

Logical Engagement: Using Positive Sanctions to Coerce North Korea¹

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Abstract

Sanctions have played a vital role in the creation of American and international policy toward North Korea. However, lax enforcement and the nature of North Korea as a hard target have minimised sanctions success. Therefore, it is time for the international community to think of implementing a new strategy. This paper will argue the need for a positive sanctions regime, leveraging the interests of China, South Korea, and the United States, which rewards Pyongyang for taking substantial steps toward denuclearisation and will show how such a regime can be implemented into our current policy on North Korean denuclearisation.

Introduction

North Korea is the quintessential hard target. International actors—both multi- and uni-lateral—have levied a myriad of negative sanctions in an attempt to coerce North Korea to forego its production of nuclear weapons. However, negative sanctions have failed to force Pyongyang to denuclearise due to the lack of material incentives which offset the political and economic damage to the Kim regime for forgoing a strong nuclear weapons program.

A more guided approach using positive sanctions can provide the Kim regime direct incentives to switch course on its nuclear policy and take firm steps toward denuclearisation. Effective positive sanctions will require the coordination of the economic and security interests of regional actors and must be effectively coordinated within the current sanctions regime. After all, “sticks are needed to ensure that carrots do not become rewards for bad behaviour.”² This paper will lay out a positive sanctions regime

1 The authors would like to thank Dr. William Norris, Dr. Will Mayborn, Dr. Raymond Robertson, Dr. Valerie Hudson, Dr. Constatine Vapouris, Professor Katherine Weary, Joseph Balmain Rodgers, Ryan Sullivan, Jarred Ballejos, Pat Yaro, and Trenton Spolstra, as well as Ms. Yun Jiang, the editorial staff of *Security Challenges*, and two anonymous reviewers for their insightful comments and feedback on various drafts of this paper. Any factual or analytical errors are the authors alone.

2 Gary Clyde Hufbauer et al., *Economic Sanctions Reconsidered*, 3rd ed., (Washington, DC: Peterson Institute for International Economics, 2007), 169.

leveraging the interest of three regional powers--South Korea, China, and the United States—which can be employed within the current sanctions regime as a way to provide material incentives for the Kim regime to take concrete steps toward denuclearisation.³

Our proposal is not the first one to use positive sanctions to provide material incentives for denuclearisation. Shepard Iverson proposed a framework centred around providing enough individual incentives so “that the vast majority of North Koreans--of every rank--will become compelled to push for reunification.”⁴ Underlying Iverson’s proposal is the assumption that only reunification can create a situation in which denuclearisation is possible. Material incentives, however, will mean little to North Korea’s elite if the major powers push for possible prosecution for crimes against humanity at the International Criminal Court; such a push is likely post-unification from various political leaders.⁵ Therefore, we reject Iverson’s assumption that reunification is the only method to bring about denuclearisation in favour of the assumption that North Korea’s elite are more likely take steps toward denuclearisation if positive sanctions can provide enough capital--political and economic--to offset the incurred costs of North Korean denuclearisation.

Nor will our framework be the first-time positive sanctions have been employed to incentivise North Korea to denuclearise. In 1994, for example, the United States and North Korea signed an Agreed Framework under which Washington agreed to provide North Korea with heavy oil and light water nuclear reactors in exchange for freezing the operation and construction of nuclear reactors capable of producing weapons grade uranium. Domestic political shifts within the United States, however, led to the framework’s eventual breakdown.⁶ Between 1998 and 2008, South Korea’s Sunshine Policy also sought to unilaterally employ positive sanctions to incentivise North Korea to denuclearise. Like the Agreed Framework, domestic political shifts in South Korea led to the end of the Sunshine Policy. Both succumbed to domestic political shifts because they were unilateral endeavours. By working to coordinate the interests of three major stakeholders, our framework will be more robust than previous attempts to use positive sanctions, making it less likely to succumb to the whim of domestic political shifts in one or two of the parties.

Our framework will be introduced in four key sections. First, we analyse the use of sanctions as a foreign policy tool and provide clear definitions for negative and positive sanctions. Then we briefly examine the current sanctions on North Korea and show why they have yet to yield results. In the third section, we present our framework for coordinating the economic interests of China and South Korea with the security interests of the United

3 Though other nations, notably Japan, have an interest in the denuclearisation of North Korea and stability in East Asia, this paper assumes that South Korea, the United States, and China are in a position to take the risks of such a plan failing. Japan, on the other hand, is unlikely to join such a program until there is a proven track record of success.

4 Shepherd Iverson, *Stop North Korea! A Radical New Approach to the North Korea Standoff* (Rutland: Tuttle Publishing, 2017), 37.

5 Following the death of Kim Jong-nam in an alleged assassination attempt coordinated by the highest levels of North Korea’s bureaucracy, South Korea called on the United Nations to refer North Korea to the International Criminal Court for crimes against humanity. This is not the first time a country has asked to refer North Korea to the court for similar crimes. Brian Padden, “South Korea Urges UN to Refer DPRK Leaders to ICC,” *Voice of America*, 28 February 2017, <https://www.voanews.com/east-asia-pacific/south-korea-urges-un-refer-dprk-leaders-icc>.

6 Ramon Pacheco Pardo, *North Korea-US Relations Under Kim Jong Il: The Quest for Normalization?*, (New York: Routledge, 2014), 44.

States to create a robust positive sanctions regime. Our framework assumes other regional actors, such as Japan, are unwilling to commit resources without guarantees of success. This framework also assumes North Korea has shown real intent to negotiate an agreement placing it on the path toward verifiable denuclearisation. The final section will show how our proposal can be implemented within the framework of current sanctions on North Korea and provide levers of punishment in case North Korea fails to take steps toward denuclearisation.

Sanctions and Strategy: Positive and Negative Coercion

Sanctions are either punishments or inducements implemented by a sender state with the goal of indirectly changing the domestic political decision making process within the target state.⁷ After all, sanctions are typically employed as a less expensive alternative to military action to coerce or induce the target state into changing its actions to align more closely with the desires of the sender. For example, global economic sanctions levied on Iran between 2011 and 2015 sought to shrink the Iranian economy and freeze Tehran's access to foreign assets in order to pressure the regime into signing the Joint Comprehensive Plan of Action (JCPOA).⁸ After Tehran signed the JCPOA, the Obama administration lifted oil sanctions on Iran as a reward for shifting its policy to favour the preference of the United States.

As the Iran case shows, sanctions can be either negative or positive in nature. Negative sanctions, in short, apply economic pressure to punish a target state for taking action counter to the political preference of the sender. By using positive sanctions, however, the sender state seeks to alter the behaviour of the target state by offering rewards for compliance or alteration of policy in favour of the sender's policy preferences. The global community implemented negative sanctions on Iran for non-compliance with global non-proliferation norms, then rewarded the regime with positive sanctions for altering its policy preferences under the JCPOA.⁹ While the difference between the two types of sanctions appears fairly straightforward, the logics they use differ in more nuanced ways.

Negative Sanctions

Negative sanctions "impose economic penalties, or carry a credible threat of penalties, in order to coerce the target country to alter its policies."¹⁰ They aim to disincentivise the leadership from pursuing their current political, military, or economic course of action.¹¹ Typically, negative sanctions manifest as embargoes, boycotts, expropriation, suspension of aid, and asset freezes to coerce states into compliance with global norms. Negative sanctions have a low record of success due to a variety of factors.

