



Insights

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North Korea's Provocations

Outlook for Regional Security

A discussion between Victor Cha, Senior Advisor, Teneo
and Kevin Kajiwara, Co-President, Teneo Intelligence

Victor Cha, Teneo Senior Advisor and former National Security Council Director for Asian Affairs, who was recently put forward as the candidate for ambassador by the U.S. administration to the South Korean government, spoke with Teneo Intelligence Co-President, Kevin Kajiwara, about North Korea's latest provocations, the outlook for negotiations and regional security, and implications for businesses operating in Asia and beyond.

Kevin Kajiwara (KK):

As a CEO advisory firm, we strive daily to bring our clients and colleagues perspective not just on the current issues and opportunities that are affecting their businesses and investment environment, but also on what as business leaders, they need to consider for the future. And quite frankly, one of the most affecting issues of our time right now pertains to the development of the nuclear program in North Korea, the measures that are being taken by other governments, particularly the United States, to mitigate against this challenge, and where we're going to go from here.

To that end, we are lucky today to be joined by my colleague, Victor Cha. Victor Cha is a Senior Advisor to Teneo, and he heads up Teneo Intelligence's coverage of the Korean Peninsula on all issues regarding the security environment, as well as economic and political issues in South Korea. For those of you who are unfamiliar with Victor, he was the National Security Council Director for Asian Affairs, who dealt particularly with the Korean issue for President George W. Bush. He was also the Deputy Head of the six-party talks, the last negotiation with the North Korean side on the nuclear issue. He is currently the Korea Chair and Senior Adviser at Washington's Center for Strategic and International Studies and director of the Asian Studies Program at Georgetown

University's Department of Government and School of Foreign Service.

The catalyst for today's call was the November 28 missile test by the North Koreans, which Jim Mattis, the current Secretary of Defense, announced had demonstrated the longest range an ICBM has been fired thus far by North Korea.

I think to level set this conversation Victor, it might be worthwhile to give us a sense of where – with your best assessment of what North Korea's current technical state of achievement is on this level – what their capabilities are.

Victor Cha (VC):

Like you said, Secretary of Defense, Jim Mattis said that this was the farthest-reaching missile North Korea has launched so far, and it can range probably 13,000 kilometers, which is within range of the entire United States. But the key factor about this range, is that it's 13,000 kilometers with light or virtually no payload on top of the missile, and that's a very critical point to remember. So, to back up a little bit, on November 29th, the North Koreans launched an intercontinental ballistic missile (ICBM), and they launched it on a lofty trajectory, so it went 4,500 kilometers up into space (10 times higher than the International Space Station). But it landed only about 900 kilometers from where it took off in the East Sea, or Sea of Japan, within Japan's exclusive economic zone. Total flight time was about 53 minutes. If you flatten out that trajectory, a lofty trajectory that was by far the longest missile they've tested, it had the longest flight time. The previous test was on July 28th. They launched what was called the Hwasong 14, which had an altitude of about 3,700 kilometers, and landed about the same distance from where it took off, and was aloft for about 47 minutes. Now, again, the key thing to remember about



Victor Cha
Senior Advisor,
Teneo



Kevin Kajiwara
Co-President,
Teneo Intelligence, New York

both tests, the Hwasong 15 which is the one that just took place, and the Hwasong 14, is that open source experts believe that the payload the North Koreans are calculating for these missiles in terms of weight is about 150 kilograms. And so, they're launching these things and they're calculating distances based on the assumption that they have about 150 kilograms payload. That probably means that if they were to attach a nuclear warhead, it would have to be about 100 kilograms, and then the reentry vehicle, which is the vehicle that carries the weapon to target that needs to re-enter the atmosphere, would weigh about 50 kilograms. So, here is the key problem, at least for North Korea, and that is, we do not believe that they can build a nuclear warhead that weighs less than 500 kilograms. Again, according to nuclear scientific experts' studies, we think that the lightest nuclear warhead North Korea can create now is about 500 kilograms, so they're not near 100 kilograms, which means that they may be able to fire within range of the United States with this missile, but they can't yet deliver a nuclear warhead, and we don't even know if they can actually do a successful reentry vehicle. So, they still have some technical hurdles. If they were to try to put this very heavy warhead on top of the missiles that they're launching now, open source experts calculate that would not put North Korea in the range of the East Coast of the United States. So, from an expert technical assessment, they still have some significant hurdles in terms of fielding a truly credible threat.

