



# Sinology

by Andy Rothman

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## WILL NORTH KOREA BLOW UP YOUR PORTFOLIO?

It is not surprising that investors are worried about Kim Jong Un's nuclear weapons. The North Korean leader has been testing nukes and long-range missiles, as well as exchanging schoolyard taunts with Donald Trump. But how worried should we be?



Photo credit: AFP PHOTO/KCNA VIA KNS

This issue of *Sinology* explains why I believe the risk of nuclear contamination to

your investment portfolio is low. Kim is an evil dictator but he is not suicidal. He understands that launching an attack against the U.S. or one of its allies would result in a swift U.S. military response that would destroy him and his regime. At the same time, Trump's military advisors appear to understand that a preemptive strike by the U.S. would result in conflict that would be "tragic on an unbelievable scale."

Many American and Chinese experts believe that Kim will be prepared to negotiate with the U.S. once he has successfully tested a long-range missile capable of carrying a nuclear warhead. The current stalemate scenario suggests that negotiations are the only realistic solution to the North Korean problem. One potential model is the reciprocal "roadmap" process that enabled the U.S. and Vietnam to establish the trust necessary to move beyond their troubled history.

### How We Got Here

Near the end of World War II, Harry Truman and Joseph Stalin agreed to a temporary division of the Korean Peninsula, along the 38<sup>th</sup> parallel. In 1950, North Korean forces invaded the South, joined later by Chinese troops. The U.S. military led a United Nations-authorized effort to rebuff the invasion. The fighting lasted three years and resulted in an enormous number of casualties. More than 33,000 U.S. troops were killed and over 100,000 wounded. South Korea lost 138,000 soldiers and 374,000 civilians, while about half a million North Korean soldiers and civilians died.

Two years of negotiations failed until 1953, when Dwight Eisenhower succeeded Truman as president and Stalin died. The two sides were unable to conclude a permanent peace treaty, but did agree to a cease-fire, which has now been in force for more than 60 years.

The absence of a diplomatic solution to the conflict set the stage for the current military tensions.

- \* I believe the risk of nuclear contamination to your portfolio is low. North Korean leader Kim Jong Un is an evil dictator, but he is not suicidal, and understands that launching an attack against the U.S. or one of its allies would result in a swift U.S. military response that would destroy him and his regime.
- \* For the near future, we need to accept the reality of a nuclear-armed North Korea. To put this in perspective, the Soviet Union had nuclear weapons under Stalin; Mao had nukes during the chaos of the Cultural Revolution; and Pakistan had them during periods of military rule
- \* The U.S. should engage North Korea in talks designed to gradually build bilateral trust and confidence in order to reduce the risk of misunderstanding and miscalculation.

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## Past U.S. Efforts to Manage the North Korean Problem

American presidents have struggled for decades in dealing with the Kim dynasty controlling North Korea. In 1968, for example, North Korea captured the spy ship USS Pueblo and held its crew hostage for almost a year. Then, in 1969, North Korea shot down an American reconnaissance plane, killing its crew.

Recently declassified documents reveal that in response to the downing of the aircraft, the Pentagon drew up plans for military action against North Korea, including limited nuclear strikes. But President Nixon and his advisors “were forced to heed the Pentagon’s warnings that anything short of massive attacks on North Korea’s military power would risk igniting a wider conflagration on the peninsula, leaving diplomacy, with all its frustrations, as the remaining option, coupled with the deterrent posed by U.S. conventional and nuclear forces,” according to a study of the documents by the National Security Archive.

More recent U.S. administrations have tried a combination of threats, sanctions and diplomacy in efforts to stop North Korea from developing weapons of mass destruction. From one perspective, those efforts failed, as Pyongyang now has an arsenal ranging from chemical weapons to nuclear bombs. On the other hand, North Korea has not used those weapons.

USS PUEBLO IN PYONGYANG, 2005



## Can North Korea Hit the U.S. with its Nukes?

Back in 2003, CIA Director George Tenet told Congress that North Korea might be capable of hitting the West Coast with an untested long-range nuclear missile.

That statement may have been premature, but Pyongyang has tested six nuclear devices since 2006. The current CIA Director, Mike Pompeo, said in October that North Korea could be just months away from the ability to strike the U.S. with a nuclear-armed missile. North Korea’s late-November missile test suggests it has a rocket that could reach much of the U.S., but it is not clear if it would be able to use it to deliver a nuclear weapon.

## Is Kim Jong Un Suicidal?

It is clear that Pyongyang has nuclear weapons and is likely to soon have the capacity to fire them at the U.S. The key question is, what are the odds that Kim Jong Un would actually use a nuclear weapon?

