

▶ Introduction

Five Scenarios for the Korean Peninsula

——The Need to Address the Facts and Develop a Long-term Vision

[Key Points]

- The North Korean nuclear and missile issues are the subject of increasingly intense maneuvering among stakeholder countries. Broadly speaking, there are five scenarios for how the situation could play out in due course: (1) military action / destruction of nuclear and missile facilities; (2) a deal between the US and North Korea / negotiation between President Trump and Chairman Kim Jong-un (3) the outbreak of an accidental war; (4) maximum pressure; and (5) “South First, US Later.”
- Japan must bear all these scenarios in mind in its response, but it must also pay heed to the fact that this problem will not be solved merely by the removal of North Korea’s nuclear and missile capabilities. True peace and stability in the region cannot be achieved without a stance focused on the dismantling of the Cold War structure and the formation of a new regional order.
- Dealing with the Korean Peninsula issue necessitates responses that encompass a whole range of matters, including foreign policy, security, and the economy. As well as realistic measures to address the immediate threat of North Korea’s nuclear and missile capabilities, our country needs a long-term vision for making peace, stability, and prosperity in Northeast Asia a reality.



Key Data

Main Scenarios Envisaged on the Korean Peninsula

Military Action Scenario	The US military stages a limited attack on North Korea's nuclear and missile facilities, neutralizing North Korean nuclear and missile capabilities
US-North Korea Deal Scenario	The Trump administration and the Kim Jong-un regime reach a deal through talks
Accidental War Scenario	Despite the fact that neither the US nor North Korea really want a military clash, a misreading of the other's intentions leads to war
Maximum Pressure Scenario	Japan, the US, and others impose the maximum pressure on North Korea through tighter sanctions and economic blockades, while avoiding military clashes
"South First, US Later" Scenario	North Korea adopts a two-step approach, embarking on inter-Korean dialogue first to put in place the conditions for negotiations with the US later

1. The Korean Peninsula at a Turning Point

The North Korean nuclear and missile issues are the subject of increasingly intense maneuvering among stakeholder countries. High-level inter-Korean dialogue took place during the Olympic and Paralympic Winter Games held in Pyeongchang, South Korea. The truce adopted at the UN General Assembly for the duration of the Olympics came to an end on March 25, 2018 and the Korean Peninsula situation is approaching a major crossroads.

Through the exchange of special envoys, North and South Korea agreed to hold a summit meeting between President Moon Jae-in and Chairman Kim Jong-un at the end of April, at Panmunjom on the Military Demarcation Line. US President Donald Trump also announced his intention to hold a summit meeting with Chairman Kim Jong-un by May. Will this be the catalyst for the situation on the Korean Peninsula to enter a dialogue phase in earnest, or will the détente merely be a brief interlude before a return to tension? Amid rumors of various scenarios, from a military assault by the US to a deal between the US and North Korea, the international community's attention is focused on the Korean Peninsula.

It goes without saying that the Korean Peninsula situation has come to this crunch because North Korea has reached the completion stage in its nuclear and missile development. Following the Hwasong-15 missile launch on November 29, 2017, which marked the culmination of six nuclear tests and repeated missile launch tests, Chairman Kim Jong-un declared that North Korea had “finally realized the great historic cause of completing the state nuclear force.” The technologies involved in the re-entry of the missile payload into the atmosphere have not yet been verified, but US Central Intelligence Agency (CIA) Director Mike Pompeo said in a speech on January 23, 2018 that North Korea was “a handful of months” from having the ability to launch a nuclear attack on mainland USA using an intercontinental ballistic missile (ICBM). It is extremely unusual for a high-ranking US government official to go on record about the timing of ICBM completion.

If North Korea actually acquires the capacity to attack mainland USA with an ICBM carrying a nuclear warhead, it will have a major impact on US strategy. This would transform the security environment in East Asia, affecting the safety of Japan as a US ally, with the potential to result in a serious crisis. Can the international community halt North Korea's nuclear and missile development plans and push it back in the direction of denuclearization? Unlike previous maneuvering between the US and North Korea, this is now a race against time.