KK: The miniaturization issue is obviously a key one, and the survivability of reentry, and also the accuracy of these missiles. But as you've written, there has been a clear trajectory on their part in terms of the improvements and the advances North Korea has been making, and these improvements have been coming very fast. In fact, many of these tests seem to be more technical in nature, rather than making a political statement. Given the speed and trajectory with which these developments have been achieved of late, with the remaining technical hurdles that you just outlined, what are experts now suggesting is the timeline for when they will have full nuclear capability and at least the suggestion of a survivable deterrent? And why do you think - given that the North Koreans still have some major technical hurdles to contend with - that Kim Jong-un made the announcement shortly after this test that they have the full nuclear capability now?

VC: On your first point - at the end of the Obama administration, and the beginning of Trump administration, the assessment was three to four years. That's clearly not the case anymore. In terms of distance, North Korea has leapfrogged in technology and operate on a much shorter timeline. On the reentry vehicle and the lighter warhead, we aren't sure. There was a news report that cited three months as the CIA's assessment. But that's awfully fast for them to be able to surmount all of the significant technical hurdles. So, that's the first point.

The second is that even if they develop this prototype missile, they still have to produce a number of these things to have an arsenal. And for it to be survivable, not vulnerable to a U.S. preemptive strike, they also have to not only harden these facilities - and they do have means of doing that particularly with mobile launchers. But they also probably would want to develop a sea-launch capability, which is the best way to ensure survivability. And so I would expect in terms of testing, they would want to demonstrate that they can launch from a submarine.

So there are still some significant hurdles. Why they made the announcement as they did was a bit of a surprise to me, because I don't think that they have achieved what they said that they have achieved. But I think there are two possible explanations for this announcement, one is, their ability to demonstrate distance, which I think maybe in their own minds was demonstrative of surmounting a huge technical hurdle, even if they just put a conventional explosive on a warhead that couldn't do a lot of damage, the fact that they can reach the United States and reach Washington D.C., I think they felt quite proud of that, and they wanted to let everybody know. The second is for domestic consumption. I still think there are lots of concerns about how (although Kim Jong-un is firmly in control after six years) how much internal turmoil there is because of the continued high rate of defections, purges and public executions that are taking place in the country in Pyongyang and we're talking about elites that are being purged or executed. And so I think part of it is also to demonstrate that. In large part probably because the international campaign on sanctions is working, and it's having an impact on the regime and the daily lives of the people there.

KK So given where we are now, as you've just laid out here in great detail, what do you think North Korea now want? What is their objective at this point? And I would also ask the same question regarding the other key players at this time, such as the U.S., China, South Korea and any others that may be particularly relevant, such as Japan or Russia.

VC: Let's start with North Korea. I think North Korea's pursuit of this program has one objective that is well known to everyone, and that is their survival. They are a small country of 20 to 22 million people, completely isolated from the rest of the world, and they're surrounded by a bunch of big powers; that's their neighborhood, that's never going to change. And so they feel threatened on top of the fact that they are a totalitarian dictatorship, and throughout history those kinds of leaders have always felt paranoid. And they feel like doing it with nuclear weapons is more credible to them than just doing it with artillery across the border, threatening South Korea.

Another reason, and one that's not talked about as much, but is equally as important, is that by being able to reach the United States and all cities in Japan, North Korea is essentially trying to create doubt in the minds of two countries that are critical to South Korea's defense, in terms of whether coming to South Korea's defense would render their own cities and people vulnerable. In strategic interaction deterrence theory, this is known as decoupling, so I also think that North Korea is trying to decouple the security of South Korea from the United States and Japan.

