

**INTERNATIONAL RESPONSE TO NORTH KOREA'S NUCLEAR TESTS:  
A STUDY OF ECONOMIC SANCTIONS AND INCENTIVES**

*Dissertation Submitted to Jawaharlal Nehru University in partial  
fulfilment of the requirements for the award of the degree of*

**MASTER OF PHILOSOPHY**

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Date: 29. 07. 2010

**DECLARATION**

I declare that the dissertation entitled “INTERNATIONAL RESPONSE TO NORTH KOREA’S NUCLEAR TESTS: A STUDY OF ECONOMIC SANCTIONS AND INCENTIVES” submitted by me, in partial fulfillment of the requirements for the award of the degree of **MASTER OF PHILOSOPHY** of Jawaharlal Nehru University is my own work. This dissertation has not been submitted, for any other degree of this University or any other University, to the best of my knowledge.

  
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**CERTIFICATE**

We recommend that this dissertation be placed the examiners for evaluation.

  
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## **Chapter 1**

### **Introduction**

Nuclear weapons proliferation constitutes one of the most important subjects of international relations, peace and security studies since the advent of the atomic bomb. Proliferation concerns became more pronounced after the disintegration of the former Soviet Union and the collapse of the Cold War international system. There are states that pursue nuclear weapons within and outside the ambit of the Nuclear Non-Proliferation Treaty (NPT), which came into force on 5 March, 1970. The Democratic People's Republic of Korea (DPRK), the official name of North Korea—a reclusive totalitarian regime, under the aegis of the 'Dear Leader' Kim Jong-il—is one of those countries that has been actively pursuing nuclear weapons capability and poses security threats not only to the Northeast Asia region but also to the international community and the cause of NPT. North Korea's nuclear crisis started in the early 1990s, but two decades of negotiations, diplomacy and various sanction regimes to dismantle North Korean nuclear weapons programme have not yielded any substantive results.

Economic sanctions and aids as foreign policy tools are employed to deal with national and international crises which have gained greater political tone and significance. Since the prospect of military intervention and war to resolve the nuclear crisis in the Korean Peninsula are cost prohibitive and are an unlikely course of action, sanction regimes and economic aids assumed critical roles to resolve North Korea's nuclear deadlock. But neither punitive sanctions nor economic inducements have yielded any result but only North Korea emerged with bargains and its nuclear weapons programme intact. Therefore what would induce North Korea to give up its nuclear weapons programme? Are mere impositions of sanctions or providing concessional aids sufficient to resolve the nuclear crisis? Hard-liners come up with the oft-repeated argument that North Korea's nuclear weapons program is a bargaining tool to extract more economic aids and concessions for the impoverished population and dilapidated economy. Hence incentives should be done away with and harsh sanctions and tough measure be implemented till North Korea gives up its nuclear program. Those opposed to

hard-liners in the U.S., South Korea and analysts etc. argue that economic incentives and aids will not only help lift the deteriorating economy but induce change and reform from within and lessen the dependence on the central government and the command economy. Both the sides argue that their approach will help achieve denuclearization of the Korean Peninsula. However this work will work on the argument that neither economic sanctions nor incentives will work on a regime which have worked towards achieving nuclear capability risking sanctions, diplomatic isolation and even the probability of military intervention if all else fail in the Six Party Talks. The second nuclear test was carried out even as North Korea was under the UNSC imposed sanctions indicates that the DPRK is not merely interested in using nuclear weapons program to gain leverage and extract aids and major concessions from the Six Party Talks negotiations.

Secondly attempts will be made to see if the perception of North Korea using its nuclear programme as a bargaining tool has obstructed the think tanks and policy makers to formulate effective strategy to deal with the crisis. Glaring differences among the members in the Six Party Talks not only make decisions ineffective but North Korea gets more time and manipulate them to further developing its nascent nuclear program as some have argued. Belligerent North Korea has tested nuclear device twice, first on October 9, 2006 and the second on May 25, 2009 to remove any remnants of doubt about its intention on nuclear weapons acquisition despite international efforts to roll back North Korea's nuclear program. North Korea has borne the brunt of sanction regimes and diplomatic isolation since the 1950s only to emerge as a *de facto* nuclear weapon state. Therefore it raises some fundamental questions on the prevalent analyses of the nuclear stalemate. It also appears that the likely imposition of sanctions and even military did not deter North Korea.

Thirdly, majority of studies on economic sanctions rely on multiple case studies which regard single case studies as incompetent and irrelevant for deriving generalizations. While this study is not an attempt to develop or argue against any major theories much less develop a new one. Its objective will be simply to understand better the workings of economic sanctions especially on the present case study.

## THE SECOND NUCLEAR CRISIS AND DIFFERENTIAL RESPONSE:

The 1994 Agreed Framework to denuclearize North Korean nuclear program fell through as in October 2002, as allegations of covert nuclear weapons programme became known. The United States accused North Korea of breaching the Geneva Agreed Framework and suspended the Light Water Project (LWRs) and oil shipments to Korean Peninsula Energy Development Project (KEDO). However the United States is also accused of failing to live up to its promise of delivering two light water reactors and the construction was still incomplete when the second nuclear crisis started. The Bush administration as soon as it came to office had its policies on North Korea spelt out that with hard-liners clearly calling a major shift away from Clinton's administration in the so-called out "Anything But Clinton" approach.

The Six Party Talks consisting of United States, Japan, China, Russia, Republic of Korea or South Korea (ROK) and Democratic People's Republic of Korea (DPRK) or North Korea was formed in August 2003 to negotiate between these six states to bring about 'complete' 'verifiable' and 'irreversible' 'dismantlement' (CVID) of North Korean nuclear weapons programme. Any multilateral forums are composed of different states with different interests at stakes. The Six Party Talks forum is no different, each having its own geopolitical and strategic interests in the Northeast region. Earlier the three way talks failed and graduated to larger member multilateral forum. The Six Party members has since assumed an important role, which at present has the only capacity to negotiate towards resolution with a semblance of authority even though it is an 'off and on' affair with North Korea walking out of the Six Party Talks when crisis escalates.

Despite the overriding common objective of all the members to the nuclear crisis, their self national interest often hinders cooperation and any possible positive impact on North Korea. For instance the United States is often accused of being non conciliatory and adopting hard-line policies towards North Korea. Their frequented rhetoric of military threats and carrying out 'regime change' often do find favour with other parties. Russia's sympathetic attitude and downplaying of North Korea's belligerent conduct has made other parties doubt Russia's commitments. For example, Russian President Vladimir in 2001 during state visit by Kim Jong-il to Moscow, announced that DPRK's

missile programme is peaceful and non-threatening. It also has the habit of giving out wrong information like the announcement of the explosion yield of the first nuclear test. China the steadfast ally of DPRK has been wary of using harsh rhetoric and action lest the instability causes 'regime collapse'. It prefers status quo and considers Korea's reunification with apprehension since it will have geostrategic ramification on its interests to remain and grow into a dominant influence in the region. South Korea's approach towards the North has evolved from confrontational to engagement best known by President Kim Dae-jung's "Sunshine Policy" and discarding the decades old policy of "unification by absorption". Its policy has caused rift in the ROK-U.S. alliance. And there is North Korea which is at the center and source of the crisis who at best indulges in wanton belligerence to the point of being called irrational though many doubt if there is any irrationality in the regime policy which has muddled through the worst of times. DPRK's nuclear weapons and missile programmes are at the center of all these security dilemmas, but with differential interests and approaches it remains to be seen if the Six Party Talks can bring solution.

The six-party process has received much criticism and has been declared dead on more than one occasion, the North Korean nuclear crisis helped develop a regional consensus on core objectives. These objectives were outlined in the September 19, 2005, joint statement declaration of principles: denuclearization of the Korean peninsula, normalization of relations among all the regional parties, economic development of North Korea, and establishment of a permanent peace on the Korean peninsula. Although these broad principles may have seemed vague and rhetorical at the time, they represent a consensus set of objectives among all the parties that are to be achieved through the principle of "action for action," i.e., meeting the parties' security concerns through a step-by-step process. (Snyder 2007: 40-41). And it was the first ever major agreement reached after the Six Party was formed in August 2003.

North Korea has kept its status on nuclear weapons aspirations ambiguous though it ratified with the IAEA's safeguards agreement in 1992 but in 1993 it refused IAEA's inspection at the Yongbyon nuclear facility and threatened to withdraw from NPT. On October 21, 1994 North Korea and the United States reached a bilateral agreement, The



Agreed Framework in Geneva seeking to dismantle North Korea's nuclear facilities and denuclearize the peninsular region in return for providing five light water reactors (LWRs) raising hopes of denuclearizing the Korean peninsula and DPRK's return to international fold. However in October 2002 suspicions were raised on DPRK's clandestine uranium enrichment program to which North Korea declared that it had reactivated its nuclear weapons program and subsequently withdrew from NPT on January 11, 2003, the first country to do so, the second nuclear crisis in the Korean peninsula began which has kept the region on tenterhooks.

The Six Party talks with North Korea, South Korea, United States, Japan, China and Russia as members was formed and the First Round of Six Party Talks held on August, 2003 to negotiate and deal with North Korean nuclear weapons program to achieve the goal of denuclearize the Korean peninsula in the context of Bush administration's policy. Despite the efforts towards this objective North Korea's brinkmanship came to the fore on July 4<sup>th</sup> and 5<sup>th</sup> of 2006, when it conducted series of missile tests leading to condemnation and sanctions from Japan and Australia. The situation further deteriorated when North Korea conducted its first nuclear detonation on October 9<sup>th</sup> 2006, though a partial success<sup>1</sup> brought to reality the nightmare the world community wished to avoid, a repressive and belligerent state in possession of WMDs. According to Scott Snyder, "the test catalyzed major policy shifts, enhancing the potential effectiveness of the six-party process and in turn, the viability of any Northeast Asian collective security mechanism." (Snyder 2007: 32).

North Korea became a signatory of Nuclear Non-Proliferation Treaty (NPT) in December 1985 at the insistence of former USSR which prohibits non-nuclear states to develop and acquire nuclear weapons. But the DPRK did not adhere to the safeguards agreement with the International Atomic Energy Agency (IAEA) as it felt its security was compromised by the presence of U.S. nuclear weapons in South Korea; "the first, and potentially most significant, influence on Pyongyang's nuclear thinking" coming "from

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<sup>1</sup> For details on the technical assessment of the October 9 nuclear detonation log on to [http://www.armscontrol.org/act/2006\\_11/tech](http://www.armscontrol.org/act/2006_11/tech).

U.S. threats to use nuclear weapons in defense of the South” (Mazaar 1995: 19). Hamm also argued the same that, “the DPRK defence policy has been based upon the realistic perception of the US military presence in and commitments to South Korea. There is more than a grain of truth in Pyongyang’s propaganda charge that the South is a mere ‘puppet regime of American imperialism’” (Hamm 1991:91).

Before proceeding further, it is useful to give a brief rationalization of the study of economic sanctions and aids as a field of study in international relation studies. Economic sanctions and incentives often are regarded with less importance despite being widely employed to deal with international security issues, as war and military intervention have become less popular as an option for conflict resolutions. As Baldwin pointed out economic as a foreign policy tool and foreign economic policy are often confused to be the same. He clarifies with the argument that foreign economic policy lacks the definitional capacity to be of use to a statesman apart from economics. (Baldwin 1985). Economic sanctions and aids fall in between military coercion and diplomacy in conflict solutions between states. Direct use of military force to sort out differences between states has receded and especially so when dealing with critical security issues such as nuclear weapons proliferation, though this is not to say that they are not employed or irrelevant; for instance military force was used on Iraq for its suspected WMDs programme and noncompliance with nonproliferation norms. Economic sanctions and aids as foreign policy tools in international relation studies do not receive equal emphasis or importance. They are at best considered as a supplementary or complementary to other forms foreign policy tools, such as military power and political power. ”Among the tools that nation-states can use to achieve and enforce a system of disarmament and to reinforce norms of justice and human rights, economic sanctions and incentives deserve special notice” (Cortright 2001: 115). However of late more debates and literature work on economic sanctions have increased, but with no coherent theory or approach. The works of Baldwin, Hufbauer et al., Drezner are among few which have contributed greatly to the study of economic sanctions and incentives. North Korea a totalitarian country often resorts to brinkmanship and provocative actions having launched series of missile and conducting two nuclear tests. The United States has imposed sanctions on the regime since the 1950s for various reasons. not to mention great deal of food aids, oil and

energy shipments that it was able to wean out from the Six Party negotiations and prior to that through the Agreed Framework of 1994. All these events were as a result of nonproliferation efforts on DPRK's nuclear weapons program. Short of war, sanctions and engagements were pursued in the hope of achieving the common policy goal of the Six Party Talks i.e., denuclearization of North Korea's nuclear weapons programme. North Korea presents an interesting subject of study to understand sanctions, even as according to U.S. laws and various acts, it is placed under a host of sanctions and embargoes till many of them were eased in the late 1990s as North Korea declared moratorium on missile testing and the U.S. responded, which represented major concessions from both the sides. The following chapters will describe and analyse the nuclear crisis of North Korea to understand the policy failures to bring about denuclearization of the Korean Peninsula.

The second chapter will give descriptive accounts of the Six Party members and their policy response towards two nuclear tests by North Korea. Economic sanctions are imposed multilaterally and unilaterally as punitive actions during the course of two nuclear tests including a number of missile launches. In between there were also incidences of rewards and concessions to North Korea for acceding to the demands of the Six Party negotiations over DPRK's nuclear programme. Their geo-strategic interests and foreign policies on Northeast Asia are also analysed to understand the causes behind conflicts of interests and difficulties to reach common consensus on most occasions. As the chapter will show, the differences among the Six Party Talks often hamper to reach any meaningful common policy to deal with North Korea.

The third chapter will critically analyse some major approaches of economic sanctions studies to shed light into the working of economic sanctions politics. The relevance and practice of economic sanctions and aids are then applied to North Korea although many have questioned the efficacy of single case studies. However this is not a theoretical project as such and hence the chapter will only test to see if the emphasis on multiple case studies has prevented better understanding of the failure of economic sanctions on DPRK.

