

North Korea in 2017

Closer to Being a Nuclear State

ABSTRACT

Kim Jong Un continued to consolidate his power through personnel changes, and North Korean society saw increasing consumerism, along with signs of growing inequality. The economy did well through early 2017 but the subsequent effects of sanctions remained uncertain. North Korea conducted its first test of an intercontinental ballistic missile and its sixth nuclear test, triggering heated debate in the US and elsewhere about how to respond. Kim clearly is not going to give up working on weapons of mass destruction.

KEYWORDS: power consolidation, middle class, marketization, nuclear and missile development, *byungjin* policy

IN JANUARY 2017, KIM JONG UN GAVE his fifth new year speech, stating that North Korea was in the final stages of developing long-range guided missiles capable of carrying nuclear warheads. A month later, his estranged half-brother, Kim Jong Nam, was killed by a highly toxic nerve agent in Malaysia, with investigators suspecting North Korean involvement. The fifth session of the 13th Supreme People's Assembly, North Korea's highest organ of state power, convened on April 11, issuing a report on the status of the Implementation of the Total 12-Year Compulsory Education law and establishing the Supreme People's Assembly Diplomatic Commission. In July, Pyongyang test-fired a long-range missile into the Sea of Japan, with some experts stating that the missile could potentially reach Alaska. Two months later, Pyongyang conducted its sixth nuclear test, which had a much larger explosive yield than earlier ones, plausibly claiming it to be a thermonuclear weapon. The Second

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Plenary Session of the 7th Central Committee of the Worker's Party of Korea convened on October 7, signaling significant intergenerational shifts in leadership as well as a continued emphasis on Kim's *byungjin* ("parallel") policy of simultaneous nuclear and economic development.

POLITICS AND SOCIETY

At the age of 33, Kim Jong Un began his sixth year as the leader of the Democratic People's Republic of Korea, and all indicators point to further consolidation of his power. He had already reorganized the government, replacing his father's "military first" policy, in which the National Defense Commission was the country's most powerful institution, with a structure more akin to that put in place by his grandfather, transferring power to the Workers' Party of Korea and the cabinet. Now he holds the continuing chairmanship of the State Affairs Commission, replacing the National Defense Commission established in 1972 and chaired by his father.

Ongoing personnel changes have also been made to enhance Kim Jong Un's political power. In the last five years, members of the Kim family and other high-ranking bureaucrats have been promoted to or demoted from key positions—or executed—based on their proven or presumed loyalty to Kim. His half-brother, Kim Jong Nam, was assassinated at the Kuala Lumpur international airport in February 2017, removing a potential family rival. But his sister, Kim Yo Jung, was elevated to important positions, including alternate member of the Politburo. Key appointments announced at the Second Plenary Session show that seven out of 27 (including alternate members) in the Politburo and four out of 11 in the Military Commission of the Central Committee are new members (excluding Kim himself), amounting to 26% and 36%, respectively. The number of vice chairmen of the Central Committee increased from nine to 11, with six new members (55%).¹ These new appointments and generational shifts in the political elite indicate continued consolidation of Kim's power, even distancing himself from the power base of his father, the longtime leader Kim Jong Il.

North Korean society showed signs of subtle but important changes. The most notable is the rise of a new middle class and the growth of consumerism

1. North Korea Leadership Watch, "2nd Plenary Session of the 7th WPK Central Committee Held," October 8, 2017, <<http://www.nkleadershipwatch.org/2017/10/08/2nd-plenary-session-of-the-7th-wpk-central-committee-held/>>.

in Pyongyang and other major cities. Signs of this can be seen in the widespread use of mobile phones, cars, and motorized bicycles, plus the expanding number of shopping opportunities in the capital and of solar panels in the countryside.² Some experts even suspect the country to be undergoing a consumerist transformation, with competition (for example, between travel agencies, taxi companies, and restaurants) and a market-oriented logic becoming an integral part of ordinary life and the country's social fabric. But these changes have increased inequality—a growing gap is arising between the new middle class and the rest of the population.³

Closely related to these trends are intergenerational change and the different mindset of North Korean youth, who have grown up accustomed to Western tourists, South Korean soap operas, and modern consumer goods, especially from China. The fifth session of the Supreme People's Assembly, held in April 2017, included a speech and a separate report regarding the role of youth and the implementation of a 12-year compulsory education system (introduced in the fall of 2012), which adds an extra year of schooling. These reforms and the extra resources devoted to youth education suggest that the North Korean leadership is wary of the younger generation and eager to secure its allegiance amid social change.⁴

