

What to do about North Korea**Will sanctions work?**

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On 12 June 2009, in response to North Korea's second nuclear test, the United Nations Security Council (UNSC) imposed additional economic sanctions via Resolution 1874. This measure is politically significant, particularly in signaling the changing attitude of Beijing, but highly unlikely to have any immediate effect on North Korea's nuclear program or on the increasing threat of proliferation. Sanctions need to be coupled with a nuanced policy that includes a strongly-stated preference for a negotiated solution as well as defensive measures of which the sanctions are only a part. Proliferation can be impeded. However, elimination of nuclear weapons capability is likely to require a regime change in Pyongyang.

UN Sanctions

On April 5, 2009, North Korea launched a multistage rocket, aiming to upgrade its missile capabilities for both deterrence and export. The UNSC quickly ruled this a violation of the terms of an earlier Resolution (UNSCR 1718) adopted in the wake of North Korea's first nuclear test in October 2006. In line with UNSCR 1718, the UN Sanctions Committee designated three North Korean companies as targets. This is far fewer than American or Japanese diplomats had proposed and just a fraction of the enterprises engaged in the sanctioned behavior. Calling even this tepid action a violation of its sovereignty and even an act of war, North Korea withdrew from the Six Party talks, announced its intention to once again reprocess spent fuel rods into fissile material and ultimately undertook a second nuclear test in May.

UNSCR 1874 goes beyond past sanctions in both the scope of covered products

and enforcement mechanisms. UNSCR 1718 covered trade in major weapons system, all products related to production of weapons of mass destruction (WMD) and luxury goods. UNSCR 1874 extends this to all arms-related trade, as well as to all related training or assistance. The latter is particularly important because North Korea not only exports weapons systems, but has recently collaborated on missiles and nuclear technologies with both Iran and Syria.

The resolution does not constitute an embargo; most trade is not covered by the resolution, and humanitarian assistance and support for denuclearization are specifically excluded. However, the resolution does call on member states not to undertake new grants, financial assistance, or concessional loans to North Korea, which should stiffen the diplomatic spines of governments such as South Korea or the European Union. Moreover, the resolution sets a floor rather than a ceiling. Some countries such as Japan may interpret the scope of product coverage quite broadly. For example, some North Korean enterprises engage in both weapons-related trade and other commercial activities; the resolution would not prevent the targeting of such companies.

Stronger Enforcement

The most interesting features of the resolution have to do with means of enforcement. In 2003, President Bush launched the Proliferation Security Initiative (PSI), a loose effort to secure international cooperation in monitoring and interdicting ships that might be trafficking in WMD or WMD-related materials. Resolution 1874 comes close to making the PSI a formal multilateral effort. The resolution calls upon Member States to inspect vessels on the high seas or

escort them to port if they have reasonable grounds to believe that they are carrying prohibited cargo. South Korea, which sat on the fence under the previous government of Roh Moo-hyun, has now formally joined the PSI effort.

An important loophole is that such interdiction must have the assent from the country under which the vessel is flagged. This could lead North Korea to do more shipping under its own flag. But there are clear constraints in doing so because of the country's pariah status. The major flags of convenience, such as Panama and Liberia, will be under strong pressure to comply. Interdiction will almost certainly generate a confrontation at some point given North Korea declarations that this would be an act of war.

Resolution 1874 explicitly enables financial measures to stop the flow of WMD-related trade. This measure is potentially very sweeping, since it permits the blocking of transfers and even the freezing of any assets that "could contribute" to North Korea's weapons programs or activities. It, too, is open to quite broad interpretation.

Finally, the new resolution establishes a new enforcement process: a Panel of Experts that will monitor efforts and provide recommendations to the Security Council.

Will sanctions work?

Despite these steps, the sanctions are not likely to yield immediate results, and may appear to backfire in the short run.

First, the North Koreans have typically responded to pressure not by complying but by escalating. The most recent cycle of escalation, culminating in the nuclear test, was in fact triggered by the sequence of UN actions described above.

Second, those favoring engagement had hoped that expanded economic ties would encourage Pyongyang toward a reformist path by demonstrating the gains from economic integration and by tilting the internal debate in favor of liberalizers. Economics was probably never as powerful a carrot as some believed. However, in 2005, the risk-averse leadership began reversing its limited economic reforms anyway. Kim Jong Il's stroke in August 2008 has only exacerbated such tendencies; no one wants to be vulnerable to charges of apostasy. The influence of the military, a conservative, anti-reform, institution is on the rise. In today's setting, sanctions may be welcomed by reactionary

elements as a justification for circling the wagons.

Finally, those countries most inclined to use sanctions no longer have much economic interaction with North Korea. Japan, once an important mainstay of the North Korean economy through transfers, has imposed an embargo (though circumvention via third countries is reputedly easy). Aid from South Korea has dropped to a trickle, and commercial relations through the collaborative Kaesong industrial park in North Korea have also been held hostage by new North Korean demands to renegotiate contracts. US trade is miniscule. Indeed, the North Koreans rejected the last important economic link to the US by declining to continue a generous food aid program created last year.

