

# Rethinking North Korea: Path toward Denuclearization and Stability in East Asia

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### Rethinking North Korea: A Path toward Denuclearization and Stability in the East Asian Region

On January 6th North Korea successfully tested a nuclear weapon, making it their fourth nuclear test in the past ten years. The United States' response called for increasingly strenuous multilateral sanctions along with the strengthening of unilateral sanctions. The United States believes that an increase in targeted sanctions will cause North Korea to make a choice: denuclearize or face the collapse of their regime. President Obama's North Korean policy of strategic patience has been shown to work in Iran where sanctions brought the Iranians to the negotiating table, and eventually resulted in the Iran Nuclear Accords. The Congressional Research Service states "strategic patience, [goal] is to put pressure on the regime in Pyongyang while insisting that North Korea return to the Six-Party Talks. The main elements of the policy involve insisting that Pyongyang commit to steps toward denuclearization as previously promised in the Six-Party Talks; closely coordinating with treaty allies Japan and South Korea; attempting to convince China to take a tougher line on North Korea." [1] Glyn Davies, the United States' special representative for North Korean policy, sums up the administration's commitment to sanctions against the North Korean regime. In 2014 he stated, "We have no misconceptions about North Korea's willingness to give up its arsenal voluntarily. We continue to use the multilateral and other tools at our disposal to increase the cost of North Korea's illicit activities, to reduce resources earned through weapon's exports that are subsequently reinvested in the WMD program, and to sharpen Pyongyang's choices." [2]

Since 2006 the United Nations has passed five Security Council resolutions that include sanctions against North Korea. The United States has also passed multiple pieces of legislations that include sanctions, and the executive branch has issued a variety of sanctions through the use of the executive order against North Korea. These sanctions do not seem to deter North Korea as they continue to test nuclear weapons and rockets that can potentially be used as intercontinental ballistic missiles. The recently released United Nations Security Council report serves to echoes this idea by stating: "Sanctions have not prevented North Korea from gradually improving and expanding its nuclear and ballistic missile capabilities." [3] Former US ambassador to Estonia and State Department consultant on North Korea sanctions Joseph DeThomas stated, "The current sanctions regime [for North Korea, therefore] is the diplomatic equivalent of a hammer without a nail." [4]

The central question for American foreign policy is why sanctions have not resulted in a denuclearized North Korea. A subsequent question is, what, if anything, should the United States do differently in order to yield better results? In order to answer these questions this article is developed into three sections. First, the history of sanctions and how effective they are in coercing states. Second, a new pragmatic policy that engages directly with the North Korean government in hope of reaching an agreement to denuclearize. Finally, the overarching role a denuclearized North Korea will play in the United States pivot towards Asia.

The current U.S. policy, strategic patience, will not yield the desired results of denuclearization in North Korea. If the United States wants to see a change in North Korea behavior then, the U.S. should directly engage with North Korea.

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The United States should pursue a policy that includes economic and diplomatic engagement, which builds an environment of trust between the U.S. and North Korea. A comprehensive economic engagement plan with North Korea, would offer the United States a low risk high reward approach to North Korea, and the East Asian region.

## The Effectiveness of Sanctions

Literature concerning economic sanctions is fairly new. Economic sanctions did not become a diplomatic tool until after World War II, and sanctions effects did not receive academic review until the late 1990's. Robert Pape's study on economic sanctions is the most widely cited in political science literature. Thus, Pape's definition of sanctions will be used, which states: "Economic sanctions seek to lower the aggregate economic welfare of a target state by reducing international trade in order to coerce the target government to change its political behavior." [5] Pape was reviewing a previous study conducted by Gary Hufbauer, Jeffrey Schott, and Kimberly Ann Elliot. Hufbauer et al study found that sanctions were effective 34% of the time and could be used effectively as an alternative to war. Pape, by using the definition above, found that economic sanctions were only effective 4% of the time. [6] This 4% figure will be the cornerstone of the argument that sanctions are not an effective tool to coerce North Korea to give up their nuclear weapons.