Having analysed and understood the practicalities of sanction regimes and the underlying theories, the fourth chapter will attempt at falsifying the hypothesis raised initially. That the DPRK's nuclear programme is used as leveraging tool and bargaining chip to derive more economic aids has failed and led to ineffective policies for achieving political objectives. If indeed North Korea's nuclear programme has little to do with bargaining or in fact is used as a bargaining tool. Even if it is the case that nuclear programme is a bargaining tool, the mere application of sanctions and inducements will not stop North Korea to give up is "strategic asset" unless the parties involved comes up with some "Grand Bargain" a carrot big enough that North Korea cannot afford to pass up.

The concluding chapter will give the outcome of this study and what it has achieved or failed to achieve. If all other purpose of this study fails, at least it will provide a better understanding of North Korea's deviance from generally accepted international norms Therefore it is important to understand the geopolitical interests of the parties to the Six Party talks. Hence the nuclear test is used as some kind of primary variable which will lend credibility or lack of it in this case study.

## Chapter 2

### International Response to DPRK's Nuclear Tests: Sanctions and Deals

North Korea has endured economic sanctions and received aids, strategies adopted by international community through the UN Security Council, multilateral setup such as the Six Party Talks and regional powers in the region to stall its nuclear weapons program. The only alternative strategy viable besides the specter of catastrophe in the event of a military intervention, economic sanctions and aids have been employed to roll back North Korea's nuclear weapons programme but solution has eluded and the crisis has only escalated. The assumption that restricted access to dual-use technologies, missile, nuclear-related weapons and economic hardships would contain and discourage the DPRK's nuclear weapons aspiration have not stopped the Kim regime from acquiring nuclear weapons and missile delivery capabilities. Nor have economic inducements effected gradual socio-economic reforms in the country based on widely held belief that the reclusive socialist DPRK would slowly open up to the international community or in the worst case scenario, an implosion. Instead we are confronted with North Korea as a *de facto* Nuclear Weapon State (NWS) with no signs of giving up its belligerent conduct.

DPRK's nuclear weapons programme, the most destabilizing factor in the Northeast Asia region also bears witness to one of the most divergent approaches and policies of the concerned parties to deal with the crisis. The United States policies and approaches are characterized by hard-liners' conviction to deal the outlaw regime decisively through tough economic sanctions, military coercion and 'regime change' which are regarded as hostile by the DPRK. Japan's insistence on resolving the kidnapping issue of its citizens and dismantling DPRK's missile and nuclear weapons program form the basis of its policies as prelude to normal bilateral relations. South Korea, DPRK's arch rival since the Korean War, shifted its policies from confrontation towards engagement highlighted by its 1998 economic "Sunshine Policy". China, a communist ally since the Cold War days of Bloc-politics has been generally sympathetic

and less forthcoming to impose pressure on Kim's regime despite the latter's many misadventures and deviant behaviour. Russia a benefactor and close ally during the Cold War distanced itself away from the DPRK after the disintegration of the Soviet Union, but regained its influence on North Korea through tactful diplomacy under Putin's leadership, refuses to tag along with United States and Japan's hard-line approach. In the midst of these divergences and conflict of geopolitical interests is North Korea, the totalitarian regime which has withstood sixty odd years of diplomatic isolation and sanction regimes in defiance despite its crumbling socio-economic living.

The follow-up nuclear test in May 2009 has cast gloom on the prospects of denuclearizing the DPRK's nascent nuclear weapons program permanently. Sanctions and economic inducements have not worked despite the convictions and arguments on the prospects of each approach to effect a turn around. Prior to judging the efficacy of economic sanctions with regard to North Korea's nuclear program, it will be worthwhile to review the policies and approaches of the Six Party members on North Korea. The United Nations, the NPT and its watchdog the International Atomic Energy Agency (IAEA) could hardly play any decisive role as they have been virtually held hostage by the veto powers of the Five Permanent members of the Security Council to reach any common agreement even as China and Russia are often not supportive with harsh punitive measures fearing the collapse of the Kim regime. The Six Party Talks remains the only multilateral forum to negotiate DPRK's nuclear weapons dismantlement. This chapter will describe and compare the various policies and approaches of the Six Party members on North Korea's nuclear program.

#### **THE NUCLEAR TESTS; REACTIONS, SANCTIONS AND DEALS:**

Following the October 9 nuclear test, clearly a blatant and belligerent conduct by DPRK, reactions came thick and fast with condemnations and calls for tough measures on North Korea. North Korea called its nuclear test successful and the Korean Central News Agency (KCNA) issued statement that, "The field of scientific research in the DPRK successfully conducted an underground nuclear test under secure conditions on October 9, Juche95 (2006), at a stirring time when all the people of the country are making a great leap forward in the building of a great, prosperous, powerful socialist nation..." (KCNA

2006). The UNSC on October 14<sup>th</sup> in response to the test unanimously supported a U.S. - drafted resolution, Res. 1718, that calls the test “a clear threat to international peace and security”. In response bearing the characteristic trademark of North Korea’s attitude, DPRK Foreign Ministry Spokesman issued a statement on October 17 in KCNA that, “The UNSC “resolution” needless to say, cannot be construed otherwise than a declaration of a war against the DPRK because it was based on the scenario of the U.S. Keen to destroy the socialist system of Korean-style centered on the popular masses. The DPRK vehemently denounces the “resolution,” a product of the U.S. Hostile policy toward the DPRK, and totally refutes it”. (KCNA 2006). The debates on future course of action with regard to North Korea’s nuclear test vary between states and will be discussed in the following sections.

#### **US HAWKISH ON NORTH KOREA:**

U.S. policies toward DPRK have been basically confrontational often stating its desire for a regime change and bringing about the same with military coercion if required. But given the unacceptable costs such a strategy would result and the incessant opposition from regional powers more so by the People’s Republic of China (PRC) and the Republic of Korea (ROK) the U.S. has had to rely on sanction regimes and economic inducements to achieve its political and security objective in the Northeast region i. e. ‘complete’, ‘verifiable’ and ‘irreversible’ dismantlement (CVID) of the DPRK’s nuclear program. Since the Korean War in the early 1950s, the U.S. imposed hosts of sanctions and trade restrictions on the regime. And sixty years of this policy has brought to naught as the DPRK got what it set out to achieve; missile and nuclear weapons capability. An examination and analysis of U.S. sanctions policy thus requires attention to understand the failures of economic sanctions as a nonproliferation strategy.

#### **Brief Historical Overview of U.S. Sanctions on the DPRK:**

The United States has maintained fairly comprehensive economic sanctions against the DPRK since the 1950-53 conflict even as some states have fully normalized their relations with North Korea. Since the Korean War in the 1950s the President of the United States must renew North Korea’s status annually under Trading with the Enemy

Act (TWEA) of 1917 (Lee and Choi 2007: 6-7). The U.S. Department of Commerce has classified North Korea as a member of Country Group Z, the most restricted lot as per the 1965 Export Administrative Regulations (EARs) which were eased in 1989 and in September 1999 President Clinton announced the lifting of most export restriction applied to North Korea, in response to DPRK's willingness to cease missile testing. (Rennack 2003: 6). Regulations issued in June 2000 amended the EARS and many items that previously required a license were now eligible for export without a license. As of 2006, export restrictions against North Korea was based on its place in the State Department's list of state supporters of international terrorism and therefore placed on Country Group E which severely limits its access to computers, software, national security-controlled items (Rennack 2006: 10). North Korea was placed on the list of countries supporting terrorism effective January 20, 1988 by Secretary of State George Shultz, following the bombing of Korean Air Lines 007, on November 29, 1987<sup>2</sup> (Rennack 2003: 7). North Korea is also denied most aid under the Foreign Assistance Act of 1961 as it is identified as a state sponsor of acts of international terrorism (Rennack 2006: 13-14).

As per the 2003 U.S. Congressional Research Service report by Dianne E. Rennack, "U.S. economic sanctions are imposed against North Korea for four primary reasons: (1) North Korea poses a threat to U.S. national security, as determined by the President and renewed annually under the terms of the Trading with the Enemy Act and National Emergencies Act; (2) North Korea is designated by the Secretary of State as a state sponsor or supporter of international terrorism, pursuant to the Export Administration Act of 1979; (3) North Korea is a Marxist-Leninist state, with a Communist government and stated as such in the Export-Import Bank Act of 1945, and further restricted under the Foreign Assistance Act of 1961; and (4) North Korea has been found by the State Department to have engaged in proliferation of weapons of mass destruction-to date only missile proliferation-pursuant to the Arms Export Control Act, Export Administration Act of 1979, and Iran Proliferation Act of 2000. In accordance

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<sup>2</sup> See Dianne E. Rennack CRS report 2006, "North Korea: Economic Sanctions", p. 11-15 for more.



with U.S. law, the United States limits some trade, denies trade in dual-use goods and services, limits foreign aid, and opposes entry into or support from international financial institutions.” (Rennack 2003: 1).

By June 2000 President Clinton removed many trade restrictions under the TWEA of 1950, in response to the DPRK’s 24, September 1999 announcement halt to missile testing but retained “prohibitions on the sale of weapons, missile-related technology, unlicensed exports of dual-use technology, and military useful items. For the most part, U.S. citizens may invest in, export to or import from North Korea.” (Noland cited in The Atlantic Council of the United States 2007: 18). The U.S. though has continued to provide humanitarian aid through the UN’s World Food Program (WFP) and fuel through KEDO to North Korea even when the relations were at their lowest (The Atlantic Council of the United State 2007: 19).

#### **U.S. on the Second Nuclear Crisis leading to Oct. 9, 2006 Nuclear Detonation:**

The United States has been demanding a complete, verifiable and irreversible dismantlement (CVID) of its nuclear facilities. Mazarr observed that, “a strict U.S. adherence to a theological view of nonproliferation will spark antagonism with other states, including friends and allies, and subvert the goal of nonproliferation itself” (1995: 12). The second nuclear crisis started October 2002, when North Korea was confronted with suspicion of a covert uranium enrichment program – Highly Enriched Uranium (HEU) — during James Kelly (Assistant Secretary of State for East Asian and Pacific Affairs) visit to Pyongyang to which North Korea denied and later announced that it has restarted the nuclear program after eight years freeze on its plutonium production. As a result, the United States accused North Korea of blatantly violating the Geneva Agreed Framework and stopped providing heavy oil in December<sup>3</sup> and in response North Korea

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<sup>3</sup> Earlier on 14 November 2002, KEDO (Korean Peninsula Energy Development Organization) announced suspension of heavy oil shipments to North Korea but the LWR project was sustained. KEDO -formed in 1995- is a joint collaboration of South Korea, Japan, USA, and the EU set up to provide energy needs to North Korea.

broke the seal on the Yongbyon nuclear facility, stopped the surveillance cameras and drove IAEA's inspection team out of North Korea.

Pyongyang officially announced on 10 February 2005 that it had nuclear weapons. In May 2005, North Korea tested short range missile ending its self proclaimed moratorium on missile testing alleging that the Bush administration suspended the "the DPRK-U.S. dialogue" which makes the moratorium redundant. However no sanctions were imposed which were lifted during Clinton's administration in response to North Korea's moratorium on missile testing. In the July-August 2005 Fourth Round of the Six-Party nuclear talks, agreement could not be reached on DPRK's demand of right to peaceful use of nuclear energy and at the same time North Korea wanted to restore the suspended KEDO, Light Water Reactors (LWRs) project even as Seoul preferred to redirect its financial contribution to electricity supply project. The Bush administration in the September 19, Joint Statement finally dropped its opposition to the DPRK receiving a LWR in the future, thereby agreeing in principle DPRK's right to peaceful nuclear energy.

At around the same time the U.S. imposed financial sanctions on some North Korean firms suspected of engaging in WMDs proliferation. One such financial sanction which some analysts argued, have hardened North Korean's perception of a hostile U.S. was on the allegation of counterfeiting U.S. \$ 100 Federal Reserve notes and the subsequent freezing of \$24 million of North Korean deposits in Banco Delta Asia (BDA) Macau as the financial institution in question was considered a "primary money laundering concern" under Section 311 of the USA Patriot Act<sup>4</sup> on September 15, 2005. In December 2005, the U.S. Treasury Department issued advisory warning to financial

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<sup>4</sup> The anti-money laundering laws of the US are powerful enough with broad provisions and extra-territorial reach that it poses risks to financial institutions around the world. The sanction had the effect of banks throughout the world refusing to deal even with some legitimate North Korean traders. For more on Banco Delta Asia issue, see Mark S. Gaylord (2008), "The Banco Delta Asia affair: The USA patriot act and allegations of money laundering in Macau", *Crime, Law and Social Change*, 50 (4-5): 293-305. See [http://www.fincen.gov/statutes\\_regs/patriot/index.html](http://www.fincen.gov/statutes_regs/patriot/index.html) for USA Patriot Act 2001. There are also arguments questioning the authenticity of money laundering allegations. See Matsumura (200), "New Geo-economimc Thinking on North Korea in Japan", *International Journal of Korean Unification Studies*, p. 88-90.

institutions against transactions with the DPRK<sup>5</sup>, which “may have had a greater impact than sanctions that had been lifted during the Clinton administration”. (Lee and Choi, 2007: 4). The new financial sanctions, argue the hard-liners, appeared to provide a credible and effective threat to DPRK’s economy besides giving the U.S. some leverage and bargaining position.<sup>6</sup> The freeze meant that at least 20 financial institutions in countries such as China, Japan, Vietnam, Mongolia and Singapore suspended transactions with North Korea. DPRK on the other hand accused the U.S. of violating the spirit of the 19, September 2005 Joint Statement and according to Snyder, the issue “became a major stumbling block and pretext for suspending of the six-party talks.”<sup>7</sup>

Meanwhile Rhyu and Bae contend that the financial sanctions “incurred enormous political costs by stalling the Six-Party Talks for more than one and a half years” (Rhyu and Bae 2010: 131). The fourth round of the Six Party talks were held in Beijing on 26 July-August 7, 2005 but the U.S. and the DPRK could not reach an agreement on the key issue of Pyongyang’s right to peaceful nuclear activities, which became a stumbling block to the consensus on the Joint Statement of Principles by the six party members.<sup>8</sup> On March 8, 2006 North Korea fired two short-range missiles and on 4<sup>th</sup> and 5<sup>th</sup> July the DPRK conducted a series of short- and medium-range missiles including one long-range *Unha-2*, DPRK’s name for Taepodong-2 ballistic missile<sup>9</sup> despite warnings and appeals from the international community. With a vigorous initiative from Japan, UN Security Council resolution 1695 was unanimously adopted but the Bush administration did not

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<sup>5</sup> In March 2006, the U.S. Department of Treasury accused a Swiss company of doing business with one of the sanctioned North Korean firms, and froze the assets of the Swiss company and its owner and banned U.S. entities from doing business with the firm or owner. U.S Department of Treasury Press Release, JS4144, March 30, 2006, accessed at <http://www.treas.gov/press/releases/js4144.htm>. Cited in Karin Lee and Julia Choi (2007), “North Korea: Economic Sanctions and U.S. Department of Treasury Actions 1955-September 2007”, 4-5.

