

Economic Cooperation with North Korea: Implications for the Sanctions Regime and Denuclearization¹

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Introduction

This essay addresses ongoing deliberations in the ROK and the United States about future policy paths with North Korea. The primary focus is on President Moon Jae-in's priorities in inter-Korean relations and their implications for the multilateral sanctions regime. Unless the ROK upholds larger goals endorsed unanimously by the UN Security Council, the collective effort to inhibit and reverse Pyongyang's pursuit of nuclear weapons could appreciably weaken. Seoul is intent on a non-antagonistic relationship toward North Korea, but this objective must not assume precedence over nuclear non-proliferation; the future of the U.S.-ROK alliance; and regional security as a whole. In an effort to lock into closer relations with North Korea, the Blue House continues to press the United States to offer concessions to Pyongyang, even in the absence of discernible steps toward denuclearization. This is a very risky course. To understand the costs and risks requires an examination of the dominant policy assumptions in Seoul and Washington, and of the factors that appear to be shaping policy thinking in North Korea.

Looking Back and Looking Ahead

At the 6th Korea Research Institute for National Strategy-Brookings meeting in January 2018, deliberations focused on the maximum pressure campaign to counter North Korea's accelerated nuclear and missile programs, while avoiding an acute crisis or the unilateral resort

¹ This essay is a revised version of a paper first presented at the 7th Korea Research Institute for National Strategy-Brookings Institution Joint Conference, Seoul, Korea, January 16-17, 2019.

to the use of force.² These discussions were soon overtaken by events. The political needs of three leaders –Kim Jong-un in North Korea, Moon Jae-in in the ROK, and Donald Trump in the United States- abruptly tossed out the rulebook that had long dominated politics and security on the Korean Peninsula. The core issue in 2019 is whether all three leaders sustain these efforts, or whether the underlying contradictions in national strategy overwhelm the paths pursued over the past year. This does not mean that Kim, Moon, or Trump will soon walk away from they have sought to construct. But it is a house of cards, not a solid structure, and is therefore laden with uncertainty and major risk.

2018 was unlike any other in over seventy years of a divided peninsula. North Korea's participation in the Pyeongchang Winter Olympics in February initiated international outreach by Pyongyang surpassing any previous period in North Korean history. These included three meetings between Chairman Kim Jong-un and President Moon Jae-in; three meetings between Kim and Chinese leader Xi Jinping; and (most unexpectedly) the meeting in Singapore between Kim and President Trump, the first ever meeting between an American president and the leader of North Korea. The rumors of war on the peninsula --an issue that dominated debate in late 2017 and early 2018-- abruptly receded, replaced by widespread expectations of major change in inter-Korean relations and in U.S.-North Korea relations.

These efforts have continued in early 2019. On January 8-9, Kim Jong-un and Xi Jinping met in Beijing for the fourth time in ten months. On January 17-18, President Trump, Secretary of State Pompeo and North Korean envoy Kim Yong-chol met in Washington, DC, and

² *Strategy of the Kim Regime and the ROK-U.S. Responses in the Era of North Korea's Nuclear Upgrades*, Proceedings of the 6th KRINS-Brookings Joint Conference, Seoul, Korea, January 17-18, 2018.

announced a second meeting between President Trump and Kim Jong-un, which is planned before the end of February in a still unidentified location. Seoul has voiced hopes that the meeting between Trump and Kim will permit the first-ever of Kim Jong-un to Seoul as early as late March. But this visit assumes much more importance to Moon Jae-in than to Kim Jong-un. Moreover, the circumstances surrounding the second Trump-Kim lend little confidence to an impending breakthrough between North Korea and the United States. Even as senior US officials contend that there has been progress toward denuclearization, evidence of such progress remains entirely lacking. America's interim acceptance of North Korea's possession of nuclear weapons would thus be the unspoken elephant in the room of a second summit.

