

North Korea: the limits of escalation

By Julia Coym

The poisonous rhetoric between Pyongyang and Washington has accelerated at an unprecedented pace in recent times, but so too has North Korea's nuclear research, development and testing programme. This crisis has seen cyclical swings of varying severity for the past 20 years, but now, this much has changed: North Korea's advances in delivery and payload technology will soon provide Pyongyang with the ability to strike the US with a nuclear warhead. This is a development that cannot be reversed except by an immediate full-scale military intervention against North Korea that would likely unleash unacceptable casualties and consequences.

We have grown accustomed to North Korea's nuclear tests and missile launches. But they have evolved, not only in frequency, but in type and, indeed, meaning. The ranges of the regime's missiles are improving, and their punch is getting more powerful. There is literally a target in sight, so they don't mind tests failing anymore. Twenty years ago a missile test had to be a perfect expression of technological execution. It was symbolic. Now, the goal is real and in sight – an ICBM that carries a nuclear payload.

If North Korea joins one of the world's most exclusive clubs – not just as a nuclear power (already done) but a strategic nuclear power – it will starkly alter perceptions around policy options for dealing with Pyongyang. The option of a US first strike – something we have always considered unlikely – becomes potentially even more costly.

Conversely, but perhaps logically, the impact on business of a strategically nuclear North Korea might not be that severe. Over the decades of its remarkable economic growth, South Korea has woven itself into the global economic fabric like few other countries. Most companies make, sell or source something south of the 38th parallel. So it is entirely understandable and prudent for international companies doing business in or with South Korea to identify and monitor the triggers for escalation.

War on the Korean peninsula is extremely unlikely. At least intentionally. But if the risk of a calculated first strike has dropped, the risks of miscalculation and accidental escalation are the highest they've been since North Korean leader Kim Jong-un assumed power in December 2011 after his father's death. Unannounced launches have sparked significant anxiety in Japan. Although not very likely, the missiles – or their debris – could pose a threat to Japan or to planes flying between North America and East Asia if they malfunction or are intercepted by the US or Japanese military.

So, where's the exit? Not where you think. A series of geopolitical misconceptions has us looking for de-escalation where we will not find it.

Misconception number one: don't hold your breath waiting for the regime to collapse. This is the stuff of fantasists. The west has spent far too long waiting for the North Korean regime to cease to exist. Countless analysts predicted the fall of the regime after founder Kim Il-sung died in 1994. This proved only to be wishful thinking, as his son Kim Jong-il successfully consolidated his rule, despite a terrible famine. Few expected North Korea to be this resourceful, resilient or successful. Yet predictions of

Six years and several purges later, Kim Jong-un seems more secure than ever in his role (Ed Jones/AFP/Getty Images)



imminent regime collapse still abound. When Kim Jong-un took over, he hadn't reached his 30th birthday. This prompted renewed speculation about how much longer the regime would persist. Six years and several purges later, Kim seems more secure than ever in his role. If you want to resolve the North Korean nuclear issue, it will almost certainly involve some kind of deal with the Kims.

Misconception number two: Kim Jong-un is deranged and his nuclear programme is the expensive toy of a misguided egomaniac. From Pyongyang's point of view, the move could not be more rational. The North Korean leadership is convinced that the US and its allies pose the single greatest security threat to the survival of the regime, and that the only way to effectively deter that threat is through a nuclear ICBM. With that belief, the only path forward would be the continuation of its nuclear programme, irrespective of the economic cost. Sanction the regime all you want, it will have limited impact on the North's policy. Even if harsher sanctions prompt Pyongyang's re-engagement, any discussion about denuclearisation will not reflect genuine policy change.