<sup>6</sup> Martin, Curtin H. (2007), “U.S. Policy Toward North Korea Under George W. Bush: A Critical Appraisal”, in Seung-Ho Joo and Tae-Hwan Kwak eds. *North Korea’s Second Nuclear Crisis and Northeast Asian Security*, p. 71.

<sup>7</sup> Snyder, Scott (2007), “U.S.-North Korean Negotiating Behavior and the Six-Party Talks”, in Seung-Ho Joo and Tae-Hwan Kwak eds. *North Korea’s Second Nuclear Crisis and Northeast Asian Security*, p. 157.

<sup>8</sup> Kwak, Tai-Hwan (2007), “North Korea’s Second Nuclear Crisis and the Six-Party Talks”, in Seung-Ho Joo and Tae-Hwan Kwak eds. *North Korea’s Second Nuclear Crisis and Northeast Asian Security*, p. 16.

<sup>9</sup> The Taepodong-2 failed 40 seconds after the launch, but it caused worry among foreign governments because the TD-2 had an estimated range of 3,600 to 4,300 km. range.

immediately re-impose sanctions lifted during Clinton administration when the DPRK announced moratorium on missile testing.

The DPRK's Foreign Ministry issued a statement on October 3, 2006, that it clarifies stand on new measures to bolster war deterrent stating that, "the field of scientific research of the DPRK will in the future conduct a nuclear test under the condition where safety is firmly guaranteed" (KCNA 2006, October 3). North Korea crossed the nuclear threshold on October 9 2006, testing less than a kiloton nuclear device in Hwaderi near Kilju city in DPRK's Hamgyeong province which invited recrimination and tough sanctions from the international community. Scott Snyder rightly stated that, "the nuclear test proved that two decades of U.S. efforts to deny North Korea a nuclear weapons capability has failed" (Snyder 2007: 35). Following the test, President Bush made a statement that, the nuclear test "constitutes a threat to international peace and security", that "The United States condemns this provocative act" and in no uncertain terms warned that, "The transfer of nuclear weapons or material by North Korea to states or non-state entities would be considered a threat to the United States, and we would hold North Korea fully accountable of the consequences of such action". (President Bush's statement on North Korea nuclear test 2006).

The U.S. called for swift and tough UNSC action and passed resolution 1718 (under Chapter VII, article 41 which carried no threat of military force) on October 14, which bans trade in heavy weapons, nuclear technology and luxury goods, authorizes countries to inspect cargo bound to and from North Korea to look for weapons of mass destruction or related materials, and requests that countries freeze funds related to North Korea's non-conventional weapons programs. It was argued that Res. 1718 bans trade in certain items, rather than a complete embargo, which some say lends itself to circumvention as the sanction regime depends on individual state's compliance and different interpretation of the term "luxury goods" (Chanlett-Avery 2006: 3-4). It also demanded that North Korea: not conduct further tests of nuclear weapons or ballistic missiles; resume its self-proclaimed missile moratorium; abandon its pursuit of nuclear weapons capability; rejoin the NPT; return to IAEA safeguards and inspections; abandon its pursuit of WMD capability; cease the export of all conventional weapons, or related

items; and return to the Six Party talks toward the implementation of September 19, 2005 Joint Statement agreement (Rennack 2006: 7). The final resolution was however weakened in several key areas at the insistence of China and Russia. (Chanlett-Avery 2006: 3). For instance, at the insistence of China and Russia, Chapter VII, Article 42 of the UN Charter was not adopted which has provision for using military force in the resolution.<sup>10</sup> Earlier John R. Bolton, the U.S. ambassador to the UN said that he would resist attempts by Moscow and Beijing on the same saying that, “In light of the fact that North Korea has claimed a test of a nuclear device, we need stronger language.”<sup>11</sup>

Questions were however raised on the efficacy of the new economic sanctions mandated by the United Nations as it barely tax the United States economy because of its relative lack of economic engagement with North Korea (Rennack 2006: 8). Rennack noted that, “efforts to isolate and contain the country would require some economic sacrifice from all of North Korea’s trading partners” (ibid.). On December 7, 2006 the President called for the imposition of sanctions applied to non-nuclear weapons states that have detonated a nuclear device, as mandated by the Atomic Energy Act and the “Glenn Amendment” to the Nuclear-Non Proliferation Act, ushering in a sixth phase of sanctions.<sup>12</sup> Chinese officials announced on December 11, 2006 that the six-party multilateral negotiations would resume on December 18, 2006 and North Korea dropped its demand that the sanctions be lifted as a precondition for the talks (Chanlett-Avery 2006: 2). However the Bush administration in January 2007 re-imposed some of the sanctions lifted in the Clinton era, and published a list of luxury items prohibited for export to the DPRK.<sup>13</sup>

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<sup>10</sup> For more see Warren Hoge (2006), “China and Russia stalls sanctions on North Korea” at <http://www.nytimes.com/2006/10/13/world/asia/13nations.html?pagewanted=1&r=1>

<sup>11</sup> Ibid.

<sup>12</sup> Federal Register January 16, 2007, Vol. 72. No. 9, Presidential Documents. Cited in Lee and Choi (2007), *North Korea*

<sup>13</sup> January 26, 2007 Federal Register, Vol. 72 No. 17: 3722-3730. Cited in Lee and Choi.

### **Six Party Talks and the February 13, 2007 Agreement:**

Six Party Talks resumed on 8-13, February 2007, the third phase of the fifth round, after a break of more than one year. On 13 February the six-member reached an agreement to reaffirm their 2005 commitments to denuclearize the Korean peninsula on the principle of “action for action”. The agreement committed North Korea to shut down its nuclear facilities at Yongbyon and place them under the IAEA inspection within 60 days in return for 50,000 tonnes heavy fuel oil (HFO) or its equivalent (Snyder 2007: 38-39) to commence by 14 April, and an additional 950,000 tonnes to be provided in the second phase. In March the U.S. and North Korean negotiators held bilateral discussions on the timetables and specific actions required to declare, disable, and dismantle North Korean nuclear capacities, the two parties surprised many observers as they agreed to complete the first phase by the end of 2007, giving only six months to deliver the million tonnes of HFO equivalent—no small task considering that no common understanding existed as to how to replace the HFO as fuel that North Korea could not absorb over that time (anything more than 300,000 tonnes).<sup>14</sup> It was agreed that the U.S. would provide funding and technical assistance for disablement activities, and the energy assistance divided evenly between the Six Parties. The U.S. also pledged “to resolve the issue of North Korea’s funds that had been frozen in Banco Delta Asia since September 15, 2005, a sticking point that delayed actual implementation of the agreement until July 2007” (Snyder 2007: 39) and agreed to “begin the process of removing the designation of the DPRK as a state sponsor of terrorism and advance the process of terminating the application of the Trading with the Enemy Act with respect to the DPRK.” (Lee and Choi 2007: 4-5).

The agreement does not address other US sanctions or those imposed by UN Security Council Res. 1718 after North Korea’s October 2006 nuclear test. On 14 March 2007 the U.S. Treasury announced it was barring U.S. banks from doing business with

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<sup>14</sup> Peter Hayes (2007), “The Six Party Talks: Meeting North Korea’s energy needs” URL: <http://www.thebulletin.org/web-edition/features/the-six-party-talks-meeting-north-korea%E2%80%99s-energy-needs>. An Energy and Economic Working Group (EEWG), one of five working groups established to negotiate the details of the Feb. 13 agreement prior to U.S.-North Korea bilateral agreement, but little was achieved.

BDA which paradoxically allowed Macau authorities to lift the freeze on the accounts and by 11 June 2007, Russia agreed to return the frozen money in BDA and was transferred to the DPRK. North Korea declared on July 14 that it had closed the nuclear facilities at Yongbyon on receiving fuel aid from South Korea and on July 18 IAEA inspectors verified that the DPRK had closed its facilities. While the first phase proceeded with much difficulty, the second phase that calls for disabling of existing nuclear facilities, 'including graphite-moderated reactors and processing plant' proved far more demanding.

#### **De-listing DPRK from State Sponsor of Terrorism and TWEA:**

North Korea submitted a declaration of its past plutonium production activities in June 2008 as agreed in an October 3, 2007, joint statement on "Second-Phase Actions". But there were obstacles in the implementation of the 13, 2007 February Agreement as North Korea did not accept initial U.S. verification proposals and in September, 2008 threatened to restart reprocessing plutonium. North Korea did not accept the U.S. definition of verification as "...the U.S. State Department issued a 'fact sheet' that clearly and precisely spelled out its definition of 'verification,' to include short notice access to declared or suspect sites, access to nuclear materials, environmental and bulk sampling of materials and equipment, interviews with nuclear workers and specialists, and access to documentation and records for all nuclear-related facilities and operations. Pyongyang signaled in no uncertain terms that they did not share this definition, insisting on a 'trust, don't verify' approach that it had to know was totally unacceptable to Washington (and presumably the other members of the six-party process, who remain generally silent on this issue, beyond statements of general support for the process and calls for 'flexibility,' etc.)". (Cossa & Glosserman, 2008. 2).

U.S. officials announced a bilateral agreement on verification<sup>15</sup> in October 2008 and President Bush proceeded to de-list North Korea as a state sponsor of terrorism and

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<sup>15</sup> "The agreement was verbal, and North Korea then said that it had not agreed to sampling at nuclear sites, a key element in verifying past plutonium production. The Six Parties met in December 2008, but did not reach agreement on verification measures" (Nikitin 2009: 2).

to lift the TWEA provisions against North Korea according to the 13 February 2007 Agreement of the Six Party Talks in response to North Korea's shut down and disablement of the nuclear facilities in Yongbyon. It was according to Rhyu and Bae, to "help to secure cooperation and interest from neighboring countries, providing a chance to compensate for the limitations of the existing sanctions, and upgrading them to multilateral economic sanctions" (Rhyu and Bae 2010: 126).

However Rhyu and Bae argue that it did not imply significant shift from economic-sanctions policy lines as Bush invoked on International Emergency Economic Powers Act (IEEPA) and the National Emergencies Act (NEA) to be strongly enforced against North Korea, which were just a replacement of TWEA. Though it was free from the political concept of state sponsors of terrorism, there are still many other significant political concepts that are in place such as communism, national emergency, WMD and missile proliferation, human rights, counterfeiting and money-laundering (Rhyu and Bae 2010). For example, despite ROK's stance on Kaesong Industrial Complex (KIC) – located in the DPRK- in the concluded Free Trade Agreement (FTA) on 2, April 2007, between the U.S. and ROK that through, FTA economic cooperation between the South and North will boost their peaceful relationship, strengthening security issues in Northeast Asia, the United States was unwilling to lift bans on KIC products citing North Korea's human rights record and communism.<sup>16</sup> "Nevertheless, the very symbolic deletion of North Korea from the list of state sponsors of terrorism will still enable it to join and take loans from many international financial institutions.." (Rhyu and Bae 2010: 128).

### **The May 25, 2009 Nuclear Test and U.S. Response:**

As early as December 2006, intelligence sources indicated activities were underway at the Mount Mant'ap nuclear test site near the village of Punggye-ri in North Hamgyong

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<sup>16</sup> South Korea has free trade agreements with Singapore, the European Free Trade Association (EFTA) and the ASEAN, under which KIC products are recognized as products made in Korea (Rhyu and Bae 2007: 132). For more see Kim, Dongho (2007), "A Clear Case of Bounded Awareness: Kaesong Industrial Complex", *The Korean Journal of Defense Analysis*, XIX (2): 47-62.



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Province, in a tunnel west of the October 9, 2006 nuclear test (Pinkston and Shin Sungtack 2007: 1). North Korea on 5, April 2009 unsuccessfully launched a satellite using ballistic missile-related technology leading to condemnation from the UN Security Council. In response typical of DPRK, it announced its intention to withdraw from the Six Party talks and expelled international monitors. The second nuclear test on 25 May in Gilju baffled the international community as it appeared that negotiations over the nuclear stalemate seems to be making a headway, in February 13, 2007 agreement towards denuclearization of North Korea. The United Security Council unanimously condemned the DPRK's provocative behaviour and "voiced their strong opposition to and condemnation of the nuclear test conducted by the DPRK".

The United States is considering expanding sanctions and has approved a high level task force to coordinate military, political, and financial strategies against North Korea. Reacting to the second nuclear test on 25, May 2009, President Obama had decided not to offer North Korea any new incentives to dismantle its nuclear complex at Yongbyon (Cimbala 2009: 394). On 12 June 2009, the UN Security Council approved its strictest economic sanctions to date against North Korea in response to a series of provocative acts, including the detonation of a nuclear device with resolution 1874.

### **Change in Obama's Administration?**

Although it is too early to make a call on the trajectory Obama's administration would take, there is general perception on the failure of both the Clinton's and "anything but Clinton" policy of Bush's administration. The second nuclear test has made the Obama administration to relook into the policy of Bush's policy and the futility of the constant give-and-take with Pyongyang.<sup>17</sup> Secretary of State Hillary Clinton criticized the Bush administration for "adopting a worst-case interpretation of North Korea's clandestine and illegal efforts to develop weapons-grade uranium." (Feaver 2009). In response to the test, and aware that the event "would be seen as an early test of a new administration, Mr.

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<sup>17</sup> "What 'Engagement' With Iran and North Korea Means," *Washington Post*, June 16, 2009. Quoted in CNS Research Staff (2009), "North Korea's Nuclear Test and its Aftermath: Coping with the Fallout", p. 6.



Obama aides said they were determined to organize a significantly stronger response than the Bush administration had managed after the North's first nuclear test, in October 2006." (Sanger 2009). The Obama administration pressed the Six-Party Talks members to have a "unified response" to the nuclear test (Sanger 2009). The U.S. also pushed for adoption of UN Chapter VII, Article 42 besides stricter economic sanctions which was however given up on account of Beijing and Moscow strongly opposing any military option.