Pape's study was key in establishing a baseline for how effective sanctions were in accomplishing their intended goals. The study, however, lacked an in-depth analysis of how time and government structure effected sanctions effectiveness. Dashti-Gibson, Davis, and Radcliff study takes these variables into account and acts as a compliment to Pape's original findings. Their study reveals that the longer sanctions remain imposed on a country the less effective they become. They also conclude that the sanctions have a diminishing marginal return, the more sanctions that the sender nation puts on the receiving state the less effective the sanctions are. [7]

Moreover, the study makes a key distinction on the goals of sanctions and their relative success. The study finds that sanctions that are purely punitive (causing destabilization) are more likely to succeed than sanctions that try to coerce an actual policy change. [8] The United States' sanctions on North Korea would fall into the latter category and thus offer an insight as to why sanctions have not been successful. Sanctions also create the "rally around the flag" effect that empowers authoritarian leaders. [9] This is the case in North Korea, as sanctions have become a symbolic announcement. Supreme Leader Kim Jong Un has continued to use sanctions as propaganda in order to gain more control over the North Korean population. More sanctions will not bring North Korea to the negotiating table, and will actually have a counter-effect, cementing Kim Jong Un's stature as the savior from the so called "evil American imperialist."

As the world becomes more globalized, sanctions can be affected positively or negatively. Iran is an example of how globalization can work in an advantage of sanctions. Before the EU oil embargo in 2012 Iran had not shown any willingness to negotiate a deal. After the embargo the P5+1 was able to come to a deal with Iran, delaying the probability of Iran receiving a nuclear weapon. Although a deal was struck, the Iran anecdote is not the norm when it comes to globalization and sanctions. Globalization has produced sanction-busting countries that act as buffer zones to countries that are being sanctioned. Sanction-busting countries will provide economic relief that violates sanctions, because it furthers their self-interest. In "Sanctions Effectiveness in a Globalized World", Chingono, Danda, and Hove examine the role that sanctions play in a globalized world, and after close examination, sanctions and globalization not only play a contradictory role to each other, most of the time globalization is preferred over sanctions. [10] In the North Korean situation this thesis is highlighted by the role of outside countries offering aid for sanction relief. After the collapse of the Soviet Union, North Korea lacked a major trading partner and suffered a famine that is predicted to kill 800,000 people. [11] In order to fill the gaps that the USSR left, Japan became North Korea's main trading partner until 2003 when the government could not come to agreement over the issue of Japanese abductees. South Korea's sunshine policy was able to fill the void that Japan left, and the United States subsequently provided a huge help by providing humanitarian aid. After North Korea's first nuclear test, South Korea and the United States stopped providing most economic aid into North Korea, leaving room for China to step in, and assume the role of their current trading partner. Today, the continuation of sanctions has made North Korea more dependent on China, as China makes up 90% of trade output with North Korea. [12]

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This idea of China's role in filling the gap was also a focal point of the Chingon et al. study.[13] China's continuing role of sanction busting is seen on the international stage as being defiant to the international order. A closer examination would reveal that China is attempting to gain influence in these countries where anti-US sentiment is high in order to counterbalance the United States economically rather than militarily. This notion will be touched upon later, but it is important to note the rise of China's influence across the world via the United States sanctions regime, specifically in North Korea.

Some experts have called for more targeted sanctions against the North Korean elites. The expert's assume that pressure from the top will create a schism in the elites and force Kim Jung Un to negotiate in order to appease his associates. Daniel Drezner reviews the notion of targeted sanctions, which he defines as "[sanctions] designed to hurt elite supporters of the targeted regime, while imposing minimal hardship on the mass public".[14] Drezner concludes that smart sanctions are humane, but does not coerce the state into changing action.[15] Drezner's findings are another reason why the United States should move away from sanctions: previous UN resolutions have tried targeted sanctions with very little progress towards accomplishing denuclearization. As a result, the continuing call for targeted sanctions will have the same diminishing returns that general sanctions have.

## Iran and North Korea

With sanctions' recent success leading to the Iran deal it is key to address the difference between Iran and North Korea. The comparison between Iran and North Korea is quite common in the political world as well as in the academic world: both countries have strong anti-U.S. sentiments, are ruled by a group of elites, and are economically isolated from most of the world. On the macro level the comparison makes some sense, but doesn't reveal the whole picture. First, while the Iranian people remained oppressed by the Ayatollah, they have a method to voice their opinions through voting. Iran is qualified as an Islamic Republic where most policy decisions are made by the Ayatollah and enforced by his revolutionary guard. However in recent years the moderates have gained incremental political power. Sanction on the Iranian economy led the moderates to protest in the streets, which would be later known as the green revolution. The Iranian deal guaranteed economic relief that was key to appeasing these moderates.