Misconception number three: China can and will fix this. China – still North Korea's largest trading partner by far – does not want tensions to escalate on its border. But rhetoric and missile tests do not threaten China. These are problems for the US, South Korea and Japan, and historically have proved a useful irritant that China has been able to exploit in its often strained relations with these countries. The idea that China can fix this with a phone call to Pyongyang, or by throttling the supply of raw materials that pass from China to North Korea is inaccurate. China will not precipitate the demise of the regime. China craves stability – or to put it another way, China only wants instability that it can control. Chaos on the Korean peninsula is not what China wants, not least because North Korean refugees would head to China's Liaoning and Jilin provinces, possibly in their millions. Nor does China have the influence it may once have had over the North Korean leadership. There is no functioning relationship between Kim and Xi Jinping, and broader relations between the two have deteriorated in recent years. Ideally, China would prefer the status quo ante. China's strategy is about achieving a delicate balance whereby it does enough to de-escalate tensions with the US when needed (over the sanctioning of Chinese banks for instance), but avoids any material intervention that would trigger a chain of events that Beijing could not control.

Finally, misconception number four: the US administration will compromise. China, and to a lesser extent the current South Korean government, supports a "double-freeze option", in which the US and South Korea cease annual joint military drills in exchange for North Korea halting missile and nuclear tests. But Washington sees no reason to have faith in this sort of bilateral initiative. The Agreed Framework under former US president Bill Clinton (1993-2001) collapsed. Six-party talks under former presidents George W Bush (2001-09) and Barack Obama (2009-17) also failed, triggering the harder-line approach known as "strategic patience". Moreover, China and the US continue to talk past each other on the double-freeze option. In November 2017,

U.S. President Donald Trump arrives at Osan Air Base, South Korea (Woohae Cho/Getty Images)



US President Donald Trump proclaimed that he had convinced China to drop this option, but Beijing is still vocally supporting the double freeze.

Misconceptions are an all-too-common feature of international relations, and are to be expected in almost every crisis. Resolving misperceptions, in fact, is usually one of the mechanisms for defusing international conflict. Here, however, misperceptions (and even their resolution) produce at best a stalemate. At worse, they produce a serious miscalculation that could lead to war.

So now, where to for business? The threat of war on the Korean peninsula remains low, but its impact would be extreme.

If the situation on the Korean peninsula worsens, it would be likely to do so quickly. To adequately assess their risk exposure and stay ahead of a potentially rapidly deteriorating situation, companies should consider a broad range of risk triggers to overcome bias in individual threat measures and sources. This is not easy. How would you assess a repeat of the 2015 artillery duels on the demilitarised zone or the 2010 North Korean shelling of the South Korean navy and outlying islands – all very recent – in the current enervated context? You can guarantee that the Japanese and Korean governments would gauge that threat in different ways. Different elements of the civilian and military authorities in Korea would do the same, not to mention the foreign diplomatic community. South Koreans themselves have become so impervious to the threat of war that the latest North Korean provocations are far more likely to upset stock markets in Europe or the US than the KOSPI. By monitoring triggers collectively, companies can see through the confusion and ambivalence, and take a proactive rather than passive approach to living with uncertainty on the Korean peninsula, boosting their resilience.

There may be elements in and around the US administration that are less swayed by the rationale that any military action would carry too high a risk of escalation and significant casualties, which has generally deterred the military option. And we have seen the unprecedented and extreme rhetoric and testing come out of Pyongyang. But in reality, mutually assured destruction is about to become double wrapped – first by the already achieved threat of having enough North Korean artillery fire power to flatten Seoul, and now second by weapons that could flatten Los Angeles. In essence, the Trump administration is now playing a game of ensuring that Kim Jong-un's desire to have a strategic nuclear weapon is not simply gifted away. The costs are sanctions, the



possibility of a rearming Japan (abhorrent to Beijing), and deteriorating ties with China that will have consequences elsewhere – all things Kim hopes can be rectified in the form of incentives to get Pyongyang back to the table to talk strategic arms control.

Multilateral negotiations are rarely about achieving a desirable outcome. More often they are about the dark arts of securing the least bad option. In the case of North Korea, it is not yet clear what that least-worst option might be.



Julia Coym

Senior Analyst

✉ julia.coym@controlrisks.com



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