A general change in perception to deal with North Korea is in the process in the Obama administration. According to Snyder and Byun, "there is widespread pessimism in Washington that North Korea can be convinced through negotiations to give up its nuclear weapons,..." (Snyder and Byun 2009: 7). Resolution 1874, gave provision to member states to interdict any suspicious shipment of banned materials to and from North Korea which Washington sees it as necessary to prevent horizontal proliferation of missile and nuclear weapons and technology. Economic sanctions on dual-use technologies and weapons embargo are also seen as required to prevent vertical proliferation as access denial to these items would slow down and contain North's nuclear advancement. Despite criticisms from Russia and China over the failure of sanctions, the US seeks to continue leading independent actions to sanctions (Snyder and Byun 2009). The reinforcement of these objectives implies that the United States do not likely see the futility of sanctions but to reinforce them in light of the second nuclear test and ever more provocative missile tests.

#### **REPUBLIC OF KOREA (ROK)'S ECONOMIC ENGAGEMENT POLICY:**

South Korea's policy has evolved from containment of North Korea towards economic engagement and diplomacy to defuse the nuclear crisis through its popular, "Sunshine Policy" under the initiative of South Korean President Kim Dae-Jung. Prior to President Kim's administration, the two major policies toward the DPRK was either through, unification by absorption or integration of the two Koreas on equal basis. Moving away from the confrontational stance and animosity towards North Korea, South Korea sought to achieve unification goal through diplomacy and economic engagement in the hope of

gradually transforming North Korea's confrontational policies against South Korea despite the nuclear stalemate. The advent of the second nuclear weapons crisis added complexity on unification goals and strategy for the ROK, but President Kim's "Sunshine Policy" has since become the basis and dominant influence in South Korea's outlook and foreign policy as indicated by increased economic interactions between the two Koreas despite the October 2002 revelation of North Korea's nuclear programme.

Earlier South Korea pursued *Nordpolitik* under President Roh Tae-woo's administration to normalize diplomatic relations with North Korea's communist allies, namely former USSR and People's Republic of China (PRC) and other socialist states on the lines of West German *Ostpolitik* apparently to improve inter-Korean relations and pressurize North Korea to drop its militaristic "one Korea policy." This policy initiative resulted in admission of the two Koreas to the United Nations in 1991 and the normalization of ROK's relation with DPRK's communist allies which diminished North's support and claim as the legitimate state of the two Koreas.

The increased economic interdependence between the two Koreas under Kim's administration contradicted the pro-sanction policies of the U.S. and cause frictions between the two traditional allies. Kim's "Sunshine policy" had had its share of criticism and caused rift in U.S. -ROK alliance but it differed on fundamental issues such as the regime stability vs. regime change; diplomacy vs. pressure tactics and economic engagement vs. economic deprivation toward denuclearization objective. Therefore a brief review of the "Sunshine Policy" would shed light to the evolution of ROK's engagement with the North to solve nuclear crisis in the region.

#### **The "Sunshine Policy" and its Legacy:**

President Kim's popular "Sunshine Policy" was a strategic shift from earlier policies to achieve unification goals by providing economic assistance and diplomatic recourse in the hope that these will act as catalysts for gradual change and reform in the DPRK. Among other things President Kim Dae-jung's policy also strived to dismantle the Cold War structure in the Korean peninsula, "one of the barriers to improving inter-Korean relations" (Youngho Kim: 1). To this end, President Kim announced the abandonment of

the policy of unification by absorption in 2000. Kim's strategy and policies were heavily embedded in unification goals seeking to institutionalize inter Korean relations "to achieve a more ambitious goal of federalizing the two Koreas as a gateway to unification" (Key-young 2006: 67). This shift has also caused strains in U.S.-ROK alliance and became evident during President Kim's visit to the U.S. when the new Bush administration's "bold approach" of regime change if North Korea did not give up its nuclear weapons was found incompatible with Kim's economic "Sunshine Policy".

Looking ahead to possible future Korean reunification, South Korea has strived to jumpstart North Korea's economic development to lessen the potential economic burdens it would have to bear if North Korea is no longer an independent state. From time to time –most recently after the October 2006 nuclear test – the Bush administration has sought to discourage these South Korean efforts and curb Seoul's engagement policy.<sup>18</sup> Although there were strong opposition to President Kim's engagement policies in the domestic circle, President Kim with the help of Unification Minister Lim Dong-won achieved many firsts in inter-Korean relations. Among them was the Mt. Kumgang tourism project which allowed South Koreans to travel to North for the first time since the division, besides yielding huge revenues for the DPRK. ROK government's assistance to the DPRK increased during the five-year period of the Kim administration from US \$11 million in 1998 to \$83 million in 2002 (Ministry of Unification, 2003. Quoted in Key-young 2006: 64). President Kim administration was also tainted with the controversial case of cash payment for June, 2000 Summit, amounting to US \$100 made by Hyundai Merchant Marine. It was criticized that the cash payment had nullified the transparency of the Sunshine Policy.

The Kim government also made efforts to fulfill its obligations, specified in the 1994 US-North Korea nuclear deal, by its willingness to continue construction works on the LWRs against the wishes of the Bush administration to stop the project as punitive step against the North for the 2002, North Korea's nuclear weapons program revelation. The Bush administration was not particularly pleased with President Kim Dae Jung's

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<sup>18</sup> The Atlantic Council of the United States (2007), *Policy Papers: A Framework for Peace and Security in Korea and Northeast Asia*, Washington, DC. p. 4.

initial reluctance to link nuclear issues with inter-Korean economic cooperation and to abandon the Geneva Agreed Framework (Chae-jin Lee 2006: 225).

### **Nuclear Crisis Re-visited and Oct. 9, 2006 Nuclear Test:**

The Roh Moo-hyun government carried forward expanded economic relations with North Korea through its “Policy of Peace and Prosperity” exemplified by the continuation of Mt. Kumgang tourism project and the Kaesong Industrial Zone<sup>19</sup> also known as KIC, to support economic reforms in the DPRK. Since the outbreak of the second nuclear crisis in October 2002, ROK has taken a moderate position trying to balance between U.S. and DPRK antagonism and less confrontational China and Russia’s policy (Samuel Kim 2006). Congressional Research Service in its 2003 pointed out that; it is likely that North Korea sees benefits in South Korea’s Sunshine Policy of greater engagement, in as much as its own gross domestic product (GDP) per capita at \$1000 pales to that of \$18,000 in South Korea.” (Rennack 2003: 7). Trade between North Korea and South Korea in 2005 exceeded \$1 billion (Rennack 2006: 8). In the last ten years, the liberal government in South Korea has stuck to the “Sunshine Policy” towards the north. Pyongyang received 300-400 thousand tons of fertilizer for free, generous cash and rice donations until it dried up in early 2008.

The Six Party Talks began in August 2003 between the six member nations, but it was not until the fourth round, were there any substantial breakthroughs. During the fourth round of the six-party talks, held in Beijing in July-August 2005, the issue on DPRK’s demand on its right to peaceful use of nuclear energy became a stumbling block prior to the first breakthrough of the Six Party Talks i.e. the September 19, Joint Declaration (Kwak 2007). ROK’s Unification Minister came in support of North Korea that the country “has a general right to peaceful use of nuclear energy...” and offered to supply 2 million kilowatts of electricity on the premise that the DPRK would abandon its nuclear weapons programs and the KEDO project (Kwak 2007: 17). On September 19, the six nations finally signed a joint agreement of principles however imperfect, made

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<sup>19</sup> KIC was created in 2002 and opened for business in 2004. It has grown from just a handful to over 100 companies employing 40,000 workers.

possible by agreeing in principle to North Korea's right to peaceful use of nuclear energy only on dismantling its nuclear weapons programs and joining the UN and NPT inspection regime.<sup>20</sup>

The breakthroughs of the Six Party Talks came undone as the U.S. imposed financial sanction on North Korea alleging money laundering<sup>21</sup> and the issue led to the deadlock with the DPRK insisting that it would not return to the Six Party negotiations demanding that the financial sanctions be lifted. The timing of the sanctions is questionable as it only escalated the crisis instead of deterring North Korea from further belligerence. On July 4-5<sup>22</sup> 2006 North Korea tested a series of short, medium and one long Tae Po-dong 2 missiles – seven in all - concurring with U.S. Independence Day, some inferring that the North Koreans were seeking attention. South Korea initiated punitive actions before the missiles were launched, “by holding off 500,000 tons of rice and 100,000 tons of fertilizers to North.”<sup>23</sup>

North Korea on 9, October 2006 tested a nuclear device secretly after six days of announcing its intention. The U.S. called for swift and tough action on the nuclear test by adopting UNSC Resolution 1718, under Chapter VII, Article 41 which imposed a range of economic sanctions particularly on nuclear and missile related weapons and materials and luxury goods. Though South Korea vowed to support the UNSC Res. 1718, it was not willing to suspend cooperation on the Kaesong Industrial Park and the Mt. Kumgang tourism site which contribute a substantial source of revenue for DPRK. A case in point is ROK's refusal to partake in Proliferation Security Initiative (PSI) that allows interdiction of North Korean cargo ships bound to and from North Korea which obviously became a sore point between the two countries.

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<sup>20</sup> For more see Kwak, Tae-Hwan (2006), “North Korea's Second Nuclear Crisis and the Six-Party Talks”, in Seung-Ho Joo and Tae-Hwan Kwak eds. *North Korea's Second Nuclear Crisis and Northeast Asian Security*, p. 18-20.

<sup>21</sup> Ibid p. 21-25, for more details. Also see previous section on U.S. sanctions.

<sup>22</sup> The date falls differently due to time zones, 4<sup>th</sup> for Asia and 5<sup>th</sup> for America.

<sup>23</sup> Kwak, Tae-Hwan (2006), “North Korea's Second Nuclear Crisis and the Six-Party Talks”, in Seung-Ho Joo and Tae-Hwan Kwak eds. *North Korea's Second Nuclear Crisis and Northeast Asian Security*, p. 28.

South Korea has, according to Snyder “taken clear actions to subordinate inter-Korean cooperation to the objectives of the six-party talks” (Snyder 2007: 37) after the North Korean nuclear test. It delayed the inter-Korean ministerial talks and withheld 400,000 tons of rice until the conclusion of the February 2007 agreement emphasizing North Korea’s need to fulfill its six-party obligations in order to improve the atmosphere for inter-Korean progress. (ibid).

South Korean President Roh Moo-hyun met with North Korean Chairman Kim Jong-Il in the Second North-South Summit in Pyongyang October 2-4, 2007. The summit agreements yielded positives for both sides as Mt. Paektu tourism project, developing of Haeju, cargo traffic, communications in the Kaesong zone and shipbuilding facilities in the DPRK with the ROK’s assistance which according to Toloraya, “would have substantially broadened the area of non-communist management system in the North.” (Toloraya 2008: 78). However optimism on North-South’s relation was dashed when the new government came to power, heralding a hard-line ROK administration on North Korea.

### **South Korea Getting Hawkish on Pyongyang:**

On Dec. 19 2007, Lee Myung-bak was elected President of South Korea, the anti-engagement conservative elements gaining control of South Korean government. The conservative government under President Lee Myung-bak, known for its open criticism of Roh’s government and “Sunshine Policy” adopted hard-line approaches that did not favour the continuation of concessional economic engagement with the North. North Korea was no doubt alarmed and when President Lee raised the issue of human rights, the North saw it “as an attempt to undermine their system and predictably are not prepared to openly give any concessions in this area” (Toloraya 2008: 65). Seoul’s new pragmatic approach saw reduction in energy and food aids and also stalled development projects like the creation of a special “peace and cooperation zone” in the West (Yellow) Sea. North Korea regarded it as a breach of trust and proof of hostile intentions. North Korea were also upset by a declaration that denuclearization should come before any meaningful cooperation to which the North retorted that the nuclear issue was between the U.S. and DPRK (Toloraya 2008: 67-68).

A series of hard-line policies and rhetoric since President Lee conservative government came into office instigated North Korea to respond with missile tests, jet fighters sent to test the ROK's defenses, threatened to reduce Seoul to ashes, deported South Korean officials and suspended all North-South contacts in 2008. President Lee is also adamant on the need for verification of North's declaration of its nuclear programmes, which according to Toloraya was fortified with the trilateral coordination with Washington and Tokyo (Korea Herald (2008). Cited in Toloraya 2008: 73). President Lee's anti-proliferation policy towards North Korea (Denuclearization, Openness, 3000) basically disregards the importance of dialogue between South and North Korea (Woo-Taek Hong 2009: 121).

With a renewed common approach and understanding on dealing between ROK and U.S. the DPRK was growing increasingly accusative and belligerent on the South calling President Lee a "traitor" of Korean people. On April it launched a missile test drawing reactions from the Six Party members and the world. The DPRK on May 25, 2009, North Korea carried out the second nuclear test accompanied by a series of missile tests on May 25, 26 and 29. The ROK government issued a statement condemning the test "a grave challenge to the international nonproliferation regime."<sup>24</sup> President reaffirmed to provide nuclear deterrence to the South, and the two President agreed to seek a unified international reaction.<sup>25</sup> South Korea also agreed to participate in the U.S.-led Proliferation Security Initiative (PSI) with reactions from DPRK that it would attack South Korea if any of its ships were searched.<sup>26</sup> The Lee hard-line approach is a major shift from its predecessors known for their more pro-engagement and the North Koreans certainly find no approval with the new government that seeks more reciprocity instead of one-way initiatives from South Korea by handing out aids and concessions.

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<sup>24</sup> "Government Statement on North Korean Nuclear Test", Ministry of Foreign Affairs and Trade of the Republic of Korea website, May 25, 2009, [http://www.mofat.go.kr/english/press/MinistryNews/20090527/1\\_8347.jsp](http://www.mofat.go.kr/english/press/MinistryNews/20090527/1_8347.jsp). quoted in CNS Research Staff (2009), "North Korea's Nuclear Test and its Aftermath: Coping with the Fallout", p. 7-8.

<sup>25</sup> Ibid.

<sup>26</sup> Ibid.