Following the North's successful detonation of a thermonuclear weapon and the launch of two missiles of intercontinental range in late 2017, Kim Jong-un claimed that North Korea had achieved strategic equivalence with the United States. The DPRK has since repeatedly emphasized it has no intention to barter away the capabilities it associates with "completion of the state nuclear force." Kim sees the North's possession of these weapons as the primary reason that the United States is willing to deal directly with him. Moreover, he repeatedly describes these capabilities as a "treasured sword," not a "shield," thus emphasizing their coercive rather than defensive or deterrent functions.

In late 2017, Kim claimed that the North had completed its testing programs, thereby avoiding actions that could have triggered escalation or even outright war with the United States. North Korea has not undertaken additional nuclear and missile tests since that time and it has also partially disabled its nuclear test site and a rocket engine testing facility. It contends that the cessation of testing warrants the cessation of UN Security Council sanctions,

even though there is no verifiable evidence that its weapons programs have been deactivated or slowed. One report, for example, indicates that Pyongyang in early December 2018 tested telemetry needed for operational development of a nuclear warhead; North Korea has also continued to accumulate additional fissile material for its weapons inventory.³

A jarring incongruity thus exists between these realities and Donald Trump's continued efforts to cultivate relations with North Korea. The Singapore meeting was limited largely to exchanges devoid of relevance to the North's strategic weapons program, and this trend has persisted ever since. It was a meeting, not a negotiation, and there is no evidence that President Trump insisted that North Korea take specific steps to demonstrate its readiness to forego nuclear weapons. A similar pattern has prevailed in the multiple interactions between the leaders of South and North. Like Donald Trump, Moon Jae-in has offered unilateral concessions to North Korea's leader, and Kim has been more than willing to pocket them.

At the same time, the definitions of "the denuclearization of the Korean Peninsula" employed by the U.S. and North Korea remain starkly different. As a pseudonymous authoritative North Korean commentary in late December 2018 asserted, "by changing Korean Peninsula denuclearization to the dubious signboard of 'North Korean denuclearization,' the United States is creating illusions....When we say Korean Peninsula, that includes the territory of our Republic along with the area of South Korea...[that] means removing all nuclear threat factors not only within the territory of North and South, but starting with [those in] the

³ See, for example, the *Yomiuri Shimbun* report on testing of radio telemetry for missiles, as featured by *Japan News*, December 30, 2018. U.S. intelligence continues to report the accumulation of additional fissile material in North Korea, much of it presumably emanating from undisclosed production facilities for highly enriched uranium.

surrounding area that are aiming at the Korean Peninsula...the proper definition of Korean Peninsula denuclearization is ‘completely removing the United States nuclear threat against North Korea’ before it is getting rid of our nuclear deterrent.”⁴ Such extreme demands are fanciful, and reveal that Pyongyang has yet to remotely contemplate a non-nuclear future.

Weighing U.S. and ROK Policy Options

Despite the absence of discernible progress on larger goals, neither President Moon nor President Trump show any sign of rethinking their overtures to Kim Jong-un. If anything, both presidents have doubled down on their strategic wagers with Pyongyang. Both are seeking to establish a “new normal” in relations with North Korea, but these pertain minimally to steps in denuclearization, if at all. Moon remains focused on various declaratory statements, including “end of war” and peace declarations, and military confidence building along the DMZ; and a major expansion of economic cooperation with North Korea. These steps would create political space that the two Koreas would then share (described by Moon Jae-in as encompassing peace, prosperity, and reunification), separate from the relations of either Seoul or Pyongyang with any outside power.

Denuclearization, though often mentioned by President Moon, begs the issue of the kind of denuclearization he has in mind. Prior to his September 2018 visit to Pyongyang, Moon declared that denuclearization would dominate his discussions with Kim Jong-un, and he claimed that the Pyongyang Declaration contains an “action plan” for denuclearization, which he claimed could be achieved rapidly. Similarly, National Security Adviser Chung Eui-yong

⁴ Chong Hyon, “It is Better To Find a New Road Than to Hit a Barrier on an Old Road,” KCNA, December 20, 2018.

contends that Kim Jong-un has made an “irreversible” commitment to denuclearization.⁵ Such claims appear premised on accepting Kim Jong-un’s definition of denuclearization, as the North Korean leader outlined in his 2019 New Year’s Day address.⁶ It would entail the negation of the ROK-U.S. alliance, the cessation of U.S. military involvement in or near the Korean Peninsula, and the invalidation of U.S. security commitments across East Asia and the Pacific.

