



Crossed Wires

Recalibrating Engagement with North Korea
for an Era of Competition with China

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TABLE OF CONTENTS

01	Executive Summary
03	Section One: The United States and Its Allies Remain Divided on North Korea
04	Section Two: China is Undermining the U.S. Alliance System while Coopting North Korea's Future
08	Section Three: Recommendations
12	Conclusion

Executive Summary

The United States' current diplomacy with North Korea has enduring implications for its strategic competition with China. Yet within the American foreign policy establishment, rising to the China challenge and managing the nuclear threat emanating from North Korea are often treated as two distinct rather than connected strands of the United States' agenda in Northeast Asia.

The rationale for maintaining some degree of bureaucratic and substantive segmentation between the two issue sets is well-founded. Addressing the North Korean threat warrants energy, resources, attention, and expertise independent of the "great power competition" framework delineated in the 2017 National Security Strategy and the 2018 National Defense Strategy. But excessive stovepiping may, at best, cause Washington to leave opportunities on the table that could advance its regional priorities, and at worst to risk the creation of mutually incompatible approaches to North Korea and China.

U.S. negotiations with North Korea have already created strategic openings for China. The "security guarantees" that Pyongyang has demanded include, for example, the cessation of U.S.

joint military exercises with South Korea and the removal from the Korean Peninsula of all

American "strategic assets" such as nuclear-capable air and naval assets as well as anti-missile systems that could also be leveraged in a military contingency with China.¹

As U.S. negotiators have locked horns with North Korean interlocutors since President Donald Trump and Kim Jong Un's initial diplomatic foray in June 2018, China has touted its role as a champion of peace and stability on the Korean Peninsula, while using its relative proximity to Pyongyang to systematically undercut America's approach. During the United States' "maximum pressure" campaign in 2017, Beijing cast Pyongyang a vital lifeline, facilitating illegal ship-to-ship transfers of North Korean coal and petroleum in 2018, while leading a concerted push with Russia at the U.N. Security Council to try to fragment the North Korean sanctions regime.² And China is poised to open the floodgates of investments into North Korea, particularly through strategic infrastructure projects in the event that Pyongyang's demands for the relief of international sanctions yield results. Despite all of this, U.S. officials at the highest levels have publicly

downplayed intimations of China's counterproductive activities, thereby validating Beijing's narrative that it has played a constructive role in supporting the United States' approach to North Korea.³

This policy brief argues that the United States should bring its engagement with North Korea into closer alignment with its efforts to deny China a geopolitical sphere of influence, which remains a prerequisite for sustaining a free and open Indo-Pacific. Doing so will require rigorous prioritization of objectives and upfront calculations about tradeoffs between the issue sets—for example, should the United States ease sanctions and dial back rhetoric about denuclearization to incentivize Pyongyang to move closer to Washington and away from Beijing? And more immediately, should the United States peel back its visage of cooperation with China and increase diplomatic and economic pressure on Beijing for its continuing violations of U.S. and international sanctions?

Fundamentally, uncrossing these wires requires a renewal of the U.S. alliance system in Northeast Asia, which focuses on synchronizing the United States, Japan, and South Korea's approaches to these dual challenges emerging from North Korea and China. Unless the United States can more effectively connect these policy

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strands, Beijing will opportunistically exploit pressure points in Washington's diplomacy with Pyongyang and

in the U.S. alliance system to weaken the United States' overall posture and influence in the region.

This paper begins with an assessment of how negotiations with North Korea since June 2018 have shaped Washington's relationships with its allies in Northeast Asia. The second section examines the ways in which China undermines the United States' influence in Northeast Asia—through targeting its alliance system and coopting North Korea's economic future to advance its vision for the region. It concludes with a set of recommendations focused on four major lines of effort.

The United States has significant opportunities, particularly through cleverly leveraging its key allies in the region, to bring into closer alignment diplomacy with North Korea and its competitive approach toward China. Washington should harness its engagement with Pyongyang to shore up its long-term position in Northeast Asia amid competition with Beijing and to ensure that its negotiations with North Korea do not inadvertently advantage China.

1

GET THE U.S. APPROACH TO SOUTH KOREA RIGHT

- Move away from a maximalist position in future Special Measures Agreement (SMA) talks.
- Prepare South Korea for changes in future U.S. force posture.
- Leverage the U.S.-South Korea 2+2 Ministerial Meetings, as well as working-level consultations, to begin positioning the alliance for future competition with China.

2

CHANGE THE TRAJECTORY OF SOUTH KOREA-JAPAN RELATIONS

- Launch a U.S. campaign to underscore the damage resulting from the deterioration of relations between Seoul and Tokyo.
- Promote greater convergence in Japanese and South Korean views of North Korea.