7 Hufbauer et al., *Economic Sanctions Reconsidered*, 5.

8 Kenneth Katzman, "Iran Sanctions" (Washington D.C.: Congressional Research Service, July 23, 2020).

9 In our analysis, the lifting of current negative sanctions is, itself, a positive sanction.

10 Hufbauer et al., *Economic Sanctions Reconsidered*, 101.

11 Richard Nephew, *The Art of Sanctions: A View from the Field* (New York: Columbia University Press, 2018), 9–12.

Negative economic sanctions can be successful only if the threat associated with them is credible and the punishment potent enough.¹² The question then is how to impose sanctions which carry a credible threat and a potent punishment. First, negative sanctions are impactful when the goals are modest; they are more likely to secure the release of a political prisoner than coerce a target to alter policy. Second, sanctions are more effective against allies than against adversaries. Third, sanctions tend to be ineffective against regimes that are stable, large, or autocratic. Fourth, sanctions are most effective when the economic costs are relative to the political goals of the sanctions. These costs must be applied all at once, not over time. Fifth, sanctions which require the buy in of multiple states tend to be less effective than unilateral sanctions. Finally, sanctions must be applied in conjunction with appropriate outside measures.¹³ Negative sanctions, in short, require the narrowest of circumstances to be minimally impactful in coercing states to alter their policy.

Though negative economic sanctions can be useful in very narrow circumstances, they offer “little independent usefulness for [the] pursuit of noneconomic goals.”¹⁴ States are more likely to resort to nationalism in defence of their policy, making them more willing to endure the cost of defiance.¹⁵ A third-party state with a salient political motive in busting the sanctions is also likely to endure a high cost to assist in protecting the target’s national interests and offset the costs of defiance.¹⁶ Therefore, negative sanctions face an uphill battle compounded by the domestic and international reaction to their imposition.

Finally, the sender must also incur a heavy moral cost when pursuing a non-economic goal as negative sanctions tend to impact the domestic population of the target. Though sanctions may be morally justified to pursue changes in the humanitarian policy of the target state, the sender cannot be morally justified when the sanctions impose undue or major harm to the domestic population of a state.¹⁷ Therefore, negative sanctions are a justifiable action only if states take steps to ensure they protect the general population from the effect of imposed sanctions. In short, negative sanctions are only justifiable and effective in the narrowest of circumstances.

Positive Sanctions

Negative sanctions stand in stark contrast to the possibilities presented by positive sanctions. Sociologist Johan Galtung proffered the first distinction between negative and positive sanctions as “punishment for deviance...[and] reward for compliance,” respectively.¹⁸ On a functional level, the difference between positive and negative sanctions

12 Jon Hovi, Robert Huseby, and Detlef F. Sprinz, “When Do (Imposed) Economic Sanctions Work?,” *World Politics* 57, no. 4 (July 2005): 485.

13 These six criteria are outlined in Hufbauer et al., *Economic Sanctions Reconsidered*, 162–76.

14 Robert A Pape, “Why Economic Sanctions Do Not Work,” *International Security* 22, no. 2 (Fall 1997): 93.

15 Ibid, 106.

16 Bryan R. Early, *Busted Sanctions: Explaining Why Economic Sanctions Fail* (Stanford: Stanford University Press, 2015), 159–60.

17 For a good examination of this debate, see Cécile Fabre, *Economic Statecraft: Human Rights, Sanctions, and Conditionality* (Cambridge: Harvard University Press, 2018); and Hazel Smith, “The Ethics of United Nations Sanctions on North Korea: Effectiveness, Necessity and Proportionality,” *Critical Asian Studies* 52, no. 2 (2 April 2020): 182–203.

18 Johan Galtung, “On the Effects of International Economic Sanctions: With Examples from the Case of Rhodesia,” *World Politics* 19, no. 3 (1967): 381.

is tool centric. Positive sanctions use rewards to induce policy change while negative sanctions employ coercive punitive measures. Positive sanctions, however, can also be coercive in nature as they can manifest as the denial of rewards in response to a failure to cement lasting political change.¹⁹ Other classifications focus on the impact of sanctions within the target state. Positive sanctions, then, are promised or actual rewards which offer a relative increase to the target's baseline expectations.²⁰

Positive sanctions rely on the use of economic carrots—trading or catalytic—as incentives for change in the target state's policy. Trading carrots require balanced concessions which are beneficial to both sides. Such carrots involve the use economic favours in a finite exchange to secure a small, similarly finite change within the target state's security policy.²¹ The target state must ensure that the benefit of the exchange outweighs the costs of the reciprocal action and come with a credible commitment to carrying out the exchange until complete.²² On the other hand, catalytic carrots rely on a dynamic domestic situation in which reform minded elites are in a position of power within the system.²³ Where trading carrots use finite economic exchange, catalytic carrots involve the use of extended engagement in various sectors—economic, military, and beyond—to take advantage of the dynamic situation to change the domestic political incentives underlying the target state's foreign policy. Catalytic carrots are employed when the sender seeks to change the nature of a target state's incentives, reducing the amount that must be “offset either by rewards or punishments.”²⁴ Since these carrots seek to alter the political calculus within a state and alter the relationship between sender and target, they can reduce the symbolic strength of rally effects and can be used as punishment if states fail to accommodate further liberalisation.²⁵ In short, while trading carrots are derived from a need to “offset baneful incentives,” catalytic carrots attempt to “modify the political reality behind the original incentives.”²⁶

The efficacy of positive sanctions relies on the nature of the carrot employed by the sender state. Trading carrots must present a valuable enough incentive to offset the behavioural concessions demanded. Catalytic carrots, however, are dependent on the ability of the target regime to retain its power. Both sets of carrots are influenced by the relationship between the target and the sender; trading carrots rely on the presence of a *quid pro quo* while catalytic carrots seek to alter the nature of the relationship between target and sender. Positive sanctions, therefore, are the employment of either trading or catalytic

19 Klaus Knorr, *Power and Wealth: The Political Economy of International Power*, (New York: Basic Books, 1973), 9-13; Klaus Knorr, *The Power of Nations: The Political Economy of International Relations*, (New York: Basic Books, 1975), 7-8.

20 David A. Baldwin, *Economic Statecraft* (Princeton, N.J: Princeton University Press, 1985), 20; David A. Baldwin, “The Power of Positive Sanctions,” *World Politics* 24, no. 1 (October 1971): 23.

21 For example, the United States offered Egypt economic assistance for signing the Camp David Accords. Such an exchange used a finite amount of American resources in order to offset the costs of an equally valuable finite change in Egyptian behaviour on the international stage. See Marvin G. Weinbaum, “Politics and Development in Foreign Aid: US Economic Assistance in Egypt, 1975-82,” *Middle East Journal* 37, no. 4 (Autumn 1983), 636-655; and Soheir A. Morsy, “U.S. Aid to Egypt: An Illustration and Account of U.S. Foreign Assistance Policy,” *Arab Studies Quarterly* 8, no. 4, (Fall 1986), 358-389.

22 Miroslav Nincic, *The Logic of Positive Engagement* (Cornell University Press, 2011), 59, 67-68.

23 Nincic, “The Logic of Positive Engagement.” 326

24 Ibid, 321.

25 Ibid, 327

26 Ibid, 325.

carrots to seek certain political goals or alter the nature of an international relationship.²⁷ These sanctions can be more impactful than negative sanctions since they can offer the target state with material incentives to offset the cost of major political shifts.

