

EXECUTIVE SUMMARY

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and Partners

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The underlying theme was that little significant change in the Northeast Asian situation can be expected in the near future. This was initially explored in discussions on what to expect from the US and ROK elections later this year, while the Chinese leadership shift continues, and the ongoing succession in North Korea plays out. The general view was that the US elections will bring no significant shift in US attitudes and policy. It will continue strong pressure on the North to cease its nuclear weapons program and related activities, and remain tough on preconditions for new negotiations. This reflects the Obama view that there is no payoff in a softer line – Pyongyang has ignored offers of more cooperation and shows no sign of making concessions on its nuclear program. Romney calls for more of the same, and in office would face strong resistance from conservatives to moderating that stance. He might even be amenable to sending US tactical nuclear weapons back to the ROK.

The ROK elections will be close, with the parties clustered more in the middle than before – the incumbents softening their position on dealing with the North (but not much), and the opposition suggesting more conciliation (but not much). Several participants expressed concern that a victory for the opposition not bring a radical policy shift on the North like the one introduced by Presidents Kim and Roh which put such a huge strain on ROK-US relations. As for other regional actors, Japan and Russia show no signs of being ready to make major adjustments in their current policies. Russia seems most focused on the West now, although it has had secret high-level talks with the DPRK in the past 18 months. China received considerable attention. One view was that China has a stable leadership selection process in place, a continuing pattern of close military-civilian consultation under overall civilian and party control, and a desire to retain its existing policies on North Korea:

Emphasize stability; strongly support the DPRK despite real concern about its behavior;
Ward off major refugee problems and intervention on the peninsula by outsiders;
Prevent increased US involvement and influence via its alliance with a unified ROK.
Thus China may well not want unification, and participants repeatedly expressed dismay about its rigidity.

An alternative view was that China is facing fragmentation in its political elite, rising military influence on major decisions, and strong popular disapproval of corruption and misuses of power, which in combination have created a decline in the leadership's ability to deal with major problems. Greater military influence includes its increased involvement with and influence on North Korea, and growing arrogance and belligerence in China's international behavior.

Participants predicted little real change in Pyongyang's policies. Kim, Jong-un's succession is proceeding roughly as planned and he is sticking closely to his father's

policies, particularly “military first.” The heavy military spending continues, as does military modernization, and the threats from DPRK artillery, special operations forces, and cyber attacks remain very high. The conference heard a detailed review of the recently failed “satellite” test. As yet, there are no signs of serious reform or efforts to improve living standards. Participants called the conditions atrocious, the human rights situation deplorable, and the government intransigent in dealing with the outside world. If Kim, Jong-un’s succession is to be effective he must take steps to deal with the economic situation, the nuclear weapons issue, and relations with the ROK.

There were suggestions that in future talks, agreements must include North Korean steps to halt and dismember the nuclear weapons program preceding and paralleling any benefits it receives, and aid arrangements must require economic reforms. Discussions called for a tough line in negotiations, in place of softer measures too often exploited by the North in the past. This view focused in particular on North Korea’s provocations such as the attacks on the *Cheonan* and Yeonpyeong Island. While the allies have now developed joint principles on responding to provocations, participants called for a joint *strategy* to counteract them. Since they can’t be fully prevented, allied responses must be forceful, rapid, and punishing to make the North pay for its attacks, thus building a more respectable deterrence posture. It was suggested that the joint strategy focus on unification as the overriding objective. DPRK provocations spring from its nature and the peninsula’s division, and the best answer is to put an end to both.

There was also discussion, as in the 2011 conference, on how the allies should think about a North Korean domestic crisis and potential collapse. Particular attention was given to how best to try to arrange that the ROK is generally in charge of the international response, the US gathers information about the DPRK’s nuclear weapons program and secures any nuclear weapons, and a unilateral intervention by China is forestalled if possible. It was agreed that none of this will be easy.

Naturally, participants reviewed recent developments in the alliance. It was consistently described as in very good shape, very strong, with excellent relations between the two presidents, an assessment particularly emphasized by the Assistant Secretary of Defense for Asian and Pacific Security affairs – General Wallace Gregson – and by former Ambassador to the ROK Kathleen Stephens in their presentations. Potential ramifications of the coming cuts in US forces and military spending were laid out in detail, along with recommendations on how to keep from seriously weakening US forces since they remains vital for regional peace and security. There were analyses of ROK plans for military modernization, in particular recent steps and current plans for major changes in ROK command structures, forces - including more jointness, unit level changes, and the size of the national military establishment. Reforms proposed in the discussions included better concentration on buying all the necessary elements for new weapons - not just the weapons themselves, buying the more suitable PAC-3 and SM-3 ABM missiles, expanding major C4ISR improvements, a delay in shifting the OpCon, and perhaps bringing American combat helicopters back to the ROK.

Considerable time was devoted to economic affairs. In the assessments of the North it was agreed that its economy is decrepit, the situation for the population is very bad, and this is due almost entirely to the North's policies. Compared with other countries with similar resources in levels of education and related indicators, the North's economic performance is awful. North Koreans have much more information now on this situation and many elements in the population are expanding black market kinds of market behavior, so the overall situation might lead to rising discontent and endanger the regime. On the other hand the population may be too exhausted for that.

Meanwhile the ROK continues making good progress. The ROK-US FTA received a generally positive assessment. The ROK will now be in an enviable position to simultaneously exploit its ability to enhance productivity through investments in China, the impact of the FTA in upgrading the ROK services sector, and the growing opportunities for sales and investment in the US as well as in Europe. While sharply boosting the US economy, the FTA will also reinforce a broader US effort to use bilateral and multilateral, rather than global, trade relationships, to sharply expand American exports, something particularly emphasized by the Obama administration.

Even more significant may be US involvement, and potential ROK involvement, in the Trans-Pacific Partnership negotiations on creating a large multilateral trade structure which have been in progress since 2009. In these complex talks on many issues, the US is pressing for deeper economic ties than are found in FTAs and, as in the last Bush administration, is emphasizing that its international economic and security policies are now being closely aligned.

An intriguing update on a potentially important economic factor was a paper and discussion on the long standing idea of running a natural gas pipeline from Russia to the ROK. Originally it was to go through Manchuria to Vladivostok and then under the ocean to South Korea. The current project design would take it through North Korea instead, while the Chinese propose that it go through China and under the Yellow Sea to the ROK. The project could greatly benefit the entire region, including a reliable energy supply and the huge hard currency fees North Korea would get. But the North would demand ever higher transit fees and use threats to shut off flows to promote its political agenda. The real difficulty is therefore the obnoxious nature of that regime and its uncertain future. It was also suggested that Russia might use the pipeline to manipulate Northeast Asia, which it has tried doing vis-à-vis Europe; after all, Gazprom would be heavily involved and it is really just an arm of the government.

Finally, a well received paper examined why the hostage problem in Japan is politically potent, enjoys mass support, in shaping Japanese foreign policy while the much larger number of ROK citizens held in North Korea provokes little public outcry and has little impact on ROK dealings with Pyongyang. The explanation offered was that the public media/information structure in Japan, once effectively penetrated, lends itself nicely to repeatedly highlighting and supporting any key interest and its central backers, even ones not well organized and experienced in high-level lobbying as is the case on the hostage problem. The corresponding structure in the ROK disaggregates and dissipates

the impact of the better organized and disciplined campaigns in the ROK on behalf of hostages, seized fishermen, and people in divided families. Conference participants debated this thesis, finding it quite intriguing. Some suggested that an alternative explanation is that unification is the South's greatest priority; calling attention to the North's captives only irritates Pyongyang and inhibits its cooperation.

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