3

CREATE CONCRETE ECONOMIC OPTIONS FOR NORTH KOREA

- Use infrastructure assistance as an early bargaining chip in negotiations with North Korea.
- Engage South Korean and Japanese companies prior to any North Korean sanctions relief.
- Initiate a U.S. dialogue with Seoul on North Korea's digital future.

4

PUSH BACK AGAINST CHINA'S ECONOMIC LEVERAGE OVER THE KOREAN PENINSULA

- Reduce Seoul's vulnerability to China's economic coercion.
- Continue to shine a light on China's systematic violation of sanctions and other unhelpful actions.



U.S. President Donald Trump and North Korean leader Kim Jong Un met in Hanoi, Vietnam, in February 2019 for their second summit meeting. It was ultimately cut short, as the two leaders failed to reach an agreement on nuclear disarmament. (Vietnam News Agency/Handout/Getty Images)

Section One: The United States and Its Allies Remain Divided on North Korea

America's alliances in Northeast Asia are not in a better place today than when Washington initiated negotiations with Pyongyang in June 2018. Indeed, differing approaches to the challenge posed by North Korea have driven wedges between the United States, South Korea, and Japan and tested the resilience of the United States' alliance system. Fissures among the three countries not only have direct implications for the prospect of North Korean denuclearization, but also create vulnerabilities that Beijing can exploit to enhance its position in Northeast Asia.

At first glance, South Korea's strategy toward North Korea may not appear to be drastically different from that of the United States. Since his election in May 2017, South Korean President Moon Jae-in has advanced a softer approach toward North Korea than did his immediate predecessors. The Moon administration has held three inter-Korean summits, the first in more than a decade.⁴ Although President Trump has also actively pursued summitry with Pyongyang, Kim Jong Un has advanced North Korea's agency in its diplomatic processes by siloing his relationships with the two administrations in Seoul and Washington.

Kim has leveraged to his advantage the contrast between Moon's focus on a peace agenda and the Trump administration's emphasis on difficult and contentious

topics such as denuclearization. By compartmentalizing the latter issues as challenges unique to the U.S.–North Korea relationship and reserving his relationship with South Korea for conversations about unity and kinship, Kim has pursued rapprochement with Seoul while stalling talks with Washington. Not only does this approach decrease the diplomatic pressure on North Korea from its southern neighbor, but it has also created daylight between the positions of the United States and South Korea. Over the course of 2018, Washington was faced with the task of restraining Seoul from moving too quickly to improve ties with Pyongyang.

Additionally, although Japan is a critical stakeholder in North Korea's nuclear position and the disposition of the Korean Peninsula writ large, Tokyo has been largely excluded from the regional and U.S. diplomatic dance with North Korea. While Seoul falls within North Korean artillery range,

Bilateralism and transactionalism have put the United States on unsteady footing for competing effectively with China in Northeast Asia and addressing the North Korean nuclear threat.

Japan remains uniquely exposed to Pyongyang's short- and medium-range missiles. It was, in fact, the volley of North Korean missile tests over Japanese waters that contributed to the urgency of the Trump administration's initial diplomatic outreach to Pyongyang.⁵

Japan's position on the sidelines of today's nuclear diplomacy marks a clear departure from previous iterations of negotiations with North Korea. For example, during the final round of the Six Party Talks in 2007, Pyongyang's covert abduction of Japanese citizens was a major point of contention.⁶ Yet today, Japan is at the periphery of the United States' diplomatic approach, and Tokyo fears that Washington may reach a deal that leaves it vulnerable to North Korean threats and a shifting geopolitical environment.⁷ Washington smoothing over the spate of North Korea's short-range missile tests in 2019 certainly did not alleviate anxieties in Tokyo.⁸

Finally, the rapid deterioration of Japan–South Korea relations at the end of 2018 and throughout 2019 precluded the United States from carving out a productive role for Japan to play in its engagement with North Korea. It also highlighted an enduring truth of the U.S. posture in Northeast Asia: Bilateralism and transactionalism have put the United States on unsteady footing for competing effectively with China in Northeast Asia and addressing the North Korean nuclear threat. Indeed, divisions over North Korea among the democratic stakeholders—the United States, Japan, and South Korea—have created critical openings for Beijing to exploit.