Thus, an unintended consequence of the crisis has been to dramatically hike the share of North Korea's trade with China, and with Iran, Syria, and Egypt, countries with which it shares nuclear and/or missile interests. These latter partners show little interest in political quid-pro-quo, let alone sanctions. This geographical shift in trade makes traditional sanctions even less potent.

China's attitude

Consequently China has become even more central to any effective sanctions effort. China is North Korea's largest trade partner, accounting for about one-third of its trade and is the country's most generous aid donor. A cut-off of critical Chinese oil shipments, much less a complete trade embargo, would bring the country to its knees.

But China has ambivalent, conflicting interests in North Korea. It values having a fraternally allied buffer state on its border and regards the country as a useful pawn in its rivalries with the United States and India, acting as its proxy in dealings with Iran and Pakistan. Yet North Korean provocations push South Korea, Japan, and the United States closer together, and ultimately could trigger a major arms race in Northeast Asia which would not be to China's benefit. Finally, China has concerns that excessive pressure on the regime could provoke its collapse, in the worst case sending millions of North Korean refugees into China and ending with US troops on the Yalu River. For China, a stable, nuclear-armed North Korea is preferable to an unstable one, nuclear or not, and this consideration ultimately limits the degree of pressure that Beijing is willing to bring to bear.

Financial levers

This does not mean that the US and its allies are without economic options. Even in the absence of complete multilateral coordination, the US can still exercise leverage if it can identify how and where North Korea finances its international trade, and goes aggressively after financial intermediaries. This particular form of sanction does not require multilateral coordination, since foreign banking institutions that conduct significant business in the US have a strong interest in avoiding institutions that the US Treasury has identified as engaged in illicit finance.

In 2005, the US Treasury signaled that a small Macao bank, Banco Delta Asia was possibly engaged in money laundering activities on North Korea's behalf. Without any further action, the bank immediately suffered a run on its deposits and was forced into receivership, freezing \$25 million of North Korean funds. The issue became a major sticking point in the Six Party Talks, but also appeared to motivate the North Koreans to return to them, setting the stage for agreements reached in 2007. Undoubtedly, the North Koreans have attempted to diversify their financial linkages since then.

In sum, the world appears capable of hurting North Korea economically, but given the extreme priority that the regime places on its military capacity, it is unlikely that the pain that the world can bring to bear will be sufficient to induce North Korea to abandon core political goals. However holding out the possibility of removing these measures could constitute one incentive for a successor government to re-assess the country's diplomatic situation and to terminate its nuclear weapons program.

What To Do?

In dealing with the current North Korean regime, it is important to have modest expectations. Sanctions have failed in the past, but so have inducements, including quite generous ones. There is ample evidence that current North Korean behavior is not driven by the external environment but by complex domestic developments that we understand poorly. These include Kim Jong Il's health, succession struggles, and shifts in the power of internal factions and domestic economic developments that have weakened the hold of the government over a fraying socialist system. We should not believe that

fine-tuning of incentives—either carrots or sticks—is likely to succeed at this particular juncture. Much will depend on how things evolve within the Pyongyang regime.

With those reservations, there is merit in the broad approach outlined by William Perry in 1999. This policy involved two clear tracks. On the one hand, the US should stand willing to discuss all issues on the agenda. We should not hold communication hostage to North Korean behavior. We should stand ready to send a special envoy to North Korea to outline our concerns and to hear any and all that the North Koreans might want to say. Even in the face of provocation, it is important to leave on the table the offer of improved relations. The US should remain committed to the principles outlined in the September 19, 2005 agreement, which included both the complete and verifiable denuclearization of the peninsula and an improvement and ultimate normalization of relations with North Korea.

However, in the interim we should also communicate that the US and its allies have little choice but to take protective or defensive measures. "Sanctions" should be explained in defensive terms. The UN Resolution is rightly focused on trade in weapons that immediately affect the security not only of the five other parties engaged in the Northeast Asian talks, but the wider international community as well. This distinction between offensive and defensive actions may not be appreciated in Pyongyang, but the principle is important nonetheless.

Addressing Beijing

Finally, much of our diplomacy at the present should be addressed to Beijing as well as Pyongyang. We need to simply state the obvious: that what is currently taking place on the Korean peninsula is directly counter to Chinese interests. Recent developments risk escalation on China's Northeast border and a wider regional arms race. If we pursue this two-track approach—olive branch and defensive measures—it becomes much harder to blame the US for lack of effort. Up until this point, too much of the onus of the Six Party Talks has been placed on the US. It is time to make them more genuinely multilateral; a locus for all of the five parties to coordinate on a common strategy: an olive branch coupled with a willingness to act aggressively to limit the contagion from Pyongyang's recklessness.