All of Kim’s premises should be absolute non-starters in any negotiations between South and North. However, so far as is known, President Moon has never sought clarification of Kim’s claimed “firm intention” to denuclearize; he seems to believe that Kim’s words are sufficient for him to advance his agenda in inter-Korean relations. President Moon has also described his role as a “mediator” between Washington and Pyongyang, effectively serving as North Korea’s enabler. He continues to view the transformation in inter-Korean relations as his singular policy priority, helping explain his repeated appeals to the Trump Administration to relax the sanctions regime, thereby hoping that the U.S. will forego its commitment to the “maximum pressure” policy. Any hints of U.S. policy flexibility on sanctions (in the absence of unequivocal moves by Pyongyang to reverse course on nuclear weapons) would be the green light that President Moon clearly seeks.

President Trump also bears ample responsibility for these circumstances. Though he insists that the sanctions regime will remain in place and states that he is in no hurry to achieve denuclearization, he has repeatedly boasted about Kim Jong-un’s “great letters” and the

⁵ “Top Security Adviser Says N. Korea denuclearization process is irreversible,” *Korea Herald*, December 21, 2018.

⁶ All citations to Kim Jong-un’s New Year’s address appear in the text published by *Rodong Sinmun*, January 1, 2019.

closeness of his personal relationship with Kim. He argues that Kim “really wants to get onto economic development, and making a lot of success and money...for his country. Because North Korea has tremendous potential...we’ll help them out, too.”⁷ No doubt these are Donald Trump’s words, and there is no reason to believe that they correspond to operative U.S. policy. However, as long as Trump and Moon remain committed to closer relations with Kim Jong-un, and without insisting upon changes in North Korean behavior, the North Korean leader is under no pressure to make any appreciable shifts in strategic direction, permitting him to wring additional concessions from the United States and the ROK.

These circumstances lend little confidence about future possibilities. Neither Donald Trump nor Moon Jae-in seem inclined to heighten pressure on Kim Jong-un, thus increasing North Korea’s political advantage.⁸ Rather than a lasting transformation in the political and security environment, there is a risk that accommodation with Pyongyang will open the sluice gates in the ROK’s economic relations with North Korea. Worse, this would also serve as a signal to China, Russia, and others desiring a relaxation of the sanctions regime. An alternative path does exist, but only if Seoul and Washington are prepared to weigh their potential sources of leverage with Pyongyang.

Weighing Kim Jong-un’s Options

Beneath the veneer of his self-congratulatory rhetoric, Kim Jong-un faces major vulnerabilities if the sanctions regime remains in place for an appreciable period of time, and if

⁷ Colin Zwirko, “Trump offers DPRK economic ‘help’ after receiving ‘great letter’ from Kim Jong-un,” *NK News*, January 3, 2019; David Nakamura and John Hudson, “To Trump, Kim letters are proof of friendship,” *Washington Post*, January 5, 2019.

⁸ This is amply reflected in Kim’s 2019 New Year’s address.

Pyongyang is unable to find a means to circumvent the “maximum pressure” campaign.

Pyongyang does not hold all the cards. The hints in Kim Jong-un’s 2019 New Year’s speech about “a new way to defend the country’s sovereignty and the state’s supreme interest” reveal a regime in search of an alternative should relations with the United States remain stalemated, which many see as an oblique reference to heightened cooperation with China.

North Korea’s fundamental liabilities are systemic and enduring, especially in economic terms. The budgetary and resource demands associated with the strategic weapons program have been exceedingly high, begging the issue of the regime’s return on investment. Kim Jong-un has made major pledges to the elites and the citizens of the North. In comments at a recent visit to a major construction site, Kim berated “the hostile forces [that] are blocking the increase of the welfare of our people and our development and are foolishly and madly carrying on the wicked sanctions maneuver.” But he also argued that North Korea must be able to construct “a powerful country by our strength, technology, and our own hands.”⁹ His words suggest no wavering from the national mythology that the leadership of the North has long sought to perpetuate.