On June 28, 2019, South Korean President Moon Jae-in welcomed Japanese Prime Minister Shinzo Abe at the G20 summit in Osaka, Japan. (Kim Kyung-Hoon/Getty Images)

Section Two: China is Undermining the U.S. Alliance System while Coopting North Korea's Future

China may prize stability in its neighborhood above all else, but its long-term strategy toward the Korean Peninsula extends beyond simply preserving the status quo. Rather, it hopes to influence North Korea—and American allies—in order to expand its clout in Northeast Asia, and it expects that the United States will do the same. Beijing understands that America's power projection capabilities hinge on its alliances. It is positioned to leverage the North Korea issue set to chip away at the substrate of the U.S. alliance architecture in Northeast Asia and is presently executing this strategy, with varying degrees of success, along three primary vectors: exacerbating natural frictions in the U.S.–South Korea alliance, widening the rift between South Korea and Japan, and securing North Korea's economic future.

Vector One: The U.S.–South Korea Alliance

China has used both coercion and adept diplomacy to inflame natural pressure points in the U.S.–South Korea bilateral relationship as it seeks to preclude the United States from retooling and leveraging the alliance to counter Beijing.

The economic retribution that Beijing levied against South Korea after its 2016 deployment of the Terminal High Altitude Area Defense (THAAD) missile system fundamentally altered the way South Koreans understand China's modus operandi and continues to live in the country's political memory. South Korean policy-makers still refer to China's actions—its boycotts, travel ban, and forced closures of Lotte Corporation stores in China, which cost the South Korean economy at least \$6.8 billion—as “sanctions” against their country.³⁶ Beijing may have also irrevocably turned the tide of South Korean public opinion against it, at least for a generation. The Chinese government tried to mend ties through both high-level overtures and public diplomacy,⁹ but three years after the incident, 63 percent of South Koreans still view China unfavorably. By way of comparison, in the United States 60 percent of the population holds negative views of China, and in Australia 57 percent.¹⁰

However, the United States has not yet been able to direct this public enmity toward productive ends. While the Trump administration focuses on strategic competition with Beijing, including by pursuing what amounts

to a partial economic decoupling of critical industrial sectors,¹¹ Seoul has charted a less confrontational path. The Blue House has pursued a policy of “balanced diplomacy,” seeking to diversify South Korea’s exports to South and Southeast Asia and Central Asia through its New Northern and New Southern policies.¹²

Greater convergence between the United States and South Korea on their positions toward China remains elusive for several reasons. After the THAAD row, the United States threatened preventive war against North Korea.¹³ This culminated in a statement by President Trump at the 2017 U.N. General Assembly that the United States would “totally destroy North Korea” if circumstances required. The declaration only inflamed perceptions in Seoul that Washington was being cavalier with South Korean lives.¹⁴ In turn, this opened political space for President Moon Jae-in to pursue engagement and rapprochement with President Xi Jinping.

More fundamentally, as long as China accounts for a quarter of South Korea’s exports,¹⁵ Seoul is likely to relive different iterations of economic retribution from Beijing. For example, the U.S. campaign against the company Huawei, China’s standard-bearer for 5G next generation wireless technology, and ongoing U.S.-China trade tensions, have landed South Korea in a familiar bind, wedged between its most important ally and its largest trading partner.¹⁶ Beijing has already warned South Korean companies such as Samsung and SK Hynix, which rely heavily on the export of components to Huawei, that there would be repercussions if they responded too aggressively to U.S. trade restrictions.¹⁷

Yet Beijing has rightly calculated that the Blue House is willing to choose a course of accommodation because President Moon Jae-in values his peace agenda with North Korea above all else. While keeping economic pressure on South Korea at a simmer, Beijing has sought to cast itself as an invaluable arbiter of peace on the peninsula, reminding South Koreans that they cannot achieve a diplomatic solution to North Korea without Beijing’s endorsement.¹⁸ As President Moon Jae-in obligingly noted in 2018, China and South Korea’s “strategic interests of peace and prosperity in Northeast Asia coincide,” and the two countries should, therefore, “cooperate more closely on the development of China–South Korea relations and the peace process on the peninsula.”¹⁹

Vector Two: Japan and South Korean Relations

China is also increasingly well-positioned to exploit tensions between the United States’ two main allies in the region: Japan and South Korea. South Korea’s freewheeling engagement with North Korea, coupled with more than a dozen short-range missile tests that Pyongyang has conducted in waters separating it from Japan since May 2019, have together caused Tokyo to bristle.²⁰

At base, China’s strategy has involved undermining the logic of the U.S. alliance system in Northeast Asia. Though both U.S. allies’ relationships with China are fraught with suspicion, with Tokyo and Beijing at loggerheads over the status of disputed islands in the East China Sea, the United States has not been able to marshal this suspicion toward greater strategic coherence across its alliances, even amid Chinese incursions.