## **JAPAN PRO- SANCTION ON DPRK:**

Bilateral relation between Japan and North Korea has been literally absent since the end of world war and Japanese imperialism. Japan has promised to offer North Korea “a large-scale economic aid package – on the order of \$5billion - \$10 billion – to compensate for the Japanese occupation of the Korean Peninsula from 190-1945” on normalization of bilateral relations which South Korea has already received (Manyin 2003: 1). In September 2002, Prime Minister Junichiro Koizumi visited North Korea and signed the Pyongyang Declaration calling for normalization between the two countries. This was a marked change from its past hard-line policies and outlook on the Kim regime, but was immediately negated due to the October 2002 revelation of North Korean clandestine uranium enrichment programme. The kidnapping of 13 Japanese citizens in the 1970s and 1980s, deaths unaccounted for as North Korea claimed that some of the abductees were dead and the provocative 1998 missile test, Taepodong-1 that flew over Japan along with the revelation of nuclear programme have proved to be major constraints in normalizing bilateral relations between the two countries.

Japan’s insistence on resolving the kidnappings issue played considerable role in its policy in the Six Party talks and has left the country in “relative isolation in the multilateral talks”<sup>27</sup> (Chanlett-Avery 2008). Pritchard also noted that, “it is, however Tokyo’s almost total focus on the abduction issue that has marginalized it in the six party-party process.” (Pritchard 2007: 86). Japan along with the U.S. has been most vocal on imposing sanctions on DPRK and since 2003, Japan has “moved away from its traditional position that sanctions against North Korea would require United Nations Security Council approval and is now taking the position that Japan could impose sanctions in cooperation with the United States, even in the absence of specific United Nations approval.” (Manyin 2003: 5). After the second nuclear crisis started, Japan suspended “rice shipments and legislators are considering a ban on remittances and trade transactions, prohibiting port access to a ferry between the two countries, and suspending

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<sup>27</sup> For more analysis on Japanese citizens abduction issue, see Emma Chanlett-Avery (2008), “North Korea’s Abduction of Japanese Citizens and the Six-Party Talks”, CRS Report for Congress. Also log on to <http://www.kantei.go.jp/foreign/abduction/index.html> for further information and updates.

cultural and sports exchange programs. Japan has also stated that relations between the two countries will not be normalized until North Korea is verifiably denuclearized.” (Rennack 2003: 4). When discussions were held in 2000 for removal of North Korea from the list of states sponsoring terrorism, Japan opposed “change in status until the matter of kidnapped Japanese citizens was resolved”. North Korea remained on the list.<sup>28</sup> Japan also made contingency plans to bar banks from remitting funds to North Korea, expanding searches on North Korean cargos; deny landing rights to the crew and passengers if North Korea tests a nuclear device. North Korea has accused Japan of blindly following the United States in pursuing a hostile policy toward North Korea and refused to acknowledge Japan of any right to involve in the nuclear issue (Samuel Kim 2006: 197).

Nevertheless, Japan like its other DPRK’s neighbours is cautious on taking more coercive measures against North Korea, as it fears that North Korea may launch one of its missiles against Japan if the crisis escalates. Japan feared that the freezing of KEDO oil shipment would lead to the collapse of the Agreed Framework and the November quota was provided after the October nuclear programme revelation. At the same time Japan urged the U.S. to maintain the option of military action against Pyongyang<sup>29</sup> uncertain of future outcomes.

### **Second Nuclear Crisis and the 9 Oct. Nuclear Test:**

Japan’s approach to the revisited nuclear crisis in the Korean Peninsula has been incoherent at times often swaying between dialogue and pressure, sometimes seen to be supportive of Washington’s hard-line rhetoric and approach and at other times Koizumi was known to be urging Bush to give diplomacy a chance (Rozman 2007).

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<sup>28</sup> Nicksch, Larry A. and Raphael Perl *North Korea: Terrorism List Removal?* CRS Report RL 30613. Quoted in Rennack 2003, p.8.

<sup>29</sup> *Tokyo Shimbun* July 31, 2003. Qouted in Yoshinori Kaseda (2007), “Japan and the Second North Korean Nuclear Crisis”, in Seung-Ho and Tae-Hwan kwak eds. *North Korea’s Second Nuclear Crisis and Northeast Asian Security*, p.113.

Six Party Talks began in August 2003 to negotiate the denuclearization of North Korea's nuclear program. In its basic policy for the August 27-29, first round of talks, Japan demanded North Korea to stop on reprocessing activities, abandoning all nuclear and missile development activities and fully solving the abduction issues. On its part Japan pledged to consider the provision of heavy oil and electricity, economic assistance and guaranteeing the survival of the regime. Japan and the DPRK held second summit on May 22, 2004 and during which Japan were able to secure the return of the families of two abductees and DPRK's continued moratorium on missile testing. In return Prime Minister, Koizumi promised to provide food aid worth 250,000 tons and medical aid worth \$10 million.<sup>30</sup>

The Six Party Talks reached the important breakthrough in second session of the fourth round of talks where they agreed on joint statement of principles on September 19, 2005 for the denuclearization of North Korea. Reacting to reports that North Korea was preparing to test fire a Taepodong-2 ballistic missile, Japan's Prime Minister, Junichiro Koizumi, and foreign minister, Taro Aso, warned that Japan would consider imposing economic sanctions in the event of missile launches. (Pritchard 2007: 147). On launching seven missiles by the DPRK, Japan initiated UN Security Resolution 1695, strongly supported by Washington but the original draft resolution was never passed with Beijing and Moscow threatening to veto if the provision of Chapter VII, Article 42 was passed which makes sanctions mandatory and military intervention possible. Japan froze deposits withdrawal and overseas remittances licenses for 15 bilateral groups alleging their involvement in the development of WMDs in North Korea<sup>31</sup>. Explaining Japan's tough response The Atlantic Council of the United States working group policy noted that, "Japan is more at risk from a North Korean nuclear threat than the United States because Pyongyang potentially possesses the means for delivering a weapon at a short

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<sup>30</sup> Yoshinori Kaseda (2007), "Japan and the Second North Korean Nuclear Crisis", in Seung-Ho and Tae-Hwan kwak eds. *North Korea's Second Nuclear Crisis and Northeast Asian Security*, p. 117.

<sup>31</sup> Besides Japan has a new sanctions act in place which are authorized by Foreign and Foreign Trade Control Law (FEFTCL) and the Law for Special Measures Concerning Interdiction of Ports Entry by Specific Ships (LSMCIPESS) enacted in 2004 (Miyamoto 2006).

range to medium range, while it still lacks long-range missile delivery systems.” (The Atlantic Council of the United States 2007: xii).

North Korea conducted the first nuclear test on 9 October 2006 and in response to Prime Minister, Shinzo Abe stated that, “North Korea’s possession of nuclear weapons drastically changes the security circumstances in Northeast Asia. We’re going to enter a new, more dangerous nuclear era<sup>32</sup>.” On October 13 Japan imposed unilateral sanctions – more restrictive than those called for in the UN resolution – that ban all North Korean ships from entering Japanese ports, freezing financial assets in Japan, banning financial transactions between Japanese financial institutions and North Korean entities and restricting imports and most North Korean nationals from entering Japan. “Japan’s reaction follows a pattern of Tokyo taking increasingly hardline positions on North Korea.” (CRS 2006: 5). Under the UNSC Resolution 1718, Japan banned the export of 24 luxury goods to North Korea (Taylor 2009: 41). Japan’s reaction was among the most condemnatory as Snyder noted that, “North Korea’s nuclear test stimulated the strongest policy response from the governments of Japan but did not necessarily bring Japanese diplomacy into convergence with the other parties...the test was a catalyst for implementing a more aggressive sanctions regime in an attempt to squeeze North Korea economically.” (Snyder 2007: 37). According to Ajemian, “Japan’s assertiveness in pressing for sanctions against North Korea demonstrates just how vulnerable it feels in the wake of North Korean test”. (Ajemian 2007: 331).

Japan’s increasingly pro-sanction approach has found differences even with the U.S. policy on North Korea. The U.S. move towards delisting North Korea from state sponsors of terrorism in accordance with the February 13, 2007 understanding has worried Japanese cause for its abducted citizens. Japan is worried that U.S. engagement with North Korea will render its unilateral economic sanctions ineffective and will be pressurized to lift the sanctions. The Fukuda administration however made a shift in announcing that it would undertake a symbolic partial waiver of unilateral sanctions against North Korea on 13, 2008, in response to North Korean delegation’s expression of

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<sup>32</sup> “Nuclear Fallout; Japan’s Diplomacy Tested by N. Korea,” *Daily Yomiuri*, October 12, 2006, p.2 cited in Scott Snyder, “Responses to North Korea’s Nuclear Test”, *The Washington Quarterly*, 2007, p. 38.

intent to resume investigation into Japanese abductees (Matsumura 2008: 85). But the issue made no progress and in October 2008, Tokyo announced that it would not be lifting the sanctions even as the U.S. removed North Korea from TWEA and state sponsor of terrorism.

### **The Second Nuclear Test:**

The inclination of the U.S. towards engagement with North Korea has not pleased Japan and Prime Minister Taro Aso openly expressed direct dissatisfaction on the handling of North Korea in the concluding days of the Bush administration (Sato 2009: 58). Japan's policy risks of domestic political setback due to the sensitive abduction issue that has not been resolved.

North Korea tested missile launch on April 2009, generating strong condemnation from Japan. UNSC proceeded with the statement of its President short of a resolution to impose further sanctions. North Korea committed further provocation by testing an underground nuclear test on October 9 2006. Prime Minister Taro Aso condemned the test terming it an "intolerable act that poses a significant threat to the national security of Japan.." (Quoted in Masako Toki 2009). The test also raised questions on Japan's nuclear status and discussions on the nuclear option became more public. Japan implemented a complete ban on all Japanese trade with the North besides being proactively supporting UNSC resolution 1874 that called for stricter sanctions.

Toki commented that despite the harsh rhetoric and swift action, Tokyo continues to be frustrated by the lack of results from diplomacy and sanctions. Japan's dilemma is further worsened by DPRK's persistent demand for bilateral talks with the U.S. and that China is the only power that has influence over Pyongyang in the Northeast region. It remains to be seen if the crisis would prompt Japan to exercise the 'nuclear option' or worse what Japan's response would be to further missile tests and continued DPRK's nuclear programme.

### **CHINA'S STATUS QUO-IST APPROACH:**

People's Republic of China (PRC) a fellow communist state and the closest ally of DPRK have mostly refrained from taking tough measures on DPRK's belligerence. In fact many felt that a more proactive role by China is necessary to lend more bite to any punitive actions initiated against North Korea since it holds a considerable leverage over Pyongyang due to its economic relations with North which has sustained the regime. China on the other hand holds the view that a hard-line U.S. approach toward North Korea is counterproductive and reduces the chances of reaching a negotiated solution on the nuclear stalemate. (The Atlantic Council of the United States: 4). China has also encouraged DPRK to reform its central planned economy and give up some elements of *Juche* ideology that of self-reliance which has only stagnated the regime's economy and perpetuated isolation from the international community.

China's has its own geopolitical interests in maintaining stability and status-quo in the Korean Peninsula to prevent regime collapse and military intervention by the United States. Cui pointed out that "No matter what, China does not want to see any significant contingencies occurring on the Korean Peninsula. Either economic collapse or political turmoil of the DPRK could trigger turbulence all over the Peninsula and reverberate into China" and hence China has a "three-pronged policy: first to make unremitting efforts aimed at the denuclearization of the Korean Peninsula; second, to firmly oppose the use of force; and third, to adhere to finding a diplomatic solution", further "China has been reluctant to push the DPRK nuclear issue before the UN Security Council, or to impose sanction on North Korea, since this steps would have closed the door to the resumption of diplomacy." (Cui 2008: 121, 125).

China's economic relations with North Korea play a vital role, with trade between the two countries recording \$1.385 billion in 2004 (Choo 2008: 349). Choo also argued on the importance of economic relations and provide an assessment of actual aids that China provides which is widely speculated to have helped Kim regime to muddle through during the phase of UNSC mandated economic sanctions and food shortage crisis in

2005-2006.<sup>33</sup> China's geopolitical interests in preserving stability and status quo in fact underpins its economic outreach towards North Korea and which also explains its aversion to impose economic sanctions that might precipitate regime collapse.

#### **China on Second Nuclear Crisis and Oct. 9 Nuclear Test:**

On October 2002, the second nuclear crisis started even as China called on U.S. and North Korea to abide by the principles of the 1994 Agreed Framework. After the start of the second North Korean nuclear crisis, "China emerged as a much more active participant, host, and mediator for what would become a six-party negotiation process, an approach that arguably provided China with greater leverage, responsibility, and influence to shape the outcome of the talks."<sup>34</sup> United States had urged China to take a leadership role to organize and hold multilateral talks after the trilateral talks between United States, North Korea and China failed to produce any positive outcomes. Since then, China has been the host of the Six Party Talks since it began in August 2003 and has played the role of an important 'broker' to effect some important compromises and agreements.

From 2003, China's attitude towards sanctions saw changes and appeared to be more willing to cooperate in sanction policies. China briefly shut off deliveries through its oil pipeline to North Korea to pressurize North Korea to join the first round of six-party talks, though subsequently declined to take this step a second time. On April 26, 2005, China refused to shut down its oil pipeline which according to Pritchard is often misunderstood as China has its priorities that is of stability although it has always maintained its commitment to a nuclear-free peninsula (Pritchard 2007). But Taylor contradicts pointing out that "China has periodically reduced its oil supplies to the North – between September and November 2006 and again in February and March 2007 –

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<sup>33</sup> There have been constant allegations that the amount of aids China provides is made secretive when it is much more than the public figures made available. This many analysts say has rendered the mandated UNSC resolution 1718 and 1874 on economic sanctions ineffective.

<sup>34</sup> Scott Snyder (2007), "U.S.-North Korean Negotiating Behavior and the Six-Party Talks", in Tae-Hwan Kwak and Seung-Ho Joo, *North Korea's Second Nuclear Crisis and Northeast Asian Security*, p. 154

apparently with a view to influence Pyongyang's nuclear policies" (Taylor 2009: 46) indicating China's pro-sanction inclinations.

After the September 19, Joint Statement in 2005, Chinese President Hu Jintao visited North Korea in October where he showed concern on economic development and also spoke on China's economic achievements. Kim Jong-il paid a reciprocal visit in January 2006 and China showed the benefits of open trade through a tour of the Special Economic Zones of Zhuhai and Shenzhen and other places to highlight the benefits of an open economy.<sup>35</sup> China commands over 40% of all DPRK trade, and its investment in DPRK grew from USD 3.5 million to 130 million in 2006.<sup>36</sup> Rhyu and Bae maintain that, "it is not an exaggeration to say that the border areas between North Korea and China are part of the Chinese economy, meaning that the North's economic reliance on the Chinese economy is steadily increasing over time. China's presence perceived by North Korea is becoming incomparably absolute over the USA" (Rhyu and Bae 2010: 124). The burgeoning economic relations between the two countries thus underscores China's larger geopolitical interests which makes China not go along with sanctions and harsh rhetoric.