However, the vision of a self-reliant country bears little relation to North Korea’s actual needs. As early as 2016, the sanctions regime began to take an increasing toll on the North’s economy, even though Kim Jong-un made no real effort to connect the dots. He failed to acknowledge the connection between the North’s accelerated nuclear and missile programs and the tightening of the sanctions regime, though he does appear mindful of the cumulative

⁹ Kim Jong-un’s “on the spot guidance” at the Wonsan-Kalma Tourist Construction Site, as quoted in *Rodong Sinmun*, November 1, 2018.

effects of heightened sanctions on North Korea's longer-term economic prospects. Relaxed sanctions are thus essential to Kim, since they would provide the regime political breathing room, economic assistance, and additional financial resources that North Korea desperately needs, while deferring the strategic reckoning that the United States and others have sought to induce on the part of Pyongyang. However, Kim has not been willing to address the essential contradiction in North Korean strategy: he insists on sanctions relief without foregoing the weapons advances that have created the risks of severe crisis and instability in Northeast Asia.

In his 2018 New Year's address, Kim Jong-un asserted that the country's possession of nuclear weapons capabilities protected North Korea from any possibility of U.S. military attack. He claimed that North Korea's citizens would no longer need to "tighten their belts," and the country's economic future would quickly advance, while insisting that self-reliance would remain the underlying basis of economic strategy.¹⁰ However, without major long-term infusions of economic and financial assistance from abroad, Kim's pledges to the citizens of North Korea will be as illusory as the failed promises of prior decades.

Asserting a strategic shift toward economic construction (as claimed by Kim in his address to the Third Plenum of the 7th KWP Central Committee in April 2018¹¹) is not the same as undertaking such a shift. Despite a building boom in Pyongyang benefitting the North's wealthy elites and some modest increases in market activity elsewhere in the North, the Center's control over the allocation of resources remains largely undiminished, including the

¹⁰ For a detailed exposition of this theme, see "Let Us Accelerate the Advance of the Revolution with the Great Energy of Self-Reliance," *Rodong Sinmun*, November 30, 2018.

¹¹ *Rodong Sinmun*, April 21, 2018.

continued priority attached to strategic weapons. Kim also continues to favor labor-intensive construction projects designed to glorify the regime, and to solidify the dynasty's hold on power.¹² Any relaxation of the sanctions regime would ease the pressures that the regime faces, and defer the strategic reckoning that the U.S. and others have long urged the North to pursue. But Donald Trump and Moon Jae-in both seem to believe that the presumed allure of economic advancement will convince North Korea to undertake historic moves toward threat reduction, accommodation between South and North, and the verifiable cessation of its nuclear and missile programs. Kim Jong-un has no reason to discourage such thinking.

The characterizations of Donald Trump and Moon Jae-in fail to capture Kim Jong-un's calculations of cost and risk. Kim continues to believe that North Korea's weapons advances provide the regime with strategic leverage that it previously lacked. But what are the uses of such enhanced leverage? Three goals seem paramount in Kim's thinking: garnering increased acceptance (or at least toleration) of the North's nuclear weapons capabilities; eroding the alliance bonds between the United States and the Republic of Korea; and breaking free from heightened international ostracism and economic isolation. He hopes that Pyongyang's nuclear and missile capabilities will ultimately enable North Korea to secure a strategic position equivalent to that of Pakistan (i.e., as a nuclear weapons state outside the Nuclear Nonproliferation Treaty); to gain relief from the multilateral and unilateral sanctions that impose major costs on the North Korean economy; and to exploit the weak links in the international coalition opposing Pyongyang's weapons programs.

¹² For an especially telling example, see the report on the development of Samjiyon County, as featured in *Rodong Sinmun*, December 28, 2018.

In their meetings with Kim Jong-un, President Trump and President Moon have characterized potential economic involvement with North Korea as an inducement, rather than a cost imposition strategy. Both leaders have conveyed their readiness to open economic doors to North Korea, provided that Pyongyang undertake steps toward denuclearization. These initiatives are especially critical to Moon Jae-in. He contends that improved inter-Korean relations will spur denuclearization, though he has never offered a credible explanation of how this would be achieved. At other times, Moon argues that inter-Korean reconciliation and denuclearization are entirely separate tracks, presumably enabling him to achieve gains in relations with North Korea, leaving it to the U.S. to deal with the far more intractable nuclear weapons issue.

