

## Escalation Gambit: North Korea's Perilous Play for Security and Prosperity

Written by Benjamin Habib

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BENJAMIN HABIB, APR 10 2013

The hostile posturing of the North Korean leadership is decipherable if located within the context of its symbiotic national security and economic development goals. Further nuclear or missile tests would strongly indicate the North Korean leadership's intention to accelerate the maturation of its nuclear and missile programs, with a fully operational nuclear deterrent in place to provide the umbrella under which new economic measures can be rolled out. North Korea cannot yet follow through on its threats of nuclear attacks against long-range American targets across the Pacific basin. It is however capable of further limited provocations, which increase the risk of war breaking out by accident.

Pyongyang's rhetorical flourish began in earnest on March 18, when it declared its "right to make a preemptive nuclear strike at the strongholds of aggressors." It announced the placement of its "strategic rocket units and long-range artillery units" on their highest alert status and further claimed that these units are capable of striking American military targets in South Korea "and its vicinity," as well as US bases in Guam, Hawaii and the continental United States. The North Korean government subsequently declared itself in a "state of war" with South Korea and threatened to close the North-South joint venture industrial precinct at Kaesong. On April 8 the North withdrew its 53,000 thousand-strong workforce from the Kaesong industrial zone. On April 4, the government issued a warning to foreign embassies in Pyongyang advising the evacuation of diplomatic staff from the city by April 10. On April 8, the South Korean Defence Minister Ryoo Kihl Jae suggested that the North was preparing for another nuclear test at its testing ground at Punggye-ri, a statement that was later retracted. Analysis of satellite imagery of the Punggye-ri site immediately following the February nuclear test hinted at the possibility that a second test tunnel had been prepared for a subsequent detonation in the near future.

These statements are indicative of an increasingly aggressive stream of rhetoric and posturing by the North Korean government, even by its own lofty standards of belligerent hyperbole. International media attention has focussed on statements issued by the North Korean government via its official media liaison body, Korean Central News Agency (KCNA). As KCNA is the regime's conduit of information to the outside world, we should heed Brian Myers' warning that the themes and timing of articles are indicative of what the regime wants the international community to hear.[1] Observers need to exercise caution in interpreting Pyongyang's official press releases in isolation from other corroborating information. Some of the confusion surrounding current events arises because Pyongyang is signalling to multiple audiences simultaneously through its statements and actions. Adam Cathcart provides a good example of the need for caution, noting the differing messages of the Korean, English and Chinese translations of North Korea's "war declaration" published by Rodong Sinmun. The regime is attempting to pass off its nuclear deterrent as operational to Washington, while simultaneously pressuring the new South Korean president Park Guen Hye to abandon the reciprocity policy of her predecessor, warn the Chinese against interfering with its nuclear security strategy and stoke the fires of nationalism with its domestic audience.

It is useful to step back from the whirlwind of recent developments to place the current situation in the broader context of North Korea's regime survival strategy based on external security and domestic economic development. The over-riding priority underpinning North Korea's foreign policy remains regime survival and the perpetuation of the Kim family dynasty. On the surface, it would therefore seem counter-intuitive for the Kim regime to antagonise the

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United States and South Korea to the brink of a war that they would almost certainly lose.

Here one needs to understand the unique logic of North Korean foreign policy. To this end, Pyongyang sees hard military power as the only reliable means of guaranteeing its security in what it perceives as a hostile strategic environment. North Korea's foreign policy behaviour generally exhibits ultra-realist tendencies based on *Songun* (military-first) politics,[2] emphasising the utility of military force as its only credible security guarantee in what it perceives to be a strategically hostile environment.[3] Pyongyang's nuclear weapons and ballistic missile capabilities are the ultimate practical expressions of this world-view.

The regime also maintains an explicitly stated objective of transforming North Korea into a "strong and prosperous country" through a program of economic development. This development program may include moves toward the implementation of incremental economic restructuring. I am loathe to use the word "reform" because this term is loaded with the ideological baggage of the narrow neoliberal style of economic transition favoured by many foreign observers. Whether neoliberal reform is desirable for North Korea or not is beside the point, as it does not encapsulate the transformations that are beginning to take shape within the state.

Top-down changes to the economy during the Kim Jong Il era were geared toward regaining control of the economy after the collapse of the command system in the mid-1990s. Many of the economic concessions made by the regime in 2002 merely ratified grassroots entrepreneurialism that had taken root during the famine. Since that time, Kim Jong Il's government issued several edicts rolling back those concessions in an attempt to restore economic centralisation and consolidate the position of the regime by forcing minor market operators out of business.

If not the inexorable path toward full marketisation, what then might North Korea's economic transformation begin to look like? Two key developments have occurred under Kim Jong Un's leadership: (1) a burgeoning export trade in natural resources, and (2) hints at tentative structural changes to specific sectors of the economy.

The Democratic People's Republic of Korea (DPRK) has a rich endowment of mineral resources including rare earth metals and a substantial endowment of anthracite and bituminous coal, the two highest grades of coal. Indeed the resources sector is one of the few non-illicit sectors where North Korea has a comparative advantage. Chinese state-owned companies began growing investment in North Korea's mining and resource sector from 2005, accelerating rapidly from 2008. The timing of this acceleration coincides with a renewed focus from the North Korean government in developing the mining sector. The regime's 2009 Joint New Year Editorial, for example, announced expansion of production and profit from mining as one of its priorities for economic regeneration. Coal exports are conspicuous on North Korea's roads, where red trucks laden with coal can be seen regularly driving toward Pyongyang and then north to the Chinese border. According to Bank of Korea data for 2011, the mining sector grew 0.9 percent, along with the construction (3.9 percent) and services (0.3 percent) sectors. The growth statistics in construction and services would appear to corroborate the visual evidence of new wealth in Pyongyang, with income from mining providing the foreign currency to pay for it.

