policy on nuclear development under the era of Kim Jong Un. What has internally driven this policy of explicit nuclear development includes stabilizing the regime of third-generation hereditary

succession and creating the conditions for national (economic) development. Externally, it was to 'elevate its national strategic position' by securing the 'state of internationally-recognized nuclear power' and having guaranteed its security backed by the international regime.

North Korea's nuclear policy in the era of Kim Jong Un goes beyond the 'nuclear development for negotiation purposes' and aims to complete the nuclear development in a bid to bolster its strategic stance on the global stage. In addition to strengthening its nuclear capability, North Korea has been using its nuclear arsenal in rallying the North Korea-China-Russia coalition and showing active movements to consolidate the force of anti-Americanism and anti-imperialism by stoking the linkage with conflicts in foreign affairs. Above all, he has been using nuclear weapons as a tool to strengthen the national strategic position that goes beyond 'restoring the power balance' which had tilted during the era of Kim Jong Il. Moreover, the nuclear arsenal has been completed as a main tool to take the lead in North Korea's relations with South Korea and the world under Kim Jong Un.

Two events marked distinct periods in Kim Jong Un's nuclear policy: before and after North Korea declared 'having completed its nuclear force' followed by its 6th nuclear test. These two periods can be divided based on stark policy changes. The first period led up until 2017 when the North focused on advancing its nuclear capability through nuclear development. The second period is after 2018 when it entered a negotiation phase to reap 'benefits awarded by nuclear development' while expressing the intent to freeze additional nuclear testing.

Against this backdrop, factors that have facilitated denuclearization

negotiations were analyzed in this research. There are largely two internal factors. First is the advent of the ‘need to secure cooperation from the outside to solve domestic issues,’ a means to overcome the crisis wreaking havoc on the regime in the wake of economic crisis. This need arose when the development with the use of internal resources reached its limits followed by a failure of a traditional economic development policy in the form of a self-reliance/self-reliant economy. Cases in point were agreements concluded under Kim Jong Il, such as the Agreed Framework between the U.S. and the DPRK on October 21, 1994, the Joint Statement of the Fourth Round of the Six-Party Talks on September 19, 2005, the February 13 Agreement in 2007, and Second-Phase Actions for the Implementation of the Joint Statement on October 3, 2007. ‘The security guarantee’ and ‘peaceful nuclear use’ were emphasized during those times.

Another factor is that the North attempted to elevate its national strategic stance by leveraging its nuclear weapons. Historically, North Korea nuclear negotiations were accelerated when none other than a supreme leader had a strong will and wanted a ‘breakthrough on one trial’ through a negotiation. That period coincided with a time when the regime became stabilized and a leverage for negotiations (nuclear advancement) was obtained. Nuclear negotiations since 2018 in the Kim Jong Un era have exhibited such patterns.

Denuclearization negotiations were stimulated when a friendly or aggressive policy on North Korea was executed in the U.S., China/Russia, and South Korea, a circumstance that can be categorized as an external factor. An engagement policy considered not only peaceful engagement but also a military option. The

engagement policy toward North Korea during the Clinton administration of the early and mid-1990s was different in nature from that of the Bush administration of the early and mid-2000s. A strategic compromise represented by the year 1994 and 2005 took place against this backdrop. The Trump administration's willingness to wage a war in 2017 also prompted North Korea to participate in dialogue.

The biggest reason North Korea under the Kim Jong Un era has been engaged in nuclear negotiations is the pressure of sanctions from the outside world. External factors play a large part. In the escalation of tensions in Northeast Asia, North Korea would make it clear that it is a de-facto nuclear state by jumping on the bandwagon of a particular country. On the contrary, if a unipolar order is established, a subsequent heightened pressure will create a momentum for driving the North to the negotiating table. In the internal aspect, an increasingly growing internal opposition could cause North Korea to begin negotiations if sanctions/pressure reach its critical point beyond what is internally tolerable. If a supreme leader's leadership is transformed from politics·military-priority to economics·diplomacy-priority, North Korea might facilitate nuclear negotiations in recognition of nuclear possession as a burden.

Meanwhile, an internal factor that significantly inhibits North Korea's nuclear talks is the 'need to stabilize the regime.' The following periods are when North Korea changed its attitude from the nuclear negotiation phase to the tension escalation phase throughout its history: 1998 (a nascent period in the establishment of the Kim Jong Il regime), 2009 (a succession period of the Kim Jong Un regime after the illness of Kim Jong Il), and 2012 (a period of the foundation of the Kim Jong Un regime).

An external factor that deters nuclear negotiations is an implementation period of the non-engagement strategy toward North Korea among countries, including the U.S., South Korea, and major countries in Northeast Asia. This is a period of implementing a 'strategy of snubbing North Korea' or non-engagement policy toward North Korea under the name of so-called 'strategic patience toward North Korea' of the U.S., China/Russia, and South Korea. Cases in point were periods of the Obama administration in the U.S. and the Lee Myung-bak administration of the Republic of Korea. Historically, North Korea's denuclearization talks were facilitated when there was a friendly or aggressive North Korean engagement policy implemented. By contrast, a non-engagement policy of neighboring countries hinders nuclear negotiations.

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4. Historical Experiences of North Korea's Reform · Opening Policy

The Kim Il Sung era witnessed the proposed agendas on improving the economic management three times. In the 1960, North Korea's *Kapsanpa* (*Kapsan*-faction) argued for the use of a temporary currency in line with the post-Stalin trends. In the late 1970s, the Law of Equity Joint Venture was enacted and an institution of *Yeonhap Giupso* (associated enterprises) was adopted in the wake of China's reform and opening. In the late 1980s, the Rason Special Economic Zone was set up and a trade-oriented policy influenced by changes in the regime of the old Soviet and East European socialist bloc was implemented. What runs through this history can be categorized into four common characteristics.

First, the reform agenda became a dependent variable of the political logics in the initial stage of setting the agenda. Once a spate of changes occur from the outside, the economic reform agenda becomes subjugated to a 'reinforcement strategy of the *Juche*,' which demonstrates the leader's emphasis on 'unification and solidarity-first and adherence to independence,' making the adoption of economic reform difficult (lock-in effect). Second, once it is recognized that political ramifications are not that significant over time, the reform agenda is belatedly accepted (time-lag effect). Third, belated acceptance of the reform agenda, however, is not even openly implemented on a full-scale but in a very cautious manner, which leads to a combination of political and economic logics mixed in the reform agenda (eclecticism). Fourth, what is engraved in North Korea's policy decision system is the political sensitivity of the reform agenda. The argument of using a 'temporary currency' to improve worker incentives, the first economic reform agenda in North Korea, was made not by the ruling elites but by the opposition force (*Kapsanpa*), which eventually led to the

purge of the latter. Even making an argument for economic reform, thereafter, has been considered to be a matter of a highly sensitive nature among the ruling class in North Korea.

An improvement of economic management under Kim Jong Il focused on 'reinforcing *Juche* (political unification: solidarity)' in the 1990s and later took on a compromised path of 'opening economic reform agenda' into the 2000s. However, it showed a repeated cycle of going back to a 'reinforcement of *Juche*' after 2005. The reform agenda's lock-in and time-lag phenomenon was repeated where a focus on political logic was later offset by economic logic, and the political logic again contained the economic logic thereafter. In the process, reformists were purged, further aggravating the phenomenon of eschewing the economic agenda among bureaucrats.

