

The North Korean Nuclear Dilemma: Is Asia Heading Towards Armed Conflict?

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Today I'd like to talk about North Korea.

I'm always haunted by the book produced by my Australian compatriot, Christopher Clark, which he produced in 2014, entitled 'The Sleepwalkers', a deep historical reflection on how the world went sleepwalking into World War One a hundred years before. If we read the literature of that decade before 1914, the possibility of war between the great powers was seen as unthinkable. The problem was it was so unthinkable that it failed to stop the great powers preparing for war, planning for war, and taking increasingly reckless and provocative actions against one another. Until the line was finally crossed. And then there was no point of return, despite the Kaiser's famous telegram of July of 1914.

More than a century later, there is therefore a certain unreality about the discussion today, however qualified, about the possibility of another major pan-regional war, albeit this time in the Pacific. Coming three-quarters of a century after the last World War, and now fully a quarter of a century after the Cold War's end, this sense of unreality becomes even starker. Remember we're already supposed to be twenty-five years into Fukuyama's 'End of History' by now, when major wars would be a thing of the past, with political democracy and economic liberalism at home, and a liberal international order abroad, becoming the permanent condition of human kind. Well, that at least was the plan.

The last two World Wars began as essentially transatlantic affairs, and then became



global in their scope. Could the next major conflict begin as a transpacific affair, but also lead to a broader conflagration? Those of us who remember the Cold War, and whose parents may have fought in the Second World War—and my father certainly did—and for all of us who have studied with morbid fascination the origins of the First World War, the resort to major regional armed conflict in 2017 still seems unthinkable. Surely we've learned from history. Then again, perhaps we've not.

Let me be blunt from the outset. Having followed closely the events on the Korean Peninsula for the better part of thirty-five years, I believe the prospect of a Second Korean War remains highly unlikely. But the equal and discomfiting reality is that it has now become an increasing possibility. But not a probability. Until recently most analysts would have regarded the prospect of a renewed conflict on the Korean Peninsula as a five per cent possibility. But because of a range of factors, most of them new, I argue that possibility has now increased to somewhere between twenty and twenty-five per cent. I don't pluck these numbers out of the air lightly. They reflect in my mind a number of new as well as many continuing factors at play on the North Korean nuclear question, and the future of the Korean Peninsula in general, which now cause us to reexamine many of our previous assumptions.

The changes in the North Asian geopolitical environment have been driven first and foremost by the advance in North Korea's technical capabilities. Foremost among these changes is North Korea's significant technical leap in its ballistic missile and nuclear programs. The North Koreans now

have the ability to launch an Intercontinental Ballistic Missile (ICBM) with sufficient range to strike the continental United States. This is new. The US intelligence community now reportedly judges that the North also has the ability to manufacture its own ICBM rocket engines. This too is relatively new. The North has diversified its range of test sites and mobile launch platforms, including now submarine-launched ballistic missiles. These too are relatively new developments. There is little point now therefore in hoping that the North's missile systems will fail or malfunction as was the assumption in many circles as recently as last year.

This improvement in ballistic missile technologies is exacerbated by the fact, now reportedly verified by the US intelligence community, that the North Koreans have in fact managed to miniaturise nuclear weapons in order to fit them to the top of an ICBM. These are reports only, but they do come from the US intelligence community. Of course these need to be verified further. There is also the open question of North Korea's future MIRVing capability—multiple independent reentry vehicles—that is, the ability to deploy multiple warheads at the terminal phase of a ballistic missile launch, thereby complicating any missile defence measures. These too are new factors.

Together they change the fundamentals of the geopolitical landscape in our region, the East Asian hemisphere. And therefore producing parallel changes in the strategic perceptions of China, the United States, Japan and both North and South Korea.

North Korean Perceptions

The overriding reason for the technical acceleration of the North's missile and nuclear programs is of course regime survival. And

this goes to the question of how North Korea perceives its own program.

As much as Kim Jong-Un might serve as a source of comic relief and caricature, he is not irrational or ‘crazy’ as many would claim. He is belligerent, he is aggressive, he is a dangerous person, he’s a totalitarian leader—but one who is also providing what he concludes as the best guarantee of regime survival. You’ve heard his statements about the precedents in Iraq and the precedents in Libya. And at the age of 33, Kim Jong-Un plans to be around for a very long time indeed. Given family longevity, you could be looking at the possibility of another half century of Kim Jong-Un. This is not a small factor. Kim also knows that US strategic options are limited. And that the security situation in North Asia and more broadly for US allies has been deeply complicated by its actions.