Coercing North Korea: An Overview of Current Sanctions

International actors have levied a variety of negative sanctions against North Korea for its continued pursuit of nuclear weapons. Though these sanctions have had some measurable impact, their ability to alter North Korea's political calculus is hindered by mis-implementation, lax enforcement mechanisms, the nature of the North Korean regime, and the effectiveness of China as a sanctions buster.

Multilateral institutions—most prominently the United Nations Security Council (UNSC)—lead the push to sanction North Korea. Following North Korea's written intent to withdrawal from the Nuclear Non-Proliferation Treaty in 1993, the Security Council became seized of the North Korean nuclear issue by compelling North Korea to reconsider its withdrawal.²⁸ Following North Korea's first nuclear test in October 2006, the UNSC levied sanctions which limited Pyongyang's ability to import military equipment and called on member states to freeze accounts related to Pyongyang's nuclear program.²⁹ After each subsequent nuclear test by North Korea, the UNSC passed further resolutions to tighten sanctions on North Korea. Most recently, Security Council Resolution 2375 limits North Korea's access to fossil fuels by placing a limit on the amount of oil and coal North Korea could import and export.³⁰

Despite being the leading institution, the UNSC is not the only one that has levied sanctions on North Korea. The European Union (EU) "not only transposes the sanctions imposed by the UN, but also has its own autonomous sanctions regime" which complements sanctions levied by the UN.³¹ Current EU sanctions ban the admission and residency of person's involved with North Korea's nuclear program; deny North Koreans access to specialist training in the EU; ban the export of luxury items to Pyongyang; ban EU investment in North Korea; and cap remittances to North Korea.³² By levying sanctions against the regime, multilateral institutions signal their displeasure with Pyongyang's pursuit of nuclear weapons and attempt to coerce the regime by isolating it from the global economy.

27 Ibid, 325–26; Nincic, *The Logic of Positive Engagement*, 2011, 87–89.

28 Security Council Resolution 825, "On the Withdrawal of North Korea from the NPT," S/RES/825, (11 May 1993).

29 Security Council Resolution 1718, "Non-Proliferation/Democratic People's Republic of Korea," S/RES/1718, (14 October 2006).

30 Security Council Resolution 2375, "Non-Proliferation/Democratic People's Republic of Korea," S/RES/2375, (11 September 2017).

31 European Council, "North Korea: EU Renews Its Autonomous Sanctions on Individuals and Entities," Council of the European Union, 15 July 2019, <http://www.consilium.europa.eu/en/press/press-releases/2019/07/15/north-korea-eu-renews-its-autonomous-sanctions-on-individuals-and-entities/>.

32 European Council, "EU Restrictive Measures against North Korea," Council of the European Union, [Accessed 30 August 2020], <http://www.consilium.europa.eu/en/policies/sanctions/history-north-korea/>.

States have also unilaterally applied negative sanctions on the North Korean regime. Most notably, the United States passed the North Korean Sanctions and Policy Enhancement Act of 2016 to “protect the international financial system from ongoing and substantial money laundering and terrorist financing risks emanating from” and counterfeiting efforts by the North Korean regime.³³ South Korea cut off trade with North Korea, blocked North Korean ships from vessels from entering South Korean ports, and cut off new investments to North Korea under the “May 24th Measures” passed by the Lee Myung-bak administration in 2010.³⁴ Japanese sanctions include a freeze on North Korean assets, restrictions on North Korean travel—citizens and ships—to Japan, and prohibit remittances valued more than USD\$880.³⁵ Though unilateral, these sanctions serve the same role as multilateral sanctions on North Korea: signalling displeasure with continued development of nuclear weapons and attempting to coerce the Kim regime by isolating it from global institutions and financial services.

Despite the appearance of a unified push to punish the Kim regime for continued development of nuclear weapons, negative sanctions have yet to change the behaviour of the Kim regime. Several factors contribute to this failure. First, the implementation and goal of sanctions on North Korea hinders their effectiveness. With the UNSC and EU as leading voices, sanctions require buy in from multiple nations with different interests, diluting the sanctions’ scope and impact. The Kim regime has also effectively marshalled a nationalistic defiance of the gradually increasing pressure imposed by sanctions within its domestic political discourse. Finally, the stated goal of sanctions requires the Kim regime to cement a major political shift on its nuclear policy.³⁶

Second, lax enforcement and disunity within sanctioning parties mitigates the impact of sanctions on Pyongyang. When levying sanctions on luxury imports in 2007, the UNSC delegated the designation of luxury items to individual states with a mandate to enact export controls in a harmonised manner. However, only 13 export control regulation regimes have been made public and the definition of luxury item varies between regulations.³⁷ Since 2013, the UNSC has taken a more active role in defining luxury items within levied sanctions. Those definitions, however, are limited in nature and provide states the ability to interpret them as they see fit.³⁸ After all, many of these regulations do not follow an internationally recognised classification regime, such as the Harmonized Coding System, making regulations and export controls easy to circumvent. Varied and limited definitions of luxury goods limit the ability of international enforcement authorities to feasibly implement and enforce export control regimes of luxury items to North Korea.³⁹

33 *North Korea Sanctions and Policy Enhancement Act of 2016*, Public Law 114-122, enacted February 18, 2016, <https://www.congress.gov/114/plaws/publ122/PLAW-114publ122.pdf>.

34 Myung-bak Lee, “Announcement of Measures against North Korea,” South Korean Ministry of Unification, May 24, 2010, https://unikorea.go.kr/eng_unikorea/news/releases/%3Bjsessionid=nb5Xzi0DHVUR0YOb7tG15iv.unikorea21?boardId=bbs_000000000000034&mode=view&cntId=31606&category=&pageldx=19.

35 Eleanor Albert, “What to Know About Sanctions on North Korea,” Council on Foreign Relations, July 16, 2019, <https://www.cfr.org/backgrounder/what-know-about-sanctions-north-korea>.

36 These policy actions are counter to effective implementation methods outlined in Hufbauer et al., *Economic Sanctions Reconsidered*, 162–72.

37 “Lux and Loaded: Exposing North Korea’s Strategic Procurement Networks” (Washington D.C.: C4ADS, 16 July 2019), 16, <https://static1.squarespace.com/static/566ef8b4d8af107232d5358a/t/5d307a43bf42140001877def/1563458128965/Lux+%26+Loaded.pdf>.

38 Security Council Resolution 2094, “Non-Proliferation/Democratic People’s Republic of Korea,” S/RES/2094, (7 March 2013); Security Council Resolution 2270, “Non-Proliferation/Democratic People’s Republic of Korea,” S/RES/2270, (2 March 2016); Security Council Resolution 2321, “Non-Proliferation/Democratic People’s Republic of Korea,” S/RES/2321, (30 November 2016).

39 “Lux and Loaded,” 16.

Third, the nature of North Korea as a hard target state hinders the effectiveness of negative economic sanctions. A hard target is an authoritarian regime that “can repress and impose costs on their populations—and may even be incentivised to do so by sanctions.”⁴⁰ North Korea’s system of political repression and surveillance has proven essential in imposing costs of sanctions on the population, resulting in increased levels of food insecurity among the most vulnerable populations.⁴¹ Entrenched repression mechanisms will ensure that North Korea is vulnerable only in the narrowest of circumstances.⁴² Current sanctions, as elucidated above, are currently too wide in scope and lack sufficiently strong, unified enforcement mechanisms to be so narrowly targeted.