President Trump has repeatedly stated that “all options are on the table,” refusing to rule out the exercise of military force as a means of resolving the situation. On February 23, he announced the “largest-ever set of new sanctions,” focused on redoubling efforts to crack down on smuggling.

President Trump warned, “If the sanctions don’t work we’ll have to go phase two. Phase two may be a very rough thing. It may be very, very unfortunate for the world.”

According to an explanation provided by the South Korean presidential special envoys during their visit to North Korea, Chairman Kim Jong-un promised to freeze nuclear and missile tests and expressed understanding concerning the continuation of US-South Korean joint military exercises. While President Trump’s announcement of his intention to hold a summit meeting with Chairman Kim Jong-un means that the possibility of military action has lessened for the time being, the outlook for US-North Korean dialogue on denuclearization offers no grounds for optimism. Uncertainty is growing over the situation on the Korean Peninsula, with a major risk that gamesmanship between these two leaders prone to unpredictable behavior could escalate into war.

2. The Five Envisaged Scenarios

Broadly speaking, the five scenarios for how the Korean Peninsula situation could play out in due course are as follows: (1) military action / destruction of nuclear and missile facilities; (2) a deal between the US and North Korea / negotiation between President Trump and Chairman Kim Jong-un; (3) the outbreak of an accidental war; (4) maximum pressure; and (5) “South First, US Later.”

The first scenario, military action, is one in which the US military stages a limited attack on North Korea’s nuclear and missile facilities, neutralizing North Korean nuclear and missile capabilities. The strike also hits the North Korean military chain of command, in an effort to avoid an escalation into all-out war. The US military is said to be considering the specifics of what they term a “bloody nose strike.”

In the second scenario, a US-North Korean deal, the Trump administration and the Kim Jong-un regime reach a deal through talks. Conceivable developments include North Korea accepting phased denuclearization or a freeze on nuclear missile development and deployment, along with international monitoring, while the US responds with improved US-North Korean relations, some kind of peace agreement, a freeze on US-South Korean joint military exercises, and the easing of sanctions. If a US-North Korean deal is reached, the issue for Japan will be how to achieve restrictions on missiles such as the Rodong, the Scud-ER, and the submarine-launched Pukkuksong-2, which can already reach the Japanese mainland.

In the third scenario, an accidental war, a misreading of the other’s intentions leads to war, despite the fact that neither the US nor North Korea really want a military clash. Both President Trump and Chairman Kim Jong-un have peculiar characters, while neither has had a long career in

politics. There is perhaps a risk that a game of chicken between two inexperienced leaders could progressively escalate into a situation from which neither can back down. One cannot exclude the possibility that not only bilateral factors between the US and North Korea, but also domestic issues such as dictatorial prestige or suspicions of Russian influence over the Trump administration could come into play.

The fourth scenario, maximum pressure, involves the US and other countries imposing the greatest possible pressure on North Korea through tighter sanctions and economic blockades, while avoiding military clashes. Targeting 27 shipping companies, 28 vessels, and one individual in nine countries and regions, including China, Singapore, and Taiwan, the “largest-ever set of new sanctions” announced by the US government on February 23 represents a strict crackdown on smuggling coal and oil into North Korea by means of ship-to-ship transfers, to evade UN sanctions. Conceivable approaches to cracking down on sanctions-busting include snap inspections of vessels at sea, but North Korean opposition under its strategic line of economic self-reliance could well make this a long, drawn-out battle.

In the fifth scenario, dubbed “South First, US Later,” North Korea adopts a two-step approach, embarking on inter-Korean dialogue first to put in place the conditions for negotiations with the US later. One approach that springs to mind involves taking advantage of the Pyeongchang Olympics to hold high-level inter-Korean dialogue including a summit meeting in the first stage, with the second stage seeing strategic reconciliation with the US by the time of the 70th anniversary of the country’s founding in September 2018, accompanied by a denuclearization agreement with the Trump administration ahead of the US Congress midterm elections in November. An expanded “South First, US & Japan Later” scenario is also conceivable, in which Japan is brought into the “South First, US Later” dialogue to undertake negotiations amid raised expectations of a solution to the issue of abductions by North Korea.