Beijing has been stirring up territorial frictions between Japan and South Korea. In July 2019, a Chinese-Russian joint air patrol over the Liancourt Rocks—maritime features claimed by both Tokyo and Seoul—could not have been more strategically timed.²¹ The two U.S. allies, sparring over issues of forced labor during Japanese colonial rule of Korea in the early 20th century,²² disputed each other’s right to respond to the incident rather than jointly condemning Russian and Chinese violations of their sovereignty.²³ Russian and Chinese officials tried to sow further confusion among the diplomatic ranks of U.S. allies—perhaps with limited success—by privately assuring South Korean officials that the incident was neither intentional nor coordinated between Moscow and Beijing.²⁴ South Korea’s threat of withdrawing from the General Security of Military Information Agreement (GSOMIA), its intelligence sharing pact with Japan in 2016, also generated tailwinds



During a July 13, 2016, press conference, South Korean Defense Ministry’s Deputy Minister for Policy Yoo Jeh-Seung spoke about deploying the Terminal High-Altitude Area Defense. (Kim Min-Hee-Pool/Getty Images)

for China for much of 2019.²⁵ The manner in which the events unfolded ultimately highlighted the brittleness of American efforts to weave together its two Northeast Asian alliances.

Additionally, China is poised to leverage divergences in Japan's and South Korea's preferred approaches to Pyongyang, even as the two countries' desired end states largely converge. Beijing has remained largely silent amid North Korea's fall 2019 spate of short-range ballistic missile tests, which may be part of a broader program designed to defeat Japanese missile defense systems supported by U.S. technology. Coupled with President Trump's dismissiveness of the short-range missile tests, the United States has unwittingly given credence to China's narrative that Washington not only lacks the will to mediate between allies, but may even be unwilling to defend its allies in the region when required.

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Beijing has simultaneously tried to insert itself into relations between Tokyo and Seoul. During a trilateral summit between China, Japan, and South Korea in August 2019, Chinese Foreign Minister Wang Yi reassured his counterparts that China would “expand its cooperation with South Korea and Japan and defend its principles of multilateralism and free trade”—suggesting that their countries should also find ways to coordinate their investments into third countries.²⁶

Neither Tokyo nor Seoul, each bearing its own fraught history with and deep distrust of Beijing, harbors illusions that China is in any way committed to upholding principles of multilateralism and free trade, or that it will use its leverage over North Korea to compel Pyongyang to relinquish nuclear weapons. Nonetheless, with both countries hedging against structural economic slowdowns and geopolitical uncertainty emanating from the United States, they have incentives to improve relations with Beijing.²⁷

Vector Three: North Korea's Economic Future

Finally, China is quietly positioning itself to be the primary guarantor of North Korea's economic future. After the potentially pathbreaking June 2018 summit between President Trump and Kim Jong Un in Singapore, American interlocutors advanced the proposition of a “brighter future” for North Korea as a key pillar of their engagement.²⁸ But while it is politically implausible for the United States to loosen the noose of sanctions around the Kim regime's neck, China is clearly willing to flout sanctions to deliver on its promises.

Beijing understands that Kim Jong Un intends to see North Korea “thrive” under his rule, and he may be approaching a critical decision point about how to accomplish this goal.²⁹ Critically, China also understands that the country able to secure North Korea's economic future will gain an advantage in shaping the disposition of the Korean Peninsula writ large. China already represents the quasi-totality of external trade with North Korea, as Beijing carefully balances the visage of compliance with the U.S.-led sanctions regime and a steady stream of support to safeguard its interests in stability.³⁰ Chinese officials regularly assert, including through the U.N. Security Council, that sanctions should not be a tool of regime change but a means to encourage a political resolution through negotiation.³¹

Beyond merely keeping the North Korean economy afloat, Beijing is offering Pyongyang a concrete counterproposal to the United States' amorphous and highly qualified vision of a “brighter future.” Strategists in Beijing surely took under advisement Kim Jong Un's public admission of the “embarrassing” condition of his roads and railways during the first inter-Korean summit at Panmunjom in April 2018.³²

While joint inter-Korean railway ventures remain an implausible future due to U.S.-led international sanctions, China is dangling the carrot of infrastructure investments under Xi Jinping's signature piece of economic statecraft, the Belt and Road. South Korea has already expressed conditional support for the Belt and Road, including through the establishment of a joint public-private consultation to “seek cooperation projects linking the Republic of Korea's New Southern and Northern Policies with the People's Republic of China's One Belt, One Road Initiative.”³³ China's full-court press through its Belt and Road also extends to Pyongyang. A North Korean delegation attended China's Belt and Road Forum in 2017³⁴ and then again in 2019, as Pyongyang has publicly sought foreign direct investments for its proposed transportation projects.³⁵ Beijing has also used economic initiatives in its Liaoning Province, including a free trade port, to boost trade with North Korea.³⁶