Mark Bowden, national correspondent for The Atlantic, summed it up well: “Pyongyang has been constrained by the same logic that has stayed the use of nuclear arms for some 70 years. Their use would invite swift annihilation.”

One of America’s leading experts on nuclear weapons, Siegfried Hecker, believes that “it is quite clear that [Pyongyang] wants to threaten Washington with such a capability, but to launch would be suicidal, and I don’t believe the regime is suicidal.” A former director of the Los Alamos National Laboratory (the premier U.S. nuclear weapons lab), Hecker has visited North Korea seven times and toured its nuclear facilities.

North Korea is very unlikely to use its nuclear weapons.

## If Kim Doesn’t Plan to Use His Nukes, Why Does He Build Them?

The consensus among American and Chinese experts is that Kim is developing nuclear weapons with two objectives in mind. First, to ensure the survival of his regime. He believes that possessing weapons of mass destruction means the U.S.



will not attempt to overthrow or assassinate him. Kim's second objective is to build an arsenal powerful enough to force Washington to take him seriously at the negotiating table.

In May, President Trump's Director of National Intelligence, Dan Coats, told Congress, "We have long assessed that Pyongyang's nuclear capabilities are intended for deterrence, international prestige, and coercive diplomacy."

Chinese experts whom I met with recently believe that Kim's ultimate objective is to negotiate a formal peace treaty with the U.S., as the first step toward building a diplomatic and economic relationship that will help lift North Korea out of isolation and poverty. I also spoke with U.S. government officials, who said that the Kim regime proposed bilateral talks soon after Trump's election, but they were rebuffed.

### **Will North Korea Give Up Its Nukes?**

Kim Jong Un may not plan to use his nuclear weapons, but few experts believe he is prepared to abandon his nuclear program anytime soon, frustrating the efforts of Washington, Seoul and Tokyo to pursue a denuclearization policy.

Following a 2017 trip to North Korea, journalist Evan Osnos explained in *The New Yorker* magazine:

"In recent talks, when Americans have asked whether any combination of economic and diplomatic benefits, or security guarantees, could induce Pyongyang to give up nuclear weapons, the answer has been no. North Koreans invariably mention the former Libyan leader Muammar Qaddafi. In 2003, when Qaddafi agreed to surrender his nuclear, chemical, and biological weapons, Bush promised others who might do the same that they would have an 'open path to better relations with the United States.' Eight years later, the U.S. and NATO helped to overthrow Qaddafi, who was captured, humiliated, and killed by rebels. At the time, North Korea said that Qaddafi's fall was 'a grave lesson' that persuading other nations to give up weapons was 'an invasion tactic.' "

James Clapper, a former director of national intelligence who visited Pyongyang in 2014, told Osnos, "The North Koreans are not going to give up their nuclear weapons. It's a nonstarter."

For the near future, we need to accept the reality of a nuclear-armed North Korea. To put this in perspective, the Soviet Union had nuclear weapons under Stalin; Mao had nukes during the chaos of the Cultural Revolution; and Pakistan had them during periods of military rule.

### **Could the U.S. Eliminate Kim's Nukes with A Preemptive Strike?**

In the summer, President Trump appeared to signal that he was considering military action against North Korea. In August, he said that more threats from Pyongyang "will be met with fire and fury like the world has never seen." A few days later, Trump tweeted that "military solutions are now fully in place, locked and loaded, should North Korea act unwisely." In a September press conference, Trump said, "Military action would certainly be an option."

When I met with senior U.S. officials in Washington in September, I was told that the Pentagon had been asked to prepare plans for a possible preemptive strike against North Korea's nuclear facilities.

That was frightening news, because few experts believe such a strike could eliminate North Korea's nuclear weapons.

In October, a senior U.S. military official, Rear Admiral Michael Dumont, told Congress that firing missiles would not be adequate. "The only way to locate and destroy—with complete certainty—all components of North Korea's nuclear weapons programs is through a ground invasion."



Hecker, the former director of Los Alamos National Laboratory, who has visited North Korean nuclear facilities, says “There is no conceivable way the U.S. could destroy all North Korean nuclear weapons.”

“It is not possible to know where they all are,” he said. “Even if a few could be located, it would be difficult to destroy them without causing them to detonate and create a mushroom cloud over the Korean Peninsula ... North Korea is developing road-mobile and submarine-launched missiles, which cannot be located reliably ... while we know North Korea has covert production facilities, we don’t know where they are.”

Hecker also warns that even if the U.S. designed limited military action focused on destroying a few nuclear facilities, “we know so little about [Kim] and even less about the military that controls the country’s strategic rocket forces that we can’t rule out a miscalculation or desperate response to a crisis.”