Finally, China has acted as a political and economic lifeline for the North Korean regime on the global stage. At the United Nations, China hesitated in applying strict sanctions on the Kim regime, only capitulating under the appeal of the international community after Beijing’s efforts to handle the issue failed.⁴³ Though Beijing has approved increasingly stringent sanctions, it “is the umbilical cord that keeps North Korea alive” and works to illicitly provide North Korea with sanctioned goods to stave off the collapse of the North Korean regime.⁴⁴ Beijing is willing to take on major political and economic costs to ensure that North Korea is minimally impacted by international sanctions, providing a critical lifeline the Kim regime can use as it defies the pressure of international sanctions.

A Better Strategy: Positive Sanctions and North Korea

Where negative sanctions have failed to coerce North Korea, the use of positive sanctions in the form of catalytic carrots presents an opportunity to push Pyongyang to take concrete steps toward denuclearisation. China and South Korea can use their unique position and interests to leverage projects such as the institutionalisation of cross-border trade, the Kaesong Industrial Complex, and lowering barriers to tourism to and from North Korea. Meanwhile, the United States can leverage its position to push for a regional peace regime, such as the creation of a regional peace institution and rebalancing of troop presence on the Korean Peninsula. Effectively coordinating these projects as inducements for positive steps toward denuclearisation provide the Kim regime with the economic and political resources to offset the costs of denuclearisation.

But if the effect of catalytic carrots relies on the pre-eminence of reformers in power—a trend unseen in North Korea—then why would the use of catalytic carrots be effective

40 Stephan Haggard and Marcus Noland, *Hard Target: Sanctions, Inducements, and the Case of North Korea*, Studies in Asian Security (Stanford: Stanford University Press, 2017), 6.

41 Anna Fifield, “Sanctions Are Hurting Aid Efforts — and Ordinary People — in North Korea,” *Washington Post*, 16 December 2017, https://www.washingtonpost.com/world/asia_pacific/sanctions-are-hurting-aid-efforts--and-ordinary-people--in-north-korea/2017/12/15/df57fe6e-e109-11e7-b2e9-8c636f076c76_story.html.

42 Haggard and Noland, *Hard Target*, 6–7.

43 For a good examination of the impact of China’s hesitance to approve international sanctions, see Mu Ren, “China’s Non-Intervention Policy in UNSC Sanctions in the 21st Century: The Cases of Libya, North Korea, and Zimbabwe,” *Ritsumeikan International Affairs* 12 (2014): 120–26.

44 Scott Snyder made this observation in a podcast episode and is quoted in Uri Friedman, “Why China Isn’t Doing More to Stop North Korea,” *The Atlantic*, 9 August 2017, <https://www.theatlantic.com/international/archive/2017/08/north-korea-the-china-options/535440/>; James M. Lindsey, Scott A. Snyder, and Robert McMahon, *The President’s Inbox: North Korea*, The President’s Inbox (Washington D.C.: The Council on Foreign Relations, 2017), <https://www.cfr.org/podcasts/presidents-inbox-north-korea>.

in North Korea? First, Kim Jung-un's inner circle still features some powerful reform minded individuals who may be influenced by showing how this proposal can provide North Korea the ability to generate domestic growth.⁴⁵ Kim Jung-un also has incentives to ensure catalytic carrots are successful. A major portion of Kim's guiding policy—the byongjin line—is the growth of the economy. Since a critical part of this plan is providing North Korea the ability to grow on its own, Kim Jung-un himself may be influenced by the promises of economic growth emanating from this proposal.

In order to receive the benefits outlined in our proposal, North Korea must take concrete steps toward denuclearisation. While complete denuclearisation may be unachievable, this proposal can provide the political room for North Korea to make three major concessions. First, the regime must agree to cease all nuclear production at the Yongbyon Nuclear Scientific Research Centre, a critical reactor within North Korea's weapons program, in a verifiable manner. Second, North Korea must cease all missile and nuclear testing in accordance with its commitments to reduce hostilities on the Korean Peninsula laid out in the 2018 Panmunjom Declaration.⁴⁶ Finally, North Korea must enter into an agreement with the interested parties to facilitate the sharing of data and verification inspections of suspected nuclear sites within North Korea.⁴⁷ Key to this proposal's success is pushing for concrete reductions in North Korea's nuclear weapons production abilities over seeking the complete surrender of Pyongyang's entire nuclear arsenal.

Critical to implementing this proposal is ensuring the active participation of the North Korean regime. Such a task may be difficult for two reasons. First, the North Korean regime may see such a project as the start of a policy centred on regime change. North Korea has strongly opposed perceived attempts at regime change by the United States.⁴⁸ Second, the Kim regime is likely to be ideologically opposed to such a proposal. As Han Park has noted, North Korea's guiding ideology, Juche, places militant nationalism as a central component and, under such a nationalistic drive, calls the North Korean state the chosen land.⁴⁹ North Korea's elite may see such a proposal as putting North Korea in a situation where economic interaction with the outside world is the only path to survival.

45 A key reformer within the North Korean system is Park Pong-ju.

46 For an analysis and text of the sections North Korean missile testing violates, see Benjamin Zimmer, "Did North Korea Violate International Agreements?," *Charged Affairs*, 17 June 2019, <https://chargedaffairs.org/did-north-korea-violate-international-agreements/>; "Panmunjom Declaration for Peace, Prosperity and Unification of the Korean Peninsula," Ministry of Foreign Affairs, Republic of Korea, 27 April 2018, http://www.mofa.go.kr/eng/brd/m_5478/view.do?seq=319130&srchFr=&%3BsrchTo=&%3BsrchWord=&%3BsrchTp=&%3Bmulti_itm_seq=0&%3Bitm_seq_1=0&%3Bitm_seq_2=0&%3Bcompany_cd=&%3Bcompany_nm=&page=1&titleNm=.

47 A good verification framework to adapt to the Korean situation is the Strategic Arms and Limitation Treaty between the United States and the Soviet Union. This treaty offered detailed data sharing and verification from both parties and it is reasonable that all four parties—South Korea, the United States, North Korea, and China—play some role in such a data sharing and verification regime. "Treaty between the United States of America and the Union of Soviet Socialist Republics on Strategic Offensive Reductions (START I)," Nuclear Threat Initiative, 26 October 2011, <https://www.nti.org/learn/treaties-and-regimes/treaties-between-united-states-america-and-union-soviet-socialist-republics-strategic-offensive-reductions-start-i-start-ii/>. However, such an agreement will require all sides to build trust in one another's reporting. Therefore, the agreement should work to build trust as a critical first step then expand the nature of the information included in each report. Wyn Q. Bowen, Hassan Elbahtiny, Christopher Hobbs, and Matthew Moran, *Trust in Nuclear Disarmament* (New York: Palgrave MacMillan), 75–98.

48 See for example "KCNA Blasts U.S. Attempt at 'Regime Change' in DPRK," KCNA Watch, 8 June 2005, <https://kcnawatch.org/newstream/>.

49 Han S Park, *North Korea: The Politics of Unconventional Wisdom* (Boulder: Lynne Rienner, 2005), 31.

Our proposal can address these concerns head on. First, since the proposal relies on the use of catalytic carrots, the nations involved will have a stake in ensuring the longevity of the Kim regime. After all, the implementation of catalytic carrots will seek to “alter the more objectionable policies of a regime whose demise does not seem imminent” and relies on the target regime’s ability to maintain its position and power.⁵⁰ Therefore, our proposal must come with verbal and concrete security assurances to the Kim regime.⁵¹ Second, the Kim regime can pass off a variety of policies based on their national interests under the Juche ideology. For example, Kim Il-sung passed off North Korea’s reliance on the Soviet Union by arguing that it was in the best interests of the regime and the state.⁵² Our proposal provides North Korea with a different opportunity; by investing in infrastructure and trade, North Korea’s interactions with the outside world will provide the material structure needed for North Korea to generate domestic growth, minimising the political and economic impact of North Korea’s interaction with the capitalist enemy.