Some observers have conjectured that this new middle class will expect more and eventually face economic frustration, pressuring the government into providing the necessary framework for greater commerce and economic openness. Others have even entertained the possibility of social revolution. However, the latest series of anti-US mass rallies in Pyongyang, in reaction to US President Donald Trump's September speech at the UN taunting Kim Jong Un with the name Rocket Man, are a reminder that state-orchestrated nationalism and the repressive state apparatus remain powerful instruments. In tandem, they are likely to overcome any organized opposition to the Kim regime. Also, the number of defectors declined (by 15% in the first nine months of 2017 compared to the same period in 2016),

2. Katharina Zellweger, Kathleen Stephens, James Pearson, and Gi-Wook Shin, "The North Korea Crisis" (panel discussion transcript), Institute for International Studies, Stanford University, May 30, 2017, <<https://fsi.stanford.edu/events/north-korea-crisis>>.

3. Ruediger Frank, "Consumerism in North Korea: The Kwangbok Area Shopping Center," 38 North, April 6, 2017, <<http://www.38north.org/2017/04/rfranko40617/>>.

4. It may also have to do with the job situation for young people, whose employment opportunities are shrinking with the growing international sanctions.

suggesting that the North Korean regime has further tightened its control over the population.⁵

ECONOMY

Despite tightened international sanctions, accounts and indicators suggest an overall picture of a North Korean economy that did relatively well through July 2017. The growth rate of state budgetary revenue was reportedly 6.1% in 2016, suggesting robust growth of the economy.⁶ Markets and market mechanisms continue to be widespread and seem to include a growing range of activities. Reports estimate there to be 404 officially licensed markets, with an average of 40.6 markets in each province. In addition, 40.5 unofficial markets, known as *jangmadang* (market grounds), are located in each province. A recent estimate by the (South) Korea Institute for International Economic Policy places the degree of marketization at 83%, suggesting that 400,000 of the 500,000 businesses in North Korea are using unofficial financial institutions, and that 17.4 million people (out of a more than 25 million total population) engage in informal economic activity through markets.⁷ Indeed, the share of state budget revenue from “local areas” has been rising, from a mere 16.1% in 2011 to 23.2% in 2016; it was expected to hit 26.7% in 2017, implying growing economic independence at the local level.⁸ Another indicator of marketization is the availability of alternative, competing products. Anecdotal evidence shows that North Koreans can choose, for example, from a variety of locally made goods: toothpaste, refrigerators, the popular liquor *soju*, clothing, and many other items, although the overall menu is still limited.⁹

In contrast, revenue from the special economic zones, a major policy initiative under Kim Jong Un, is expected to increase by only 1.2% in 2017,

5. Yonhap News Agency, “Number of N. Korean Defectors Drops: Data,” October 15, 2017, <<http://english.yonhapnews.co.kr/national/2017/10/14/0301000000AEN20171014003300315.html>>.

6. Ruediger Frank, “The North Korean Parliamentary Session and Budget Report for 2017,” 38 North, April 28, 2017, <<http://www.38north.org/2017/04/rfrank042817/>>.

7. Thomas Fingar, Kwang-Jin Kim, Hyung-Seog Lee, and Yong Suk Lee, “Analyzing the Structure and Performance of Kim Jong-Un’s Regime,” Shorenstein Asia-Pacific Research Center and Institute for National Security Strategy, 2017, <<https://fsi.stanford.edu/publication/analyzing-structure-and-performance-kim-jong-uns-regime>>.

8. Frank, “North Korean Parliamentary Session.”

9. Frank, “Consumerism in North Korea.”

significantly less than the 4.1% in 2016.¹⁰ North Korea reportedly restarted operations at its Kaesong Industrial Zone, a previously jointly run industrial complex with South Korea just north of the border that had been closed since March 2016. South Korea had pulled out in the wake of the North's nuclear and missile testing.¹¹