The reform measures under Kim Jong Un were drastic in terms of coverage compared to the Kim Jong Il era. An autonomy given to each unit was expanded while an order from the higher authority was reduced in far-reaching areas, such as business, agriculture, trade, price, and the finance sector. Measures that were banned under Kim Jong Un's predecessors were embraced and accepted without a huge controversy, and the discord between the party and the cabinet did not noticeably come to the surface. It is because this is a matter of whether institutionalization should be carried out based on what has already happened. A plethora of measures had been adopted and received in a relatively short period of time because problems already became full-blown and the implementation of those measures were inevitable to address the contradictory situation. Through the reformative measures, illegal or semi-legal economic activities already taking place in the markets were formally approved, an after-the-fact approval of what

was already occurring in the economic unit on the ground. However, the conditions in which the reform was implemented were exacerbated as a result of the subsequent mix of the power variable and environment variable.

Regarding the current status of North Korea's economic opening, North Korea had relied on economic cooperation within the socialist bloc for a dearth of domestic resources and investment prior to the 1980s while pursuing a 'policy of Self-reliance and Independent National Economic Construction.' To North Korea at that time, an issue of opening up for trade and attracting foreign investment was not as important. However, the North Korean regime changed its attitude in the wake of rapid changes in external circumstances after the transition of regimes in the old-Soviet and Eastern socialist blocs. The North began a decentralized commerce under the banner of a 'new trade system.' Rajin-Sonbong was opened to foreign investors at that time.

Five special economic zones had been established before Kim Jong Un took power: Rajin-Sonbong Economic Special Zone in 1991, Sinuiju Special Administrative Region (SSAR), Gaesong Industrial Complex (GIC), and the Mount Geumgang Tourism Zone in 2002, and Hwanggeumbyeong and Wiwha Island Special Economic Zones (SEZ) in 2010. Along with the opening of those special economic zones, the North also improved related institutions to attract investments by either enacting or revising the Equity Joint Venture, Contractual Joint Venture, Foreign Investment Enterprise Law, accounting law, and tax law.

The effects of opening, however, turned out to be meager. Not much investment had been made in Rason, and the establishment of Sinuiju Special Administrative Region (SSAR) went bust upon

the arrest of Yang Bin, minister of the SSAR in 2002. Tours to Mt. Geumgang came to a halt caused by the killing of a South Korean tourist in 2008. GIC had yielded profits for some time until it was shut down in conjunction with North Korea's nuclear testing in 2016. Hwanggeumbyeong and Wiwha Island SEZ came to a standstill when North Korea conducted its third nuclear test in 2013 and executed Jang Song-thaek, an uncle of Kim Jong Un.

When the development of the massive scale special economic complex was stalled, the Kim Jong Un regime unveiled its plan to launch a project of establishing the Economic Development Zones (EDZ) in March 2013 and enacted The Law on Economic Development Zone (LEDZ) in May of the same year. Additional 22 EDZs have been created: four at the central-government level and 18 at the provincial level. Kim Jong Un's setting-up of EDZs exhibits several characteristics compared to the era of Kim Jong Il.

First is a replication of the Chinese policy on the special economic zone. Special economic zone and development zones were divided into two levels derived from China's cases: central-government and provincial-levels. Second, North Korea pursued its project of promoting specialized EDZs tailored to the region's comparative advantages while keeping the existing special economic zones intact. Third, contrary to the past, Pyongyang allowed domestic enterprises operating outside the zones to enter EDZs and also permitted foreign capital inside the zones to associate with North Korean enterprises running outside the zones. However, it was difficult for companies operating in Rajin or GIC to achieve a division of labor in consigned processing or the production process with North Korea's businesses outside the zones.

Despite all of that, economic development zones have yet to be developed to a full scale. A score of factors inhibiting the development of special economic zones are attributed to the following factors: a series of nuclear and missile provocations, worsening external relations bound by economic sanctions, poor infrastructure and backward logistics system, and ‘reform highly limited by a fine net’ for fear of internal unrest.

Against this history, Kim Jong Un’s agenda-setting of economic reform and opening can be summed up as follows. At the end of Kim Jong Il’s rule, the North Korean regime focused on ‘reinforcing the *Juche*’ prior to the power succession of Kim Jong Un. Immediately after Kim Jong Un took power, economic reform and opening were promoted but the reform was soon limited. Kim Jong Un’s economic reform and opening process demonstrates similar aspects compared to his predecessors given that it was characterized by lock-in effect, time-lag effect, and eclecticism.

There are, however, mainly three differences. First, Kim Jong Un’s experiment in economic reform and opening was cut short within a very short time period. This is related to characteristics of Kim Jong Un’s leadership. Supreme leader Kim Jong Un’s initiative or will for national economic development has distinct features of immediately being implemented into policy without deliberation or discussion with seasoned advisors around him. Second, economic issues had been put on the back burner rather than being compromised because of the priority given to political and nuclear issues. The *Byungjin* (parallel development) policy of economy and nuclear weapons, designed to resolve economic issues via nuclear development in the initial stage of Kim Jong Un’s ruling, morphed into a more realistic form of deferring the economic issues for the

sake of nuclear development. Third, as nuclear issues take precedence over economic issues in terms of a national policy priority, the state has increasingly been unable to control or be responsible for the people's economy. As a result, a variety of regulations have become lax on various market activities. In other words, the market got expanded as a counter-effect to national policy—an inadvertent effect not intended by the North Korean regime.

There are stimulating factors and inhibiting factors behind reform and opening inferred from the historical experiences. As problems stemming from the socialist system's planned economy accumulated, 'changes in people's livelihood' served as an important stimulating factor for the reform and opening policy agenda internally. The reform and opening policy came into its being in the process where the regime later approved or institutionalized a variety of informal, illegal, and semi-legal free market economic activities of residents, formed from the bottom to make their ends meet.

It should be noted that although the regime's will has been a core variable in determining the policy decision throughout the eras of Kim Il Sung, Kim Jong Il, and Kim Jong Un, a determining force of policy environment has increasingly gained its power. It was inevitable to reflect changes in the real economy, even though it contradicts the position of a supreme leader, so the marketization has been embraced and approved in the wake of those changes. Patterns suggest that the width and depth of those embraced changes have deepened over time. In other words, in spite of anxiety and rigidity (inhibiting factors) of the elites over reform and opening, the self-healing ability of the real economy

(stimulating factors), caused by the accumulated contradiction of the economic management, has gradually come to dominate inhibiting factors.

The North Korean regime has set out to control the speed of the reform agenda and compromise the contents of reform by going through the three phases: 'political lock-in → a delay of economic reform → a compromise between politics and the economy.' However, what lies on the other side of the formal system are proactive illegal or semi-legal economic activities utilizing the markets (market's vulnerability), owing to the regime's delay and lack of reforms. Eventually, economic reform was implemented in a way that prodded the state to give acquiescence to unintended marketization or informal economic activities, of which the width has broadened and the cycle fastened.

It indicates that changes in the real economy spurred by an advancement in marketization define the reform agenda in a way that outpaces the state's political lock-in measures. Although the unwavering stance in who makes a policy decision remains more or less the same even after Kim Jong Un came into power, measures of improving economic management have been taken in a direction that significantly embraced changes in the real economy caused by an advancement in marketization. This observation suggests that an influence of the real economy in determining how the economy is managed has been increasing.

Regarding inhibiting factors, North Korea has witnessed economic agenda-setting five times since the North Korean regime was founded. Kim Il Sung set the reform agenda three times and Kim Jong Il implemented reform once in great depth over a long period (The July 1st Measure: radical reform experiments and the

intensified marketization of the North Korean economy led by the Park Bong-joo cabinet (2004~2005)). Kim Jong Un carried out reform in great width for a short period (Farmland Responsibility System, Corporate Responsibility Management System, and active marketization). In the history of North Korea's economic policy, economic reform issues have come to the fore every 10 years, except for the Korean War in the 1950s and the 'Arduous March' in the 1990s.

