The Kim Question

The US and Its Allies Face Up to a Nuclear North Korea

For decades, both North Korea and the United States have in their own way thwarted efforts to resolve the threat of a nuclearized North Korea. Both have cheated on, or failed to fulfill, past agreements to bring a halt to Pyongyang’s nuclear program.

Under Kim Jong Un, North Korea has achieved a level of nuclear and missile development that has finally caught the eye of Washington and the American public. Is peace still possible?

ESSAYS BY
Melissa Hanham 8
Yohanes Sulaiman 12
Markus Schiller 16
Muthiah Alagappa 24
Paul Barrett 28
Stephan Haggard 32
Robert Gallucci 37
Peter Hayes 40
Haksoon Paik 46
Taewoo Kim 50
Bruce Klingner 56
Patrick McEachern 60
Questions of Deterrence: Can Sanctions Work Against North Korea?  
By Stephan Haggard

Among hawks, the mantra of ‘all options are on the table’ has come to epitomize the willingness to use force to halt North Korea’s nuclear weapons program. But the reality is that there aren’t that many viable military options on the table. Short of war, sanctions aimed at bringing Pyongyang to the negotiating table remain the most prudent course.

Stephan Haggard explores what it would take to make sanctions work, arguing that they are part of a narrow path to denuclearization only if coupled with negotiations.

WITH AN ACCELERATED pace of missile tests and the detonation of a sixth nuclear device, few believe that the path to a North Korean settlement is easy or even likely. Given that Kim Jong Un has probably achieved a working nuclear deterrent, there are logically only two circumstances under which he would give it up. The first is to provide credible security assurances and other material inducements that will make him equally if not more secure than he is currently. The second is if he comes to recognize that the pursuit of nuclear weapons has costs he had not anticipated — in effect, if nuclear weapons make him less secure.

Sanctions clearly work on the second half of this political equation. But how exactly, and with what effect? The answers have become highly polarized.

Some sanctions hawks believe sanctions can “work” either by forcing unilateral policy changes or even bringing about regime change. This is wishful thinking. It is fanciful to believe that Kim Jong Un would suddenly — and unilaterally — decide to divest himself of the capability he has pursued with such determination. And although North Korea may be a relatively poor country, it does not have a weak state. There are few signs that the regime is on the verge of “collapse,” a confusing term that in any case has no precise analytical meaning.

While some exaggerate the role that sanctions might play, critics question whether they can work with North Korea at all. Indeed, the idea that “sanctions don’t work” has become a virtual mantra, in part because of the authoritarian nature of the regime and its ability to impose costs.

In fact, however, sanctions proved quite effective with respect to the only country that bears any resemblance to the North Korean case: Iran. Sanctions — including secondary sanctions — clearly moved Tehran toward negotiations. But the interim Joint Plan of Action concluded in November 2013 provided Iran with limited and temporary sanctions relief. The final Joint Comprehensive Plan of Action (JCPOA) reached in July 2015 did not outline the kind of broad political settlement sought on the Korean Peninsula, but it did contain an intricate roadmap that traded a monitored freeze on the country’s nuclear weapons program with the lifting of the most significant multilateral sanctions, although not all bilateral ones.

Herein lies the core lesson. Sanctions provide leverage precisely by the promise to lift them in return for a negotiated quid pro quo. If there is a path forward, this is undoubtedly the way it will go. But getting there faces well-known coordination and sequencing problems.

First, sanctions can only work when major trading partners are able to co-ordinate around them. If they are unable to do so, then trade will simply be diverted from sanctioning states to those more willing to accommodate. Second, sanctions can only work if there is a path toward negotiated concessions on both sides that permit a stable settlement. I take up each of these problems in turn.

CO-ORDINATING SANCTIONS: THE CHINA PROBLEM

It is now a stylized fact that China accounts for about 90 percent of North Korea’s trade, with China’s exports to North Korea slightly exceeding its imports. This implies a current-account deficit, although narrowing in size, that North Korea is either financing through capital inflows or by drawing down reserves.

The 90 percent number is probably misleading in several respects. Although merchandise trade with the rest of the world has fallen steadily since the onset of the nuclear crisis, North Korea still is able to earn some services income by exporting labor and providing other services, including shipping. Activities such as cyber-related crime may also play a larger role in North Korea’s income than is thought.

Yet, it is undoubtedly the case that sanctions — both multilateral and bilateral — have had the perverse effect of driving North Korea’s trade toward China. China is now effectively acting as Pyongyang’s lender of last resort.