A key question is the impact of tightening sanctions by the United Nations and others on the North Korean economy. A series of sanctions imposed this year by the UN banned 90% of the North's US\$ 2.7 billion of publicly reported exports, ordered closure of all joint business ventures with North Korea, and added textiles to the list of banned exports on top of coal, iron ore, and seafood.¹² While the actual effects have yet to be seen, given past experiences of little or limited impact, this time they might have a serious impact, especially with China's active implementation of the sanctions. North Korea continues to depend heavily on China.¹³ In fact, it appears that prices are higher than normal (corn prices, for example, have been reported to be 42% higher than normal, and gasoline prices are increasing, too), as a result of news of added sanctions and an embargo on fuel sales to the country.¹⁴

INTERNATIONAL RELATIONS

The year 2017 saw rapid and significant developments in North Korea's nuclear and missile programs. The country conducted its first test of an intercontinental ballistic missile (Hwasong-14) on July 4 and its sixth nuclear test on September 3. According to North Korean state media, the Hwasong-14 flew 580 miles (933 km) and reached an altitude of 1,741 miles (2,802 km) in its 39 minutes of flight, before crashing into Japanese waters. If fired to the east, the missile is expected to have a range of between 7,000 and 9,500 km (4,300–5,900 miles). Another Hwasong-14 tested on July 28 showed a range

10. Frank, "North Korean Parliamentary Session."

11. Joyce Lee, Reuters, at <<http://www.businessinsider.com/north-korea-restarts-work-at-kaesong-industrial-complex-2017-10>>.

12. Philip Wen, "As Sanctions Bite, N. Korean Workers Leave Chinese Border," Reuters, October 2, 2017, <<https://www.reuters.com/article/us-northkorea-missiles-china-labor/as-sanctions-bite-north-korean-workers-leave-chinese-border-hub-idUSKCN1C70PC>>.

13. Jo He Rim, "North Korea's Trade Deficit Record High: Report," *Korea Herald*, October 2, 2017, <<http://www.koreaherald.com/view.php?ud=20171002000167>>.

14. Benjamin Katzeff Silberstein, "Market Prices in North Korea Rise Sharply after Recent Sanctions and Tensions," *The Diplomat*, September 19, 2017, <<https://thediplomat.com/2017/09/market-prices-in-north-korea-rise-sharply-after-recent-sanctions-and-tensions/>>.

of over 10,000 km (6,200 miles), which could reach mainland North America. The destructive power of the latest bomb, believed to be a hydrogen bomb, is estimated to be greater than 100 kilotons (five times that of the bomb dropped in Nagasaki in 1945). Kim Jong Un tested more missiles (88) than his father (16) and grandfather (15) combined, in addition to four nuclear weapons tests.¹⁵ The Kim regime appears determined to speed up the process and to complete its mission to become a fully recognized nuclear power.

The international community reacted strongly to the North's provocations with a range of tough measures. The UN unanimously passed resolution 2371 on August 5, 2017, which targeted North Korea's principal exports, imposing a total ban on all exports of coal (North Korea's largest source of external revenue), iron, iron ore, lead, lead ore, and seafood, as well as targeting North Korea's arms smuggling, joint ventures with foreign companies, banks, and other sources of revenue. Resolution 2375, adopted on September 11, banned the export of textiles (worth nearly US\$ 800 million annually) and prevented overseas workers (an estimated 60,000 in 20 countries) from earning wages that finance the regime (over US\$ 500 million annually). The measures would also reduce the oil provided to North Korea by about 30% by cutting off over 55% of the refined petroleum products going there. They would ban all joint ventures with North Korea to cut off foreign investments, technology transfers, and other economic cooperation. The resolution also included strong maritime provisions enabling countries to counter North Korean smuggling of prohibited exports by sea. The latest UN resolution, of December 22, 2017, cuts 90% of petroleum exports to North Korea and demands that North Koreans working for Kim Jong Un's regime abroad return home. Since North Korea's first nuclear test in 2006, the UN has now passed 12 sanctions packages against North Korea. China and Russia were on board but weakened sanctions proposed by the US. For example, both countries objected to the original language calling for an oil embargo and other severe penalties, resulting in a revised draft that set a cap on oil exports to North Korea, without blocking them altogether.