The economic reform agenda-setting of the three Kims has three common features. First, the political logic of 'reinforcement of *Juche*' and the economic reform logic go through a cyclical process. Second, the reform agenda exhibits incompleteness in the process of 'initial hold-up → compromised acceptance after a delay.' Third, officials in charge of the economy were blamed and purged for not having achieved enough performance in reform. A repetition of this phenomenon suggests that the reform and opening agenda's political dependence has now become an entrenched characteristic found throughout the three-generation hereditary regime.

This serves as a decisive inhibiting factor in reform and opening. In other words, the reason why the North Korea regime does not easily take on a path of reform and opening is attributed to its internal ruling structure. The biggest obstacle standing in the way of reform and opening is a political logic that includes the fear that vested interests in the ruling class could be reduced and that changes in residents could sway the monolithic ruling system.

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5. Type 1: Ideal Type of North Korea's 'Denuclearization +Reform · Opening'

This type is deemed most ideal from the perspective of the international community, including the ROK and the U.S. It can be implemented when the Kim Jong Un regime is considered to be capable of bearing changes caused by this scenario. A path of reform/opening taken by North Korea will not necessarily mean the same regime transition that occurred in Eastern Europe. This scenario presupposes that a planned economy and the market economy coexist, and that the development of an open economy will be fostered with a focus on special zones and economic development zones.

A road to denuclearization could make North Korea give up the status of a nuclear-weapons state and weaken the ideological underpinnings needed for the regime consolidation. However, a political and ideological vacuum will be complemented by a practical ideology, such as becoming an economic power house. However, a fundamental shift in its political system, such as the one-party-dominance system, party-led monolithic operation of the state, Suryong's Monolithic System of Guidance, is not likely even after denuclearization. North Korea is likely to pursue state-led economic development under an authoritarian regime.

The cabinet ministers will be given a significant amount of authority to effectively implement and manage reform/opening. Partial reshuffling will be done within the boundary of practical governance. The technique of social control will be reinforced and sophisticated enough to respond to ideological relaxation and social laxity.

Internally, the military will be the fiercest force opposing denuclearization. To assuage their complaints, those in the military will receive economic benefits gained as corresponding measures to

denuclearization and a priority in the distribution of development gains obtained from reform and opening. Corruption and privileges among the military could emerge as a headache for the regime for a long time.

A massive mobility of the elite class seems inevitable due to a synchronous line of denuclearization and reform/opening. It is expected that nuclear bureaucrats will decrease and economic bureaucrats will rapidly emerge. The Ministry of External Economic Relations' role would increase enormously in the cabinet. Meritocracy (specialty) will become a yardstick to select and appoint officials.

In addition, some of the self-made red capitalists of the markets will be appointed as political elites. They will pose as a threat to the established political elites in an era of reform/opening. The provincial government and provincial officials could become more prominent and come to the surface in the reform/opening process. Political elites and red capitalists will choose coalition rather than competition under a new environment. They will establish a path of securing their own economic gains by exercising their power on the government's major policy via patron-client relationship and pursuing market gains. On a regular basis, the state-led correction projects will be implemented to root out the collusion between political bureaucrats and capitalists.

The denuclearization process will accompany the dismantlement of the nuclear group who had grown to be an invincible establishment for a long time as well as the dislocation of this group's space. If a peaceful nuclear use is possible, a majority of nuclear personnel could move to an atomic energy development sector, which could solve the problem relatively easily. However, if

a peaceful use of nuclear weapons is not permitted, an alternative space should be created. Some of the existing nuclear personnel could go to the private economic sector while the remaining could be put to use to implement a cooperative threat reduction program (CTR).

Various economic cooperative funding, expected to be given as a corresponding measure for denuclearization, is highly likely to be spent mostly on SOC construction, reconstruction of poor infrastructure industry, and local development cooperation projects. The effect of the influx of international cooperative funding and the expenditures will be felt over a long span of time. Short-term changes in North Korean society will be seen through reform/opening. The North Korean regime will implement a limited policy on opening with a focus on the economic special zone and economic development zone to minimize the pressure for a change in the political system. There are a total of 28 economic development zones designated by North Korea, including Hybrid Economic Development Zone, Industrial Development Zone, Agricultural Development Zone, Tourism Development Zone, Export-processing Zone, and High-Tech Development Zone. If Pyongyang pronounces the policy line of reform/opening to be official, those zones will serve as a prominent basecamp.

Economic reform will be in full swing with the structural adjustment on enterprises with chronic deficits, high debt rate and low profits. Such enterprises are highly likely to go through privatization over time. Some will be sold to private capital, and others will be to foreign capital. A high percentage of the idle labor force in majority enterprises will become an obstacle to privatization.

The property market will become a driving force of North Korea's economy in the initial stage of reform/opening. Foreign companies that enter North Korea will spur a rapid increase in property demands and accompany massive speculation of the newly emerging bourgeoisie class, leading to a rapid development of the property market and construction boom for a long time. The construction sector will become an arena of competition for a coalition of the ruling class. Bureaucrats will blatantly engage in rent-seeking activities.

An active tourism industry will become a major source of foreign currency, stimulating consumption and production at home and abroad. The control of information, including the internet, will present a new challenge to the North Korean regime. Empowerment of individuals and society as a whole will be enhanced thanks to increased individual assets and a rise in the wealthy class made possible by rapid economic growth. In particular, an empowerment of the middle class, such as entrepreneurs, the self-employed, engineers, and other professions will play a crucial role in the development of North Korea's politics and society.

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6. Type 2: A Highly Likely Scenario of North Korea's 'Nuclear Freeze+Opening'

This type has the highest probability if denuclearization negotiations make progress. Even though the Hanoi DPRK-U.S. summit broke down without a deal, it at least affirmed that the North Korean regime considers a dismantlement of the Yongbyon nuclear complex as a first step toward denuclearization. If the DPRK and the U.S. were to make a deal on denuclearization, an interim goal would highly likely be nuclear freeze in the form of a dismantlement of the Yongbyon nuclear facilities and corresponding measures (measures for security guarantee and sanctions lifting).

Technically, nuclear freeze indicates a ‘tacit acknowledgement of North Korea’s nuclear weapons state.’ The nuclear weapons state means the maintenance of Kim Jong Un’s monolithic leadership system. Meanwhile, the lifting of sanctions granted as corresponding measures will put the economy back on track and an alleviation of accumulated stress of the elites and the public will strengthen Kim Jong Un’s leadership.

There remains, however, a reparation issue for those nuclear-favored groups who complain of a nuclear freeze. This will be resolved by limited economic opening. Some of the development gains in opened areas will be allocated to the nuclear-favored groups, including the military. In particular, there will be a fierce competition between the party and the military over dominance for the Tourism Development Zone, a source of immediately secured foreign currency.

Uncertainty for the future still remains even with the possible lifting of sanctions because there will still be a phase of nuclear freeze, not a phase of complete denuclearization. Capital and businesses in the U.S., therefore, will be reluctant to enter North Korea. However, circumstances are different for China, South

Korea, and Japan. An economic relationship, established but temporarily cut out in the past, could be restored in a short period of time. Once a discussion on normalization of relations between North Korea and Japan is in full swing, DRPK-Japan trade will be swiftly resumed.

Once sanctions are lifted, it will open a path to resolve the issue of supply and demand of foreign currency in the form of export and import as well as to resume the dispatching of workers overseas. The normalization of trade and economic cooperation projects with China and South Korea will help North Korea concentrate all efforts on economic construction. Instead of a policy line of self-reliance, North Korea is more likely to pursue a limited policy on openness with a focus on special zones and economic development zones.

China will invest mostly in economic development zones adjacent to its borders. Beijing will keep an eye on the Mubong Special Zone for International Tourism that encompasses Mt. Baekdu and Samjiyon among others. Given that prior rights over tours to Mt. Baekdu is still valid for South Korea as stipulated in the October 4 Declaration of 2007, it might create a structure of competition between South Korea and China. The Mubong Special Zone for International Tourism could become a new venue of inter-Korean cooperative projects utilizing the IT-powerhouse status of South Korea.