China

China has consistently demurred the expansion of nuclear weapons production in North Korea. However, Beijing also works to maintain the political and economic stability of North Korea while dissuading the Kim regime from expanding its nuclear weapons program.⁵³ On the global stage, China has signalled its opposition to North Korea’s continued production of nuclear weapons by voting in favour of stronger multi-lateral sanctions while also going around those sanctions to ensure North Korea does not collapse.⁵⁴ China, however, can better leverage its interests by working to promote and institutionalise the Sino-North Korean economy as a positive sanction for concrete steps toward denuclearisation by the Kim regime.

With the North Korean state unable to provide food to the neediest of citizens, a robust, decentralised cross-border barter economy developed as a coping mechanism for small-scale social units in North Korea. This informal trade between China and North Korea continues to grow despite stronger sanctions being imposed by the UNSC.⁵⁵ The Chinese government encourages the growth of these economic ties by providing diplomatic support, contributing to infrastructure projects, and providing foreign capital

50 Miroslav Nincic, “Carrots, Sticks and Domestic Politics,” *Global Asia* 8, no. 2 (Summer 2013): 16.

51 This is the foundation of the American role in this framework. By restructuring its position on the Korean peninsula, the United States removes some of insecurity of the Kim regime by changing the nature of the conflict to a purely Korean conflict and pushing for a formal end to the Korean War.

52 Victor D Cha, *The Impossible State: North Korea, Past and Future*, Updated Edition (New York: Ecco, 2018), 41; Don Oberdorfer and Robert Carlin, *The Two Koreas: A Contemporary History*, 3rd ed. (New York: Basic Books, 2014), 122.

53 Jian Cai, “The Korea Nuclear Crisis and the Changing Sino-DPRK Relationship,” *Asian Perspective* 34, no. 1 (2010): 153.

54 Over the past few years, China has used illicit ship-to-ship transfers as a method to get sanctioned products such as oil to North Korea to assuage some pressure from strengthening UNSC sanctions. Michael R. Gordon and Chun Han Wong, “Six Chinese Ships Covertly Aided North Korea. The U.S. Was Watching,” *Wall Street Journal*, 19 January 2018, <https://www.wsj.com/articles/six-chinese-ships-covertly-aided-north-korea-the-u-s-was-watching-1516296799>; Colin Zwirko, “U.S. Releases New Imagery of North Korea-Linked Illicit STS Oil Transfers,” *NK News*, 27 October 2018, <https://www.nknews.org/2018/10/u-s-releases-new-imagery-of-north-korea-linked-illicit-sts-oil-transfers/>.

55 Stephan Haggard and Marcus Noland, “Networks, Trust and Trade: The Microeconomics of China-North Korea Integration,” *Asian Economic Journal* 32, no. 3 (September 2018): 278–79.

and aid to North Korea.⁵⁶ Continuing to expand this cross border trade can put China in a unique position to ensure the economic stability of North Korea by leveraging its ability to work within North Korea in ways that other states are unable to and provide stronger opportunities for businesses to expand into a largely uncompetitive market.

Chinese investors operating within the cross-border economy, however, must work in a fundamentally unstable environment. They, therefore, must incur large risks when working in North Korea. For example, investors must deal with North Korean partners who underdeliver, terrible infrastructure within North Korea, low worker quality and operational structure, as well as operating where the government can arbitrarily make personnel and policy changes that can greatly impact the efficiency of Chinese investment.⁵⁷ At home, the Chinese government may also crackdown on cross border trade to enforce sanctions, causing delays of even legal goods at the border.⁵⁸ Because of these risks, Chinese investors and businesses operating within this informal economy tend to minimise their presence—both physical and social—within North Korea.⁵⁹ Such an operational environment hinders the effectiveness of cross-border trade in promoting new avenues for economic engagement within North Korea.

China, by leveraging its political and economic resources, can work to address these concerns in exchange for positive steps toward denuclearisation by North Korea. This strategy can be undertaken in three critical steps. First, the Chinese government can work to establish a uniform enforcement strategy, including a list of goods, such as food stuffs and textiles, which can cross the border with ease. This will alleviate delays of legal exports and streamline the process for Chinese businessmen looking to sell within North Korea. Second, provincial governments, backed by the political support of the central government, can work to establish dispute resolution institutions and mechanisms. These mechanisms must be co-administered by Chinese and North Korean officials and provide fair and transparent dispute resolution processes. This will make these institutions effective at addressing investment concerns and provide Chinese businesses with expanded, less risky investment opportunities within North Korea. Finally, the Chinese government can invest more in infrastructure projects which make transportation of goods across the border easier. To ensure the quality of the infrastructure, the Chinese government can work with the North Korean government to update infrastructure on both sides of the border.

Outside of cross border trade, the Chinese government can work to make tourism between North Korea and China easier and more affordable. In 2019, a conservative estimate shows that Chinese tourism to North Korea generated around \$175 million for the Kim regime.⁶⁰ North Korean tourism to China can also promote growth. In 2012, for example, North Korean tourism to Dandong Province alone generated 56 million RMB for the Chinese

56 James Reilly, "China's Economic Engagement in North Korea," *The China Quarterly* 220 (December 2014): 917.

57 Justin V. Hastings and Yaohui Wang, "Informal Trade Along the China–North Korea Border," *Journal of East Asian Studies* 18, no. 2 (July 2018): 183.

58 Ibid, 185.

59 Ibid, 189–90.

60 Chad O'Carroll, "As Chinese Tourism to North Korea Soars, Local Operators Feel the Strain," *NK News*, 31 October 2019, <https://www.nknews.org/2019/10/as-chinese-tourism-to-north-korea-soars-local-operators-feel-the-strain/>.

economy.⁶¹ Not only does expanding cross-border tourism provide avenues for economic growth, it also helps to promote cultural exchange between two allies. Tourism can act as another lever to generate and expand the cross-border economy as a positive sanction.

Promoting the cross-border economy as a positive sanction provides China the ability to effectively leverage its interest in a stable North Korea to push for denuclearisation. By leveraging its political and economic resources to expand cross-border trade, China provides North Korea with much needed investment opportunities and infrastructure upgrades in exchange for positive steps toward denuclearisation. Expanding cross border tourism also provides strong economic connections between the two countries, as well as an avenue for cultural exchange, increasing the stakes both Beijing and Pyongyang have in promoting stability in East Asia. Implementing this strategy provides China the opportunity to work toward an economically more stable North Korea while also continuing to pressure North Korea to cease the expansion of its nuclear program.

South Korea

South Korea “maintains a strong interest in ensuring that diplomacy on the Korean peninsula continues and is effective” since North Korea’s belligerence impacts South Korea.⁶² For example, Pyongyang maintains a strong conventional military which can wreak havoc early in a conflict scenario.⁶³ South Korean financial institutions have been the victim of at least ten highly sophisticated cyber-attacks meant to generate income for the Kim regime.⁶⁴ Just like China, South Korea has an acute interest in the economic stability of North Korea as it assuages fears of an expensive hard-landing unification.⁶⁵ Seoul can effectively leverage its economic interests in North Korea by pursuing three main economic and infrastructure projects.