In April, the Trump administration announced a new North Korea policy of "maximum pressure and engagement." This would, first, try to curb North Korea's missile and nuclear activity through sanctions and other diplomatic

15. Joshua Berlinger, "North Korea's Missile Tests: What You Need to Know," CNN, September 17, 2017, <<http://www.cnn.com/2017/09/29/asia/north-korea-missile-tests/>>.

means, and second, seek engagement if North Korea changes its behavior. The new administration declared that the Obama administration's "strategic patience" had failed, but some observers wonder whether it was very different—both polices increased sanctions but also pressured China to solve the North Korean issue.¹⁶

Nonetheless, some important differences exist between the two administrations. Of particular note is the "war of words" and personal insults exchanged between Donald Trump and Kim Jong Un. While the two countries had exchanged tough words in the past, such personal attacks, especially the use of Twitter by the president, added new dimensions to the conflict:

TRUMP: North Korea best not make any more threats to the United States. They will be met with fire and fury like the world has never seen. (August 8)

KIM: Let's reduce the US mainland to ashes and darkness. (September 14)

TRUMP: If the US is forced to defend itself or its allies, we will have no choice but to totally destroy North Korea. . . . Rocket Man is on a suicide mission for himself. (September 19, at the United Nations)

KIM: I will surely and definitely tame the mentally deranged US dotard with fire. (September 21)

TRUMP: Kim Jong Un, who is obviously a madman who doesn't mind starving or killing his people, will be tested like never before! (September 22)

Observers have noted that publicly and personally attacking a godlike figure such as Kim can only be counterproductive in solving the North Korea issue, as it will make it more difficult for policy-making elites around him to advocate negotiation or compromise.¹⁷

Besides the novelty of personalized attacks and the use of social media, 2017 saw more heated debates on diverse options regarding US policy on North Korea than in the past, when policies were largely based on a simple logic of "sticks and carrots." The US administration's reference to military options is not new, but its increased frequency reflects its sense of urgency about North Korea's faster-than-expected pace in developing ICBM technology that could reach the continental US. As Trump stated, "Military action would certainly be an option. Is it inevitable? Nothing's inevitable.

16. Josh Rogin, "Trump's North Korea Policy Is 'Maximum Pressure' but Not 'Regime Change'," *Washington Post*, April 14, 2017, <<https://www.washingtonpost.com/news/josh-rogin/wp/2017/04/14/trumps-north-korea-policy-is-massive-pressure-but-not-regime-change/>>.

17. Andray Abrahamian, "Kim Jong Un and the Place of Pride," *38 North*, October 2, 2017, <<https://www.38north.org/2017/10/aabrahamian100217/>>.

Hopefully, we're not going to have to use it [military action] on North Korea. If we do use it on North Korea, it will be a very sad day for North Korea."¹⁸

Others have advocated containment and deterrence, with continued sanctions, as the preferred option to a preventive US strike. Comparing the North Korean threat to that of the Soviet Union during the Cold War and even to the Cuban Missile Crisis, they argue that US policy needs to reorient from denuclearization to containment of the North's nuclear weapons. For example, Scott Sagan has argued that "North Korea no longer poses a nonproliferation problem; it poses a nuclear deterrence problem."¹⁹

Still others have argued that engagement, not sanctions (which repress the forces of change and further isolate North Korea), is the appropriate response. They see the seeds of change as coming from below (a small but important rise of the middle class) and contend that the US should seriously engage the North to facilitate this.²⁰

Another suggestion, best put forth by Henry Kissinger, is "grand bargaining" with China. In his view, mere cooperation on economic pressures is not sufficient, and a more comprehensive deal between the two powers would be the best option in solving the denuclearization issue. To accomplish this, he prescribed "a corollary U.S.-Chinese understanding on the aftermath, specifically about North Korea's political evolution and deployment restraints on its territory."²¹

In the meantime, Trump and Washington officials have been sending out conflicting messages regarding the state of "negotiations" with North Korea. For instance, Secretary of State Tillerson said that, "We ask, 'Would you like to talk?' We have lines of communications to Pyongyang. We're not in a dark situation or a blackout. We have a couple of direct channels to Pyongyang. We can talk to them. We do talk to them. Directly, through our own channels."²²

18. Aljazeera, "Trump: 'Sad Day' for North Korea If Military Attacks," September 7, 2017, <<http://www.aljazeera.com/news/2017/09/trump-sad-day-north-korea-military-strikes-170907225959147.html>>.

19. Scott D. Sagan, "The Korean Missile Crisis: Why Deterrence Is Still the Best Option," *Foreign Affairs*, November/December 2017, <<https://www.foreignaffairs.com/articles/north-korea/2017-09-10/korean-missile-crisis>>.

20. Ruediger Frank, "Engagement, Not Sanctions, Deserves a Second Chance," 38 North, October 13, 2017, <<http://www.38north.org/2017/10/rfrank101317/>>.