Meanwhile, the North Korean people have very little influence on politics. Kim Jong-Un only has to appease the elites that back him, and is willing to let his people suffer, much like his father did in the 1990's when a famine killed more than half a million people. If you are found in violation of the law in North Korea you and your family are sent to work camps, where most people work as slaves until they die. The North Korean regime ruling with an iron fist ensures pure ideological loyalty to the regime. The distinction between Iranian and North Korean politics is key to understanding why the Iranians succumbed to sanctions and why North Korea will not.

On the micro level, the Iranian economy remained much more exposed to sanctions than the North Korean economy. Iran lacked a strategic ally during the time of sanctions, and their economy was dependent on oil. Without a sanction-busting country to rely on, and the oil shocks in prices after the 2008 financial crisis, the Iranian economy felt the full effect of sanctions. US Secretary of Treasury Jacob Lew stated that the Iranian economy diminished by 15 to 20% and the value of the rial (the Iranian currency) declined by 56%.[16] Conversely, China, North Korea's main ally/trading partner, ensures that sanctions are not fully enforced. Over the interval of sanctions, total trade in North Korea has continually gone up.[17] On February 6th 2016 the New York Times reported that China has shipped 2.09 billion dollars of skiing equipment to North Korea clearly violating UN resolution 1718.[18]

Similarly, the newest multilateral sanctions, passed via UN resolution 2270, have been scarcely enforced. The New York Times and the Economist both note the continuing flow of goods, which violate the resolution, from North Korea to China and vice-versa.[19][20] Only 5% of the trucks that cross the North Korea-China border are screened by border control.[21] This is not the first time China has been accused of violating sanction laws, leading Secretary of State John Kerry to state "Today in my conversation with the Chinese I made it very clear that [their approach] has not worked and we cannot continue business as usual." [22] Without a full Chinese commitment to sanctions North Korea will continue business as usual. The two reasons mentioned above, different political systems and a major superpower backing, is why the United States cannot take the same approach to North Korea that they took with

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Iran.

## Rethinking Policy: The Case for Economic Engagement

Having made clear the distinction between North Korea and Iran, it is important to examine internal factors motivating North Korea's pursuit of nuclear weapons. North Korea's byungjin plan entails the dual approach of economic development while pursuing nuclear weapons. This internal plan was solidified in 2012 when Kim Jong-Un rewrote the constitution to define North Korea as a nuclear state.[23] This designation made it clear that nothing would deter the regime's goal of acquiring nuclear weapons. Sanctions' goal of denuclearizing the North Korean peninsula is unreasonable due to the fact that North Korea already possesses nuclear weapons. The starting point for negotiations is a non-starter for North Korea and they will continue to stall as the development of nuclear weapons and intercontinental ballistic missiles continues. While North Korea still depends on China for food and energy assistance, North Korea is beginning to transition to a mixed economy that relies more on market based economics.[24] The diversifying of the economy means that current sanctions are not sufficient to combat the changes happening in North Korea.

If new unilateral sanctions are to be put in place, China will more than likely disapprove. Bradley Babson, the Chair of the DPRK Economic Forum at the U.S.-Korea Institute, states, "Despite increasing Chinese dissatisfaction with North Korea, it is unlikely that China would agree to endorse economic pressures that would risk either regime collapse or large-scale refugee flows into China." [25] Without a multilateral consensus, North Korea will continue its pursuit of nuclear weapons. The internal dynamics of the growing North Korean economy show that sanctions have made the North Korean government become more dependent on a free market type system. The US should take notice, and start bilateral talks that would encourage a transition to a free market economy. Moving away from sanctions and towards economic projects linked to denuclearization offer the best chance for a stable East Asian region.

Economic engagement, linked to denuclearization on a quid pro quo basis, with North Korea and the North Korean people offers the best option and most flexibility for the U.S. Note that economic engagement is not the silver bullet to solving denuclearization. Economic engagement will offer the United States leverage in denuclearizing the peninsula over a long period of time, by making the North Korean economy dependent on American influences. The following paragraphs will examine how and where the United States should invest in North Korea. It will follow with analyzing two case studies dealing with special economic zones within North Korea, and conclude with a potential multilateral investment project that the United States could play a role in within North Korea.