Signs of structural changes to the North Korean economy are perceptible but less obvious. In the agricultural sector, the 6.28 policy reportedly announced in June 2012 called for a trial of a new quota system in which farmers in Ryanggang Province were entitled to keep or sell thirty percent of the annual production quota. Kim Jong Un's 2013 New Year's address emphasised developing the country's scientific and technological capabilities to "fan the flames of the industrial revolution in the new century." North Korea's forgotten special economic zones at Rason and Sinuiju are being rejuvenated (with mixed results) as the government seeks the benefits of foreign investment while simultaneously quarantining the risk of political contamination of the broader population inherent to economy-wide marketisation.

Last month, Pak Pong Ju was re-appointed to the position of Cabinet Premier after six year hiatus, fuelling speculation that the Kim government has a long-term plan for economic reform. Pak earned a reputation as a reformer among the DPRK elite during his previous stint as Cabinet Premier, when he oversaw a number of changes to the North Korean economy.

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North Korea's area of "muddling through" appears to be over under the leadership of Kim Jong Un. Rightly or wrongly, his government has noticeably quickened the pace of decisive policy decision-making in pursuit of a simultaneous nuclear security and economic development program. A fourth nuclear test and/or further missile tests in the coming months would be a strong indication that the North Korean leadership intends to accelerate the proliferation pace in order to bring the nuclear and missile programs to maturity, with a fully operational nuclear deterrent in place to provide the umbrella under which new economic measures can be rolled out.

The current escalations provide another useful function, cultivating national unity during a period of perceived crisis. Hyper-nationalism is already an important legitimising tool for the North Korean government. The Kim government's aggressive rhetoric is fodder for domestic consumption, an effort to enflame nationalism as a unifying device and legitimising cover for the introduction of structural economic reform. This crisis mentality may become even more useful if the government intends to begin restructuring the economy in ways that create new social dislocations or activate socio-economic cleavages that have the potential to become politically destabilising. The unprecedented backlash against the 2009 currency revaluation is instructive here as an example of the political dangers of economic tinkering. Although ultimately suppressed, the protests that bubbled up in reaction to the revaluation frightened the government and forced it to roll back elements of the revaluation as a concession to popular resentment.[4]

The nuclear security umbrella, however, is not quite ready. North Korea's ability to strike targets in South Korea's artillery and short-medium range missiles is well documented and has been a key plank of its strategic posture for decades. They are certainly capable of striking targets in South Korea and Japan. Indeed the South Korean capital, Seoul, is essentially indefensible against rocket and artillery attack from North Korea, given its close proximity to the Korean Demilitarized Zone (DMZ). The United States and South Korea cannot therefore entertain military action against the DPRK without placing the economic, political and cultural nerve centre of the south and its ten million residents at great risk. This in turn opens a strategic space for limited North Korean provocations like the attacks on the *Cheonan* and Yeonpyeong Island in 2010 because the risk of US/South Korea's retaliation is low. By the same token, the overwhelming air power and nuclear weapon superiority of the US renders the North Korean capital and other targets in the DPRK equally vulnerable, which has thus far deterred a full-scale North Korean assault on the South since the Korean War armistice.

Less plausible is the North's ability to hit targets further afield with long-range nuclear-armed missiles, the successful December 2012 rocket launch and nuclear test on February 12 this year notwithstanding. One successful long-range missile test does not prove that Pyongyang is ready to deploy reliable, accurate long-range missiles in the field. Likewise, the February nuclear test has not proven definitively that North Korean scientists have engineered a weaponised nuclear intercontinental ballistic missile, despite clear advances in miniaturisation evidenced by the test. Pyongyang's threat against American targets in Guam, Hawaii and the continental US are therefore more theatrical than menacing.

The danger inherent to the current crisis does not spring directly from North Korea's nuclear weapons capability, rhetorical threats aside. Capabilities do not equal intentions; North Korea's possession of nuclear weapons does not imply that they intend to attack enemy targets at first opportunity. The real threat lies in the risk of an unintended escalation to war through miscalculation. Pyongyang's progressively more extreme pinprick provocations increase the risk of triggering an accidental full-scale war that none of the protagonists wish to fight. The US and South Korean governments may find themselves corralled into responding to another *Cheonan* or Yeonpyeong Island-like incident with a strong display of military force, potentially locking in an escalation spiral leading to all-out conflict.

Adopting a big-picture perspective on the current crisis helps to put North Korea's posturing into a rational context. The leadership in Pyongyang are not stupid; their actions follow a logic consistent with their unique worldview and the prerogatives of their regime survival strategy based on symbiotic nuclear security and economic development.

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[1] Myers, Brian. (2010) *The Cleanest Race: How North Koreans See Themselves—and Why It Matters*. Brooklyn: Melville House, 17-18.

[2] Ri, Jong Cho. (2012) *Songun Politics in Korea*. Pyongyang: Foreign Languages Publishing House.

[3] Having said that, scholars like Patrick McEachern have pointed to factional divisions on foreign policy questions between different organs of the DPRK state. See: McEachern, Patrick. (2010) *Inside the Red Box: North Korea's Post-Totalitarian Politics*. New York: Columbia University Press.

[4] Haggard, Stephan, and Marcus Noland. (2010) "Sanctioning North Korea: The Political Economy of Denuclearization and Proliferation." *Asian Survey* 50(3): 550.

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