A state-led focus and promotion in the information industry and informatization and scientification of the economy will inevitably bring about an increase in the idle labor force. Special zones and economic development zones, that could be opened in the future, could present an alternative solution by absorbing that

idle labor force, some of whom could later be dispatched to the overseas labor market.

Once the external economy is rejuvenated and opened areas spring up nation-wide, it will spur the increased influx of ideology, culture, and information from the outside in the social and cultural areas, which will in turn present a new challenge of effective control to the regime. An advanced science technology will be utilized in the state governance that brings about changes in the paradigm of social control, including the public politics. Accessibility and usage of digital devices also have ambivalent aspects of sophisticated control and monitoring on technology. The public politics of mobilizing the state-run media will become even more active under the Kim Jong Un regime.

**7. Type 3: Maintaining the Status Quo
of North Korea's 'Nuclear
Advancement+Self-reliance
(Hold-up of Reform · Opening)'**

This scenario posits that the basic framework of North Korea's policy at the end of 2019 will likely to be maintained even after 10 years. This scenario presupposes a situation where a nuclear arsenal keeps advancing at the same pace as now, which means there is not even a compromise in the form of nuclear freeze, let alone a complete denuclearization. North Korea's external environment will suffer even harder. Political, economic, and social reverberations will be enormous due to a harsh external environment, amid its pursuit of self-reliance and dependence on China for survival. If North Korea's additional provocations make the negotiation itself go sour, an aggravated round of sanctions and subsequent pressure will shake up the core of North Korean regime even harder. Prospective changes in North Korea's external environment and internal circumstances can be summarized into four characteristics.

First, North Korea's external environment will further worsen if the current impasse in nuclear talks is prolonged. Unrelenting international sanctions imposed on North Korea, including those of the U.S., will continue to pressure North Korea. China, who favors North Korea's stability over its denuclearization, will serve as a bedrock for the North Korean regime to some degree. However, China's support of North Korea, too, will be limited by the U.S.-China relations. If North Korea chooses additional nuclear testing and long-range missile provocations, it will break off nuclear negotiations and North Korea will face not only economic sanctions but also military and diplomatic pressures.

Second, as a means of survival, North Korea would have no choice but to rely on China's assistance while internally stressing self-reliance in the face of external sanctions and pressure. A

possible increase of internal reforms, such as an expansion of the marketization, is not likely, given that North Korea has always emphasized political logic in the face of a harsh external environment and that internal reform does not seem feasible due to a lack of supply even if reform appears inevitable amidst a dire internal situation. In a prolonged-sanctions phase, therefore, China's assistance will determine whether North Korea would be able to muddle through. Beijing will adjust the degree of supporting North Korea considering the U.S.-China relations, mulling over a decision between political and economic assistance and negligence.

Third, if the current phase of sanctions-pressure remains for over 10 years despite China's aid, North Korea will be internally confronted with a dry-up of dollars, market commodities, and residents. North Korea's politics, economic, and societal sectors would then face a severe situation tantamount to the period of the 'Arduous March.'

North Korea's economy, which already experienced a crushing blow caused by the full-blown sanctions imposed since 2017, has witnessed a dramatic decline in exports and decreasing production and debilitating markets. If the current sanctions prolong, North Korea's economy is likely to go through a fiasco. A blocked import of a majority of raw materials will cause industrial investment and production to significantly decline and self-reliance will render itself useless.

On the political front, the oppressive ruling will be reinforced. Even in the midst of a radical decrease in the influx of governing funds, the Kim Jong Un regime still needs an enormous amount of funds necessary for raising a slush fund, securing rewards for the

loyal group, and maintaining military power, such as its nuclear arsenal and missiles. The ruling authority would probably strive to cement the solidarity of the core elites by reducing the size of the ruling coalition and yet maintaining the rewards awarded to them. However, residents will inevitably face destitution. The state's negligence toward the resident's destitution will reduce the resources available for people to rebel against the regime, a measure rooted in the conventional theory of dictatorship. On the contrary, a repression mechanism is expected to be reinforced. Repression will surface in the form of strengthening as much control for the core elite group as that of residents.

On the societal front, people's animosity toward the inability of the regime will explicitly come to the fore. Social chaos will be aggravated as people will scramble to secure food and goods similar to the period of the 'Arduous March' in the past. People's grievances will be transformed into an antipathy toward the regime: the privileged class and money masters ("*Donju*") will be able to secure enough goods through smuggling; food and necessities will be discriminatorily distributed; and the only-functioning trade in the markets will be negatively influenced by the exploitation and tricks of the middle-level bureaucrats. Accumulated complaints could pose a challenge to the authority and sporadic protests could morph into a collective movement over time.

Fourth, as a radical scenario, North Korea's external circumstances could dramatically worsen if Kim Jong Un resumes nuclear-missile provocation, driving the situation to the phase of tension akin to the summer of 2017. Beijing will find it hard to side with Pyongyang as it is North Korea that rapidly worsens the situation.

North Korea will face additional economic sanctions such as a halt in supplying oil as well as the military pressure from the U.S., including a naval blockade. Kim Jong Un himself could be put on a list of sanctions.

The North Korean authorities would attempt to consolidate the regime by announcing an ‘all-out battle against the U.S.’ even though it is the North that has gotten itself into the worsening external situation. The subsequent, dramatic blow to the economy may drive the residents’ grievances to explode. With their livelihood threatened, residents’ complaints toward the regime would accumulate. It is also possible that such accumulated social grievances might explode, caused by a possible extreme ‘incident’ of revealing the regime’s policy mistake, disharmony between classes, and unjust treatment of people, similar to the period immediately after the currency reform.

The ruling class would raise one consolidated voice for a radical response to the U.S. but soon express divergent opinions once faced with the internal side-effects such as economic crisis, social unrest, and military pressure. Conflicts between the dove and the hawk against the U.S., and between those in support of nuclear advancement and of denuclearization negotiation will evolve into a struggle over policy lines aggravated by social unrest. Kim Jong Un’s leadership could be significantly weakened by popular unrest and frequent power struggles in the process of repeated misgoverning.

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8. Implications from Comparison to Cases of Foreign Countries: Pakistan and China

North Korea's denuclearization talks are still an ongoing process (as of now, September 2019) so the circumstances on the Korean Peninsula could go through some changes. It is also possible that North Korea's nuclear policy and economic policy could witness some changes in direction. In particular, given Kim Jong Un's self-imposed deadline of the end of this year 2019, a possibility of negotiation reaping fruitful results and the direction could appear more distinct in 2020. Nevertheless, Kim Jong Un's desired nuclear negotiation track appears to be a synchronous 'nuclear freeze+lifting of sanctions' considering that North Korea, after a no-deal in Hanoi, adopted a 'phased-mutual denuclearization' negotiation proposal on the basis of its policy direction of 'self-reliance and strengthening of military power.'

Given such circumstances, one could derive implications in the aspect of comparative politics from the nuclear states, such as Pakistan and China. Pakistan had strengthened its nuclear survivability and a second-strike capability while emphasizing the possibility of using a preemptive nuclear strike to deter India after its nuclear testing. Pakistan stressed the possibility of immediate nuclear use once there is an invasion of its territory from the outside because it is hard to win a conventional military conflict with India. It also delegated the authority of using a nuclear arsenal to a commander for the sake of swift nuclear deployment and use in times of war.

Pakistan, too, similar to North Korea, faced international sanctions (no.1175) for its nuclear test in 1998, causing the worsening of its national fiscal state, the plummeting of stock prices, and a crack in its mid- to long-term, much-emphasized economic development plan (Program 2010). Pakistan's major

moves after nuclear development were not decided simply by its nuclear arsenal or the nature of nuclear policy and were not likely to be construed as such. In other words, they were swayed by domestic factors such as a separation between the civil and the military and international factors including a conflict with India.