On April 27, 2019, Chinese President Xi Jinping gave a speech at a press conference after the Belt and Road Forum. Beijing has expressed a desire to expand the Belt and Road to the Korean Peninsula. (Wang Zhao—Pool/Getty Images)

At the same time, Beijing is leveraging the export of its surveillance technology to ensure that Pyongyang is positioned to maintain authoritarian controls even if its economy becomes more open. China has already furnished North Korea with its first commercial 3G wireless network, Koryolink, which is explicitly designed for surveillance and control.³⁷ Huawei, the Chinese technology giant that the United States has placed on an export

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blacklist, secretly helped North Korea build and maintain its commercial wireless network through another Chinese state-owned software development firm, Panda International Information Technology Co. Ltd.³⁸ The system that Huawei and Panda helped deploy in Pyongyang would scale up the surveillance state in North Korea, enabling the Kim regime to monitor and intercept phone calls and data sessions of North Korean citizens and visitors to the country.³⁹ Moreover, much of this data could be siphoned back to Beijing, extending into a new digital domain North Korea's exposure to China.⁴⁰ As the elite class in Pyongyang looks for higher quality telecommunications connectivity, Beijing is well-positioned

to provide these services. Without multiple options for developing its physical and digital infrastructure, North Korea may be willing to put its sovereignty at risk in exchange for economic gain.

Ultimately, Beijing appears unwilling to allow North Korea to drift away from its orbit. After a period of turbulence in the bilateral relationship, when Pyongyang tested a hydrogen bomb in 2016 despite Beijing's objections and pursued greater autonomy from China in subsequent years, China has doubled down its long-standing ties with North Korea.⁴¹ But since then, President Xi has energetically refurbished personal ties with Kim Jong Un. Each major summit or meeting



North Korean leader Kim Jong Un shook hands with Chinese President Xi Jinping on June 20, 2019, as Beijing vowed to play a greater role in helping make progress in negotiations on Korean Peninsula issues. (Chung Sung-Jun/Getty Images)

between U.S. and North Korean interlocutors has been bracketed by high-level visits between China and North Korea, with Kim traveling to China four times (to both Beijing and Dalian) and Xi visiting Pyongyang once in June 2019.⁴²

As progress on denuclearization negotiations has faltered, Kim has made a point to step up rhetoric that underscores the closeness between Pyongyang and Beijing. In the wake of the 70th anniversary celebration of the founding of the Chinese Communist Party and after an unfruitful set of talks between the United States and North Korea in Stockholm, Pyongyang's state news agency, the Korea Central News Agency, quoted Kim Jong Un as proclaiming that the bilateral relationship between North Korea and China was an "immortal friendship" and that the two countries would "steadily defend the cause of socialism and preserve [the] peace and stability of the Korean Peninsula."⁴³ China may not have been a vocal player amid the United States' diplomatic overtures to North Korea, but it has exercised significant influence in ways that undercut American regional objectives.

Section Three: Recommendations

Significant opportunity exists to bring into closer alignment U.S. diplomacy with North Korea and America's competitive approach toward China. Where possible, Washington should seek to harness its engagement with Pyongyang to improve its position in Northeast Asia amid strategic competition with Beijing. At the same time, the United States should ensure that its negotiations with North Korea do not inadvertently advantage China. Three key assessments should undergird U.S. policy:

1. *The center of gravity remains U.S. alliances.* In Northeast Asia, America's alliances with Japan and South Korea are its most important geopolitical assets. Deals with Pyongyang that would trade away Tokyo's interests for limited advancements toward denuclearization should be avoided, given the centrality of the U.S.-Japan alliance to America's competitive posture in the Indo-Pacific. Washington should refrain from casting security cooperation with Seoul as anti-China, even as it quietly upgrades the alliance for a new era of great power competition.
2. *North Korea will not "flip."* America's diplomatic opening with Pyongyang may have initially unnerved Beijing, but even in the most optimistic scenarios, Washington can at best expect North Korea to incrementally distance itself from China. This realism should inform the concessions the United States is prepared to offer North Korea to denuclearize.
3. *Engagement with North Korea is here to stay.* The main beneficiary of a return to U.S.-North Korea confrontation would be China, which could point to the failure of American diplomacy and play on South Korean fears of a conflict on the peninsula triggered by the United States. Even if Pyongyang remains unwilling to take major steps toward denuclearization, the United States should retain some elements of engagement while applying economic pressure.