First, South Korea can work with North Korea to reopen the Kaesong Industrial complex to provide material and cultural incentives for continued steps toward denuclearisation. The complex provided a variety of economic and cultural benefits for both South and North Korea. At its height, the Kaesong Industrial Complex played host to over 100 South Korean Companies with combined revenues of over \$500 million. The complex also employed 55,000 North Koreans.⁶⁶ North Korea also gained access to much needed hard

61 Jie Yang, Liyan Han, and Guangyu Ren, “China-to-North Korea Tourism: A Leisure Business on a Tense Peninsula,” *North Korean Review* 10, no. 2 (1 September 2014): 61.

62 Benjamin Zimmer, John Ashley, and Johnathan Sutte, “In Kim’s Neighborhood: Regional Actors and US-DPRK Diplomacy,” *Charged Affairs*, 27 June 2020, <https://chargedaffairs.org/in-kims-neighborhood-regional-actors-and-us-dprk-relations/>.

63 See Elanor Albert, “North Korea’s Military Capabilities,” *CFR Backgrounder*, last updated 19 December 2019, <https://www.cfr.org/backgrounder/north-koreas-military-capabilities> and Prakash Menon and PR Shankar, “North Korea’s Artillery: Could Kim’s ‘Big Guns’ Destroy Seoul?” *The National Interest*, 5 December 2019, <https://nationalinterest.org/blog/buzz/north-koreas-artillery-could-kims-big-guns-destroy-seoul-101837>.

64 J Park, N Rowe, and M. Cisneros, “South Korea’s Options in Responding to North Korea’s Cyber Attacks,” *Journal of Information Warfare* vol. 15 no. 4 (Fall 2016), 88-90.

65 Under a hard-landing unification scenario, North and South Korea reunify after an unexpected collapse of the Kim regime. This scenario is typically this scenario is prohibitively expensive and, therefore, is avoided at all costs. Jacques L. Fuqua, *Korean Unification: Inevitable Challenges*, (Washington, D.C: Potomac Books, 2011), 6. For a good examination of the fears surrounding this scenario, see Rüdiger Frank, “Challenging the Korean Fear of High Costs: German Unification as an Economic Win-Win Situation,” in Cornelia Storz and Markus Taube ed., *Firms, Institutions, and the State in East Asia: A Festschrift in Honour of Werner Pascha*, (Maburg: Metropolis-Verlag, 2020), 358-360.

66 “The Case for Kaesong: Fostering Korean Peace through Economic Ties,” Asia Report (Brussels: International Crisis Group, 24 June 2019), 8.

currency. By locating production at the complex, South Korean companies were able to lower production costs without sacrificing productivity. Kaesong also provided a point of regular contact and engagement between South and North Koreans.⁶⁷ By leveraging the reopening of the Kaesong Industrial Complex, South Korea can use the possibility of long-term economic growth to push for concrete steps toward denuclearisation.

Though the complex is beneficial, it does come with operational and political baggage. Draconian social control laws in North Korea “strictly limited interactions between North Korean labour and South Korean managers” creating various operational inefficiencies.⁶⁸ Labour at the complex is also prevented from unionising and, therefore, can fall victim to unfair practices. Politically, the complex has alleged ties to North Korea’s nuclear and missile programs; in 2016, the Park Geun-hye administration unilaterally closed the complex under unverified assertions that salaries were diverted to the nuclear program.⁶⁹ Despite these weaknesses, the long-term growth promised by the complex makes the benefits outweigh the costs.

Second, South Korea can work to promote inter-Korean tourism as a way to “promote peace, advance efforts at denuclearisation, and increase US and South Korean leverage at the negotiating table.”⁷⁰ Increasing inter-Korean travel as a reward can provide North Korea with much needed currency, jobs, and promote cultural exchange.⁷¹ A central project for promoting inter-Korean tourism is the reopening of the Mount Kumgang Tourist Region to South Korean tourists. After all, between 1998 and 2008, the resort played host to close to 2 million South Koreans and reportedly provided North Korea with a guaranteed minimum of \$150 million per year.⁷² Central to this project is ensuring that operations at the tourist site are jointly managed by both Koreas as a way to promote cultural exchange across the 38th parallel. If executed properly, resuming tourism to Mount Kumgang can provide both Koreas with an incentive to maintain stability in the region and push closer to a completely denuclearised peninsula.

Like the Kaesong Industrial Complex, however, reopening the Mount Kumgang Resort will face three key political hurdles: 1) North Korea must work to ensure that tourists to the Mount Kumgang region will be safe; 2) South Korea must convince Kim Jung-un that tourism to the region is beneficial for North Korea and; 3) both Koreas need to show how foreign investment in tourism to Mount Kumgang can be beneficial for maintaining

67 Ibid, 9–14.

68 Ibid, 15.

69 Catherine Putz, “Closing Kaesong: South Korea Withdraws from Joint Industrial Park,” *The Diplomat*, 11 February 2016, <https://thediplomat.com/2016/02/closing-kaesong-south-korea-withdraws-from-joint-industrial-park/>.

70 Choi Moon-soon, “The Key to Unlocking Peace with North Korea for the United States Is Cross-Border Tourism,” *CNN*, 23 August 2020, <https://www.cnn.com/2020/08/23/opinions/north-korea-united-states-peace-intl-hnk/index.html>.

71 According to a report prepared by South Korea’s National Assembly Budget Office, close to 90% of those awarded visas to travel to North Korea were either students or professors, enhancing the educational impact of resort and providing more nuanced educational opportunities to learn about North Korea. “Evaluation of the Mount Kumgang Tourist Complex,” Important National Policy and Business Evaluation Report, (National Assembly Budget Office, September 2005), 15.

72 “Kumgang Mountain and Kaesong Tourist Statistics, 1998-2008,” (Seoul: Korean Statistical Information Service), accessed 24 August 2020, http://kosis.kr/statHtml/statHtml.do?orgId=103&tblId=TX_10301_A002&conn_path=I2; Marcus Noland, “Between Collapse and Revival: A Reinterpretation of the North Korean Economy,” Peterson Institute for International Economics, 15 March 2001, <https://www.piie.com/commentary/speeches-papers/between-collapse-and-revival-reinterpretation-north-korean-economy>.

stability in the region.⁷³ Though difficult, these hurdles are not insurmountable and the positive impacts of the Kumgang Tourist Complex for both Koreas and the region make the resort optimal for use as a positive inducement for continued advancements toward denuclearisation.

Finally, the most complex project South Korea can leverage as a positive sanction is the construction of an inter-Korean railroad connecting the Korean peninsula to the rest of Asia. The creation of the railroad will involve a massive update to the current railroad system in North Korea. According to reporting, the construction of the inter-Korean railroad will involve modernising at least six railways in North Korea and adding a high-speed rail line from Seoul to Sinuiju through Pyongyang. Such modernisation will ensure railways can carry heavy loads at higher speeds through North Korea and connect the Koreas to both the Trans-Siberian Railway and China's One Belt One Road, expanding trading options while lowering transportation costs.⁷⁴ Connecting the Korean peninsula to the rest of the continent will, therefore, incentive both Russia and China to ensure that trains run smoothly through North Korea.