Recently Kim Jong-Un has called for more economic development within North Korea. Up to thirty percent of Kim's appearances in 2015 dealt with economic issues, and his 2016 new years addresses specifically mentioned economic development as one of the goals for the regime.[26] In previous years the North Korean leader has made similar statements, but his statements lacked actions. More recently, however, Kim has offered suitable economic reforms including the utilization of special economic zones, and in 2013 North Korea announced the New Economic Management Measures policy that set the rules for Special Economic Zones. Some benefits for companies include a 50-year land lease, 14 percent net profit tax rather than 25 percent in places other than special economic zones, and preferential tariffs for investors who reinvest into the special economic zone.[27] Special Economic Zones offer the United States a mechanism for direct engagement with the North Korea people. Direct engagement, is a key to countering North Korean propaganda that the United States is the "evil imperialist." If the U.S. fails to engage with North Korea then China will fill the investment gap, gaining more influence.

Now that it is clear that North Korea is looking to reform their economy, how should the United States structure a quid pro quo agreement? Bradley Babson explains in his study how positive economic inducements could be a possible solution to the denuclearization in North Korea. Babson stresses that it is the United States' job to convince the North Koreans that opening their economy to become more capitalistic will better the North Korean's security apparatus.[28] Since Babson is the lead scholar on how economic engagement offers an alternative to sanctions this paper will use the framework of quid pro quo that he laid out in his study. The process will include 3 phases, pre-agreement, reaching an agreement, and post agreement.[29] Each phase will include more commitment from North Korea as well as the United States.

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Even before negotiations start, the United States should lift the ban on luxury goods. This should be easy for the United States to do because China constantly violates the luxury goods ban, thus making the sanctions on such goods ineffective. This would give the United States the high ground when it comes to negotiating with the North Koreans because it shows that the United States is willing to compromise if the North Koreans are serious about denuclearizing.

The first phase, called the pre-agreement phase, would include communication between the United States and North Korea about potential special economic zones to invest in. The United States plans to invest in special economic zones should include Wonsan, Kaesong, and Unjong. In order to insure that US businesses are protected, the United State and North Korea should include a bilateral investment treaty as part of the first phase. Not only will this signal that North Korea is dedicated to actual economic reform, it would guarantee US businesses some kind of compensation if the North Korean government unjustly nationalizes US businesses.

North Korea currently has bilateral investment treaties with fourteen countries.[30] The current bilateral treaties should be used as a model for US-DPRK bilateral investment treaties. In order for this to work the North Koreans will have to place a moratorium on the production of nuclear material. Phase one will not include IAEA inspections, but the United States should allow for track 2 diplomats to inspect North Korean nuclear facilities to verify that North Korea has stopped the production of nuclear material. Since track 2 diplomats have the most experience with North Korean nuclear facilities, highlighted by Sig Hecker's piece "Redefining denuclearization in North Korea" they could act as primary verifiers.[31] The last request the United States should make is that North Korea allows the free flow of health NGO's (e.g. Doctors without borders) into the country. North Korea should also guarantee the NGO's protection from prosecution.

If the United States and North Korea succeed with the pre-agreement phase, they should then transition to the agreement phase. This phase would include North Korea allowing IAEA inspectors into the country. The inspection regime should be similar to the inspection regime that the IAEA implemented via the Iran Nuclear accords, including inspections anytime and anywhere. The United States should also demand that North Korea sell any excessive nuclear material, to Russia or China, in return for blended down uranium that could be used for nuclear energy. This demand was a key mechanism in the Iranian nuclear accords, to insure any excessive amount of nuclear material was not kept in storage and used potentially for a bomb.[32] In return for allowing IAEA inspectors, the United States should also allow North Korea access to international institutions (IMF and World Bank). Allowing the IMF and the World Bank to work with North Korea will be a key mechanism in slowly building the won into a reliable currency. It will also allow the North Korean people access to hard currency. A reliable won and access to hard currency will play a major role in integrating the North Korean people into the international market. This phase would also include actual investment into the special economic zones, which will be discussed shortly. If this phase is successfully implemented then North Korea could become an ideal investment spot for foreign direct investment and multinational corporations.

As mentioned in the previous paragraph a key element of phase two is investment into special economic zones. To understand how special economic zones work, this paper will look into two case studies, Rason and Kaesong. Rason and Kaesong are the two most prominent special economic zones within North Korea. Both special economic zones offer key insights on how the United States should approach the investment process.