After Pakistan's nuclear test in 1998, Pakistan held various discussions on the possibility of joining the Comprehensive Test Ban Treaty (CTBT) for the lifting of sanctions, reducing nuclear materials, and controlling nuclear and missile-related exports. It then announced a declaration on arms control with India (The Lahore Declaration, February, 1999). However, negotiations got bogged down by crises, domestic civil-military conflicts under Prime Minister Nawaz Sharif and international military conflicts in India's Kargil (an adjacent city near the cease-fire line of India-Pakistan).

India-Pakistan's conflicts came to a lull after a military conflict in Kargil in 1999 that caused roughly 4500 injuries. Despite that, military confrontation still remains in place. An 'unstable peace' brought by nuclear weapons has been created. Pakistan's Prime Minister Pervez Musharraf's grip on military had been strengthened after 2003 when Pakistan completed the missile deployment and carried out a peace process with India based on improved relations with the U.S. In other words, Pakistan has implemented a strategy to attract a fund from the U.S.-led IMF for economic development amidst a nuclear freeze. It also attempted to induce economic cooperation from China, which does not have a good relationship with India.

Next, let's take a look at the Chinese case, which is known to have become a model of nuclear development for North Korea.

China developed its nuclear weapons against the backdrop of the Cold War with the influence of the U.S. and Soviet Union playing a significant role. There were other factors at play: the U.S. proposal of using atomic bombs on a coalition army of North Korea-China during the Korean War; a discussion of the U.S. Joint Chiefs of Staff using a strike on China during The Second Taiwan Strait Crisis in 1958; and China-Soviet conflicts that emerged by Nikita Sergeyeovich Khrushchev's anti-Stalin policy after the demise of Stalin in 1953. Against this backdrop, China developed nuclear weapons with an aim to overcome a sense of inferiority toward the West and seek a security guarantee, obtain a sense of independence from the U.S.-Soviet power blocs, and consolidate the Mao Zedong regime. North Korea appeared to choose a nuclear path for similar reasons.

China's nuclear development coincided with the period of The Great Leap Forward (Second Five Year Plan) of the People's Republic of China (PRC) when viewed from the perspective of a correlation with the economic development strategy. The Great Leap Forward is an economic far-left nationwide movement under the banner of the great leap-forward in people's economy led by the Chinese Communist Party from 1958 to early 1962. It was carried out with a goal to 'come ahead of the UK in five years and follow the U.S. within 10 years.' Chinese authorities concentrated its resources on development of heavy industry and nuclear weapons under the strategic goal of boosting a sense of Sinocentrist pride and obtaining economic and political independence.

China, similar to North Korea, first started developing nuclear weapons with the help of capital and equipment from the Soviets at the initial stages of establishing a socialist system. China-Soviet

conflicts that occurred thereafter, however, severed aid from the Soviet Union, pushing China to develop nuclear weapons through its own internal capacity.

Beijing had established an assured retaliation system after its H-bomb test in 1967. The system consists of the following abilities: centralized authority for making a decision, refusal of the pre-emptive nuclear strike, keeping the size of the arsenal ambiguous, dispersed deployment of the arsenal, and designation of opponent's cities and soft target (fragile targets, such as industry complex and densely-populated areas). If North Korea chooses to go down this path, their nuclear survivability and conventional military power are expected to be reinforced.

The period from which North Korea's denuclearization talks can derive implications is post-1970 in China. Given North Korea's denuclearization negotiations and a détente on the Korean Peninsula in 2018, North Korea could be compared to China of the 1970-80s if the North adjusts its nuclear policy in a more modest tone toward a tension-alleviating mood. China turned its eyes to develop its economy in earnest under a reform-opening policy direction after it completed possessing nuclear weapons¹⁾ and held an 'International Summit for Nuclear Disarmament.' On a similar note, North Korea in 2018, too, reemphasized 'No First Use' in the midst of alleviating tensions by declaring its will for denuclearization.

Meanwhile, completely resolving hostility between the two

1) It is not that China set out to adopt a policy of reform-opening with a peace of mind after having completed its nuclear capability. China's reform-opening was more or less an inevitable choice at that time influenced by a debilitating economy due to the chaos of the Cultural Revolution of the post-1960 regardless of its possession of nuclear weapons.

Koreas and between the U.S. and North Korea would be difficult if North Korea's nuclear arsenal remains in place. Therefore, an assured retaliation strategy that presupposes a mutual retribution would not fit into a long-term choice if 'North Korea's will for developing a national economy' is to be taken at its word. An assured retaliation strategy requires consistent maintenance of heightened tensions in the political and military aspects.

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9. Policy Implications for Each Type

When categorized by types, Type 1 is most likely to undergo a regime change. Type 2 is most likely to become feasible. And Type 3 is most likely to go through the least changes. With such a recognition of the situation in mind, below sections will touch upon the policy implications for each type.

A. Policy Implications of Type 1

North Korea's synchronous choice of complete denuclearization and reformopening may be an unrealistic wish because that path has never been trodden before. However, it might not be an impossible path if that choice grants North Korea both security guarantee and economic development. Regardless of what kinds of political system North Korea would choose, if a relationship of trust has been built with neighboring countries to the assuring point that peaceful coexistence and friendly relations are possible, it could induce North Korea into a seemingly impossible path.

Therefore, it is necessary to infuse the North with a clear motivation to continue taking on a path of complete denuclearization in prior steps. One way to assure them of the legitimacy of their decision and boost their confidence is to provide the North with an opportunity to normalize its relations with neighboring countries (the U.S. and Japan) for the sake of security guarantee and to develop its economy in compliance with the universal norms of the world economy. History serves that a pressure policy toward North Korea alone cannot force North Korea onto a path of denuclearization. North Korea adopted an even more precarious brinkmanship and waged a much heightened level of nuclear provocation when confronted with President Trump's 'fire and

fury.’ No country throughout history has ever abandoned its nuclear weapons because of destitute economic situations.

A positive sign is that North Korea declared an end to the *Byungjin* (parallel development) policy of economy and nuclear weapons, shifted to a policy of concentrating all efforts on the economic construction, and has expressed the will to engage in denuclearization negotiations. Another hopeful sign is that a friendship between the leaders of the U.S. and North Korea has still continued to date (October, 2019) after the break-down of the Hanoi summit. China’s cooperation has played a positive role in maintaining the momentum of denuclearization dialogue. China will become the biggest beneficiary if the U.S. and North Korea were to strike a nuclear deal. It will bring about both regional stability and an opportunity for economic growth.

An issue at stake here is whether inter-Korean relations would play out well. The security guarantee, the first demand laid out by North Korea, will inevitably affect the ROK-U.S. alliance. Denuclearization means giving up the biggest strategic weapons possessed by North Korea. North Korea would naturally think that the power balance between the two Koreas would collapse under that scenario. Therefore, corresponding measures commensurate to the steps North Korea would take should follow. A change in the ROK-U.S. alliance also seems inevitable. However, the stakes are high with the ROK-U.S. alliance in South Korea since it is domestically a highly volatile and controversial issue. North Korea would also demand arms control in South Korea. The U.S. state-of-the-art tactical weapons deployed in South Korea would especially be construed as posing a threat to the North. If denuclearization inevitably accompanies changes in the ROK-U.S.

alliance and the withdrawal of the U.S. tactical weapons stationed in the ROK, thorough measures of alleviating the public concerns over the security vacuum should be put in place to persuade the public in the ROK.