The potential for major divergence between the ROK and the U.S. thus seems self-evident: Moon holds out the prospect unconditional engagement of the North, whereas U.S. policy (at least in theory) still insists upon tangible North Korean actions to curtail its weapons capabilities. Senior U.S. officials continue to argue that there can be no relaxation of UN Security Council sanctions without discernible steps toward what Secretary of State Pompeo calls “the full and final verification” of the end of North Korea’s nuclear weapons programs. But Pompeo has also warned that “we have made clear to the Republic of Korea that we do want to make sure that peace on the peninsula and denuclearization on the peninsula aren’t lagging behind the increase in the amount of interrelationship between the two Koreas. We view them as tandem, as moving forward together. We view them as important parallel processes.”¹³

¹³ Secretary Pompeo offered these comments at a news conference in Washington, DC. Yonhap, November 20, 2018. Despite the Secretary’s claims, there are some indications that the U.S. is prepared to consent to a nuclear

These considerations raise the issue of the economic activities between South and North that would be deemed permissible, without the ROK violating agreed upon multilateral sanctions and without undermining policy coordination with the United States. An unidentified senior Blue House official has recently voiced hopes that a “smooth summit” between Trump and Kim will lead to the lifting or loosening of some of the sanctions, enabling the two Koreas “to fully examine what forms of cooperation and exchange efforts they could have in the economy and other areas based on the agreement at the North Korea-U.S. summit.”¹⁴ Reconciling the potential contradictions in U.S. and ROK strategy thus seems likely to dominate policy consultations between Washington and Seoul in coming months.

These concerns pose three basic issues. First, can Seoul propose goals in economic cooperation with North Korea that remain aligned with existing multilateral sanctions? Second, to what extent are the ROK’s priorities in inter-Korean relations at cross purposes to the Trump Administration’s maximum pressure strategy, assuming that U.S. policy remains essentially unchanged? Third, how will any future ROK economic assistance to North Korea advance the goal of denuclearization, as claimed by the Blue House?

The Sanctions Regime: Will the ROK Oblige the North?

The persistence of multilateral sanctions remain very high on the list of Kim Jong-un’s concerns. North Korea’s nuclear and missile advances have come at severe economic cost to the regime, both in expenditure and in denial of potential commercial opportunities. The

roadmap that defers (at least in the near term) previous U.S. demands for nuclear disclosure and full verification of any steps toward denuclearization. See *JoongAng Daily*, December 31, 2018.

¹⁴ The unidentified Blue House official is quote in *Hankyoreh Online*, January 23, 2019.

imposition of a more comprehensive sanctions regime and heightened individual sanctions were a major achievement for the United States during 2016 and especially in 2017.¹⁵ Successive Security Council resolutions sharply curbed North Korea's involvement in foreign trade and in illicit financial activities, curtailing the regime's ability to earn much needed foreign exchange for goods and technologies deemed vital by the regime.

Although North Korea has repeatedly denied that the Security Council sanctions explained its international outreach, the available data suggest otherwise. For example, the contraction in two-way trade with China, by far North Korea's most important trading partner, has been extraordinary. According to data published by the General Administration of Customs of China (GACC), the import value of North Korean exports to China first began to plummet in the fall of 2017, and remained miniscule throughout 2018. (The total value of North Korean exports to China in 2017 was approximately \$1.7 billion; the final figure for 2018 was \$210 million, or a year on year decline of 88 per cent. This is the lowest level of North Korean exports to China since 2001.) The decline in Chinese exports to North Korea, though less severe, dropped from \$3.3 billion to \$2.18 billion in 2018, a decline of one-third.¹⁶ The contraction of the North Korean economy in 2017 (according to the Bank of Korea, by 3.5 percent) highlighted the effects of heightened sanctions imposed on the North. A recent estimate by Kim Byeong-yeon of Seoul National University foresees a decline in North Korea's

¹⁵ For a detailed and careful review of the status of the sanctions regime as of early 2017 (including its continued shortcomings and limitations), see Andrea Berger, *A House Without Foundations-The North Korean Sanctions Regime and Its Implementation* (London: Royal United Services Institute for Defense and Security Studies, Whitehall Report 3-17, 2017).