Rason is one of the oldest special economic zones within North Korea, becoming a zone in the early 1990's. Geographically, Rason shares a northern border with China, making most of the trade that happens in Rason with China. Overall trade between Rason and China amounts to six billion dollars.[33] While China is a huge investor into Rason, Russia, the Czech Republic, and Singapore all have investment projects within the Rason zone. Investment projects include breweries, telecommunications, and infrastructure.[34] Dr. Rüdiger Frank is one of the few western scholars to actually visit Rason. Frank had this to say about his experience, "The lanes of the market were closely packed with women selling items ranging from fresh fish to refrigerators. The fruit corner offered pineapples, bananas... a selection that would have made an East German's heart miss a beat." [35] Frank also describes having conversations with North Koreans about wages, life style and array of topics that would be forbidden to talk about within Pyongyang. Frank's experience is a key indicator that the United States is missing out on engaging

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economically by sanctioning rather than investing in North Korea.

Rason also shows how special economic zones are mostly independent of North Korean control, and are ran like businesses. The fact that multiple countries have invested into this region should give the United States enough confidence to start investing in similar special economic zones. Franks statement “North Korea has decided to open up, but nobody seems to care” sums up most of the worlds response to North Korea trying to reform their economy.[36] If the United States misses out on this opportunity, they will allow China to continue to hold the leverage in the denuclearization process.

The Kaesong special economic zone differs from the Rason zone. Rason is a multinational diversified special economic zone, while Kaesong was a bilateral industrial only special economic zone. The Kaesong zone is located on the border between North Korea and South Korea. Before being shut down in January, after North Korea’s fourth nuclear test, Kaesong was a South Korean-North Korean joint special economic zone. This case study will examine the roll that Kaesong played before being shut down.

The Kaesong Industrial Complex (KIC) was part of the sunshine policy during the late 1990’s and continued until 2016, with a brief shutdown in 2015. After the 2015 shutdown the South Korean government was able to insure better protections for the workers, and their investments. During this time KIC was responsible for 100 million dollars in trade between North Korea and South Korea.[37] Even though the profits made from this trade were significantly smaller than those made from the Rason zone, South Korea was still able to benefit from cheap North Korean labor, and play a role in influencing North Korean individuals. With the shut down of the KIC, South Korea no longer has any forms of engagement with North Korea. South Korea’s isolation of North Korea allows for China to increase their trade with North Korea and thus has given China more leverage within North Korea.

The United States should fill the gap of investment, and encourage the South Koreans, along with the Japanese, to invest into the Kaesong zone. A US led effort would give the North Korean government the much-needed economic relief it needs, but will also offer the United States leverage in the denuclearizing process. If the United States is able to build a coalition of investors, the United States leverage increase more so, and the United States could help ensure human rights for the North Koreans working at Kaesong.[38] These two case studies showed that there is a potential market for the United States to invest in. If the United States were to invest into North Korea it would offer potential leverage to work out a deal to denuclearize. Ultimately, the United States should avoid falling behind the rest of the world and begin investing into North Korea via Special Economic Zones.

As seen in the previous paragraphs special economic zones offer an opportunity for the United States. Along with Kaesong, the United States should invest in Wonsan and Unjong. The Wonsan special economic zone would be primarily based on the tourist industry, which includes Mount Kumgang a big tourist destination for South Koreans until a shooting by North Korea in 2008. This zone has the most potential because an autonomic group will rule Wonsan like Rason.[39] Guaranteed autonomy allows for business to be innovative without the fear of the government seizing their property. While Wonsan is the safest bet, Unjong offers the biggest return for the United States. Unjong is the only special economic zone within Pyongyang, and hopes to be an economic zone for commercializing technology.[40] Commercializing technology usually requires an entrepreneurial spirit, which requires a free flow of ideas in order to be successful. Located within the Pyongyang, Unjong offers the United States influence within the capital city, where most of the educated North Koreans reside. The introduction of capitalism within Pyongyang would offer the U.S. potential partnerships and interactions with future leaders. Also U.S. investment could effectively be used as a counter-propaganda tool. These three special economic zones should be the beta testing for more United States involvement within in North Korea, and should create a business atmosphere that will bring in more investment.

