



# NK Update for July 2021

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## Restoring Communication Lines under Economic Crisis

On July 27, 2021, Seoul and Pyongyang [agreed to restore communication lines](#) by resuming calls through the Panmunjom and inter-Korean liaison office communication channels. They also reconnected the military hotline on the peninsula. On July 30, [South Korea began authorizing humanitarian assistance](#), which is reportedly related to public health and nutrition. The reconnection may signal that North Korea is changing its attitude from cooling down Washington's engagement gesture to what the U.S. special representative for North Korea, Sung Kim, expected last month: a ["positive response."](#) In response to the U.S.' gesture for engagement in June, Kim Yo Jong, spokeswoman for Kim Jong Un, responded with great disappointment, stating that ["it seems that the U.S. may interpret the situation in such a way as to seek comfort for itself."](#)

Experts illustrate that North Korea's efforts to resist engagement did not endure due to the deterioration of North Korea's economic conditions. Along with sanctions, the COVID-19 pandemic and subsequent self-isolation by Pyongyang resulted in an economic crisis. According to the Bank of Korea, the gross domestic product (GDP) in [North Korea contracted 4.5% in 2020](#), which is the worst since 1997. Kim Byeong Yeon, professor of Economics at Seoul National University, estimated the North Korean economy might have shrunk up to 20% from 2017 to 2020.

Against this backdrop, North Korea's current economic crisis has created a dilemma for American policymakers. For example, Victor Cha, Korea Chair at the Center for Strategic and International Studies, stated that the process of North Korean denuclearization has fallen into the [COVID-19 dilemma](#). To illustrate, on one hand, sanctions became an ineffective strategy towards

North Korea because of Pyongyang's self-isolation strategy amid the COVID-19 pandemic. On the other hand, the pandemic discouraged Pyongyang from responding to U.S.' engagement efforts and sanctions relief, which had previously served as an incentive for the denuclearization of the Korean Peninsula.

However, the denuclearization process is not the only issue that fell victim to the COVID-19 pandemic. The pandemic affected Pyongyang's will to resume dialogue for other potential purposes. To illustrate, North Korean state media reported [a "great crisis" regarding COVID-19 prevention efforts](#). While no details elaborating on what the "crisis" refers to have been provided, NK News reports that experts suggest that it may refer to the following: a pandemic outbreak, breaches in North Korea-China border security, military non-compliance to use rations for stabilizing civilian food situation, construction incidents in Pyongyang, and Kim Jong-un's effort to consolidate the Party's power over the military. In any case, North Korea is concerned about its dire economic situation.

For North Korea, experts find that an economic crisis will be more critical to Pyongyang than a political crisis. Pyongyang seems quite confident in managing internal political stability. For example, [Kim Jong Un criticized youth](#) exposed to South Korean pop culture for not being North Korean enough. Andrei Lankov, Director at NK News and Professor at Kookmin University, suggested that [North Korea can weather any crisis](#), including the sudden death of Kim Jong Un, because of North Korean elite unity, contingency planning. The China factor is also likely to assist North Korea in maintaining political stability. Overall, Pyongyang's "positive response" cannot be interpreted as a result of regime instability.

### **North Korea moves closer to China amid U.S.-China competition**

Before reconnecting communication lines between the two Koreas, US Deputy Secretary of State Wendy Sherman went on an Asia tour. On July 23, 2021, Sherman paid a visit to South Korea. She said Washington looks forward to a ["reliable, predictable and constructive way forward"](#) with Pyongyang. Sherman also commented on China's cooperative role in the North Korean nuclear issue. In an interview with the JoongAng Ilbo, she also reiterated that the U.S. position favors [dialogue without any preconditions](#). This has been already mentioned by special envoy Sung Kim last month. South Korean Vice Foreign Minister Choi Jong Kun also acknowledged China's role in bringing North Korea to dialogue.

On China's role in bringing North Korea into a multilateral framework, experts expressed different views. Some expressed a pessimistic view due to increasing tensions between the U.S. and China. In other words, [China is not willing to bring North Korea](#) to the negotiating table, although it can do so. Others argued that China should engage with North Korea because unpredictable [North Korean nuclear weapons pose an existential threat to China](#). To some extent, the U.S. should [focus on pressuring North Korea](#) instead of convincing China to play a greater role in negotiation. For them, China is more likely to cooperate when U.S. pressure increases uncertainty over North Korea.

Meanwhile, China maintains its supportive position on the denuclearization of the Korean peninsula. On July 3, 2021, during his keynote speech at the Opening Ceremony of the 9<sup>th</sup> World Peace Forum, Foreign Minister Wang Yi said that [“the fundamental principle is dialogue and negotiation and peaceful settlement, and the inevitable approach is phased and synchronized step.”](#) Wang also stated that [the U.S. should address North Korea's legitimate concerns](#).

Pyongyang has also moved closer to Beijing. On July 1, Kim Jong Un sent a letter to Chinese leader Xi Jinping congratulating the 100<sup>th</sup> anniversary of the Communist Party of China. On July 28, Kim Jong Un also made [a rare visit to the Chinese friendship monument in Pyongyang](#).

### **North Korea's Nuclear Capabilities and Countermeasures**

Experts are also keeping track of North Korea's nuclear capabilities. According to the [Nuclear Notebook by Bulletin of the Atomic Scientists](#), collected data includes plutonium inventory, the number of centrifuges, warhead designs, etc. One estimate tells North Korea might already have 67-116 nuclear weapons and the inventory may increase to 151-242 by 2027. According to a report from the Carnegie Endowment for International Peace, the estimates matter because verification and monitoring should contribute to [measurable progress toward denuclearization](#).

As part of a countermeasure against North Korea's nuclear proliferation, Japanese Minister of Foreign Affairs Washio Eiichiro emphasized [the importance of the full implementation of relevant UN Security Council resolutions](#) during the 4<sup>th</sup> Stockholm Ministerial Meeting on Nuclear Disarmament and the Nonproliferation Treaty. In doing so, Japan confirmed its commitment with other stakeholders, including Australia and the United Kingdom, to [eliminate the evasion of sanctions by North Korea](#), including illicit ship-to-ship transfers and direct shipments of sanctioned goods. ■

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