These assessments, in turn, should inform the following recommendations for U.S. policy, structured around four main lines of effort: getting right the U.S. approach to South Korea; changing the trajectory of South Korea-Japan relations; creating economic options for North Korea; and pushing back against China's economic leverage over the Korean Peninsula.

1

GET THE U.S. APPROACH TO SOUTH KOREA RIGHT

- Move away from a maximalist position in future Special Measures Agreement (SMA) talks.
- Prepare South Korea for future modifications to U.S. force posture.
- Leverage the U.S.–South Korea 2+2 Ministerial Meetings, as well as working-level consultations, to begin positioning the alliance for future competition with China.

Get the U.S. Approach to South Korea Right

China has actively sought to drive wedges in the U.S.–South Korea alliance, and American diplomacy with North Korea creates new pressure points that Beijing can exploit. It is therefore imperative that Washington carefully steward its alliance with Seoul. Specifically, the United States should:

*Move away from a maximalist position in future Special Measures Agreement (SMA) talks.*⁴⁴ South Korea today covers approximately 40 percent of the cost of stationing American forces on its soil.⁴⁵ Periodic negotiations over the level of this support—“special measures” in the parlance of the U.S.–South Korea alliance—are always difficult. However, the Trump administration’s focus on maximizing the financial resources put up by U.S. allies has made this round of talks particularly fraught. This maximalist approach could at best yield a Pyrrhic victory for the United States, producing a small increase in annual support at the cost of introducing additional friction into America’s alliance with South Korea. If mishandled, the SMA talks could set back the alliance by leading to purely budgetary driven changes in the U.S. force posture on the peninsula.⁴⁶ This would not only undermine South Korean confidence in the alliance, but also potentially reduce South Korea’s capacity to purchase advanced U.S. weapon systems.⁴⁷

Prepare South Korea for changes in future U.S. force posture. If U.S. negotiations with North Korea move forward, American troop numbers in South Korea could become a potential bargaining concession. Even if denuclearization talks with Pyongyang continue to stall, Washington will have to rethink its force structure on the peninsula. In its current state this force structure pins down a large number of troops that could potentially be redeployed to other parts of the Indo-Pacific, where U.S.–China military competition is more acute. Close dialogue and coordination with Seoul are essential to smoothly pave the way for future changes to America’s military footprint on the peninsula. The United States should be clear with South Korea that any changes will be incremental, and that they will be tightly coordinated with initiatives to support operational control (OPCON) transfer and the revitalization of the United Nations Command. This approach would support U.S. communications to South Korea that topline troop count is not a proxy for American support for the alliance and that U.S. Forces Korea will continue to backstop deterrence through select capabilities that can be leveraged alongside an increasingly capable South Korean military.⁴⁸

Leverage the U.S.–South Korea 2+2 Ministerial Meetings, as well as working-level consultations, to begin positioning the alliance for future competition with China. Although Seoul has been reticent about endorsing rhetoric that might be seen as antagonizing Beijing, it has incrementally taken steps toward supporting the United States’ Indo-Pacific Strategy. President Moon Jae-in has expressed a desire for “harmonious cooperation between South Korea’s New Southern Policy and the United States’ Indo-Pacific Strategy.”⁴⁹ Even if Seoul’s rhetoric lags behind, the United States should meet South Korea where it is today and continue to substantively position the alliance to play a larger role in the region. This should be grounded on deepening bilateral cooperation in new policy frontiers, including outer space, cyber space, digital infrastructure investments in third countries, and defense innovation—especially as South Korea’s Defense Reform 2.0 foreshadows growing investments in advanced military technologies, including unmanned systems.⁵⁰

2

CHANGE THE TRAJECTORY OF SOUTH KOREA-JAPAN RELATIONS

- Launch a U.S. campaign to underscore the damage resulting from the deterioration of relations between Seoul and Tokyo.
- Promote greater convergence in Japanese and South Korean views of North Korea.