¹⁶ The data for 2018 are cited in *Chosun Ilbo*, January 16, 2019.

GDP in 2018 that could exceed 5 per cent.¹⁷ Though North Korea's currency reserves are not known, in the absence of an external actor underwriting the regime's debts, declines of this magnitude (for example, the trade deficit with China reached an all-time high of \$1.97 billion in 2018) cannot be sustained indefinitely.

These projections reveal the cumulative effects of multilateral sanctions, if Kim Jong-un cannot find an alternative means to circumvent or weaken them. President Moon's future policy moves could therefore prove an important factor. Over the course of his presidency he has insisted that the ROK and the U.S. are "on the same page" with respect to denuclearization, but this is at best disingenuous. Despite his repeated words of assurance to the United States, President Moon places far greater importance on achieving irreversible breakthroughs in inter-Korean relations than on tangible, verifiable steps in denuclearization. President Trump (for political reasons of his own) has greatly compounded these problems. His pursuit of closer relations with Kim Jong-un (including his commitment to a second summit) clashes with the judgments of numerous U.S. government departments and agencies. Both the ROK and American presidents are thus providing Kim Jong-un with room for maneuver that directly defeat the purposes of the international coalition that achieved growing results during 2016 and 2017.

Unlike President Trump, whose pledges of economic support for North Korea have been largely limited to a video presentation at the Singapore summit and to periodic tweets, Moon Jae-in's intentions and preferences have been far more explicit and transparent. From the

¹⁷ Kim was interviewed in *Nihon Keizai Shimbun*, October 25, 2018, as reported by Yonhap.

outset of his tenure in office, he repeatedly sought to restart initiatives and contacts that had withered and then ceased under his conservative predecessors. However, even at the peak of inter-Korean trade in 2009 (\$1.9 billion) the Korea Development Institute estimates that two-way economic transactions constituted 0.1 percent of the entire foreign trade of the ROK, and bore no relationship to the involvement of third parties, which were essentially excluded from these trade ties.¹⁸

It was not until Kim Jong-un's 2018 New Year's speech (that is, soon after fulfillment of the announced goals in missile and nuclear testing) that Kim responded to Moon's persistent overtures. Kim was clearly pushing through a door that the Blue House had already opened for him. Moon continued to advance inter-Korean reconciliation and heightened economic cooperation that he hopes will persist for the duration of his Presidency, and beyond. However, barring a very different economic relationship between North Korea and the outside world, the magnitude of such economic ties would remain very inconsequential, though of far greater importance to Pyongyang than to others. This affords Seoul and Washington with underutilized leverage in dealings with North Korea. Neither should be overeager in pursuit of breakthroughs with Pyongyang that would endanger critical goals in regional security and non-proliferation. At the same time, enhanced economic ties between South and North would only have major consequences if other states are prepared to follow Seoul's lead, and on a major

¹⁸ For relevant data, consult the paper by Yi Sok, "Possibility of a New South-North Economic Cooperation: Characteristics and Issues," Korea Development Institute *Review of the North Korean Economy Online*, August 29, 2018.

scale. In the absence of definitive steps toward denuclearization (and even as China and Russia both endorse sanctions relief), this prospect remains very unlikely.

Though many of the UN-imposed sanctions have stood in the way of the ROK's initiatives and continue to do so, much will depend on the future interpretation of UNSC resolutions; the "do's and don'ts" underlying them; and the rigor of implementation by the principal parties.¹⁹ Moreover, despite Pyongyang's repeated allegations, the sanctions were never designed as a means to destabilize the regime, or to deny North Korea legitimate commercial opportunities. The consistent goal has been to sharpen the choices confronting North Korea, not to make its choices easier.