#### **China Tested with July Missile Tests and Oct. 9 Nuclear Test:**

North Korea refused to return to the Six Party Talks in 2006 on account of the BDA financial sanction. China had asked North Korea to exercise restraint when the latter prepared for missile launches. North Korea did not pay heed and conducted missile tests in July 2006. China was dismayed at such provocation and decided to sign the UN Security Council Resolution 1695 condemning North Korea's missile tests. China cut off oil exports in September and also imposed financial sanctions. According to Snyder it "suggested the emergence of a consensus that North Korea's missile tests were a threat to regional stability." (Snyder 2007: 34). China in the meantime denied that it had any

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<sup>35</sup> Paltiel, Jeremy (2007), "China and the North Korean Crisis: The Diplomacy of Great Power Transition", in Joo, Seung\_Ho and Tae-Hwan Kwak eds., *North Korea's Second Nuclear Crisis and Northeast Asian Security*, p.105.

<sup>36</sup> Park Byung-kwang 2009, China-North Korea Economic Relations during the Hu-Jintao Era, *Study of International Issues*, Spring, 2009. Cited in Asia Society Center on U.S.-China Relations 2009, *North Korea Inside Out: The Case for Economic Engagement*, p. 19.



influence over DPRK and insisted that they were two sovereign states that decided on their foreign policy on their own.<sup>37</sup>

The October nuclear test further invited strong reaction and China's endorsement of the UNSC resolution 1718 on sanctions. China however opposed at U.S. attempt to include Chapter VII, Article 42 of the UN which allows for a military force option. China also toned down punitive rhetoric and opposed sanctions that would cut off North Korea's trade outright thus allowing legal trade while upholding the UNSC resolution 1718. The test according to Snyder, "constituted a major loss of face, given China's role as host of the six-party talks and the public warning that China had issued to Pyongyang not to proceed with a test...China's harsh condemnation of North Korea 's 'brazen' act and its willingness to utilize UN instruments to condemn North Korea were unprecedented". (Snyder 2007: 36). But there are others who argue that China is still reluctant to impose harsh sanctions wary of the more unstable situation that would result in the collapse of the Kim regime. At the insistence of China the tough UNSC Res. 1718 was scaled down and resulted in military embargoes only on heavy military equipment such as tanks and missiles and insisted that the use of military force be ruled out. (CRS 2006: 3). Lankov aptly stated Chinese dilemma that, "all things considered, a nuclear-armed North Korea seems to be a lesser evil than an unstable or collapsing North Korea (and perhaps, even less of an evil than a Korea unified under a U.S. friendly Seoul government)". (Lankov 2009: 260). Economists argue that the only definitely effective punishment on North Korea would be the suspension of energy aid from China; China reportedly supplies about 70% of North Korea's fuel.<sup>38</sup> After the test, China sought ways "to restore its influence with North Korea while avoiding promoting instability. Rather than using economic sanctions or cutting off North Korea's energy of food lifelines,

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<sup>37</sup> Paltiel, Jeremy (2007), "China and the North Korean Crisis: The Diplomacy of Great Power in Transition", in Joo, Seung\_Ho and Tae-Hwan Kwak eds., *North Korea's Second Nuclear Crisis and Northeast Asian Security*, p. 100.

<sup>38</sup> Michael Hirsch, Melinda Liu, and George Wehrfritz(Oct. 23. 2006), "Special Report: How North Korea Got the Bomb," *Newsweek*. Quoted in Chanlett-Avery and Sharon Squassoni CRS Report 2006 p. 4.

Beijing temporarily froze financial transactions and withheld bilateral economic cooperation.”<sup>39</sup>

### **China’s Leverage in Question over the Second Nuclear Test:**

After the first nuclear test, there appears to be some progress made as Six Party Talks resumed and on February 13, 2007 an agreement was reached between the six members to carry out the September 2005 Joint Statement of Principles. It agreed to proceed towards North Korea’s nuclear disarmament on the basis of “step by step” and “action for action” principles. Among other things the United States and North Korea decided to resolve the BDA financial freeze, removal of North Korea from TWEA and state sponsors of terrorism, which were implemented in August 2007 and October 2008 respectively. However disagreement over the implementation of verification stalled the Six Party Talks in the third phase of nuclear dismantlement.

North Korea launched a rocket in April 2009 to escalate tension in the region. China opposed additional UN sanctions and supported Pyongyang’s right to launch satellite and to peaceful use of outer space. But the following nuclear test saw China expressing its “resolute opposition.” The high-ranking officers in the People’s Liberation Army (PLA) have also reportedly voiced strong objections (CNS Research Staff 2009).

The second nuclear test has put China in a dilemma on how to deal with belligerent North Korea. It adopted the UNSC resolution 1874 which has provisions for tougher sanctions than the previous resolution. Even as China was displeased over Pyongyang’s continued defiance and the nuclear test, Reynolds observed that “unless China pulls the only real lever on North Korea, its supplies of North Korea’s food and oil, the North’s defiance will probably continue.” (Reynolds 2006). But Taylor argues that China has moved away from its traditional ‘abstention’ or ‘non-participation’ when voting in the Security Council and has committed to all three resolution targeting North Korea (Taylor 2009: 46).

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<sup>39</sup> Gordon Fairclough (October 11, 2006), “China Banks to Halt Dealings With North Korea,” *Wall Street Journal*, p.1. Qouted in Scott Snyder (2007), “Response to North Korea’s Nuclear Test”, *The Washington Quarterly*, p. 36.

## **RUSSIA CAUTIOUS ON NORTH KOREAN NUCLEAR CRISIS:**

Russia a strategic partner in the Six Party Talks forum seeks not only to regain its lost influence on North Korea, but also to counter-balance U.S. predominance in international politics by playing more proactive role in the nuclear crisis prevailing in the Korean Peninsula. The North Korean nuclear crisis has its geopolitical implications on Russia and it presents a platform for Russia to assume the role of a great power it once was. The pro-western Boris Yeltsin government considered North Korea an economic and political burden. The pro-western inclinations in Russia's policy acted out in its suspension of 1991 agreement to provide North Korea with three 660-megawatt LWRs and in 1994 threatened to support international sanctions against North Korea if the nuclear weapons programme is persisted.

Russia normalized diplomatic relations with Japan and South Korea which further eroded Russia and North Korea bilateral relations. North Korea was certainly not pleased with the fact that, trade with the ROK surged to \$3.2 billion in 1995, while its own trade volume with Russia fell from \$2.93 billion in 1990 to \$100 million by the mid 1990s (Yoon and Lee 2005: 186-187). It however adversely affected Russia, as it was excluded from KEDO<sup>40</sup> energy projects and again from the four party talks on the North Korean nuclear issue which raised doubts about the rationale of Yeltsin's policy on the Koreans among Russian analysts and policy circles.<sup>41</sup> Russia's strategic position was most acutely observed by Yoon and Lee: "it was ironic to see that Russia's effort to improve its relationships with the West and South Korea at the expense of its longstanding ties with North Korea made Russia less valuable strategically to Seoul and Washington and of decreased value as a participant in security talks in Northeast Asia." (Yoon and Lee 2005: 187). Realizing its lost influence, Russia made significant shifts in its policies towards Northeast Asia, particularly in the Korean peninsula.

Throughout the course of the second nuclear crisis and subsequent nuclear tests, Russia's policy towards Northeast Asia has been a flurry of economic proposals,

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<sup>40</sup> For more on Russia's limited role in the KEDO project see Wishnick, Elizabeth "Russia in Inter-Korean Relations", p. 123-124 in Kim, Samuel S. (ed.) (2004), *Inter-Korean Relations: Problems and Prospects*.

<sup>41</sup> See Kim, Samuel S. (2006), *The Two Koreas and the Great Powers*, pp. 123-126.

activities and developments involving the two Koreas with the basic aim of reviving its economy and to realize its strategic goal of becoming a “Eurasian bridge”. Hence Russia is naturally opposed to sanction policies and using military force that may cause regime collapse or instability in support of engaging the DPRK economically.

### **Resurgent Russia in Northeast Asia:**

Vladimir Putin, elected the second Russian President in March 2000 proceeded to rectify its diminished role in North Korea by holding three summit meetings and signing a new treaty, the Treaty of Friendship, Good-Neighborly Relations and Cooperation on February 9, 2000 which replaced the 1961 treaty between Soviet Union and the DPRK, thereby restoring bilateral relation. President Putin also granted an important political concessions to North Korea, labeling North Korea’s missile programme as peaceful and non-threatening (Samuel S. Kim 2006). Putin himself visited Pyongyang in July 2000, the first by a Soviet or Russian leader and was reciprocated by Kim Jong-il’s visit to Moscow in August 2001, rousing optimism of reclusive North Korea opening up to the international community.

According to Yoon and Lee, Russia’s policies on North Korea revolves around two principles: nuclear non proliferation and peaceful resolution of conflict. Unlike China, Russia doesn’t object to Korean reunification, as Toloraya noted that, “Such a development would not contradict Russian interests if it would result in the creation of a united, peaceful, and prosperous Korea that is friendly to Russia....However, Russia is against ‘overnight’ unification and attempts to alienate and pressure North Korea...” (Toloraya 2008: 82). Russia proposed establishing some form of collective security system and multilateral forums<sup>42</sup> to solve security crisis in the region and even proposed a six party conference with the present Six Party members when the first nuclear crisis began. Basically Russia relies on “equidistant” relation with the two Koreas as formulated in the “Foreign Policy Concept of the Russian Federation” released in June 2000 (Yongchool and Beomshik 2006: 179).

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<sup>42</sup> See Joo, Seung-Ho (2007), “Russia and the North Korean Nuclear Crisis”, in Seung-Ho Joo and Tae-Hwan Kwak (eds.) *North Korea’s Second Nuclear Crisis and Northeast Asian Security*, ( p. 137).

### **Second Nuclear Crisis and Oct. 9, 2006 Nuclear Test:**

In October 2002, when the second nuclear crisis started, Russia chose to remain neutral and demanded that the U.S. provide “hard evidence” and that North Korea explain U.S. suspicion (Yongchool and Beomshik 2006: 185). Russia was however faced with dilemma when North Korea’s nuclear development was restarted and Putin’s foreign policy toward North Korea came in for criticism and mistrust from the international community. Russia restored its status as an “honest broker” when Russia’s Deputy Minister Losiukov offered a “package deal” and a “collective security assurance” plan to North Korea which included, “1) that both the US and North Korea observe the North-South Joint Declaration on the Denuclearization of the Korean Peninsula and the Agreed Framework of Geneva, 2) that the US and North Korea resume bilateral and multilateral talks, and 3) that the US and other countries resume humanitarian and economic support to the North.” (Yongchool and Beomshik 2006: 186). The proposal however never materialized and the U.S. and ROK came to “view China as the real key player in terms of influencing the Pyongyang regime” (Samuel S. Kim 2006: 135). Russia abstained from an IAEA vote in 2003 on whether to send the North Korean nuclear issue to the UN Security Council, supporting instead the Six Party talks. In the third round of talks, Russia joined with China and South Korea in offering to supply fuel oil and aid in exchange for the DPRK halting any further development of its nuclear program if freezing of the nuclear program was the first step (Samuel S. Kim 2006: 137).

At the fourth round of six-party talks, a breakthrough in the form of Joint Statement of principles on 19, September 2005 was reached which stipulated Pyongyang’s dismantling of all its nuclear programmes in exchange for diplomatic recognition, security guarantee, and economic aid. Russia supported North Korea on the key issue of DPRK’s right to peaceful use of nuclear energy “in light of its acute energy shortage but an LWR reactor should be supplied to the North only after it returns to the NPT and accepts IAEA inspections”, while the U.S. maintained that North Korea give up all its nuclear programme (Joo 2007: 139). Russia expressed its willingness to provide energy assistance and build a nuclear reactor in North Korea on rejoining the NPT and

IAEA, though unlikely.<sup>43</sup> In November during the fifth round of talks, Russian Ambassador to Seoul Ivashentsov stated that his country did not have substantial evidence and demanded concrete evidence on the BDA financial fiasco and maintained that sanctions on North Korea would not solve any problem and solution would be possible only through dialogue and cooperation (Joo 2007: 140-141).

### **Russia's Approach and Reaction to Pyongyang's Nuclear Test:**

Russia's soft stance on North Korea's belligerence was displayed during the mid-2006 missile tests by the DPRK, when it appealed to other states against emotional reactions, though Putin expressed his disappointment. Russia along with China ensured that Chapter VII, Article 42 was not included in UNSC Resolution 1695 which would have mandated additional sanctions and military option a probability. Russia was deeply disappointed and angered when North Korea conducted the October 9, 2006 nuclear test and Russian Ambassador to Pyongyang was informed of the planned test only 30 minutes in advance. In response to the nuclear test, Russia strongly protested and stated that North Korea's nuclear program "threaten our interests," (Toloraya 2008: 55). The UNSC Resolution 1718, was initially opposed due to the possibility of military enforcement but after modifications, Russia approved the mandated international sanctions. The new contains stringent economic and weapons sanctions and was accompanied by the curtailment of trade with the North. According to Petrov, "the pragmatic mood in bilateral relations prevails, and these days Russia delivers oil and food to North Korea only in accordance with its obligations associated with the progress at the Six Party Talks." (Petrov 2008:7).

However Russia's reluctance to impose tough sanctions elicited criticisms and when the UNSC Resolution 1718 was passed in response to North Korea's nuclear test, Russia was accused of defining "luxury goods" so narrowly as to make it meaningless. (Taylor 2010: 51). Its preoccupation with its far eastern economic integral development with the two Koreas prevents Russia from damaging these lucrative economic prospects.

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<sup>43</sup> For more see Joo, Seung-Ho (2007), "Russia and the North Korean Nuclear Crisis", in Joo, Seung\_Ho and Tae-Hwan Kwak eds., *North Korea's Second Nuclear Crisis and Northeast Asian Security*, p. 139.