21. Henry A. Kissinger, "How to Resolve the North Korea Crisis," *Wall Street Journal*, August 11, 2017, <<https://www.wsj.com/articles/how-to-resolve-the-north-korea-crisis-1502489292>>.

22. Miranda Green and Matt Rivers, "US Has 'Direct Channels' to Pyongyang, Secretary of State Rex Tillerson Says," CNN, September 30, 2017, <<http://www.cnn.com/2017/09/30/politics/tillerson-channels-to-pyongyang>>.

The very next day, Trump undercut such claims, tweeting, “I told Rex Tillerson, our wonderful Secretary of State, that he is wasting his time trying to negotiate with Little Rocket Man . . .”²³

In South Korea, the Moon Jae-in administration is facing a dilemma in meeting the conflicting demands of its key supporters (pro-engagement) versus the demands of the conservatives and the international community (pro-sanctions). In sync with the US and the international community, Seoul joined the sanctions against Pyongyang and did not reopen the Kaesong complex or the Mt. Kumgang tourism site. At the same time, Seoul also attempted to engage the North by proposing high-ranking military talks (which was ignored by the North) and also by offering US\$ 8 million in humanitarian aid, drawing some criticism from Korean conservatives, Japan, and the US. It has not been implemented.

In the face of the North Korean threat, there is a growing popular demand that South Korea go nuclear. In a Gallup Korea poll conducted in September 2017 ($n = 1,004$), 60% of those surveyed believed that South Korea should arm itself with nuclear weapons; 35% disagreed. Still, South Koreans today think it is less likely that the North will start a war than they did in the past. In the same poll, 58% of South Koreans said there was no possibility North Korea would cause a war, while 37% said they thought it would, much different from a similar survey conducted in 1992, in which the numbers were 24% and 69%, respectively.

China, too, has shown mixed reactions. While the country joined international sanctions and implemented measures such as ordering North Korean businesses in China to close, ordering Chinese banks to stop working with North Korea, and announcing that it might cut off gas and limit petroleum exports, observers have noted that such moves should be seen as largely tactical.²⁴ Other indicators, such as China’s not announcing any plans to reduce crude oil shipments to North Korea, as well as ongoing border trade between the two countries, suggest that Chinese pressure on North Korea is limited. China sees the current crisis largely as a US–DPRK problem and

23. Peter Baker and David E. Sanger, “Trump Says Tillerson Is ‘Wasting His Time’ on North Korea,” *New York Times*, October 1, 2017, <<https://www.nytimes.com/2017/10/01/us/politics/trump-tillerson-north-korea.html>>.

24. Merriden Varrall, “On North Korea, China’s Interests Are Unchanged,” Lowy Institute, September 29, 2017, <<https://www.lowyinstitute.org/the-interpretor/north-korea-china-s-interests-are-unchanged>>.

continues to urge dialogue between the two adversaries, including resumption of the six-party talks that have not been held for a decade.

“RICH NATION, STRONG MILITARY”?

The main pillar of the Kim regime is simultaneous nuclear and economic development, known as *byungjin*. The logic is that nuclear development not only compensates for the North’s inferiority in conventional military capability vis-à-vis the South,²⁵ but also contributes to the economy by allowing the regime to reallocate conventional defense spending to the civilian economy. In the 7th Workers’ Party of Korea Central Committee on October 7, economic officials were elevated to more influential positions in the party hierarchy, demonstrating Kim’s commitment to economic development.

Thus, while the main objective of developing nuclear and missile development is to defend the nation from external threats, it goes beyond that. In a sense, it is reminiscent of the slogan and ideals of Japan’s leaders during the Meiji Era (1868–1912), *fukoku kyōhei* (rich nation, strong military), which was successfully replicated by Park Chung-hee in South Korea decades later. Kim Jong’s Un’s grandfather Kim Il Sung also attempted this approach, but failed. It remains to be seen whether his grandson will succeed this time around. But if this is his ambition, then it is highly unlikely that he will give up his programs to develop weapons of mass destruction.

25. Although estimates vary depending on the source, North Korea spends perhaps US\$ 7.5 billion, compared to the US\$ 43.8 billion spent by the South. GlobalFirepower, “2017 North Korea Military Strength,” <https://www.globalfirepower.com/country-military-strength-detail.asp?country_id=north-korea>.