Though a complicated and expensive project—some reports estimate the cost at USD\$33.7 billion—the project can build on previous political groundwork laid over the past two decades.⁷⁵ In June 2000, the two Koreas agreed to repair two major severed railways as part of a major engagement strategy.⁷⁶ Between 2000 and 2005, the two Koreas held 14 working level meetings in which the connection of inter-Korean railways was discussed.⁷⁷ By late 2007, regular freight rail services connecting the South Korean town of Musan to the Kaesong Industrial Complex in North Korea started.⁷⁸ Though the project showed promise, it stalled for close to a decade. Since 2018, the Moon Jae-in administration in South Korea has fought to restart the project despite political objections and sanctions violation concerns.⁷⁹ To use the project as a positive sanction, South Korea can attach

73 Scott A. Snyder, "The Real Obstacles to the Return of Tourists to North Korea's Mount Kumgang," Council on Foreign Relations, 28 February 2020, <https://www.cfr.org/blog/real-obstacles-return-tourists-north-koreas-mount-kumgang>.

74 S. Nathan Park, "Why a Joint Inter-Korean Railway Survey Matters," *NK News*, 5 December 2018, <https://www.nknews.org/2018/12/why-a-joint-inter-korean-railway-survey-matters/>.

75 Yosuke Onchi, "Inter-Korean Railway Diplomacy Sidetracked by Sanctions," *Nikkei Asian Review*, 27 December 2018, <https://asia.nikkei.com/Spotlight/N-Korea-at-crossroads/Inter-Korean-railway-diplomacy-sidetracked-by-sanctions>.

76 The two railways were the Gyeonggi and Donghae Lines. Don Oberdorfer and Robert Carlin, *The Two Koreas: A Contemporary History*, 3rd ed. (New York: Basic Books, 2014), 339. Dae-Kyu Yoon and Moon-Soo Yang, "Inter-Korean Economic Cooperation for North Korean Development: Future Challenges and Prospects," *Asian Perspective* 29, no. 3 (2005): 13.

77 Yoon and Yang, "Inter-Korean Economic Cooperation for North Korean Development," 12.

78 Choe Sang-Hun, "Regular Freight Rail Service Starts Between 2 Koreas," *The New York Times*, 12 December 2007, <https://www.nytimes.com/2007/12/12/world/asia/12korea.html>.

79 Political questions in South Korea have centred on the cost of the project and who is paying. Previous surveys for the railroad have required sanctions exemptions, raising the possibility at least one will be needed for the full project. Chung Min Lee and Kathryn Botto, "President Moon Jae-in and the Politics of Inter-Korean Détente," *Korean Strategic Review* 2018 (Washington D.C.: Carnegie Endowment for International Peace, 2018), 5; Sung-mi Ahn, "Seoul Moves Forward with Inter-Korean Railway Project," *The Korea Herald*, 23 April 2020, <http://www.koreaherald.com/view.php?ud=20200423000743>; Christy Lee, "Proposed Inter-Korean Projects Could Violate UN, US Sanctions," *Voice of America*, 19 September 2018, <https://www.voanews.com/east-asia/proposed-inter-korean-projects-could-violate-un-us-sanctions>; Victor Cha and Joseph S. Bermudez, "Making Solid Tracks: North and South Korean Railway Cooperation," *Beyond Parallel*, 10 December 2018, <https://beyondparallel.csis.org/making-solid-tracks-north-and-south-korean-railway-cooperation/>.

stipulations before raising the possibility of an exemption for the project to ensure North Korea must take verifiable steps toward denuclearisation before construction starts.

All three of these project present North Korea with the possibility for long-term growth by providing the North Korean regimes with jobs for the population, increased tourism, and expanding trade options for North Korea. By leveraging these projects as positive sanctions, South Korea can provide material inducements to North Korea for continued steps toward denuclearisation. In short, these projects can provide North Korea with a solid set of economic incentives to offset the shift toward denuclearisation.

The United States

The Korean peninsula offers the United States “dramatically contrasting opportunities for dangers to U.S. interests in Northeast Asia.”⁸⁰ The failure of Washington’s current policy of “maximum pressure,” the use of harsh sanctions to coerce the Kim regime, alongside verbal security assurances highlights the greatest opportunity: using positive sanctions to compel North Korea to denuclearise and promote stability and peace within the region. After all, the threat of a nuclear armed North Korea has lingered for over a decade and stability on the Korean peninsula is beneficial for American trade relations in East Asia and can result in a less aggressive force structure in the region.⁸¹ But how, if the current strategy of maximum pressure and security guarantees has been ineffective in coercing North Korea, can the United States use positive sanctions to push North Korea down the path of denuclearisation?⁸² In short, the United States can leverage its security interests to implement a strategy built around shifting the operational environment on the Korean peninsula to minimise tensions and, ultimately, put an end to the Korean War.

A positive sanctions strategy leveraging American security interests must be built around three main pillars. First, the United States can work to transfer Wartime Operational Command (OPCON) of United Nations Forces in South Korea. The United States has retained OPCON of United Nations Forces since 1950 and the transition of command has been hindered by political and security issues, such as the growing threat of North Korea and South Korea’s military capabilities.⁸³ The Moon administration seeks to complete the transfer of OPCON by 2022 and outlined a possible path to address such issues.⁸⁴

80 Scott A. Snyder, “U.S. Policy Toward the Korean Peninsula,” Independent Task Force Report (New York: Council on Foreign Relations, 2010), 3.

81 See, for example, William C. Triplett, *Rogue State: How a Nuclear North Korea Threatens America* (Washington, D.C: Regnery Pub, 2004); Joel S. Wit, Daniel Poneman, and Robert L. Gallucci, *Going Critical: The First North Korean Nuclear Crisis* (Washington, D.C: Brookings Institution Press, 2004); Charles L. Pritchard, *Failed Diplomacy: The Tragic Story of How North Korea Got the Bomb* (Washington, D.C: Brookings Institution Press, 2007); Leon V. Sigal, *Disarming Strangers: Nuclear Diplomacy with North Korea*, (Princeton: Princeton University Press, 1999). Mike Chinoy, *Meltdown: The Inside Story of the North Korean Nuclear Crisis*, (New York: St. Martin’s Press, 2008).

82 For a good summary on the effectiveness of the maximum pressure campaign, see Van Jackson, *On the Brink: Trump, Kim and the Threat of Nuclear War* (New York: Cambridge University Press, 2019), 200–202. Generally, American security guarantees have been verbal in nature with minimal policy shifts alongside these guarantees. For a good table of previous American guarantees to North Korea, see Victor D Cha, *The Impossible State: North Korea, Past and Future*, Updated Edition (New York: Ecco, 2018), 307–14.

83 Victor D Cha, *Powerplay: The Origins of the American Alliance System in Asia* (Princeton: Princeton University Press, 2018), 117–20; Oberdorfer and Carlin, *The Two Koreas*, 391–92.

84 Johannes Nordin, “Taking Back Control: South Korea and the Politics of OPCON Transfer,” Institute for Security and Development Policy, January 2020, <https://isdp.se/publication/taking-back-control-south-korea-and-the-politics-of-opcon-transfer/>.

If North Korea is willing to take steps to reduce the conventional and nuclear threat on the Korean peninsula, then the United States should push to maintain the OPCON transfer deadline outlined by the Moon administration.