Change the Trajectory of South Korea-Japan Relations

The downward spiral in relations between South Korea and Japan benefits China and risks emboldening North Korea, which has been the primary focus of trilateral security cooperation involving the United States. Washington should take a more active role in highlighting the costs of the dispute between Seoul and Tokyo, and in promoting points of convergence between the two. In practice, the United States should:

Launch a U.S. campaign to underscore the damage resulting from the deterioration of relations between Seoul and Tokyo. Senior U.S. officials should go beyond general talking points about the importance of stabilizing still-turbulent relations between South Korea and Japan, which as an argument has thus far proven ineffective.⁵¹ To ensure the future durability of the General Security of Military Information Agreement (GSOMIA), the Defense Department should develop unclassified operational vignettes showing how the lack of a GSOMIA between South Korea and Japan would prove harmful to both countries in a contingency involving North Korea. U.S. diplomats at all levels could make use of these vignettes when visiting Seoul and Tokyo. In addition, the Defense Department should convene a North Korea wargame that would include nongovernmental experts from South Korea and Japan and be open to journalists from both countries and the United States. This campaign would

help to pave the way for the United States to secure a commitment from Seoul and Tokyo to exclude security and defense cooperation from any further tit-for-tat retaliation between the two.

Promote greater convergence in Japanese and South Korean views of North Korea. Since the inaugural Trump-Kim meeting, North Korea has held summits with each of its neighbors, with the exception of Japan. Threat perceptions of North Korea—long an area of convergence between Japan and South Korea—have more recently become a point of friction between the two American allies. There are multiple reasons for this, but Japan's exclusion from the recent flurry of regional diplomacy with North Korea ranks high. Although the United States cannot fully close the gap in preferred approaches between Tokyo (which remains deeply concerned by North Korea's continued missile tests) and Seoul (which is focused on reconciling with North Korea), it should continue to remind both countries that they remain largely aligned on an overall desired future. That is, both seek to avoid armed conflict with North Korea, impose restrictions on its nuclear weapons and delivery vehicles, including conventional short- and medium-range missiles, and ultimately address North Korea's human rights abuses. Additionally, the United States can try to facilitate diplomacy between Tokyo and Pyongyang. One concrete step would be for Washington to privately convey to Pyongyang that it cannot support sanctions relief without the backing of its Northeast Asian allies, and that North Korea must accordingly do more to engage Japan. Although Prime Minister Abe has publicly expressed a desire to meet with Kim Jong Un,⁵² the absence of reciprocal gestures from Pyongyang and the halting pace of nuclear negotiations have thus far precluded the occurrence of such a meeting, which could move the needle on South Korea's and Japan's mismatched approaches toward North Korea.

3

CREATE CONCRETE ECONOMIC OPTIONS FOR NORTH KOREA

- Use infrastructure assistance as an early bargaining chip in negotiations with North Korea.
- Engage South Korean and Japanese companies prior to any North Korean sanctions relief.
- Initiate a U.S. dialogue with Seoul on North Korea's digital future.

Create Concrete Economic Options for North Korea

Whether North Korea can to a limited degree distance itself from China will hinge on its level of economic dependence. If Pyongyang remains almost entirely beholden to Beijing for its trade and investment, then U.S. negotiations with North Korea will contribute little to advancing America's position in the region vis-à-vis China. That is, even if progress occurs on the nuclear front, North Korea's economic dependence on China will ensure that Beijing possesses first-mover advantage, and that it will be prepared to open the floodgates of investment into North Korea should sanctions be eased in the future. Conversely, if the United States can leverage momentum toward denuclearization to open up more optionality in North Korea's economic future, this will diminish China's influence on the Korean Peninsula. Although Washington should not de-emphasize denuclearization and seek to ease sanctions for the purposes of luring Pyongyang away from Beijing, it should quietly lay the groundwork for discussions about North Korea's economic future. With this in mind, Washington should:

Use infrastructure assistance as an early bargaining chip in negotiations with North Korea. As the United States evaluates potential concessions it might offer Pyongyang to begin to denuclearize, high on its list should be infrastructure assistance. North Korea badly needs roads and railways, and infrastructure assistance—if scoped in a way that enlists South Korean firms—could serve as a

beachhead for non-Chinese alternatives. Even as U.S.–North Korea talks stall, the United States should evaluate what types of infrastructure Pyongyang most desires and determine what targeted sanctions relief might be required in order to put infrastructure assistance on the negotiating table.

Engage South Korean and Japanese companies prior to any North Korean sanctions relief. Although they are a necessary response to Pyongyang's development of nuclear weapons, international sanctions have effectively deepened North Korea's economic entanglement with China. In the event that progress toward denuclearization enables a degree of sanctions relief, the United States will have an opportunity to chip away at Beijing's economic stranglehold over Pyongyang. U.S. companies are likely to be risk averse and highly reluctant to enter the North Korean market. As such, the primary new sources of investment into North Korea will be from South Korea, and to a lesser degree, Japan. Even while limited sanctions relief remains a remote possibility, the U.S. Treasury Department should initiate quiet consultations with individual South Korean and Japanese companies that would potentially be early movers in an economic opening scenario, and should where possible involve South Korea's Ministry of Foreign Affairs in these consultations. Subsequently, if limited sanctions relief appears likely to move forward, the U.S. Treasury Department should host a conference to bring together firms from South Korea and Japan to explain how companies could obtain U.S. Office of Foreign Assets Control licenses to invest in North Korean infrastructure. This will help companies from both American allies move expeditiously toward a broad-based push for licensed investment should the international sanctions regime against North Korea change. Without such a measure, companies from democratic countries could find themselves trailing behind Chinese competitors less concerned about running afoul of remaining sanctions.