Japan, in particular, has been a target of a lot of these missile shots, largely because the North Koreans know that Japan needs to give consent to the United States to flow forces through Japanese bases and airports in order to defend the Korean Peninsula. So, they're trying to decouple South Korea's security from the United States in Japan, and if they can do that, they believe that they will have achieved a significant strategic change in the balance of forces on the Korean peninsula, after which they could simply extort from South Korea whatever they wanted by threatening the stock market or other sorts of things.

So, I think that's sort of the strategic game that they're after. And it's also true, as you've probably seen in the press, that North Korea does want a peace treaty with the United States ending the Korean War. The key difference from anybody

else's view on this, is that they want the United States to recognize North Korea as a nuclear weapon state, sign a peace treaty, and then conduct arms control negotiations with North Korea as a recognized nuclear weapon state.

For the United States, I don't think that there is concern that once North Korea develops these missiles, they're going to strike Los Angeles or Washington or Chicago, because I think most people believe that North Korea can be deterred.

The more troubling piece I think for the United States is the proliferation problem. North Korea has sold every weapon system it has ever developed, and so the serious concern is that once they perfect these capabilities, they might be tempted to sell them. This potentially creates a real problem for the United States, because even if they could deter North Korea from threatening U.S. cities, the proliferation problem is very real.

Regarding China, I think China would just wish this whole thing would go away. But they have taken a much tougher stand as of late than they have historically, much tougher than when I was involved in negotiations on those with China, much tougher than they were in the previous U.S. administration.

But at the same time, the level to which China will go in terms of pressure is always moderated by their fear of causing a collapse of the regime. China, I don't think cares that much about the ballistic missile technology and the testing. I don't believe that they see it as a threat. I think they believe that the U.S. can deter it. And I don't really get a sense they care that much about the proliferation problem. What they do care about is the nuclear testing that's taking place on their border, because the nuclear test site where North Korea has done six nuclear tests is all in the same mountain on the Chinese border, and that's a domestic political problem for China, because it's causing lots of concern about radiation leakage and other sorts of things on the Chinese border.

Regarding Japan and South Korea – Japan is the most directly threatened by the growth of North Korea's missile force. They were already under threat by North Korea's short range ballistic missiles and all of these tests have fallen within Japan's exclusive economic zone. The threat

that's being placed on Japan by North Korea is extraordinary, so the Abe administration have used this as a way to try to justify the growth in Japan's military posture in the region, as well as possibly constitutional vision and strike capabilities.

And for South Korea, you have a progressive government in South Korea that it is seeking engagement with North Korea, particularly in the run up to the Olympics. But the North Koreans have really not given them any room in terms of trying any sort of engagement initiatives. South Korea would ideally prefer to return to the days of the Sunshine Policy, where they're involved in joint industrial zones and joint tourism projects, and trying to achieve some sort of reconciliation, but that seems very difficult right now.

KK: Returning to the China issue for a moment, many have tried, including President Trump himself, to apply additional pressure on China to exert its influence on North Korean behavior. Can you give an assessment of what you think the state of the China-North Korea relations are number one, and number two, following the assassinations of both Kim Jong-un's uncle and subsequently the dramatic assassination of the stepbrother in Kuala Lumpur, how much influence China actually has in the region, and do they have actors in country that they can rely on?

VC: We've done a study where we've looked historically at all Democratic People's Republic of Korea (DPRK)-China high-level interactions (high-level being defined as foreign minister and above, and then head of the party liaison office of the CCP and the military, and of course the presidents) and there is no denying that we are now in the lowest period of high-level interaction between China and DPRK.

But again, contrary to the popular perception, that absence of interaction is not because China and Xi Jinping are upset with North Korea and they refuse to talk to them. On the contrary, the problem is China has actually tried to get high-level meetings with the North Koreans and the North Koreans have been denying those meetings, largely because their leadership doesn't want to meet with anybody. Kim Jong-un has not met with any major state leader in his six years in office. The overall relationship I think is quite bad, and it's only gotten worse because China has put their foot closer to the pedal on