In nine separate UNSC resolutions, beginning with UNSCR 1718 in 2006 and continuing through UNSCR 2379 in 2017, the United Nations has sought to impose an increasingly heavy price on North Korea for its weapons development and the enrichment of North Korean elites. This has encompassed an ever wider set of restrictions on North Korean exports and imports; prohibitions on the imports and exports of weaponry and weapons-related technologies; scheduled cessation of overseas employment of North Korean workers; caps on refined petroleum and crude oil imports; bans on imports of heavy machinery; prohibition of joint ventures between North Korea and other states; imposition of asset freezes on North Korean overseas entities; limitations on many forms of scientific and technical cooperation; restrictions on port access for North Korean-flagged vessels; and various targeted financial sanctions, among other steps. Illicit activities and smuggling operations involving Russia, China, and the

¹⁹ For a useful summary on the UNSC resolutions, see the Fact Sheet issued by the Arms Control Association, on which this discussion draws (<https://armscontrol.org/print/5653>).

ROK have to some extent circumvented various sanctions, but these do not remotely begin to address the totality of North Korea's needs.

The ROK has nonetheless repeatedly sought "work arounds" that do not explicitly violate any of the multilateral sanctions, or challenge separate understandings with the United States. The establishment of a U.S.-ROK working group is thus intended to ensure protection against such possibilities. The partial lifting of restrictions on the travel of American humanitarian personnel to North Korea, and a waiver that allowed ROK personnel to undertake an inspection mission of railroad lines in the North were the product of extensive deliberations between Seoul and Washington. But additional efforts by the ROK to push for changes in sanctions policy seem a foregone conclusion. As a senior Blue House recently acknowledged, "we will need to closely coordinate with the U.S. on whether any of the inter-Korean cooperation efforts clash with U.S. or UN sanctions, and on which areas it would be possible to circumvent sanctions in."²⁰

The larger tests in bilateral relations are yet to come. The ROK has repeatedly sought to convey to the North of its readiness to undertake major involvement in the rebuilding and modernization of the North Korean economy, contending that North Korea could be transformed into a transportation and logistics hub in Northeast Asia and beyond. These sentiments were most fully apparent during President Moon's visit to Pyongyang, when he was accompanied by the heads of the four largest chaebols.²¹ These efforts reveal much more

²⁰ Unidentified Blue House official, as quoted in *Hankyoreh Online*, January 23, 2019.

²¹ For a cautionary and discerning assessment, see Kim Jaewon, "South Korea's Corporate Giants Tiptoe toward the North," *Nikkei Asian Review Online*, October 16, 2018, <http://asia.nikkei.com>.

about the dreams of political leadership in Seoul than they do about the economic realities of the North.

Though the language of the Pyongyang Joint Declaration was aspirational rather than operational, it envisioned improvement of “the *national* economy (my emphasis), on the basis of mutual reciprocity, common interests, and coprosperity.”²² Such pledges generated understandable disquiet within conservative circles in the ROK and on the part of the United States, which sensed undue eagerness on the part of the Moon Administration.²³ In his joint press conference with Kim Jong-un, President Moon declared that “complete denuclearization is not far away,” with the ROK pledging to “do our best to help the two sides hold another summit as soon as possible and find a middle ground to reach an agreement.”²⁴ Moon and his subordinates have also sought to convince the United States that these initiatives do not involve emotional overexuberance or serious risk, but these claims are demonstrably suspect.

The ROK also continues to acknowledge that many of the envisioned steps in economic relations are almost wholly contingent on the lifting or major lessening of the sanctions regime, which in turn presumes as yet unrealized objectives in denuclearization. This essential, unavoidable fact should be at the center of any future policy deliberations, lest the ROK embark on actions that would have lasting and acutely negative consequences for long-term relations with the United States, for the stability and security of Northeast Asia, and for the future of

²² For a text, see *The Korea Times*, September 19, 2018.

²³ On the latter issue, see “U.S. Pressures Chaebol on North,” *Joongang Daily*, October 30, 2018.

²⁴ *Chongwadae*, September 19, 2018.

nuclear nonproliferation regime. Whether either President Moon and President Trump will remain mindful of these larger considerations remains to be seen.