
The Kim-Trump Summit: A positive development, for now

June 12, 2018

Key Take-aways

- Despite negative assessments of many pundits about the personal nature of the dialogue and a lack of firm commitments, **the Kim-Trump summit process has produced a significant near-term improvement in US-Korean and inter-Korean relations.**
- **This meeting did what most successful summits do: ratify an exiting situation rather than drive a breakthrough.** The North has unilaterally halted nuclear testing, disabled a portion of its testing complex, halted missile testing (Beijing's top policy objective), and repatriated some foreign prisoners. Kim Jung Eun, however awkward and halting, has shifted his stance from confrontation to diplomacy, and government-to-government discussions with the US, South Korea, and China have proliferated.
- **The situation after the Singapore summit is far cry from the very tense stand-off of just 5 months ago.**


Assessment

Conventional approaches to diplomacy and strong-arming North Korea over the past 20 years failed. **The way the US and North Korea got to Singapore and the meeting's results are unconventional.** Trump's and Kim's approach to leadership is akin to the owner of a family business: They behave as if they are unencumbered by stakeholders and advisors, they value authoritarian power and decisiveness, and they have a mastery of political theater. In this light, they are well-matched interlocutors. The process and results of the nascent US-DPRK relationship should not be evaluated using conventional metrics of diplomacy.

A focus on denuclearization, while mentioned in the meeting communiqué, is misleading and likely to lead to disappointment. The US and North Korea have very different ideas for what constitutes denuclearization. There are many shades of grey: There is no agreement on what this would include, what would be the pace, and how would it be verified and guaranteed. Also key stakeholders such as China, Japan, and South Korea have their notions of what is desirable. Ultimately, North Korea will not submit to CVID—that is, giving up its nukes and its nuclear weapons complex and submit to intrusive inspections in the foreseeable future.

A more appropriate and near-term focus should be détente. The goal should be to gradually dial back the military and political tensions on the Korean peninsula and with the US; develop richer communications, mutual understanding, and trust at multiple levels; and create mechanisms for avoiding, managing, and defusing crises. This is similar to how US presidents Nixon, Carter, and Reagan approached the USSR.

Singapore is the beginning of the beginning. The Singapore meeting was significant but not unprecedented: The 1985 Geneva meeting between Mikhail Gorbachev and Ronald Reagan didn't yield a material agreement, but it started a progress of dialogue, efforts to diffuse geopolitical tensions, and building trust. Trump has appeared to acknowledge the need for a ►



gradual and long-term project in his statements leading up to the summit. Grand gestures can be helpful, but détente, requires painstaking negotiation and incremental progress.

Kim ultimately wants US security guarantees for his regime. In this context, President Trump's unilateral offer to pause military exercises is a reasonable gesture. But the US and South Korea will have to go further in demonstrating a commitment to a broader and longer-term de-escalation on the peninsula. The North, too, will have to reduce its very threatening conventional military posture.

Many other issues complicating the relationship must be addressed: The North's chemical and biological weapons capabilities, its incessant cyber attacks, and gross human rights abuses. Key members of Congress as well stakeholders in South Korea and Japan have signaled that they will put pressure on the Trump administration to show progress on these fronts.

The risks of disappointment are significant. Détente and demobilization is a politically fraught process, even in a totalitarian regime. The current unconventional approach can be confounded by misunderstandings, vagaries, and the impulsive natures of the principals. In pursuing a very personal process, they are assuming significant reputational risks. The risk of losing face, especially for Kim, is significant. China, Russia, South Korea, and the US Congress will seek to impose their own external interests and constraints on the detente process and will complicate and potentially derail it. As with the Iran nuclear deal, potential for snap-back and re-escalation will always be present.

The opportunities for businesses and investors are very limited. First, the negotiations to end the state of war and dial back nuclear, conventional, and other security threats will take many years and will be extremely complex. Sanctions relief will be tied to progress on the security front. Second, as with Russia, Congress will seek to tie the hands of the US President on easing sanctions. Third, even if sanctions are eased, the operating environment in North Korea will remain almost impossible to navigate and present huge reputational risks for Western firms. As we have seen with Myanmar and Iran, the promised economic dividend will be very slow to materialize and will disappoint many. Finally, as seen with Iran, the risk of sanctions snap-back will thwart businesses incentives to get engaged.

Chinese firms will be the biggest winners, due to their geographic proximity, existing ties to North Korea, Beijing's regional economic integration plan (Belt and Road), and business leaders' willingness to waive governance, operational, and reputational risks. For South Korea, any peace dividend is likely to be modest and diffuse. South Korean firms could benefit indirectly from greater regional geopolitical stability and directly via access to the nearby market—albeit one that is relatively small and impoverished. For Western multinationals the opportunity will be limited to selling a few iconic brands into a small, idiosyncratic, and very poor market.

Potentially huge regional risks loom in the future. The Soviet and East German regimes lost political control as they liberalized their economies and opened to the West. The glaring disparity in economic, social, and human development between North and South Korea presents an overwhelming threat to the legitimacy of the Kim regime, and without a trumped-up foreign military threat narrative, it's not clear how the supreme leader stays in control in a context of economic liberalization over the long term. Reunification, while a long-held ideal, would be very messy and costly. ■