Second, Washington can implement a phased troop reduction and restructure of American forces in Korea and East Asia more broadly. This reduction can be completed by in three critical phases. First, the United States can work to bolster the military-industrial complex in South Korea to better equip the South Korea military to defend itself. Second, the United States can work to restructure its troop presence—including restationing of troops within South Korea and the region—to minimise America’s physical troop presence at the demilitarised zone. Finally, the United States can start working on a phased troop withdrawal from South Korea. Such a withdrawal can, as political scientist Van Jackson argues, “scale back the overall size and composition” of American troops “without necessarily compromising the security of South Korea.”⁸⁵ In fact, implementing a troop withdrawal in this way will ensure South Korea can more effectively defend itself before American troops start leaving the peninsula.

The third pillar of this strategy is working to install a peace regime within the East Asia region that includes North Korea. The United States can start this process by finalising a peace treaty and formally bringing the Korean War to an end. Then, Washington can work with other regional partners to determine the role of the United Nations Command in Korea and seek to construct a stronger, more robust multilateral institution to promote peace.⁸⁶ A critical aspect of any new institution is the inclusion of North Korea. Such a construct will ensure the Kim regime is granted a stake in maintaining long-term stability and peace in East Asia for continued steps toward denuclearisation.

This strategy provides long lasting security benefits for the United States and the region. First, it ensures that South Korea is able to domestically defend itself from threats emanating from anywhere in the world with stronger military production capabilities. Second, a restructure of American involvement in the region ensures that United States engagement goes deeper than the threat from North Korea. Finally, North Korea will have a greater stake in maintaining regional stability and peace, greatly increasing the costs of Pyongyang’s belligerence and defiance of regional norms. These benefits will come at low to moderate cost to the United States.⁸⁷

Conclusion: Implementing Our Proposal

The proposal outlined above is politically and economically ambitious in nature. Politically, it will require the buy in of three major stakeholders whose interests, though somewhat aligned on denuclearisation, are not entirely similar. It also requires the active participation of the North Korean regime. Therefore, a neutral party or institution will have to act as the coordinator and implementer of the agreed upon proposal. The Neutral Nations Supervisory Commission, established by the Korean War Armistice Agreement in

85 Van Jackson, “Risk Realism: The Arms Control Endgame for North Korea Policy” (Washington D.C.: Centre for a New American Security, September 2019), 13.

86 Ibid, 13.

87 Our cost analysis is based on the one put forward by Van Jackson. Ibid, 13.

June 1953, remains the most likely party to play such a role. After all, the Commission remains the only legal instrument to avoid conflict on the Korean peninsula and has experience investigating and mediating inter-Korean disputes with a focus on building transparency and trust on all sides.⁸⁸

Economically, this proposal will require the mobilisation of massive amounts of resources. The construction of the inter-Korean railroad alone will cost over \$30 billion dollars.⁸⁹ The cost of other infrastructure projects—the Kaesong Industrial Complex and projects across the China-North Korea border—can run even higher and require major shifts in economic policies.⁹⁰ To better offset the economic costs of this proposal, each party should work to incentive private sector investment. These incentives can take the form of reduced taxes for private sector investors and partial loans by public entities to offset some of the risk incurred by private investors. Governments can also award contracts in a competitive process through which they can provide even greater incentives to invest in North Korea. Not only will this work to reduce the economic burden on public sector institutions, it also will spur competition and increase the incentives for investors to work in North Korea.

Though ambitious in nature, this proposal is not entirely new. After all, the United States has attempted to remove or rebalance American troops on the Korean peninsula multiple times. Since 2000, China also inconsistently put resources—both political and economic—behind expanding cross-border trade and economic ties with North Korea.⁹¹ The Kaesong Industrial Complex and the Mount Kumgang Resort played a critical role in South Korea’s Sunshine Policy which attempted to compel North Korea to denuclearise. Our proposal can use this groundwork as a basis for starting negotiations. All the stakeholders, however, must insist that North Korea continues to make measured and verifiable steps toward denuclearisation to ensure this strategy rewards the regime for positive behaviour.

Despite having a political history, this proposal will face strong political opposition at the outset. Conservative political leaders in the United States and South Korea likely will object on the grounds that this proposal “merely subsidize(s) the North’s dictatorship” as they argued when opposing other, less ambitious deals.⁹² Broader opposition will argue that such a proposal fuels “the Neronian lifestyle of the Kim court” and express fears that the Kim regime could launder the money generated by the new investment to expand its nuclear arsenal.⁹³ Such opposition will most likely be strong in the initial stages of the proposal and, therefore, must be addressed if the proposal is to succeed.

88 “2019 Joint Statement by Neutral Nations Supervisory Commission Member States,” Regeringskansliet, 27 March 2019, <https://www.regeringen.se/uttalanden/2019/03/2019-joint-statement-by-neutral-nations-supervisory-commission-member-states/>.

89 Onchi, “Inter-Korean Railway Diplomacy Sidetracked by Sanctions.”

90 To promote businesses to produce products at the Kaesong Industrial Complex, South Korea had to provide loans to private companies and lower the tax rate for companies who operate at the complex. Mark E Manyin and Dick K Nanto, “The Kaesong North-South Korean Industrial Complex” (Washington D.C.: Congressional Research Service, 18 April 2011), 5–6, <https://fas.org/srg/crs/row/RL34093.pdf>.

91 Reilly, “China’s Economic Engagement in North Korea,” 917–19.

92 John R Bolton, *The Room Where It Happened: A White House Memoir* (New York: Simon and Schuster, 2020), 30.

93 Robert E. Kelly, “Money: The One Thing America Could Give to North Korea to Denuclearize?,” *The National Interest*, 5 June 2019, <https://nationalinterest.org/blog/korea-watch/money-one-thing-america-could-give-north-korea-denuclearize-61162>.

In addressing this opposition, it is essential that this proposal is grounded in the current sanctions regime and has the requisite punishment mechanisms to ensure violations can be addressed. This can be accomplished with two measures. First, all projects must acquire the requisite sanctions waivers from the United Nations. These waivers must come with clauses which require the revaluation of the waiver to ensure North Korea is maintaining the progress outlined in the original waiver. If any party is found to be in noncompliance, the original exemption will be suspended until the requisite changes are made to ensure compliance. If the changes are not made in a timely manner, the waiver will be revoked, forcing the parties to hammer out a new agreement before work on the project can continue.

Second, the Neutral Nations Supervisory Commission, as the executor of this agreement, must be granted powers to mediate and address concerns, including levying punishment for failure to comply with the agreement.⁹⁴ This will require the Commission to establish a transparent dispute settlement process which every dispute must go through. North Korea must also be able to bring concerns before the Commission and be ensured that its concerns will be addressed in as fair a manner as possible. Placing this power within the purview of the Neutral Nations Supervisory Commission ensures each dispute is settled within an institution which is not aligned or hostile with any party, increasing the effectiveness of the dispute settlement mechanisms.

The benefits of this proposal outweigh the costs, both political and economic, that will be incurred to pass it. By expanding investment in North Korea, South Korea and China actively work to expand the possibilities for North Korea and work to reintegrate it into the world economy. Rebalancing troops on the peninsula will ensure that the United States is working toward a lasting stability in East Asia. These two benefits will also provide the economic and political capital required for North Korea to make such a drastic political shift. Employing positive sanctions, though ambitious, can provide more material incentives to compel the North Korean regime to denuclearise while the continued use of negative sanctions will only push the Kim regime to continue expanding its nuclear arsenal.

94 This power only applies to the implementation of the deal overall. If there are disputes at an individual level between Chinese investors and North Korean businesses, these would be delegated to the dispute mechanisms set up by China and North Korea as a part of revitalizing the cross-border economy.