The final phase, the post-agreement phase, will be when the United States encourages other countries to invest in North Korea. If the United States were successful in investing in North Korea through the agreement phase, a business friendly atmosphere would be created within North Korea. Multilateral investment projects can include: allowing North Korea into the Asian Infrastructure Bank, a Russian transnational pipeline, and/or a China-North Korea-South Korea interconnected energy grid. All three of these projects would include many different partners

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within North Korea, and would be the final step in integrating North Korea into the global economy. Like the previous two phases, this phase is quid pro quo, which means in return for multilateral investment projects North Korea will have to give up their nuclear weapons. This will be the finally step in the denuclearization process, because North Korea will have established that they are economically stable and thus do not need nuclear weapons anymore. Also an economic partnership with the United States, should subdue Kim Jong-Uns' fear of a U.S. invasion. Out of all the investment projects the Russian transnational offers the most return for all countries involved.

Russia has been pursuing a transnational pipeline in the Asian region since the early 2000's. From a Russian prospective East Asian economies are the future. Additionally, current hostility with European countries allows East Asia to become an ideal location to ship oil. South Korea offers an ideal location for Russian oil, since South Korea imports more oil than all countries besides the United States and Japan.[41] The United States and Russia can work together since preliminary plans have the pipeline running through Wonsan, a U.S. special economic zone. [42]

The US-Korea Institute at SAIS explained the potential positive effects that a transnational pipeline would have "Moscow could ask Pyongyang to drop its WMD program in exchange for more rail/oil/gas cooperative projects for economic growth, transforming North Korea from a risk into an economic partner." [43] The post-agreement phase offers the potential for multiple actors to engage with North Korea, offering the economy some much-needed stimulus. It will also help create a partnership between the United States and North Korea that has the potential to positively effect the US Asian pivot.

## The Asian Pivot

In 2009, President Obama announced that the United States would pivot towards Asia. Recent economic growth within the Asian region, and the rise of China offered the Obama administration the justification to pivot. The Asian pivot is built around five pillars: "closer coordination with the U.S. treaty allies in Asia, deepening cooperation and capacity building with emerging powers, forming a constructive relationship with China, increasing engagement with region's multilateral institutions and concluding negotiations on new trade and investment initiatives." [44] The current United States approach to the Asian pivot has primarily involved military focus. This has been a mistake since the primary goal is to contain a rising China, similar to how the United States contained the USSR. Without a refocus in current strategy, the U.S. runs the risk of war with China. Through the aforementioned denuclearization of North Korea, the United States can begin to shift its focus from military strengthening to diplomacy within the region. This shift would offer the United States a more effective way to pivot towards Asia.

The United States currently understands foreign policy from a Eurocentric perspective. The Asia pivot relies on the classical realism argument pertaining to the balance of powers. The idea behind the balance of powers is that one country cannot rise to dominance over a region or the world. Therefore, the United States has been shifting military focus towards Asia in order to balance the rise of China. This shift will not be effective in balancing China, because the balance of power in Asia is determined by economics not by the military. It is this disconnect that Steve Chan writes his book *Looking for Balance: China, the United States, and Power Balancing in East Asia*. Chan writes: "East Asian countries have adopted a conception of security... that gives priority instead to economic performance, one that provides the foundation for strength." [45] This is why the North Korean denuclearization plan offered in this paper is important to the Asian pivot. The United States would have to move away from the securitization mindset that it has used to approach the pivot to current date, and move towards a more diplomatic and economic approach that is key to balancing China within the region. Since it is clear that a new mindset towards the region is needed, what role would a denuclearized North Korea play within the pivot?

A denuclearized neutral North Korea allows the United States to meet four out of the five aforementioned pillars of the pivot. A neutral North Korea is the most probable scenario because the denuclearization process does not account for the bad blood between North Korea and the United States that goes all the way back to the Korean war. The United States would be increasing their capacity to cooperate with growing powers in the region, which is pillar two, specifically North Korea. North Korea could follow a path like Burma, and Vietnam who had shaky relations with the United States in the past, but now enjoy a vibrant trade relationship with the United States. North Korea could, through the post-agreement phase, also allow for the United States to meet pillars three, four, and five. The post-

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agreement phase would see the United States and China cooperating on investment projects within North Korea thus building a constructive relationship between the two countries. Also a non-nuclear North Korea would allow for the United States to reduce troops in South Korea, another point of contention between the United States and China. A neutral North Korea offers the United States a path towards a more viable Asian pivot, but an allied North Korea would allow the United States to meet all five pillars of the Asian pivot.