As mentioned above, a serious review from the perspective of North Korea will be necessary as to what extent the advantage of maintaining relations with South Korea will be when the North does normalize relations with the U.S. and Japan, and when economic cooperation with the international community unfolds in earnest. South Korean companies that hope to enter North Korea might have to compete with an array of global corporations including those from the U.S., China, Japan, and the EU. There is no guarantee that North Korea would prioritize South-North economy over the global economy. It will be delusional to assume that North Korea's denuclearization and reform-opening would naturally lead to unification. It is necessary for South Korea to actively seek out how to maintain leverage not only in the process of denuclearization negotiations but also in the implementation stage.

B. Policy Implications of Type 2

A significant policy implication from Type 2 is the need to create a motive and inducement for North Korea to follow through an internationally-binding agreement on a complete denuclearization after a nuclear freeze. Above all, it is of primary importance that a binding international organization/institution related to such a motive and inducement should be maintained.

The North Korean regime throughout history has continuously

moved back and forth between a reform-oriented strategy and anti-reformative mobilization campaign to address economic issues. Such patterns were created because of the political dilemma whereby a reform strategy was taken to overcome economic recession while at the same time concerns for insecurity caused by opening inevitably arose.²⁾

Therefore, for denuclearization to make progress, an engagement policy of neighboring powers and South Korea should remain in place so as not to cut short North Korea's opening strategy. At the same time, a concern over a security guarantee should be resolved.

North Korea demands a security guarantee and the removal of obstacles for economic development as corresponding measures for a nuclear freeze (or dismantlement of nuclear facilities). However, an unlimited halt in ROK-U.S. joint military exercise and the lifting of economic sanctions and improvement of DPRK-U.S. relations are being discussed as realistic corresponding measures. If the North could actually feel the benefits of a nuclear freeze and economic development via reform policy, it could contribute to the prevention of a 'reversal of denuclearization.'

To that end, it is crucial for neighboring countries, including South Korea, to maintain consistent cooperation and engagement to help North Korea implement the next step after a nuclear freeze. The cooperation of neighbors on resolving energy issues is essential to invalidate North Korea's claim for peaceful nuclear use and to secure a driving force to continue implementing an opening policy.

2) Choongkoo Lee, "The authorization processes and the intensification dynamics of the North Korean nuclear discourses in the party discourse of the Worker's Party of Korea," Ph.D. Theses, International Relations, Dept. of Political of Political Sciences and International Relations, Seoul National University, 2016, p. 333.

Therefore, it is necessary to establish a multilateral cooperation system to address North Korea's energy issues.

The problem here is that it could take from at least a few years to as long as decades from the completion of nuclear freeze to entering a new negotiation phase for the next stage of denuclearization. What is essential is whether a coherent policy toward North Korea could be maintained during that period. Most of the neighboring countries in Northeast Asia, except for North Korea, will face a change of regime/administration and their respective policy on North Korea could also go through changes. In addition, the suspicion that North Korea might still secretly be involved in nuclear activities that violate or go beyond the boundary of the existing agreements may create a condition not favorable to maintaining a coherent policy in other countries.

In that aspect, neighboring countries, including the ROK, should maintain a coherent North Korea policy and put forth diplomatic efforts to make sure that North Korea would not derail from a bilateral and multilateral cooperation system until the North reaches the final stage of denuclearization. Given the circumstances, the role of the ROK government would prove useful for a considerable amount of time.

Once sanctions are lifted and North Korea chooses an opening policy, it will enlarge a space of opportunity for pursuing a 'New Economic Community on the Korean Peninsula' or inter-Korean 'peace economy' that is currently being initiated by the ROK government. North Korea's position, however, will be distinctively different after it strikes a nuclear deal with the U.S. Who takes the lead in inter-Korean relations could also be up for a change. Besides, North Korea has a formidable partner, China.

In that regard, an unbalanced cooperation could play out in a way that South Korea gets to partially participate in what North Korea already designed. North Korea might no longer find the inter-Korean joint-making of a development map appealing, as it did in the Gaesong Industrial Complex and Mt. Geumgang Tourism under the Kim Jong Il era. Chances are that the inter-Korean exchange and cooperation, established and severed in the past, will not simply be resurrected but more likely to be conducted in a way that connects and expands to opened areas.

Agricultural exchange and cooperation had been active in the past from the perspective of humanitarianism-developmentism, most of which had been done in a way that transferred our advanced agricultural technology and provided modernized agricultural machines and equipment. However, if inter-Korean cooperation resumes in the future, North Korea will no longer desire the kind of agricultural exchange and cooperation that it did in the past. Instead, it is possible that the North could lay out proposals for investments in Sukcheon Agricultural Development Zone, Bukcheong Agricultural Development Zone, and Orang Agricultural Development Zone.

In the meantime, it is necessary to thoroughly brace for a change of 'power balance' between the South and North once the DPRK-U.S. nuclear deal is concluded and DPRK-U.S. relations subsequently improve, and economic growth in the North is materialized. In fact, a nuclear freeze or dismantlement of nuclear facilities does not mean dismantling nuclear weapons North Korea already possesses. We will still be under North Korea's nuclear threat even though such measures would somewhat lower the intensity.

Moreover, a persuasive plan should be put in place on how to fill the security vacuum once North Korea demands the halt of the ROK-U.S. joint military drills as security guarantee measures and the U.S. accepts that demand. It is because this specific issue is not only an area of security but also domestically very volatile in nature and could well transpire into a South-South conflict that could divide society.

C. Policy Implications of Type 3

As of now (October 2019), the North Korea-U.S. nuclear negotiations are at a stalemate. Both sides insist that they are “open to dialogues but not to making concessions.” North Korea argues that it will not dismantle nuclear weapons and nuclear materials at once while lacking trust with the U.S. On the other hand, the U.S. claims that it cannot cater to North Korea’s demands without knowing the end-state of denuclearization. After a no-deal in Hanoi on February 2019, Kim Jong Un has held out insisting on the U.S.’s new calculation while the U.S. administration has kept its stance on maintaining economic sanctions if North Korea does not implement a complete denuclearization.

A possibility of North Korea voluntarily abandoning its nuclear arsenal is very slim. What is important is to create a condition under which North Korea would have no option but to give up its nuclear weapons. What is at the core of that condition is to maintain sanctions and pressure and identify a creative solution. Some argue that a comprehensive, detailed schedule should be established delineating denuclearization measures in the final stage and corresponding measures, such as DPRK-U.S. formal diplomatic

ties, lifting of sanctions, a peace agreement, and that it should be implemented in phases. However, Pyongyang still refuses to provide the full list of its nuclear stockpile (nuclear declaration).

What is more important than a creative solution is to keep the inducement in place that had driven the Kim Jong Un regime to the negotiation table in the first place in spring of 2018. North Korea came to the table because it felt suffocated by sanctions and pressure imposed as a result of nuclear and missile advancement. North Korea only budes when there is a road to denuclearization out in the open and strong sanctions in place. North Korea refuses to provide a full list of its nuclear inventory because it has already secured breathing room after negotiations. It should be explicitly delivered to North Korea that the longer negotiations go and the more delay denuclearization goes through, the stronger sanctions will become, which will in turn dry up dollars, its people, and eventually the regime.

At the same time, one should brace for a possibility that North Korea may relapse into a brinkmanship, worsening the situation on the Korean Peninsula similar to that of the summer of 2017. Kim Jong Un, if Trump does not make any move prior to the full-fledged presidential campaign, is highly likely to pose a threat with the additional testing of nuclear missiles (ICBM, SLBM) and could actually wage a certain level of provocations. The DPRK, if the Trump administration does not concede, would insist that it will engage in negotiations with the incoming U.S. administration as a 'nuclear-weapons state' while producing and deploying the WMD on a massive scale. The ROK should be prepared for both possibilities of peace and war.

The only country Kim Jong Un would turn to in the midst of

stalled negotiations and prolonged sanctions is China. After Xi Jinping's visit to North Korea (June, 2019), China's behind-the-door aid to North Korea expanded. Kim Jong Un has gauged the values of insurance that will be guaranteed by China in the run-up to negotiations with the U.S. North Korea also aptly takes advantage of the fact that China prioritizes North Korea's stability over its denuclearization.