Chinese Perceptions

Let’s think about for a while the question of Chinese strategic perceptions. What’s China’s role in all of this? This goes to the deeper question of China’s abiding strategic interests on the Peninsula, with the wider region, and of course in its own engagement with the United States.

China’s deeper strategic interest is to avoid war. There is a reason for this. China’s abiding strategic priority for the decade ahead is economic. In 2013, Xi Jinping committed himself to the realisation of the ‘China Dream’, bringing China to middle income status by the centenary of the Chinese Communist Party in 2021, and for China to achieve full developed country status on the centenary of the founding of the People’s Republic of China in 2049, when China is

also to assume full global great power status. Specifically, the 2021 centenary requires a significant further expansion of Chinese GDP compared with where it is today. Given global economic circumstances, and bilateral trade and investment tensions with the United States, this has created new obstacles for Xi.

An even bigger obstacle would be created if China-US relations degenerated into a full trade war, a general economic war, including a currency war, let alone degenerating into armed conflict itself in theatres such as Korea. All three possibilities would undermine the centrality of Xi Jinping’s growth objective, because of the potentially disastrous impact of such macroeconomic and geopolitical instability on China’s growth trajectory.

There’s a further reason why China wishes to avoid armed conflict as well. The Chinese People’s Liberation Army are deep realists. Given the overwhelming and continuing military preponderance of the United States, there is no way the Chinese would want to enter into any conflict if there was any risk of being beaten. To lose such a conflict would be terminal for the Chinese Communist Party’s legitimacy. And certainly terminal in the eyes of the Chinese people.

There are one or two possible exceptions to that calculus. The first obviously is Taiwan, because a failure to act militarily by China in response to a dramatic move by Taiwan towards full-blown independence would also be crushing of the Communist Party’s internal legitimacy. Taiwan goes that deep in Chinese political and strategic culture.

The second possible exception to the rule is North Korea. It is true that Xi Jinping cannot abide Kim Jong-Un. From China's perspective, Kim does not behave as a responsible, supplicant ally. The fact that he is so young also violates all Chinese sensibilities, China itself coming from a longstanding tradition which venerates age and experience on questions of national leadership. You don't have to travel far in Beijing to hear words of derision about Kim Jong-Un's personality and leadership style. They universally refer to him as 'Fatty Kim', or in more polite circles 'The Young Gentleman. But rarely as 'The Leader'.

But it is a mistake in Western political analysis to equate Chinese personal distastes for Kim Jong Un on the one hand, with any deep abrogation of Chinese strategic interests in North Korea on the other. For large parts of Chinese history, various of the three ancient kingdoms of Korea have either been part of the Chinese empire, or certainly strongly within the perimeters of deep Chinese civilisational influence, infinitely more so than Japan ever was. Second, China's historical anxiety about its fourteen land borders is particularly acute as it relates to its considerable shared border with North Korea. China wants not just friendly relations with its neighbouring states. To the greatest extent possible, China wants compliant relations with its neighbouring states. This does not mean occupying them, but it does mean neighbouring states fully prepared to take fully into account China's deep strategic and foreign policy interests.

The third factor alive in Chinese consciousness is the history of the Korean War itself from 1950-53. Never forget that within a year of Mao proclaiming the establishment

of the People's Republic of China in October 1949, he decided to throw literally millions of Chinese troops—so-called volunteers—across the Yalu to push the Americans back once the offensive that Kim Il-Sung had launched against the South had faltered. Was there a risk that the newly-minted People's Republic would find itself in a general war against the United States at that time? Of course there was. But both Mao and the Chinese leadership weren't prepared to remain passive, because they could not abide the thought of a pro-American united Korea on their border, let alone the possibility of American troops being just across the Yalu.

All these factors from the past are alive today in Chinese current strategic consciousness as it relates to the particular dilemmas presented by the North Korean nuclear program in 2017. There is also a misguided view held by some that it is in China's fundamental interests to deploy all necessary means to stop the North Korean nuclear program and to bring about the removal of North Korean nuclear capabilities. Politically, China is deeply irritated by provocative North Korean declaratory statements, as well as North Korea's emerging operational capabilities, directed against US allies and now the US itself.