sanctions in the last year. China's policy towards the Korean Peninsula had, by the time of the 19th Party Congress, reached the point where their policy on South Korea was a failure regarding Terminal High Altitude Area Defense (THAAD). And their policy on North Korea was a failure in terms of being unable either to bring North Korea to the table for negotiations or get them to stop testing. And so, on the South Korea side, we saw an immediate change after the 19th Party Congress, which was trying to do a deal that would normalize South Korea-China relations. And China sent a special envoy to North Korea from the party which is the traditional channel of interaction between the two countries immediately after the 19th Party Congress. And so, I think we're still looking on the North Korean side to see whether this is going to lead to any sort of changes in the overall situation. Is China going to double down on the sanctions and really work with the United States and others to really put pressure on the North Koreans to come back to the table? Or are they going to double down with the North Koreans because of fears that the United States might preempt terms of an attack on North Korea? It's unclear at the moment. Unfortunately, with China, all the evidence is mixed. On the one hand, they said they were closing the Dandong Bridge for so-called repairs, and recent satellite imagery, taken from the day after they made the announcement, showed that the bridge was indeed closed. But a friend of mine was just there last week, and he said it's open again. So, that's the thing with China, the evidence is always mixed and China is so opaque about its relationship with North Korea. It's really difficult to discern. But the overall trend pattern has been over the last year that they have done a lot more in sanctions, but they could do much more.

KK: A lot of the companies are listening in that have exposure in the region; they have personnel in South Korea or Japan or elsewhere in the region, and they have assets there as well. And frankly all of our clients are exposed in the sense that, if something were to happen, the global market ramifications would probably be quite significant. So, the question is always what are the chances of conflict, either by failure of diplomatic process or by accident and escalation? And what do business leaders need to watch for as potential milestones, where they would potentially ever have to take action - meaning take personnel out of the region or preparing in some way for conflict?

VC: There are basically three potential scenarios for conflict on the peninsula, the first would be if North Korea carried out some sort of attack or action that was threatening to the United States or its allies. This would largely be some sort of defensive measure on the part of the United States.

The second would be preemption, and that would be a multi-strike, most likely on an ICBM, to the extent that we could know actually had a nuclear warhead on it, that North Korea were putting out to launch. That would obviously be a very dangerous situation and would certainly prompt a serious discussion about whether to take it out either on the ground or in flight. I think that these former two scenarios are fairly uncontroversial; if North Korea were to attack South Korea or Japan, or if they tried to fire a nuclear missile, I think people expect that the United States would have to stop or prevent that.

The most controversial scenario is the third, which is preventive war, or preventive attack, where United States would initiate some sort of military strike against North Korea for the purposes of significantly retarding and degrading their capability. The Chinese have said very clearly that they would not support North Korea starting a war with the United States, but they would also stand by North Korea if the United States started a war with North Korea. So again, the preventive option is the most controversial. In any of these options, the key calculation that needs to be made by the United States is, what is the percentage success of the mission versus what is the cost? The percentage success, at least in my mind, of a mission like this in terms of eliminating or significantly retarding the program is not very high in large part because we don't know where everything is. We have some sense of where the nuclear reactors are and where the missile launch pads are at least for the big missiles, but we obviously don't know everything. And so, you can't say with any degree of certainty you'll get 100 percent of what you want. Then you have to determine what the cost is. And the cost is the large population, including 20 million South Koreans and 300,000 Americans in South Korea, and that's not even including Japan. So, you are essentially risking millions of lives in return for a mission that you can't guarantee will be greater than 50 percent successful. That's a tough decision to make. The United States has thought about preemptive or preventive action against North Korea in the past – they did during the Clinton administration. I think every president has probably considered it at one point or the other. And you see by the results that the costs are often deemed to be too high.