In 2006, Russia was DPRK's third largest trading partner after China and South Korea. When the U.S. in 2007 released the frozen accounts in BDA, it was through a Russian commercial bank, the money was transferred to North Korea. Russia also fully supplied heavy fuel oil to North Korea as agreed on February 2007, as distinct from other forms of material assistance (Toloraya 2009: 76). Russia in accordance with the February 13, 2007 Agreement and October 2007 six party talks, delivered a total of 200,000 tons of fuel oil by the end of 2008 worth \$200 million. Bilateral trade between the two countries however remained stagnated due to DPRK's inability to pay in cash and Russian unwillingness to provide loans and credits with Russia complaining that DPRK still want to build economic relations "along the lines of the old Soviet-DPRK model of getting things free-of-charge." As of 2004, Russia trade with the DPRK still stood at \$210 million (Samuel S. Kim 2006). Overall post-Soviet Russia was trying to rebuild its market economy and obviously capitalize on DPRK's cheap labour and ROK's capital power and proposed three-way economic projects, modernization of the inter-Korean railway connected to the Trans-Siberian Railroad to form an "Iron Silk Road" which would also bring Russia closer to its strategic goal of becoming a "Eurasian bridge".

In 2008, based on the presumption of a tripartite cooperation between Russia and the two Koreas considered the railroad project to restore and upgrade the railroad between South and North and link it to the Trans-Siberian Railway – the overall investment estimated at between US \$2-4 billion. Work on this project started in October 2008 but Russia fears this project may suffer. However Russian is already being blamed by the United States of being not responsive to Lee Myung-bak's administration's initiatives in economic sphere especially in energy and transport (Toloraya 2008: 85).

Boon is also critical of Russia's reservation on sanctions towards North Korea as manifested in response to April 5, 2009 missile test when Russia refused to endorse any new sanctions on the basis that "Resolution 1718 does not prohibit the launch of satellites" and explicitly asserted that the Security Council meeting did not constitute the 'toughening [of] the sanctions regime' (Boon 2009: 5). The ensuing second nuclear test on 25, May 2009 however saw changes in Russia's policy towards North Korea's continued belligerence and provocation to international peace.

### **Russia Supportive of Sanctions after the Second Nuclear Test:**

According to Taylor, the UNSC Resolution 1874, passed in response to the May 2009 nuclear test, “met with ‘unprecedented’ support from Moscow”. Taylor explains that this shift may have to do with Russia increasing discomfort on the prospect of North Korean missile test going astray, given the fact that the supposedly satellite launch fizzled out in mid-air and the unsuccessful Taepodong 2 missile tests. Taylor also argued that China who is increasingly willing to initiate sanctions against the DPRK leaves Russia the possibility of being the only power unwilling to support international mandated punitive actions against North Korea.

President Dmitry Medvedey’s spokeswoman, Natalya Timakova said that, “North Korea’s underground nuclear test in the region adjacent to the territory of the Russian Federation...caused deep regret and the most serious concern” (Combined Reports 2009: 1). The Foreign Ministry also pledged that, “continued six-party talks on North Korea were the only solution to the crisis” (Combined Reports 2009: 2). Moscow expressed support for a “strong” Security Council resolution that would “help practically prevent the further erosion of the nuclear nonproliferation regime” and at the same time avoid “punishing North Korea just for the sake of punishing it.”<sup>44</sup>

Russia’s apparently harsher tones can also be attributed to its perception of escalation towards nuclear war and Interfax quoted an unnamed security source as saying that “precautionary measures” were needed “in case a military conflict, perhaps with the use of nuclear weapons, flares up on the Korean Peninsula.”<sup>45</sup> Russian President Dmitry Medvedev condemned the test, and “Russian officials in the United Nations have said that this time the authority of the international body is at stake.”<sup>46</sup> The UNSC resolution

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<sup>44</sup> Interfax (2009), Comments made by Churkin, “Russia will support tough UN Security Council resolution on North Korea,” Comments made by Lavrov, “UN SC resolution on N. Korea should be tough-Lavrov,” quoted in CNS

<sup>45</sup> Reuters, “Russia calls in North Korea envoy with 'concern' over nuclear test North Korea threatens to retaliate after South joins U.S. search for WMDs; Russia fears conflict could turn nuclear” at <http://www.haaretz.com/news/russia-calls-in-north-korea-envoy-with-concern-over-nuclear-test-1.276807>.

<sup>46</sup> Ibid.



1874 tightened existing arms embargoes against North Korea and increased the financial restrictions imposed on Pyongyang. The new resolution also created legal basis for countries to interdict North Korean ships at sea suspected of carrying items banned. Although the new resolution was more stringent and the support during the drafting was more than encouraging, Russia along with China still opposed to the inclusion of “military option”. Russia though supported the new resolution which was more stringent; Deputy Foreign Minister Alexey Borodavkin stated that Russia would not use “unilateral sanctions of any kind.”<sup>47</sup> Overall Russia’s stance can well be summarized in the statement of Russian Ministry of Foreign Affairs which stated that: “We agreed the resolution as being well-considered and adequate to the situation, and especially not the proper balance kept in it between the very tough sanctions package, which is nevertheless within the scope of Article 41 of Chapter VII of the UN Charter, and a clear-cut positive alternative.”<sup>48</sup>

As it always does North Korea retorted strongly to the new UNSC resolution calling it “another vile product of the U.S.-led offensive of international pressure aimed at undermining the DPRK’s ideology and its system chosen by its people by disarming the DPRK and suffocating its economy.” Russia responded Pyongyang’s provocative response to resolution 1874 expressing, “deep sadness of the fact that a UN-member state demonstratively declares its refusal to comply with the UNSC resolution.”<sup>49</sup> Russia in a manner has granted the Six Party forum some semblance of unanimity after two nuclear tests and a barrage of missile tests on the need to work cooperatively on the North Korean nuclear crisis. However this is not to imply, that cooperative multilateral sanctions would

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<sup>47</sup> Interfax (2009), “Moscow says N. Korea can still be persuaded to rejoin six-party talks,” quoted in CNS, “North Korea’s Nuclear Test and its Aftermath: Coping with the Fallout”, p. 14.

<sup>48</sup> Russian Ministry of Foreign Affairs, Statement of the Russian Ministry of Foreign Affairs, 944-12-06-2009, June 12, 2009, [http://www.mid.ru/brp\\_4.nsf/e78a48070f128a7b43256999005bcbb3/ef3d87fc0fbfc30fc32575d60033c780?OpenDocument](http://www.mid.ru/brp_4.nsf/e78a48070f128a7b43256999005bcbb3/ef3d87fc0fbfc30fc32575d60033c780?OpenDocument). Quoted in CNS Research Staff 92009), “North Korea’s Nuclear Test and its Aftermath: Coping with the Fallout”, p. 15.

<sup>49</sup> Russian Ministry of Foreign Affairs (2009), “Briefing ofitsialnogo prestavitelya Rossii A.A. Nesterenko, Briefing by the official Russian representative A.A. Nesterenko”, [http://www.mid.ru/brp\\_4.nsf/0/2ACF1A6AB373CDC0C32575D900368113](http://www.mid.ru/brp_4.nsf/0/2ACF1A6AB373CDC0C32575D900368113). Quoted in CNS Research Staff 92009), “North Korea’s Nuclear Test and its Aftermath: Coping with the Fallout”, p. 15.

have worked, but to point the much needed impact of a cooperative policy implementation of nonproliferation goals. But as pointed out in some quarters Russia's North Korea policy has been fairly consistent and noncontroversial with the objective of maintaining stability and peaceful solution of the Peninsula security crisis.

**Summary:**

Since the start of the second nuclear crisis, the focus has been on the Six Party Talks, to negotiate with the belligerent regime to give up its nuclear weapons program. But the preceding discussions on countries involved in the Six Party Talks have shown that the parties to the talks have been majorly influenced by their own national interests and policies. North Korea achieved its aspiration to possess nuclear weapons capability amidst opposition and various punitive actions and appeasements to roll back the nascent nuclear program. Having examined and analyzed the policy goals and geopolitical interests of the members of the Six Party Talks on North Korea, it is now clear that the differences and approaches are significant and a major contributor to the failure of nonproliferation on DPRK. The strong embedded national interests and geo-strategic implications cannot be overlooked however in search of a common approach, but it is also difficult to assess if sanctions and aids implemented jointly would better facilitate a better result in a multilateral cooperation on dealing with states like North Korea. The next chapter will cover the relevance and practice of economic sanctions and compare with the sanction and aids implemented on North Korea.

## Chapter 3

### Economic Sanctions and Aids:

#### Relevance and Practice

In international relations the exercise of influence or power over other states employs many instruments as means to achieve political objectives. In other words these instruments become tools of foreign policy of a state. Economic sanctions and aids are also used as foreign policy tools to pursue and attain certain political objectives. David Baldwin pointed out that economic as a tool of statecraft has been “the least studied and most misunderstood techniques of statecraft” (Baldwin 1985: 12). The assertion still holds true partially as scholarly attention have yielded literatures in abundance but it can still be contested if it has led to better understanding. The study of ‘influence attempts’ over other states automatically tends to veer towards the concepts of power and capability; like military power, economic power and even soft power. To avoid confusion Baldwin had stressed the need of a “conception of the instruments of policy that is independent of the causal conditions that determine success, i.e., the bases of power” implying economic sanctions as tools of foreign policy be free of economic bases of power and as Baldwin argued, “in short, the conception of policy instruments belongs to the realm of policy analysis, not capability analysis” (Baldwin 1985: 24). He further clarifies making important distinction between economic as a ‘foreign policy instrument’ and ‘foreign economic policy’ which are often confused to be the same. According to him the term ‘foreign economic policy’ could be confused with economic statecraft and pointed out the drawback that it is “definitionally impossible to consider foreign economic policy as an option when a statesman wants to affect the noneconomic aspects of the international environment...” (Baldwin 33). This makes the case for the rationale of economic sanctions and aids as a study of international politics and not international political economy.

Baldwin wrote that, “*Economic statecraft* refers to influence attempts relying primarily on resources which have a reasonable semblance of a market price in terms of money” (Baldwin 1985: 14). In Baldwin’s conception of economic statecraft (negative

sanctions and positive sanctions) it is broad as he points out that, “it must be if it is to subsume all of the economic means by which foreign policy makers might try to influence other international actors.” In short it includes embargos – prohibition of exports, boycott - prohibition of imports, blacklist – ban on doing business with firms that trade with the target country, license denial – refusing permission to import or export particular goods, freezing assets – impounding, denying access to bank accounts or other financial assets of target countries, aid suspension etc. (Baldwin 1985: 40-42). The study of economic sanctions are closely associated with and in fact forms the very basis of economic statecraft but in view of the present case study that focuses on the impacts, success or failure of sanctions and aids, the terms ‘economic sanctions and aids’ will be applied.

#### RELEVANCE AND RATIONALE:

Besides, the objectives of this study needs to be made clear at the very outset. The objective here is not to analyse the prevalent theories and arguments to fill in the literature gap on the subject or much less to formulate a new one. It is also not to give a detailed descriptive account on the types and forms of economic sanctions and aids. Neither is this study an analysis of impacts of economic sanctions on the economy of targeted states. The objectives here are attempts at understanding the major arguments and usages as a political tool to achieve political goals or foreign policy goals. The analyses will be applied on the case study i.e. North Korea to try find out the relevance and reasons of failure of using sanctions and aids to roll back North Korea’s nuclear program. Therefore it is simple in its objective; making cross analysis of various arguments with no theoretical inclination to apply to the case study.

Another aspect of studying economic sanctions based on single case studies needs some explanation. Martin pointed out the ineffectual method of single case studies to analyse the success or failures of multilateral economic sanctions, the inherent methodological inability to draw generalization from single case studies, “many of which are conspicuous examples of failure” (Martin 1991). Baldwin also cautioned on single case studies laying out the conditions for assessing economic statecraft whereby, the “recognition that a given influence attempt may involve multiple goals and targets of

varying generality and significance is an important first step for assessing the utility of various techniques of statecraft, especially economic ones. Case studies of economic sanctions, for example, based on consideration of a single goal with respect to a single target should be scrutinized with particular care. No case study, of course, can ever capture all of the complexities of a situation: but oversimplified case studies may be quite misleading” (Baldwin 1985: 18). While abandoning the multiple case studies which may eventually suffer from the methodological problem of drawing generalization across cases, it alone may not provide all answers to particular cases either.<sup>50</sup> Thus the present work will test the applicability of single case studies of sanctions and aids to understand better the workings of sanctions and aids on North Korea.

#### WHAT ARE ECONOMIC SANCTIONS AND AIDS?

Before going further, a clear understanding of the – and related – concept is necessary in the context of the present case study. Baldwin pointed out three common meanings of the term; “the first is a rather narrow concept referring to the use of economic measures to enforce international law. The second refers to the types of values that are intended to be reduced or augmented in the target state. And the third usage corresponds to the concept of economic techniques of statecraft as used here” (Baldwin 1985: 35-36). It appears that the first conception applies in the present study, as economic sanctions are used to enforce international law i.e. nuclear nonproliferation. But before adopting this conception to avoid analytical convenience, a more critical understanding of economic sanctions will be attempted. Baldwin also noted that it appears “narrowly legalistic and therefore unsuitable for general foreign policy” (Baldwin 1985 1985: 36).

What then is economic sanction? Baldwin quotes Gatlung that the use of economic statecraft in situation where “military action is impossible for one reason or another,” in which doing nothing is seen as tantamount to complicity,” and in which something must be done “that at least seems as a clear signal to everyone that what the

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<sup>50</sup> “Although single case studies of economic sanctions provide important information, they lack generalizability”, (Drury 2005) p.2.

receiving nations [of the economic sanctions] has done is disapproved of.”<sup>51</sup> Baldwin further goes on to define that, “economic sanctions lie somewhere in between war and appeasement in terms of a continuation of ‘toughness’. Those favoring a ‘soft line’ are likely to criticize them as too coercive and confrontational, while ‘hard-liners’ are likely to see them as demonstrating a lack of commitment. This is understandable since economic are often intended to combine elements of appeasement and hostility, to demonstrate simultaneously both commitment and restraint.” Further he defines that, economic sanctions “are stronger than diplomatic protests but weaker than military attack” (Baldwin 1985: 104). However it is worth mentioning that there are others who emphasise the coercive nature of sanctions involving implicit threats of military force. Drury defines economic sanctions citing George et al. that, “economic sanctions, like limited military action, are a form of coercive diplomacy, which is best defined as using enough pressure ‘to demonstrate the credibility of one’s determination to use more force if necessary...The coercive strategy, therefore, has a signaling, bargaining, negotiating character...’”<sup>52</sup> Further, Drury also points out the dilemma of using incentives as foreign policy tool as he states that, “the problem with using incentives on opponents and sanctions on friends is the political costs associated with each. Offering an economic inducement to an opponent may send a signal of weakness to the international community. It may also invite blackmail attempts”. (Drury 2005: 9).