Aside from these, there is also the scenario in which North Korea admits defeat in the face of pressure from the international community and completely abandons nuclear weapons and missiles, and the outburst scenario, in which a cornered North Korea provokes a war. However, in light of the fact that North Korea has so far made the survival of the regime its top priority, it is unlikely either to embark on a war with the US, which could deal a catastrophic blow to the Kim Jong-un regime, or to unconditionally renounce nuclear weapons and missiles, which are a tool for maintaining the regime. Consequently, for the time being, one of these five scenarios — or even a combination of several simultaneously — is regarded as being a strong possibility.

3. How Japan Can Prepare for Bringing Denuclearization to Fruition

Located next to the Korean Peninsula, Japan must bear all five scenarios in mind in its response, but it must also pay heed to the fact that this problem will not be solved merely by the removal of North Korea's nuclear and missile capabilities.

The North Korean nuclear and missile issues are deeply rooted. While progress has been swift in the Kim Jong-un era, North Korea has been developing nuclear weapons and missiles since the time of his grandfather, President Kim Il-sung. When the US entered the 1950-53 Korean War, North Korea was terrified of a nuclear attack. His dream of red unification shattered, Kim Il-sung became painfully aware of the need for medium- to long-range missiles to hamper any US military forces coming to South Korea's aid and is believed to have ordered the development of nuclear weapons to strengthen the deterrent effect.

Nuclear weapon and ballistic missile development was accelerated by the end of the Cold War between East and West, triggered by the collapse of the Berlin Wall. Its rival, South Korea, established diplomatic relations with the Soviet Union and China, which had previously backed North Korea. A shocked Kim Il-sung actually approached Japan and the US in an attempt to normalize diplomatic relations at the beginning of the 1990s. Once Japan and North Korea began negotiations on normalizing diplomatic relations, Workers' Party of Korea Secretary Kim Yong-sun, who was in charge of international relations, visited the USA. However, sadly, this attempt ended in failure. North Korea's sense of isolation and anxiety over its security deepened and it leaned further toward nuclear and missile development.

Beset by successive natural disasters and economic difficulties, President Kim Il-sung's successor, General Secretary Kim Jong-il, built a military-first crisis management system called *songun*. With the survival of the regime at stake, he became increasingly preoccupied with nuclear and missile development. North Korea's current leader, Chairman Kim Jong-un, took over from him, just before his legacy was complete.

The survival strategy cultivated by North Korea over many years involves increasing the deterrent effect by means of nuclear weapons and ballistic missiles, and using this as a lever to normalize diplomatic relations and achieve a peace treaty with the USA. The intensive round of nuclear and missile tests that has taken place since 2016 should probably be viewed as a last spurt due to North Korea's long-term strategy approaching its final stage, rather than as impulsive behavior driven by Chairman Kim Jong-un's personality.

A dogmatic survival strategy that ignores international rules certainly should not be accepted, but it should not be forgotten that the division of the Korean Peninsula and the remnants of the Cold War structure in Northeast Asia are behind the issue of North Korea's nuclear and missile

the US have not yet normalized diplomatic relations with North Korea, a peace treaty between Japan and Russia is yet to be concluded, due to the Northern Territories issue. We should be aware that true peace and stability in the region cannot be achieved without a stance focused on the dismantling of the Cold War structure and the formation of a new regional order. While Korean unification seems a rather distant reality, it is a matter that Japan — neighbor to and former colonial ruler of the Korean Peninsula — cannot ignore.

Dealing with the Korean Peninsula issue necessitates responses that encompass a whole range of matters, including foreign policy, security, and the economy. Neither is it a question that can simply be left to the government. How should Japan engage with the Korean Peninsula and the surrounding region in the long term? This is an issue that should be considered at all levels: governmental, corporate, social, regional, and individual. As well as realistic measures to address the immediate threat of North Korea's nuclear and missile capabilities, our country needs a long-term vision for making peace, stability, and prosperity in Northeast Asia a reality. The details will be discussed in subsequent chapters.