Among the internationalists in the Chinese foreign policy establishment, this has triggered a debate about why China's emerging global international standing should be tarnished by partially, let alone fully, defending the actions and interests of its aberrant North Korean ally. For these reasons Chinese diplomacy has been focused on a combination of UN Security Council resolutions, as well as bilateral diplomacy calling for calm, restraint and de-escalation.

But at a much deeper level in Chinese strategic thinking, there is a much more brutal assessment about how this is most likely to play out. That assessment, I would argue, is that China needs to be seen to be doing everything possible to pressure, both diplomatically and economically, North Korea into action. And action in the Chinese mind here would equal a halting of the North Korean ballistic missile and nuclear testing program. However the Chinese deep view is that whatever pause or cessation of the testing program might be deliverable, the chances of getting the North Koreans to remove their existing arsenal of dozens of nuclear bombs and a considerably greater number of ballistic missiles is virtually non-existent.

So the Chinese view is that ultimately the United States is simply going to have to learn to live with North Korea as a nuclear weapons state, including one with ICBM capabilities and reach. The object of Chinese diplomacy in the meantime is to convince the US and the wider international community that China is doing whatever it can to prevent that. But at the end of the day, I believe Beijing will turn to Washington, shrug their shoulders and say ‘we tried, but now we just all have to live with it’.

There is also I believe an even deeper view within the Chinese military that a North Korean nuclear capability is a nine-out-of-ten problem for America, and a one-out-of-ten problem for China. If a North Korean nuclear capability puts pressure on the future of US alliances in Asia, as Pyongyang seeks to apply its own leverage, then that’s a problem for the United States, it’s not a problem for China. Furthermore, a North Korean nu-

clear capability would additionally complicate the strategic and tactical operations of the United States Pacific Command in Hawaii, which at present has China as its one major focus. Having North Korea as an additional focus frankly widens the field.

There are also other factors at play within Chinese policy towards North Korea of which we need to be mindful. An argument we often hear is that China would never allow the development of a full North Korean nuclear capability because of the likelihood that this would result in Japan acquiring its own nuclear deterrent. Even South Korea doing the same. Furthermore, it is often argued that if US alliances with Japan and South Korea are weakened because of pressure which would come on those countries from North Korea itself, and if a gap was to emerge between Washington’s predisposition to provide a nuclear deterrent for the US itself, but a lesser nuclear deterrent for its allies, that this in turn would create further dynamics in Seoul and Tokyo, causing both in time to cross the nuclear threshold themselves. And, according to this logic, this in turn should redouble Chinese efforts to prevent North Korea from becoming a fully-fledged nuclear weapons state in the first place.

Of course there are many imponderables in all of this, not least of which are the internal dynamics of South Korean and Japanese domestic politics. But don’t think many people have thought through what convulsions it would create in Japanese domestic politics in particular, notwithstanding Abe’s more robust approach to national defence, for Japan to rapidly transform itself from being the world’s only victim of nuclear attack to becoming a possessor of nuclear

weapons itself. That is a very long way to travel in Japanese domestic politics.

But my overall point is that I'm not persuaded that the fear of South Korea or Japan turning nuclear as a result of the North Koreans' emerging nuclear status, is of itself going to change China's own deep strategic calculus about the overwhelming need to secure China's own long term strategic relationship with the North, given the imperatives associated with the common border that they share. Therefore, given all the elements associated with Chinese interests in North Korea, and on the Korean Peninsula more broadly, my judgement is that China will not act decisively to bring about a change of policy or politics in Pyongyang, unless and until a broader grand bargain is put to the Chinese and the North Koreans that goes some way to addressing their abiding concerns and interests.

US Interests

While the Chinese are the second of the three most relevant players, what about the United States? I now live in the United States, and I'm President of a US-based think tank, the Asia Society Policy Institute, so I've lived through the transition to President Trump. The truth is there are multiple perspectives in Washington about how to deal with the North Korean nuclear dilemma. There are also multiple scenarios. And the standard response in Washington is none of these scenarios are good, all of them are bad, often producing a sense of stasis about what to do. This therefore produces its own volatility in Washington on the North Korea question, which is also a cause for continuing anxiety as to how this will all play out in the end, and what the rest of us can do about it, if anything.