In terms of how businesses should think about their exposure, it's certainly prudent for companies that are operating in the region to develop contingency plans. The Korean Peninsula, although it has been stable now for 70 or so years, the way the forces are arrayed on the peninsula in terms of hair trigger responses if a spark were to ignite, it could flare up pretty quickly. And so, I think it's absolutely necessary for companies to put in place contingency plans. The question is what companies should peg that planning to, and it can't be the news reports, because news reports on this issue are so sensational now that if businesses did plan based on this reporting, people would have been leaving Korea already. But I think the way most companies might look at it, you would watch for indicators based on what the U.S. government is doing in terms of their own personnel, in particular nonessential personnel, whether that's on the military side or on the diplomatic side; that would probably be the lead indicator. Also, the extent to which U.S. military deployments on the peninsula change, in a way that is not just a periodic exercise, but looks like the U.S. is surging forces on the peninsula because it would be difficult to carry out a strike without being ready for the retaliation. This is not like firing Tomahawk missiles into Syria. There could be immediate retaliation and any responsible military planner would want to be ready for that retaliation regardless of the percentage chance. So, I think there are certain public signs to watch for that could lead companies and others to realize that the situation has taken a turn for the worse in ways that would call for action.

KK: I wanted to ask about the window for diplomacy and potential for negotiation. You've talked about this in the past, that there is a window traditionally at this time of year before the next round of U.S. and South Korea military exercises, which typically comes in March and April. I'm also wondering if there are some other factors to consider, particularly the upcoming Olympic games and the role that plays, as well the messages we've all seen going back and forth between the United States and North Korea. When you get through all the bluster, all the "little rocket man" commentary and the "lunatic old man" commentary, at the end of the day we might be somewhat flabbergasted that the President of the United States would lower himself, per se, to the level of, as you call Kim Jong-un, a totalitarian dictator. But if you're Kim Jong-un, you're probably seeing it as I've just been elevated to speaking directly to the President of the United States. I'm not going through Beijing. I'm not going through Seoul. I'm

not going through the Security Council to do so. I am actually negotiating, which suggests that my strategy here all along has been the right one.

Or – and to your points earlier in this conversation, North Korea is hurtling towards a technical capability and that's been their objective all along. Do they wait for those final hurdles before they're open to any kind of diplomatic overture? What do you think the opportunity on diplomacy is?

VC: I certainly understand that the language has been much more colorful on this issue in this administration than in the past and some of it is, I think, concerning to the media and others. But there is a clear policy line that has been consistent throughout; and that is willingness to engage and to go back to the negotiating table if North Korea is willing to do so. I don't think that's just tactical in the sense of highlighting the fact that the problem is North Korea, it's not the United States. And I think the only precondition is governed by the underlying principal that we're not going to talk to them if they're firing missiles at us and testing their weapons. So there is a clear and consistent policy line that the U.S. is ready to sit down for negotiations if the North Koreans are interested, and perhaps after this announcement that they made, that they've completed their nuclear program, maybe they will feel like they're ready now to sit down and talk to the United States.

The Under-Secretary-General for Political Affairs, Jeffrey Feltman, is in North Korea this week. He is the number two in the U.N., but he's also an American with decades of experience as a state department official. And although he does not go on behalf of the United States government, it would not surprise me if he came back and briefed Nikki Haley, United States Ambassador to the United Nations, and the U.S. government, about what he saw and what the possibilities for starting talks might be.

Although the media focuses on all the missile exercises and the potential attacks by or on North Korea, diplomats that are quietly behind the scenes are making a clear and consistent effort to try to find a peaceful exit ramp that will take advantage of the economic pressure being put on North Korea as a way to get them to come to the table and start talking about freezing exercises and then starting to work at degrading the nuclear program.

The other window of opportunity, as you mentioned, is that some of what North Korea does in terms of provocations is seasonal - our data going back shows that in general, November, December, January and February are months that North Korea doesn't do a lot of nuclear missile testing. It doesn't mean that they don't do any. They certainly do at least one test every month. But it's not at the level that we see, beginning in March, April, May and June. So there is that window, that is also punctuated by the fact that the Olympics start on February 9th in South Korea. I met with the head of the Olympic delegation for Pyeongchang in New York a few weeks ago and they could not have been more open and enthusiastic about their desire to see North Korea come to the Olympics. The North hasn't agreed to it yet, but South Korea really want them to attend, even if that means North Korea arriving on the evening the Olympics actually begin, they will facilitate that. If North Korea were to attend the games, I think that the South Koreans would see that as an opportunity to try to create some diplomatic momentum.