Initiate a U.S. dialogue with South Korea on North Korea's digital future. China currently dominates North Korea's telecommunications infrastructure. This will lock in Beijing's influence and also further solidify the Kim regime's authoritarian controls. Washington and Seoul should launch a quiet dialogue to discuss how to shape North Korea's digital future, including how South Korea might provide telecommunications alternatives to North Korea in the event of future sanctions relief. Moreover, Washington and Seoul should explore ways to distribute South Korean technological goods, such as smartphones and other devices, into North Korea now.⁵³

4

PUSH BACK AGAINST CHINA'S ECONOMIC LEVERAGE OVER THE KOREAN PENINSULA

- Reduce Seoul's vulnerability to Chinese economic coercion.
- Continue to shine a light on China's systematic violation of sanctions and other unhelpful actions.

Push Back against China's Economic Leverage over the Korean Peninsula

Ultimately, any U.S. efforts to position the U.S.–South Korea alliance for future competition with China must be coupled with measures to reduce Beijing's ability to leverage its economic toolkit to shape North Korea and South Korea's political behavior. The United States should also not give China a free pass for its counter-productive actions, particularly vis-à-vis international sanctions, out of concern that doing so will drive China to overtly undercut U.S. diplomacy with North Korea. Boldly calling out Chinese actions, in coordination with close allies, is a prerequisite for signaling U.S. commitment to a rules-based order in the region.

Reduce South Korea's vulnerability to Chinese economic coercion. Economic dependence on China has proven a key challenge for South Korea. Although Beijing's attempt to disrupt the deployment of THAAD soured public opinion, its punitive actions achieved the intended effect, insofar as Seoul is now more reluctant to defy China. The United States should support South Korea's efforts to economically diversify by, for example, promoting closer development finance cooperation around joint infrastructure projects in Southeast Asia, while also issuing joint statements with allies and like-minded countries in the Indo-Pacific to publicly shame Beijing and condemn specific instances of Chinese coercion. Washington—in concert with a broad set of U.S. allies, including South Korea—should also establish a counter-coercion fund. Members of this fund would come together to define the criteria for what counts as

Chinese economic coercion, and then pool resources to help compensate those experiencing losses due to actions taken by Beijing.⁵⁴

Continue to shine a light on China's systematic violation of sanctions and other unhelpful actions. Alongside Russia, China has been able to systematically violate U.N. sanctions with impunity by continuing to supply petroleum products and conduct illegal trade through ship-to-ship transfers with North Korea.⁵⁵ China has, together with Russia, leveraged its clout at the U.N. to silence condemnation of its actions.⁵⁶ The United States should, together with Japan, South Korea, and other like-minded countries, call out China's actions, both in the U.N. and in other multilateral bodies, in addition to continuing to step up sanctions enforcement against violating Chinese entities. Senior U.S. government officials should also, while continuing to frame the North Korea issue set as an area of necessary cooperation between the United States and China, continue to sharply condemn China's failure to abide by the international sanctions regime in speeches, bilateral consultations, and multilateral formats.

Conclusion

The 2018 U.S. National Defense Strategy made it clear that to compete with China, Washington must look beyond Northeast Asia and address China's expansion around the world. Still, American policymakers must not overlook the strategic importance of developments on China's doorstep. A more competitive U.S. approach toward China must account for the ways in which American engagement with North Korea has affected the relationship dynamics in Northeast Asia. Maintaining robust alliances that can adapt to an evolving U.S.–North Korea relationship is an essential part of strategic competition with China. The United States will not be able to capitalize on the potential of a favorable resolution to the North Korean threat without buy-in from its regional allies, Japan and South Korea. The United States and its democratic allies should collectively guard against China using relaxed tensions with North Korea to gain an edge or to drive wedges in the U.S. alliance system. Washington's goals in engaging Pyongyang should not be focused solely on denuclearization outcomes, but also on shifts in the regional balance of power in Northeast Asia. A strong approach to the North Korean threat must ultimately yield outcomes that the United States can leverage as it competes with China in Northeast Asia and beyond.

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