To be fair to President Trump, the fact that North Korea has crossed the ICBM threshold during his presidency is not his fault. This has been the stated objective of North Korean nuclear policy for years. Initially, very few people believed the North Koreans could do this, but now they have, and now it's all happening at a rush.

The core political question alive within the White House, the congress and a large part of the foreign and security policy establishment, is that no-one wants to take responsibility for allowing North Korea to acquire a capability to directly threaten continental America with a nuclear-tipped ICBM while they happen to be in office. This would have been a problem for President Obama. It would have been a problem for President Bush. It would have been a problem for President Clinton.

It is doubly a problem for President Trump given the generally bellicose nature of his personality, his temperament and his presidency thus far. This 'personal' factor is impossible to quantify in terms its overall impact on the political and policy calculus of final US decision-making on how to respond to Pyongyang's provocations. But each time Pyongyang crosses another threshold, whether it's firing missiles over Japan, let alone conducting a further nuclear test, which is still possible, these have the combined impact of accentuating the sense of emerging crisis in Washington on North Korea. Which makes rational management of the problem harder, not easier.

Both the US military and foreign policy establishment together with the National Security Council are acutely conscious of the impact of a US unilateral strike against North Korean nuclear capabilities, in terms

of the likelihood of a retaliatory strike from the North using conventional weapons against Seoul and the South. For these reasons, it is often and I believe incorrectly assumed that operationally a so-called unilateral strike by the United States is therefore permanently off the table, if indeed it was really on the table in the first place.

Certainly, this is the deep realist conclusion in Beijing—namely the conclusion that Washington would never risk the unknown consequences for South Korea, for Japan and for the future of their alliances with both if it was to unilaterally strike against the North. This is also the view held by many others in the wider region and around the world.

I'm less optimistic than that. Perhaps I've just been in America too long now. I believe there are too many uncontrollable variables at play. Or as a colleague reminded me recently, war has its own logic. To which I would add, crises have their own logic as well. In which case the best approach is to avoid crises in the first place.

Possible Scenarios

So what are the scenarios we face? Broadly and simply, there are three. One, that the United States, as the Chinese would wish, accepts the inevitability of North Korea becoming a full member of the international nuclear weapons club, and that the North develops its own sets of rules, procedures and nuclear doctrine that enables it behave 'responsibly' as a nuclear weapons state. Scenario two is that of the US unilateral military strike to destroy or to retard the North Korean nuclear capability. Scenario three is diplomacy, diplomacy, diplomacy. The current direction of diplomacy in terms of what is expected of China, North Korea

and the United States appears not to be going very far.

But I think there is a broader proposition which is much discussed in the international media, and I've certainly sought to promote it myself in pieces I've written recently, which goes by the name of the 'grand bargain'. The reason why we need a strategic grand bargain is because of the vast array of Chinese deep interests alive in the Korean Peninsula that I referred to earlier in this presentation, as well as core North Korean interests. Not to mention the fundamental interests of most of us in avoiding North Korea becoming a permanent nuclear weapons state in the first place.

So what would such a grand bargain entail?

First, Beijing needs to accept that the threat of a unilateral US strike is credible enough to warrant a change in Chinese diplomacy towards North Korea.

Second, the US would need to be clear with Beijing about what is at stake here for China. And if China succeeds in bringing about a cessation of North Korea's nuclear program, and the destruction of its existing arsenal, the US would then accept the following:

- 1) a formal peace treaty following the armistice which has been in operation since 1953;
- 2) formal diplomatic recognition of Pyongyang by the United States;
- 3) external security guarantees for the future of the regime and the North Korean state, provided by the Chinese, the Americans and possibly the Russians;

4) for the Chinese then to be able to assist North Korea to continue to reform and develop the North Korean economy;

5) and possibly, and most problematically, a staged program for the eventual withdrawal step-by-step of US forces from South Korea.

Third, a possible stepping stone to this could be a variation of the mutual freeze option currently mooted by China: a freeze in US-South Korean military exercises, in exchange for a freeze on North Korea's nuclear and ballistic missile testing programs. But this could only be a stepping stone. Unless the other elements of the grand bargain are realised, resulting in the verifiable destruction of the existing North Korean arsenal, an interim step (i.e. the mutual freeze option) would not hold.

In Washington there is an emerging discussion about the possibility of an American diplomatic initiative, which is to reach out directly to the North Koreans themselves. That is gaining some currency.