Post denuclearization North Korea could see economic growth similar to 1980's-1990's Chinese economic growth. Cheap labor, and special economic zones will create incentives for business to invest within North Korea, and could shift the labor market in East Asia from China to North Korea. With the increase of capital comes the increase of gross national income. The goal should be for the average gross national income to equal 3,000 dollars in North Korea. That number lines up with former South Korean President Lee Myung-bak vision 3000 policy.[46] President Myung-bak's policy was important because once the North Korean people reached the 3,000-dollar threshold then the process of unification between North Korea and South Korea could start. Unification via economic integration is the most typical route for countries that are divided. The most prominent example of unification via economic integration is the unification between East and West Germany.[47] If North Korea and South Korea ever unified then the United States could balance China on both fronts, military and economically.

An allied North Korea or unified Korea would offer the same advantageous that a neutral North Korea would offer, with the addition of closer coordination with treaty allies. "A unified Korea could create an \$8.7 trillion economy by 2055, or 1.7 times the forecasted size of the South Korean economy." [48] Note that study assumes that South Korea spends over one trillion dollars in helping North Korea's economy become more market like. As previously mentioned North Korea would be an ideal place for investors, because of the cheap labor the country has to offer. Business could start to choose a unified Korea over China as a place to do business. A unified Korea offers the United States a much more flexible approach towards the Asian pivot. Instead of the military having to balance China, the United States could partner with a unified Korea in building institutions that support democracy and free trade within the region. The United States could effectively balance China while spending a fraction of the cost, and eventually put enough pressure on China to cause a democratic movement within China. When talking about the Asian pivot the United States should note a unified Korea is in the United States best interest to accomplish all five pillars of the pivot.

## Policy Recommendations

1. The United States should abandon strategic patience: It has become quite obvious that the current U.S. strategy has not accomplished denuclearization. The recent UN Security Council report should be the incentive for the United States to change its current policy. The United States can no longer sit around waiting for the North Korean regime to collapse; the United States must diplomatically and economically engage the regime.
2. The United States should abandon the notion that North Korea has to denuclearize before any economic engagement can take place: North Korea believes that only nuclear weapons can help the regime maintain its security. If the United States maintains the current policy of denuclearizing before any type of engagement, then North Korea will continue to enrich material and test weapons. The United States should recognize that a piecemeal approach towards denuclearization is the most plausible way forward.
3. The United States should begin diplomatic talks with North Korea: The United States has never had official diplomatic relations with North Korea. The United States should begin bilateral talks with North Korea about the denuclearization of the peninsula. Direct engagement with North Korea is key to the pre-agreement phase laid out in this paper.
4. The United States and North Korea should agree to a Bilateral Investment Treaty: A bilateral investment treaty is the first step in any economic engagement process between two countries. The United States should negotiate and agree to a bilateral investment treaty that protects and gives American businesses confidence in order to engage in North Korean special economic zones. Without a bilateral investment treaty, the agreement and post agreement phases will not come to fruition.
5. The United States should invest in North Korean special economic zones: Direct economic engagement with North Korea will be the biggest factor in denuclearizing the peninsula. Through economic engagement



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the United States will be building a middle class that will be key to a change in North Korean governance. If the United States fails to engage within the next couple of years, there is a risk that China will gain even more influence within North Korea. The United States should view North Korea as an economic partner, and also as a potential country that could play a key role in the US Asian pivot.

## Conclusion

The United States policy has failed to denuclearize North Korea. It is time for the United States to take a step back and rethink how they should approach the issue of denuclearization. The United States should consider why sanctions have not resulted in a denuclearized North Korea. After reviewing the shortfalls of the current policy, the United States should work on a new policy, one that focuses on economic engagement for concession from the North Korean government over its nuclear program. It has become quite clear that any effort has to be US led, as China has constantly drug their feet when it comes to North Korea. A piecemeal approach would not only guarantee compliance from North Korea, but would also show that the United States is willing to compromise. A denuclearized North Korea offers the United States potential partner for their pivot towards Asia, and could be a key ally if the Koreans were to unite. If the United States rethinks how to handle North Korea it could lead to a path toward denuclearization and stability in the East Asian region.

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