Even if Kim decided not to use his nukes and responded to a limited U.S. strike with conventional weapons, the consequences would be devastating, in part because the greater Seoul metropolitan area, with about 25 million residents, is only 35 miles from the demilitarized zone.

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#### CLOSE QUARTERS



“Even if the DPRK [Democratic People’s Republic of Korea] uses only its conventional munitions, estimates range from between 30,000 and 300,000 dead in the first days of fighting, given that DPRK artillery is thought to be capable of firing 10,000 rounds per minute at Seoul,” according to the Congressional Research Service. “Pyongyang could also escalate to attacking Japan with ballistic missiles. Japan is densely populated, with heavy concentrations of civilians in cities: the greater Tokyo area alone has a population of about 38 million.”

Admiral Dumont noted that “North Korea may consider use of biological weapons as an option,” and the Congressional Research service added that Kim’s regime “has acquired drones that are thought to be capable of delivering chemical and biological payloads.”

The horrific consequences of military conflict with North Korea should also restrain the Trump administration from attempting to assassinate Kim Jong Un. The U.S. has a long history of failed efforts to “decapitate” adversarial regimes, and even if Kim were to be killed, it is easy to imagine surviving North Korean officials launching a devastating counterattack.



## The Evolving Trump Administration Approach

Despite Trump's aggressive rhetoric over the summer, some of his senior advisors have taken a more pragmatic approach to North Korea. In a joint commentary published in *The Wall Street Journal*, Defense Secretary Jim Mattis and Secretary of State Rex Tillerson wrote, "The U.S. has no interest in regime change or accelerated reunification of Korea."

In an October visit to the demilitarized zone, Mattis said, "We're doing everything we can to solve this diplomatically."

And during a November visit to South Korea, Trump adopted a more moderate and optimistic tone, saying that "ultimately, it'll all work out." Standing alongside South Korean President Moon Jae-in, Trump said, "It makes sense for North Korea to come to the table and make a deal that is good for the people of North Korea and for the world."

## Imagining Negotiations with North Korea

Rather than focusing on immediate denuclearization—a goal that Kim would certainly reject—the initial stages of U.S.-North Korea talks should be designed to gradually build bilateral trust and confidence in order to reduce the risk of misunderstanding and miscalculation.

In a recent speech, James Clapper, the director of national intelligence from 2010 to 2017, described his 2014 trip to North Korea:

"During all of the very adversarial discussions I had during my visit in Pyongyang, the one debate point where I did not get a finger-in-my-chest sort of response was when I observed that the United States has no permanent enemies. I cited my personal experience of having served in Vietnam during the war there in 1965–1966. I did not return there for 47 years; it was a profound experience for me, when I saw how Vietnam had progressed, and how we now had diplomatic, economic, and military relations with Vietnam. In other words, Vietnam is no longer an enemy. So could it be with the DPRK. They did not rebut this point."

I had made similar comments in a 2006 report, a year following my 2005 visit to North Korea, and the same year Pyongyang undertook its first nuclear test:

U.S.-Vietnam relations remained frozen in a cold war time-warp for more than a decade after the communists captured the south in 1975. Many in America opposed improving ties with Hanoi, arguing that Vietnam had not done enough to account for U.S. prisoners of war and missing in action (POW/MIAs), and ... because of human rights and religious freedom concerns. High levels of mistrust on both sides made progress on those issues very difficult.

Then in 1991, the U.S. provided Vietnam with a road map for normalizing relations. The document set out concrete steps that Hanoi could take on such issues as excavating wartime aircraft crash sites. The road map also set out specific steps that Washington would take in return, including humanitarian aid and ending the U.S. economic embargo. This process, which I helped implement as the State Department's country officer for Vietnam, was not without its problems, but steady progress on the road map by both sides, especially on POW/MIA investigations, led President Clinton to allow Hanoi access to IMF and World Bank programs in 1993. Further progress led to the end of the U.S. trade embargo in 1994 and then full diplomatic relations in 1995.

Progress on the road map led to a substantial increase in U.S. aid to Vietnam, rising from US\$1 million in 1991 to over US\$55 million in 2005. Trade between the two countries rose from US\$451 million in 1995 to more than US\$52 billion in 2016. Vietnam was America's fastest-growing export market in 2016.



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Vietnam has made significant market-based economic reforms and the private sector has expanded rapidly in recent years. A similar process might also lead to progress with North Korea, with a focus on eventually reducing that country's arsenal of weapons of mass destruction.

Negotiations with North Korea have been tried in the past, with limited success for a variety of reasons. But, given that sanctions have failed to stop the Kim dynasty from developing weapons of mass destruction, and that any military solution would be, in Secretary of Defense Mattis' words, "tragic on an unbelievable scale," it makes sense for both sides to follow the path of the U.S.-Vietnam road map.

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