What none of us know is what the content of such an initiative might be. Such an approach would be a major departure from the previous policy we're familiar with, which is the United States' historic refusal to engage in direct bilateral negotiations with the North Koreans in the absence of the North Koreans acting unilaterally to abandon and remove their nuclear capabilities prior to any such contact occurring. That approach may be changing. But what we do not know is whether the content of a direct bilateral military initiative by the United States would embrace the principles of the grand bargain that I've just referred to before.

What do the Chinese give? They use whatever it takes to bring about the end of testing, both of ballistic missiles and of nuclear explosive devices, and the destruction of the existing arsenal. What does the United States and rest get? The list of five factors that I referred to before.

If you looked recently at the language used by both Secretary Tillerson and President Trump prior to the North Koreans' decision to fire a missile over Japan last week, they seemed to be warming up to the preparatory steps of launching such an initiative: i.e. comforting statements towards the North Koreans saying that they appreciated 'the restraint' shown by the North Koreans in recent weeks by not proceeding towards another nuclear test or other actions. Perhaps that was misread in Pyongyang. Perhaps they didn't want to read it correctly in the first place. But at least we may now be at a point where the content of any bilateral initiative by the United States towards the North Koreans is now the subject of active deliberation.

The other thing we do not know is the extent to which such a direct bilateral approach would be directly calibrated with China. For any strategy to succeed with the North Koreans directly, Chinese interests have to be accommodated because China is quite capable of being problematic in the overall execution of any bilateral initiative. Again, this is an unknown in terms of current deliberations within Washington.

Global Implications

I conclude on global implications.

The possibility of a North Korean grand bargain should not induce any sense of complacency on the part of the rest of us, as if

it's inevitable where things are going to go. If you think about the possible elements of any grand bargain, this is a type, form and scope of diplomacy which is way beyond that which was considered and embraced in the most recent US and Iranian negotiations which produce the Iran nuclear deal.

This is far wider, far broader and far more complex, not least because the North Korean nuclear weapons program is that much further developed. North Korea is not a threshold state. It now is a state which possesses nuclear weapons capabilities. Therefore the prospects and possibility of a grand bargain occurring are impossible to measure, and at present I would certainly see it as much more improbable than probable.

But for the rest of us, if we look at the implications of the North Korean program for the world at large, this is not simply a matter for the East Asian hemisphere. If Europe was concerned about the Iranian nuclear program, you should be trebly concerned about the North Korean program, simply because it's that much more developed. And Europe too is within range.

In that case, what can be done here in Europe, and what can be done by other friends and allies of the United States and China? Very simply, Europe should add its voice to American diplomacy and possible Chinese diplomacy in support of a grand bargain.

Because if a North Korean conflict occurs, and if it involved China, and possibly Russia (not directly militarily, although we could see Russian diplomatic intervention on behalf of North Korea), to begin with the Europeans would need to think through what the United States sanctions regimes would be, and whether they would apply to

both the DPRK and to China. Under those circumstances, there would be an expectation by the United States towards its friends and allies to join in.

Furthermore, the effect of such an enhanced sanctions regime by the United States against China would have an enormous impact on the global economy. Not just for the bilateral economic relationship between Beijing and Washington, but on the global trading and economic system more broadly. If the US decided to impose deep and broad sanctions against Chinese companies, we may see retaliation (direct or indirect) by the Chinese against Americans, or anyone supporting the US sanctions regime.

This in turn could lead to escalation in the form of a trade and currency war between these two great powers. We would then begin to see, I think fairly quickly, the damaging implications for the global economy at large.

While Europe may not be the declared target of North Korean aggression at this stage, the strategic climate has to be read as a whole. There is, unfortunately, little refuge in geography, in this deeply networked and globalised age we now live in.

To conclude, I do not say all these things to be the bearer of doom and gloom, because as you can see from my remarks I believe there is a way through. There is no doubt we are living through a deeply troubling and increasingly uncertain age. If we are to resolve our current predicament, it will require calm heads, creative diplomacy and a willingness to work together to avoid the calamity of conflict or war.

That is the only way we will avoid 'sleep-

walking' towards a repeat, albeit never in precisely the same form, of the great geopolitical disasters of the twentieth century. History suggests our posture should be one of great caution.

I thank you.

Kevin Rudd is President of the Asia Society Policy Institute. He served as Australia's 26th Prime Minister (2007-2010, 2013) and as Foreign minister (2010-2012).

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