4. Objectives and Composition of This Report

In recent years, the Japan Center for Economic Research has been devoting considerable energies to Korean Peninsula issues in its Asia research. With the cooperation of researchers from Japan and South Korea, we published a report on the North Korean risk — a matter of common concern to both countries — in FY2015, which marked the 50th anniversary of the normalization of diplomatic relations between Japan and South Korea. The FY2016 report focused on the North Korean economy and geopolitical change involving the Korean Peninsula, with contributions from American, Chinese, and Russian researchers as well.

In FY2017, our third year of focusing on North Korea, we decided to examine scenarios for the future and the response that Japan should adopt, based on the aforementioned research outcomes. We asked Keio University professor emeritus Masao Okonogi, one of Japan's foremost experts in Korean Peninsula research, to chair the research group. We were also privileged to benefit from the involvement of Tokyo International University professor Hajime Izumi, who is knowledgeable about North Korean issues and international relations; Masahiro Akiyama, representative of the Society of Security and Diplomatic Policy Studies and former director-general in the Defense Agency; Narushige Michishita, a security expert who holds the post of professor at the National Graduate Institute for Policy Studies; and Tadashi Maeda, executive managing director of the Japan Bank for International Cooperation, who is well-versed in both the theory and practice of economic

cooperation. This report summarizes the discussions by members of the research group over the course of several seminars in which experts from Japan and overseas were also invited to participate as special guests.

Following on from this chapter, Chapter 1 “A Proposal for a Policy of Flexible Containment—Beyond the Policy of Maximum Pressure” analyzes the origins of the North Korean nuclear and missile issues and analyzes US-North Korean policy trends, as well as examining appropriate policies for bringing peace and prosperity to this region. It seeks to identify the best approach from the overall perspective of diplomacy, security, and the economy.

Chapter 2 “A New Strategic Line of Strengthening the Deterrent Effect and Détente—How Japan Can Take the Initiative in Dialogue” examines the policies that Japan should adopt, primarily from the perspective of security. Based on the recognition that Japan too is a key player in the Korean Peninsula issue, this chapter examines initiatives aimed at strengthening the deterrent effect of military capacity and improving the security environment.

Chapter 3 “Guiding the North Korean Economy Toward Reform and Opening Up—Inter-Korean Exchange and Northeast Asian Economic Cooperation” focuses on economic issues, analyzing the North Korean economy under international sanctions and recent policy trends. While essaying a scenario analysis centered on economic policy, this chapter examines responses by Japan and other stakeholder countries, in anticipation of the possibility that economic issues could surface in future North Korean negotiations with other countries.

In relation to this, “Addendum: Issues Facing North Korea’s Economy and a Tentative Plan for Reform” analyzes long-term economic challenges in the form of economic development and cooperation issues facing North Korea once outstanding issues of concern such as nuclear and missile development and the abductions issue have been resolved. This tentative plan summarizes the ideas for reform considered with reference to China’s experiences of reform and opening up, and the example of South Korea, which made effective use of economic cooperation following the normalization of diplomatic relations with Japan.

Unlike the FY2015 and FY2016 reports on the Korean Peninsula issue, this year’s report emphasizes proposals for ways in which Japan can respond, based on the outcomes of the group’s research. Tasks associated with the organization of the seminars and the editing of the report were carried out by Atsushi Ijuin of the Japan Center for Economic Research. Titles have been omitted in this report.

Fate has determined that Japan cannot escape from problems on the neighboring Korean Peninsula, so the direction taken by the North Korea issue will have a major impact on the future of Japan. There is a tendency to emphasize only the risks posed by the nuclear and missile issues. If

these issues are resolved properly, there is a very real possibility that the surrounding security environment will improve, offering a fresh chance for economic development in Northeast Asia. We hope that readers will find this report helpful.

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