These trade developments have gone through several stages, and should not necessarily be seen as the result of a self-conscious Chinese strategy. After 2000, de facto reforms gradually opened North Korea, and cross-border trade started to take off, led in part by small private actors on the Chinese side. Chinese mining companies subsequently pioneered large-scale investments. In the last five years of the Hu Jintao era, Beijing appeared to pursue an approach to North Korea that emphasized the advantages of engagement, even in the wake of events such as the sinking of the South Korean naval corvette, the Cheonan, and the shelling of Yeonpyeong Island in 2010. This strategy looked and sounded surprisingly similar to South Korea’s engagement approach during the Kim Dae-jung/Roh Moo-hyun years.

With the third nuclear test in 2013, however, and the ascent of President Xi Jinping, bilateral relations between Beijing and Pyongyang have cooled significantly. China was long hesitant to expand sanctions beyond narrowly defined categories of trade directly related to the country’s WMD programs. China’s posture shifted even more decisively with the two tests of 2016. With United Nations Security Council resolutions 2270 and 2321 of that year, commercial trade...
was targeted directly for the first time, most notably in the form of a partial ban on coal exports.

Those sanctions would have had a much more significant effect in 2016 if fully implemented; loopholes gave North Korea the opportunity to evade and adjust. But with UNSC 2321, China conceded a monitorable numerical cap. With the sanctions contained in UNSC Resolution 2371, passed following the missile tests on July 4 and July 28 of this year, China added no less than an additional US$1 billion in trade sanctions to a country that has only had annual exports of US$3 billion twice in the last decade: in 2013 and 2014, before trade started to fall off. To say that this is a serious step on the part of China is an understatement. It is highly plausible that the provocations we are seeing from the regime in Pyongyang are directly related to the anticipated economic trouble it will face in coming months.

But these positive effects depend crucially on maintaining some cohesion between China and Russia on the one hand, and the US, South Korea and Japan on the other. It is clear that North Korea is doing everything in its power to drive wedges between these two camps: by baiting the US into escalatory rhetoric; by forcing military actions that rattle Beijing; and perhaps above all, by expanding US, South Korean and Japanese ballistic-missile defense capabilities, which makes both China and Russia nervous.

The use of secondary sanctions should be seen against this diplomatic backdrop. US President Barack Obama was granted quite substantial discretion to use secondary sanctions against Chinese entities but demurred. With the passage of new sanctions legislation by Congress, President Donald Trump’s hands were tied; in any case, he had less compunction about sancti...
freeze idea fume that the US is giving up something legitimate — its joint exercises with its South Korean ally — for the North Koreans pausing an activity that is illegitimate, its missile and nuclear tests. Such a pause does absolutely nothing to roll back North Korean capabilities.

But that is not the central problem with the proposal. The central problem is that there is no guarantee that if the US agrees to it, the North Koreans will show up. No American president is going to expose himself to the risk of striking a freeze deal that leads nowhere.

The questions therefore are how to structure a concrete negotiating proposal that the five parties — the US, China, Russia, Japan and South Korea — can agree on. The simplest proposal is probably the best. The US should state that it is willing to return to a substantively augmented Six-Party Talks that would include the full range of issues of interest to all parties, including an end to the armistice and the creation of a peace regime. But it will do so only as long as all issues of interest to the US are also on the table, including denuclearization.

A freeze may or may not be a part of convening such talks; the political constraints are obvious. But the discussion of a freeze or preliminary “talks about talks” is pointless if North Korea shows no willingness to come to the table. It is precisely in changing North Korea’s calculus in this regard that sanctions have a role.

CONCLUSION
Sanctions play a complex role in the current state of diplomatic play with North Korea. For the US, Japan and South Korea, sanctions are seen as complementary to negotiations; indeed, they appear to be a necessary condition for changing Kim Jong Un’s calculus. Moreover, sanctions also have a defensive function that has not been emphasized here: to increase the cost of North Korea’s nuclear ambitions and to slow the development of its capabilities.

Such “dual track” policies of coercive diplomacy have a long history and are not likely to be given up altogether. Yet the central shadow hanging over these debates is the declining belief that North Korea is interested in negotiations at all. If China and the US fail to co-ordinate on sanctions that can lead to negotiations, and China continues to act as North Korea’s effective protector and enabler, North Korea’s capabilities will only expand. This, of course, is precisely what Kim Jong Un is hoping to achieve. If China chooses to go this route, the US may not have military options. But it will pursue secondary sanctions and expand its defensive capabilities in conjunction with its allies in order to press the case. If not successful in changing Pyongyang’s strategic calculus, we will more openly enter the world we now effectively inhabit: one of deterrence and containment.

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