To that end, it is necessary to find a way of how to change the current perception of the leaderships of both North Korea and China that North Korea is China's strategic asset. Simply persuading China has its limitations. It is necessary to make North Korea recognize that its adherence to nuclear possession will impose more of a burden on China. China's role as a supporting block of North Korea might be limited because Beijing not only faces a myriad of issues due to the nuclear domino in Northeast Asia, the U.S.-led MD system, economic downturn caused by its recently slashed economic growth, growing inequality of wealth, and the U.S.-China trade war, but also is confronted with prolonged protests in Hong Kong. Since North Korea's nuclear issues have expanded to something that needs to be dealt with from the security framework of Northeast Asia, the ROK government's North Korea policy should be able to discern opportunities within the framework of Northeast Asian security, taking into account circumstances in China and changes in the U.S.-China relations.

South Korea's North Korea policy should be crafted with a long-term perspective if the stalemate in nuclear negotiations is prolonged. Kim Jong Un has an asymmetric advantage in terms of WMD due to nuclear and missile sophistication and perceives that

North Korea has secured a strategic status as a game-changer in Northeast Asia. Chairman Kim believes that he is on an equal standing with President Trump, and that he does not need the mediating role of the ROK president. This is evidenced by 'bombarding rough words discourse' (August 16, 2019) released by Committee for the Peaceful Reunification of the Fatherland of the DPRK right after Korea's Liberation Day.

One should carefully watch for a possibility where North Korea would pull a power trip on South Korea and drive a wedge between South Korea and the U.S. If Kim Jong Un refuses to abandon nuclear weapons and focuses solely on negotiations with the U.S. excluding South Korea, the ROK should shift its attention to a regime evolution instead of its leader.

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10. Overall Prospects and Responsive Measures

A. Overall Prospects

This section will make an overall projection on possible changes of North Korea by categorizing them as political system, economic aspect, and inter-Korean relations aspect. First, regarding North Korea's political system, Type 2 is most likely to induce the reinforcement of the Kim Jong Un regime. Under the Type 3 scenario, bottom-up changes are likely to drive changes in the political system. Type 1 is likely to cause the transition in political system to a collective leadership system.

In terms of likely changes in the economic aspect, the level and degree of changes would proceed in the order of <Type 1> → <Type 2> → <Type 3>. However, serious contemplation for each type is necessary given the Moon Jae-in government's active implementation of the 'peace economy' that is associated with 'the New Korean Peninsula Regime.' If changes in North Korea were to occur under a Type 2 scenario for a prolonged period, North Korea's influence will grow over the U.S., China, Russia, and Japan. As North Korea's power rises, South Korea's influence over North Korea is likely to be weakened. It will put a strain on the standing of the ROK government that has sought to establish East Asian Economic Community.

Regarding inter-Korean relations, the most ideal scenario of changes in North Korea would be Type 1 from the perspective of South Korea and the international community. Under Type 3, the phase of confrontations and tensions remain in place between the two Koreas. In that scenario, South Korea is still bound by security logics when calculating national interests. The U.S. might find Type 2 to be their second best option in terms of its national

interests, under which the DPRK-U.S.'s strategic compromise may boost the feasibility of Type 2 being realized. In terms of South Korea's national interests, however, ROK's influence and decision rights over Korean Peninsular issues could weaken under this scenario for the following reasons: nuclear negotiations could determine South Korea's North Korea policy and inter-Korean relations; nuclear-armed U.S., China, and Russia, and state-of-the-art military power-seeking Japan could boost North Korea's bargaining power for the purpose of maximizing their own national interests; and therefore, it could violate South Korea's own national interests.

Under this recognition, South Korea and the international community should consider microscopic policy aspects of North Korea's possible changes and provide support to ensure that patterns of North Korea's changes could evolve in an order of <Type 3> → <Type 2> → <Type 1>. In reality, however, it is more likely that changes of patterns would not gradually evolve in that order. Nevertheless, responsive measures with a consideration for phased evolution for each type are needed as described below in order for the direction of North Korea's change to evolve into 'denulclearization+reform-opening' from the current phase of 2019.

B. Response Measure of the First Stage

First, a 'PLAN B' should be fleshed out. When reflecting on how negotiations have unfolded and what kinds of moves the U.S. and North Korea have made from 2018 and onward, we are confronted with the possibility of gradually shifting a focus from a positive scenario of 'complete denuclearization' to a negative one of

‘pre-dialogue situation.’ Therefore, the ROK government should conduct a ‘stealth operation’ under the banner of ‘quiet but meticulous response’ rather than excessively emphasizing a positive nature of resolving North Korea’s nuclear issues.

Second, with regard to formal policy, the ROK government should concentrate on establishing human and institutional networks that go beyond trust between the South and the North and that could prevent military conflicts on the Korean Peninsula. Human and institutional networks should be actively created not only to allay North Korea’s ‘psychological resistance toward the abandonment of their hard-earned nuclear arsenal’ but also to alleviate an ‘anxiety of the regime over the results of reform and opening.’

Third, there should be an implementation of policy that will crack open some breathing room for North Korean people, starting with areas of exemption for sanctions imposed on North Korea, exchanges of post mail, communications, information, travel, and humanitarian assistance. Current international exemptions on sanctions include ‘any postal, telegraphic, telephonic, or other personal communication, the importation from any country and the exportation to any country of any information or informational materials, and transactions ordinarily incident to travel to or from any country’ (31 CFR Part 510, North Korea Sanctions Regulations: 213 Exempt transactions). Provisions on general exemptions by the OFAC include the following (31 CFR Part 510, North Korea Sanctions Regulations: 501~518): emergency medical services (510.509); North Korean mission to the United Nations and employees of the United Nations (510.510); noncommercial, personal remittances up to a maximum of \$5,000 per year

(510.511); certain services in support of nongovernmental organizations' activities (510.512);³⁾ official business of the Federal Government (510.513); official activities of the United Nations (except for the items subject to the Export Administration Regulations) (510.514); third-country diplomatic and consular funds transfers (510.515); transactions related to telecommunications and mail (510.516); certain transactions related to patents, trademarks, copyrights, and other intellectual property (The filing of any application to obtain...intellectual property protection; The receipt, the renewal or maintenance of...intellectual property protection; and the filing and prosecution of any opposition or infringement proceeding with respect to...intellectual property protection) (510.517); calling of certain vessels and landing of certain aircraft (The aircraft is engaging in a nontraffic stop or an emergency landing...) (510.518) (Sanctions imposed by resolutions of the UN Security Council are not subject to general exemptions).

Fourth, all of those measures should at least prevent North Korea's additional nuclear and missile testing. In other words, they should be able to help maintain at least the current level of nuclear freeze. It is to induce the Kim Jong Un regime's half-hearted denuclearization efforts into playing out in a way that stimulates a

3) It includes the following: Activities to support humanitarian projects to meet basic human needs in North Korea, including flood; activities to support democracy building in North Korea; activities to support noncommercial development projects directly benefiting the North Korean people, including preventing infectious disease and promoting maternal/child health, sustainable agriculture, and clean water assistance; and activities to support environmental protection, including the preservation and protection of threatened or endangered species and the remediation of pollution or other environmental damage. But only those not subject to the Export Administration Regulations (EAR) can be exempted.

nuclear freeze and deters additional nuclear and missile testing and related R&D efforts. To that end, the ROK government should improve inter-Korean trust and maintain efforts of rekindling the momentum of negotiations with the North while alleviating military tensions.