The British who have a diplomatic representation in North Korea have an embassy there, and have been going in to see what they can do, the French have been going in, the Swedes, the Canadians. So, everybody has been trying, I think Secretary of State, Rex Tillerson, is calling a meeting of the U.N., sending for the regional states that participated in the U.N. effort to push back the North Korean advance in 1950, calling a meeting of them in New York to try to discuss strategies for how to manage this current issue with North Korea. So the diplomatic channel is still quite open. I think it is the first priority in terms of policy, the U.S.'s first priority is not military, and Mattis has made that very clear, it's diplomacy. And we'll just have to see what December, January and February bring - hopefully they'll bring some traction.

[Caller Question]: In terms of what you think about the next 12 to 18 months, can you lay out the scenarios for the overall situation, what probabilities would you attach to the military situation which you discussed, versus further testing from North Korea, and further escalation versus diplomacy?

VC: I think for the rest of this quarter, and for at least the beginning of the next quarter, I don't imagine that we'll have any huge crises. North Korea is in their winter training cycle, which takes a lot of their resources. They just finished the

harvest and a lot of the army participates in the harvest, so they just don't have the resources to engage in some sort of provocation right now.

Who knows what they'll do regarding the Olympics, but I certainly worry that once we start getting into March and April, the U.S. and the Republic of Korea have their major military maneuver exercises. And historically that has always coincided with much more elevated activity on the North Korean side. So I think we could hit a pretty bad cycle, a fairly high percentage probability, I'd say greater than 50 or 60 percent chance that March, April and May could be one of those time periods where we'll see a lot of activity, more U.N. Security Council resolutions and things of that nature. And then usually in the period between June – and leading into the third quarter between June and July and mid-August, we see some testing by North Korea, but they often, at least in inter-Korean relations, go into their peace offensive, which begins on June 25th, the anniversary of the Korean War, and goes until to August 15th, which is Liberation Day from the Japanese occupation (the end of World War II). North Korea usually go into their peace offensive by trying to call for family reunions and other sorts of things to try to carve off the South Koreans from the U.S. All things equal, they probably have a better chance of that with the current South Korea government, a progressive government who are really itching for the opportunity to engage with North Korea. But then the overall relationship between the United States and North Korea during that period doesn't necessarily follow any inter-Korean reconciliation. And once we get into August, we have another major military exercise, the second major annual exercise, which usually creates a bad period of relationship between August, September and October.

The other thing to keep in mind is also that in June, in South Korea, they have nationwide elections for governors and mayors of all their provinces and cities, so that will put the South Korean government in a very difficult position where a progressive government is going to want to appeal to its base. And it's going to be, I think, quite desperate to find ways to engage with North Korea to satisfy their base and show that their policy is successful, and that could create complications with the United States.

[Caller Question]: I wanted to get back to the China issue. One thing you did not mention about China, which is obviously the wild card in all of this, is I've heard people talk of a scenario if China really wanted this problem to go away, for China to take over North Korea would be a weekend job, much like the second Iraqi war, where most of the Iraqi combatants surrendered willingly to U.S. forces. Do you give this kind of scenario any credibility?

VC: That's interesting. I've actually not heard that before. I've certainly heard of China sealing their border to North Korea, or trying to work with the United States to put a new leader in the country, but I've not heard that particular one.

My reaction to that would be, in one sense it might be plausible, because most of North Korea's forces are arrayed in a southern direction, not northward towards the Chinese border.

China has been conducting more military exercises on the border, but I think that's largely a border ceiling exercise more than anything else. But if there was any indication that Chinese troops were advancing into North Korea (regardless of what North Korea's reaction would be) that would create a very strong reaction by South Korea, who would oppose an action like that.

China is growing, it's doing all this stuff in the South China Sea, but in terms of actual military action, if you look historically, they have not been very successful. And so, whether they could actually carry out a military action that would usurp power in North Korea, I certainly don't think it's something they could do in a weekend. As they have not been very successful in terms of actual military operations, if they did want to take control of the country, it would probably largely be through economic means, or through trying to put a pro-Chinese leader in the position.

Maybe that is why Kim Jong-un assassinated his uncle, because his uncle was known to have very close ties with the Chinese. But that scenario would be a challenging one for China.



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