



Volatility and Opportunity in 2011

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Last year was a momentous year for the Korean Peninsula. As the world worked its way out of the global and financial crisis of 2008-2009, South Korea demonstrated its global leadership at the Seoul G-20 Summit. The work that went into the preparations and execution of the G-20 summit showcased Korea's growing economic prowess and its potential to be a major player in reformulating the financial underpinnings of the global economy.

The year also reminded us of the persistent uncertainty surrounding North Korea's future and the fragility of the peninsula's stability. Looking ahead, despite recent calls by both Korean governments for a reduction in tensions, Pyongyang's brinkmanship will likely carry on in the coming year. Meanwhile, the international community's frustration with Beijing will continue to run high as China remains deeply divided with the U.S., South Korea and Japan over how to respond to North Korea's provocations. One silver lining for a potentially volatile year ahead is the steady strengthening of the U.S.-Korea relationship and the emerging security situation building momentum for the ratification of the much anticipated U.S.-Korea free trade agreement.

The episodes of North Korean military aggression in 2010 reminded us that while the start of the Korean War was now 60 years behind us, inter-Korean tension and Pyongyang's treachery still persist today. In the last year, South Korea incurred historic violence – 1) the sinking of the South Korean Corvette, Cheonan, by North Korean special operational forces; and 2) the shelling of the South Korea's Yeonpyeong Island. Both Seoul and Pyongyang are now vowing to retaliate militarily to any further provocations and facing domestic pressures not to back down. For Pyongyang, the political viability of an inexperienced future successor is at stake, while the Lee Myung-bak government has been domestically disparaged for not defending against two military attacks that cost the lives of citizens. These dynamics pose a dangerous situation ripe for miscalculation and accidents that can spiral toward war if not actively managed.

Equally troubling was the revelation that North Korea had begun construction on a 100 Megawatt (thermal) nuclear reactor and had completed an apparently modern 2000 centrifuge uranium enrichment facility, reinforcing earlier suspicions that North Korea was building a clandestine highly enriched uranium project capable of producing fissile material.

In addition, Pyongyang has been clear that it has no real intention of giving up its nuclear weapons program and sees little value in the Six Party process. For the past year, the DPRK has signaled it wants bilateral talks solely with the U.S. to remove UN Security Council sanctions and conclude a peace treaty.

Looking ahead to the New Year, both Seoul and Pyongyang recently stated that each was interested in restoring peace on the peninsula. But, whether this exchange is a sincere step back from the brink or simply a pause before a new round of tension is still uncertain. It is not the first time for Pyongyang to be more reconciliatory after a series of provocations.

Complicating events is Beijing's repeated defense of Pyongyang despite North Korea's continuous belligerence. China's refusal to link Pyongyang to the Cheonan sinking, its influence to thwart any meaningful action coming out of the United Nations Security Council, and the restrained response to the artillery attack on Yeonpyeong demonstrated the extent to which Beijing is willing to protect North Korea, even at the potential cost of fraying relations with Seoul and Washington. Experts and neighboring governments have long understood Beijing's overriding concerns about stability and fears of chaos should the Kim Jong Il regime collapse, but with historic levels of North Korean violence, China's stance is continually looking less viable as a policy stance to achieve real peace and stability on the peninsula.

Many in the U.S. and South Korean governments are sending a message to Beijing: While Pyongyang bears full accountability for its actions, Beijing must also

take responsibility in a positive way to influence the direction North Korea is headed. A repeat of North Korea's 2010 actions in 2011 will not be tolerated and China alone is in a position to ensure it does not happen. If China is not up to the task, it will bear the brunt of increasing international condemnation.

Thus, a primary concern for 2011 will be how far Beijing is willing to exhibit its foreign policy independence and how much tension it is willing to endure with the U.S., South Korea and neighboring states to protect its national interests regarding North Korea. Already, in mid-December, Deputy Secretary of State Jim Steinberg, NSC Senior Director for Asia, Jeff Bader, and Assistant Secretary of State Kurt Campbell traveled to Beijing to express the administration's mounting frustration. Looking ahead, the outcome of President Hu Jintao's visits to Washington in mid-January will be a good barometer for what is to come. North Korea will be a main summit agenda item and the Obama administration will call for *responsible* pressure by Beijing on Pyongyang to end its provocative behavior and return back to denuclearization in a serious manner. Whether the U.S. will be able to persuade China to take this harder stance will be a key development to watch in 2011.

All this volatility has provided opportunity for the U.S.-Korea governments to work closely and demonstrated the value of this bilateral relationship. In early December, the two governments reached a final compromise on the free trade agreement that would not only expand economic opportunities for both countries, but also strengthen the alliance in unprecedented ways. Now, only ratification in the respective legislature remains, but this is no small feat as strong domestic opposition still persists in the U.S. Congress over parochial interests. That said, the instability on the Korean peninsula and China's increasingly divergent foreign policies have highlighted more than ever the importance of reinforcing U.S. ties with Asian allies and ensuring the U.S. has a solid anchor in the region. When the free trade agreement comes up for ratification, most national legislators on both sides will vote for it seeing how it will benefit the two economies, but equally important, how it will protect the long-term geopolitical interests of the two countries.