Fifth, the South Korean government should be in sync with the ROK-U.S. relations and inter-Korean relations to help the U.S. administration maintain its will for talks with North Korea and persuade hawks toward North Korea (those not in support of negotiations) and lead doves (those in support of negotiations) of the U.S. in that direction. The government, to that end, should consolidate networks with those in favor of negotiations with the North within the U.S.

Sixth, the government should be keen to respond to a conflict structure of a sensitive nature between actors in Northeast Asia. Such responses include addressing the deepening of U.S.-China conflicts, inducing Japan, and primarily and urgently dealing with the strengthening of an anti-U.S. coalition among North Korea, China, and Russia. In more detail, it is necessary to prevent China from intervening in Korean Peninsular issues and from using their North Korea policy as leverage in negotiations with the U.S. In addition, the ROK should deter far right elements of Japan from actively lobbying in the U.S. Congress and spreading a sense of mistrust toward North Korea in Washington. The ROK should be careful not to be put in a dilemma of having no room for maneuvering in the face of the anti-U.S. coalition among North Korea, China, and Russia vs. the U.S.-Japan reinforced alliance.

C. Response Measure of the Second Stage

First, South Korea should induce North Korea into starting at Yongbyon and advancing to nuclear declaration and verification and persuade the Kim regime and the international community of the need for a partial sanctions lifting on some sanctioned items as corresponding measures. In particular, the sanctions lifting should primarily start in areas related to people's livelihood, such as textiles and marine products.

Second, there is an option to shift a phased-denuclearization agenda to an 'expansion of arms control.' While consulting North Korea's denuclearization process with the U.S., the ROK government should expand its negotiation agenda by persuading the North as follows: 'now that your nuclear capacity guarantees the regime security, why not gradually address issues of conventional arms control or biological/chemical weapons while pursuing phased denuclearization on your terms?' This option is to impose a binding force on the synchronous evolution of phased denuclearization and arms control negotiations.

Third, the South Korean government should make active moves for the lifting of the U.S.-unilateral sanctions imposed on North Korea. Sanctions placed against North Korea are divided into a 'unilateral sanction' under the domestic law of the individual country and an 'international sanction' in accordance with the UN Security Council resolution. Efforts are needed not only in actively promoting information and human exchanges and humanitarian assistance but also in lifting the U.S. unilateral sanctions. Unilateral sanctions of the U.S. are of primary importance even though other countries, such as the EU, Japan, and South Korea also imposed

their unilateral sanctions. It is because the U.S. unilateral sanctions are subject not only to American citizens but also all the individuals and businesses that have been engaged in activities in violation of sanctions imposed on North Korea, such as restrictions on trade and financial transactions (i.e., an incident of BDA (Banco Delta Asia) in 2006)

‘North Korea Sanctions and Policy Enhancement Act of 2016’ of the U.S., however, contains exemptions, waivers, and removal of designation subject to North Korea. Exemptions include any activities incidental to the POW/MIA accounting mission in North Korea in accordance with 22 U.S. Code §9228(a) of North Korea Sanctions and Policy Enhancement Act of 2016. What should be noted is humanitarian waiver (22 U.S. Code §9228(b)).

Waivers take effect after the President may waive, for renewable periods of between 30 days and 1 year, the application of the sanctions authorized under section 104, 204, 205, 206, 209(b), or 304(b) if the President submits to the appropriate congressional committees a written determination that the waiver is necessary for humanitarian assistance or to carry out the humanitarian purposes set forth in section 4 of the North Korean Human Rights Act of 2004 (22 U.S.C. 7802). Other waivers can be permitted when ‘there is a need to promote the flow of information to and from North Korea and to foster a peaceful unification on the Korean Peninsula.’ Based on this second exemption clause, a project plan should be designed and pursued to stimulate changes in North Korea.

Fourth, it is necessary to proceed with the easing of sanctions in phases, which could help prompt North Korea’s denuclearization and build trust. The first stage addresses political approval on

implementing exceptions and exemptions of sanctions that were legally recognized. In more detail, it is about humanitarian projects and projects associated with sanctions' exemption and exception.

The second stage addresses lifting the designation as a terrorist-sponsored country and restoring the level of sanctions on North Korea to the level prior to 2016. This stage includes resuming the Gaesong Industrial Complex and connecting the railroads. The post-third stage strengthens the cooperative system with the international community depending on North Korea' reform and opening level and aids the lifting of sanctions imposed on North Korea. This stage includes joining international financial institutions and establishing a normal trade relationship in compliance with the international standard.

Fourth, the following would be much more crucial for projects in the second stage to advance into the third stage: the U.S. administration's sustained will for negotiations with North Korea, establishment of negotiation networks within the U.S., and measures sensitively responding to an acute conflict structure between actors in Northeast Asia.

D. Response Measure of the Third Stage

First, it is important to pursue information-sharing and establish a cooperative, institutional mechanism between the two Koreas to prevent contingencies, such as public uprising, right-wing terrorism, and a coup precipitated by dramatic privatization and deepening inequality. To that end, it should be acknowledged that North Korea's changes in its political system is a determining factor in its economic development. The ROK government cannot

directly demand that there be a change in North Korea's monolithic leadership system. However, what underlies all the policy on North Korea and inter-Korean cooperation should be to drive decentralization in the process of North Korea's active denuclearization and reform and opening.

Second, North Korea's changes should be stimulated in conformity with international institutions and norms. Above all, it is important not to have radical changes in North Korea transformed into a Russia-style exploitative capitalism. Therefore, it is necessary to induce North Korea to join the international organizations, including international financial institutions in the process of North Korea's denuclearization and reform and opening and the lifting and easing of sanctions and to institutionalize changes in compliance with the international standards and norms.

Third, promoting the development of classes is needed that will drive positive changes in North Korea, such as technocrats, intellectuals, and the labor class, who are capable of dealing with the political bureaucrats. Assistance to North Korea should be carried out in a direction that enhances the empowerment of and solidarity with those groups who will create a structure of opportunities for positive changes.

Fourth, it is necessary to support *Donju*, North Korea's new moneyed class, to grow into sound business men and women adaptive to a new system. North Korea's *Donjus* are the ones who have been driving North Korea's market economy, developing the service industry, commerce industry, distribution industry, and transport industry, and securing business management abilities on local-based industries. There should be a support to *Donjus* through projects associated with educational training so that they

can be equipped with a 'mindset of good entrepreneur' capable of establishing a balanced economic institution and reducing poverty in the North.

Fourth, it should be known to the North Korean regime and bureaucrats via various networks and channels that the potential deepening of inequalities and gaps that could occur in the rapid process of changes could be detrimental to the regime. It is necessary to induce North Korean bureaucrats to seek mid- and long-term interests in the process of executing projects that could be obtained more from 'decentralization and the narrowing of the regional gap' than from a 'competition for loyalty under the supreme leader dictatorship.' Although the increase in the size of distribution relatively lessens short-term vested interests of the elite class in North Korea, benefits are much larger in quantity and stable in quality when viewed from the mid- to long-term perspective.

Sixth, support should be given to a technology and development plan that would help North Korea accomplish a balanced growth strategy on the basis of the current class, generations, and regional divide in the North.

Seventh, there needs to be policy and technology support to induce North Korea's military technology to contribute to a balanced industrial development on the Korean Peninsula and to help it transform into the civilian industry.

Lastly, if public unrest or the coup were to take place in North Korea, in spite of responsive measures of the ROK government, international and unilateral responses should both be utilized. What is important is to respond in a way that helps North Korea resolve the problems on its own as much as possible. Otherwise, a

crisis of the North Korean regime could spread to the entire Korean Peninsula as all the countries in Northeast Asia scramble to act according to their own national interests. If the regime crisis in North Korea were to expand signaling a possible regime collapse and massive military civil war, the ROK government should actively roll up its sleeves in providing humanitarian assistance to North Korean people and addressing massive flows of North Korean defectors fleeing from the North.