Barber states that, “economic sanctions are economic measures directed to political objectives” (Barber 1979: 367). Hufbauer et al. sought to segregate in their study matters that concerns national security export controls such arms embargoes and weapons related dual technologies and narrows down where economic sanctions are defined as “to mean the deliberate, government inspired withdrawal, of customary trade or financial relations”: ‘customary’ here implying “levels of trade and financial activity that would probably have occurred in the absence of sanctions.” Further, “in most cases, the use of sanctions presupposes the sender country’s willingness to interfere in the decision

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<sup>51</sup> Gatlung, Johan (1967), “On the Effects of International Economic Sanctions”, *World Politics*, XIX: 378-416, in David Baldwin (1985), *Economic Statecraft*, p.

<sup>52</sup> George et al. (1971), *The Limits of Coercive Diplomacy: Laos-Cuba-Vietnam*, Boston: Little Brown and Co. p. 18. Quoted in A. Cooper Drury (2005), *Economic Sanctions and Presidential Decisions*, p. 62.

making process of another sovereign government, but in a measured way that supplements diplomatic reproach without the immediate introduction of military force” (Hufbauer et al. 2007: 3,5). It is also known as “economic warfare when the sender state initiates some kind of economic sanctions against the target for the purpose of weakening its capabilities prior to a conflict” (Drury 2005: 13).

Pointing out that, economic sanctions have issue linkages and differential preferences, Lacy and Niou argue stating that, “since cases of economic sanctions are, almost by definition, cases of issue linkage, it is surprising that models of sanctions and linkage have not been better integrated in the literature on international relations” as according to them, “a case of issue linkage occurs when one party in a dispute introduces a new issue into the dispute, demanding that any resolution address all of the issues (Lacy and Niou 2004: 26). In their game theoretic model, there can be lack of complete information about a player’s preference for a resolute, irresolute sender and compliant or resilient target state, not their capabilities which would determine the success or failure of economic sanctions as opposed to sanctions analysis based on capabilities of states. (Lacy and Niou 2004). Allen also maintains that, “if both sides possessed perfect and complete information, neither side would have doubts about the outcome” as sanctions are utilized because information asymmetries do exist (Allen 2005: 122).

A more comprehensive definition of economic sanctions and incentives is given by Cortright where he defines that, “sanctions and incentives are more appropriate and readily available tools of policy than the use of military force. They give weight and authority to diplomatic persuasion...Sanctions go beyond purely economic measures such as trade and technology restriction to include a wide array of coercive measures, including travel bans, arms embargoes, and diplomatic and cultural isolation. Similarly, incentives include not only economic measures such as financial assistance and trade preferences, but also security assurances, technological cooperation, and offers of membership in international institutions” (Cortright 2001: 116). Cortright also notes that sanctions and incentives are closely linked explaining that, “ending a negative sanction can be considered a positive incentive, while removing an incentive can be seen as a sanction. The art of diplomacy lies in the judicious blend of positive and negative

influences. Sanctions are imposed or threatened to persuade the target to change objectionable behaviour; incentives are offered to increase the advantage of the requested change” (Cortright 2001: 120).<sup>53</sup>

From the above definitions, economic sanctions can be broadly understood and summarized as a tool of statecraft or a foreign policy tool which are used as coercive action short of military force to achieve political goals. That economic sanctions and aids are prequel to more coercive means of persuasion with military force. But whether the failure of economic sanctions leads to military confrontation is another matter. Economic sanctions are also embargos on technology transfer and military equipments besides embargos on trade, financial aids and economic activities. Sanctions also carry the weight of military option as stipulated in Chapter VII, Article 42 of the United Nations<sup>54</sup> and often invoked upon by the United States in their drafted resolution against North Korea. Although there are different tools and means used in foreign policy to achieve political goal, all of them are used as forms of punitive actions or incentives to induce policy change in a target state or deter a target state from its conduct.

### **The Concept of Smart Sanctions:**

Another concept of sanctions called ‘Smart Sanctions’ which some argue differs in theory from conventional sanctions as it targets and penalize via arms embargoes, financial sanctions, travel restriction and the political elites deemed reprehensible by the international community (Tostensen and Bull 2002: 373). Barber noted, “apart from the question of the number of states imposing the sanctions there is also the question whether the sanctions are employed selectively, concentrating on a particular aspect of the economy such as oil supplies, or whether they are applied on a much wider basis” (Barber 368). Cortright contend that, “the sanctions have become punitive in nature and reflects a gross abuse of human rights” (Cortright 2001: 119). Cortright therefore

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<sup>53</sup> Iraq which suffered one of the most pervasive economic sanctions since the early 1990s, brought to an end with UNSC resolution 1483, affected the general population causing humanitarian concerns. See Cortright.

<sup>54</sup> The legal basis of UN sanctions can be found the UN Charter, Chapter VII, Article 39-42. (Tostensen and Bull).



maintains that, “the emphasis now is on targeted or selective measures rather than general trade sanctions. This new approach is designed to avoid the kind of humanitarian hardships that resulted from the sanctions against Iraq” (Cortright 2001: 119). Therefore the emphasis of sanctions has shifted to selective machineries of the state so as not to hurt the socio-economic wellbeing of the civilian population but the political set-up and the elite class of decision makers. Accordingly, the “distinction is drawn between the various approaches to humanitarian exemptions, namely: (1) institution-specific exemptions; (2) item-specific exemptions; and (3) country-specific exemptions” (Tostensen and Bull 2002: 381). The first exemption implies institutions such as Red Cross, Oxfam UN bodies etc. The second implies items which are exempted and considered necessary for humanitarian needs and the third referring to phase by phase exemption of items as per the situation (Tostensen and Bull 2002: 381-382).

The imposition of economic sanctions have to deal with various conflicting interests and at the United Nations, drafting and adopting UNSC resolutions have to compromise between those who want to impose tough sanctions and those who are against tough imposition on the target states. For instance, Russia and China were totally against the inclusion of Chapter VII, Article 42 of the constitution which has provision for military intervention. The U.S. is of the view that the prospect of the Resolutions imposing effective and strong sanctions were nullified by this opposition. Tostensen and Bull in criticism of conventional sanctions also pointed out that the “spillover effects” of sanctions on “neighboring states or transit states often lead to de facto unwillingness on the part of affected third states to implement sanctions measures” (Tostensen and Bull 2002: 378). This according to them creates an environment for the target states to circumvent which renders the final resolution or the sanctions ineffective. This observation also holds true to North Korea’s neighbours who happened to be deeply involved, thus increasing the unlikelihood of reaching compromises on passing strict sanctions on the DPRK. Among the Six Party members, South Korea, China and Russia have stakes and interests in maintaining stability across their borders. The shared concern of a “spillover effects” of instability due to harsh sanctions and coercive measures could lead to refugee problems for all these countries. Therefore in spite of the mandated

UNSC resolution to impose sanctions, these countries have chosen not to impose unilateral economic sanctions especially trade and economic development projects.<sup>55</sup>

The approach of 'smart sanctions' could however be challenged that it diminishes the effectiveness of sanctions. Tostensen and Bull acknowledged that, "when considering humanitarian exemptions, one cannot overlook that they are a form of sanctions 'leakage' and thus undermine the effectiveness of a sanctions regime" (Tostensen and Bull 2002: 382). The case could be made against smart sanctions approach still on the basis that in democratic or quasi democratic state, sanctions without exemptions will yield political gains of policy change from the population who will push change in policy or administration. However as there are many other factors which affect the success and failure of sanctions this cannot be said to be true all the time. At the same time it can be questioned if exemption makes sanctions less effective on a state like North Korea which is already reeling under severe food shortages and famine.

#### ECONOMIC SANCTIONS AND AIDS IN PRACTICE:

The purposes of economic sanctions go beyond the simple understanding of inducing policy change in the target country. Economic sanctions and aids may be employed as means to achieve an end or an end itself. Baldwin states that, "there are possibilities that there might be targets of influence attempts (economic sanctions) other than, or in addition to, the sanctioned states" (Baldwin 1985: 16). For instance, economic sanctions and military intervention in Iraq may be viewed as setting an example to deviant states and regimes going against accepted international norms. Economic aids on the other hand are carried out on the belief that, "greater economic activity will lead to positive political consequences" (Lavin 1996: 141). It could also lead to a situation especially in non-democratic state like communist DPRK to lose its monopoly over socioeconomic mobility (Lavin 1996: 141). Incentives are also called positive sanctions or weak

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<sup>55</sup> KEDO project was suspended as it has the U.S., Japan and EU besides South Korea as participating members in the energy development project.

sanctions as it employs soft approach to convince or coax a target to comply with the sender's demand. Dorussen in his analysis of the works of Bernauer & Ruloff (1999), Cortright (1997), Drezner (1999) and Long (1996) maintains that incentive bargaining between adversaries is very strenuous and a serious burden to an already fragile relationship (Dorussen 254).<sup>56</sup> In the final analysis, Dorussen pointed out the works agreed on the requirements of incentives to be sufficiently valuable and that incentives and sanctions carefully distinguished from each other.

There appears to be no consensus on the approach to the study of economic sanctions. Theories of economic sanctions and aids fall into broad categories; first, the approach with the premise that economic sanctions are failures and do not change the behavior of the target states whether sanctions are threatened or imposed; second, that economic sanctions are failures stems from the failure to include those cases where sanctions are threatened and sanctions are only a failure when it is imposed. That bias in case selection of economic sanctions where it was imposed has led to the assumption that most sanctions are failure. This group argues that there are many cases where sanctions are successful at the threat stage rather than after imposition. Barber pointed out the practicalities of sanctions as according to him, "one way of looking at sanctions is to note the number of states involved. The initiative in imposing international sanctions normally rests on one or two particular governments; but to make the sanctions effective they usually attempt to recruit other states and to involve international agencies." Barber further points out that, "apart from the question of the number of states imposing the sanction there is also the question whether the sanctions are employed selectively, or whether they are applied on a much wider basis" (Barber 1979: 368). Likewise Martin also makes the case for multilateral cooperation for economic sanction to be successful. According to the Martin, "successful sanctions effort usually requires cooperation among the target state's trading partners...cooperation is one step removed from success, a necessary if not sufficient precondition for it" (Martin: 1992: 6).

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<sup>56</sup> Dorussen analyses the work of Bernauer & Ruloff (1999), Cortright (1997), Drezner (1999) and Long (1996) on the effectiveness of positive incentives.

If according to the formulation and arguments given by Lacy & Niou and Drezner, that sanctions when threatened is more effective than sanctions when imposed, the case of North Korea would possibly present a different picture. North Korea is currently under a wide range of sanctions imposed multilaterally through the UNSC mandated resolutions of 1718 and 1874 and unilateral sanctions imposed by the United States and Japan with sporadic sanctions imposed by the ROK, Russia and China when crisis escalated. Prior to the second nuclear test in May 25, 2009, North Korea was already being sanctioned under the UNSC resolution 1718. By 2008, the US has removed the DPRK from the list of state sponsors of terrorism and Trading with the Enemy Act (TWEA) which considerably eased the unilaterally imposed sanctions by the U.S. as a result of the agreements reached during the February 13, Six Party Agreements and eventual progress on phase wise dismantlement of North Korea nuclear facilities. But progress was stalled again due to disagreement over the modalities of verifying the declaration and dismantling of DPRK's various nuclear facilities. The Six Party Talks remained suspended and in April 2009, the crisis escalated in the region when North Korea launched missile test despite warnings of consequences from even China and Russia. On 25, May 2009, North Korea tested another nuclear device drawing unprecedented harsh response even from China and Russia. Eventually, the UNSC passed resolution 1874 which tightened the already imposed sanction on the DPRK. The chain of events leading to the second nuclear detonation points out first and foremost the inefficacy of the imminent threat of economic sanctions that should have deterred North Korea. Secondly it also questions the qualifying condition of a sanction to be successful i.e. multilateral sanction which was carried out under the UNSC resolution 1718 but failed to stop the second nuclear test. Thirdly, the incentives provided for the dismantlement in the form of Heavy Fuel Oil (HFO) and other promises as the work progresses could not entice the regime from cooperating with the nuclear dismantlement. In short neither the threat of sanctions, the imposition of sanctions nor incentives and concessions brought to realization the political objective of denuclearization.

**Workings of Sanctions:**

According to Lacy & Niou and Drezner the game of economic sanctions involve stages of decisions for coercers of sanctions and targets of sanctions that determines the success or failure of economic sanctions. From the sender side there are resolute players who are determined to threaten and impose sanctions. There are also sender states that may be resolute at threatening but irresolute on imposing sanctions. These outcomes are a result of many factors and it is this information on the determination of a state's decision that a target is unaware. Similarly there are target states that may be compliant to threats or resilient to threats of sanctions. On imposition of sanctions a compliant target state will capitulate and a resilient state will not.

**Compliant or Resilient Target States of Sanctions:**

In Lacy and Niou's game theoretic formulation, "the threat stage is critical for understanding sanctions. When sanctions are successful, their success will often come at the threat stage. When a target does not comply, then the game proceeds to the sanctions stage. In the sanctions stage, sanctions will be applied only when a resolute coercer meets a resilient target, which highlights the second insight from the model: When sanctions are actually imposed, they often will not succeed" (Lacy and Niou 2004: 35). Drezner also offers a similar argument stating that, "actors have an incentive to reach an agreement before imposition. If the sender prefers the status quo to imposing sanctions, then there should be no coercive attempt. If the target prefers conceding to incurring the cost of sanctions, it has an incentive to acquiesce before the imposition of sanction." (Drezner 2003: 644). Applying it again to North Korea's nuclear crisis, the target is resilient both at the threatened stage and the sanctioned stage, therefore a clear case of sanction failure. Further according to them, the outcome preference of the coercer ('resolute' or 'irresolute') and targets ('resilient' or 'compliant') are unknown, unlike other game theoretic model where information about other players are known, that of capabilities of the players. Lacy and Niou rely on the unknown player's preference of outcomes; "each side in a dispute has a preference for the disputed issue (or issues) as well as a preference for whether sanctions are imposed" (Lacy and Niou 2004: 26). Hence it would follow

that the United States and the DPRK have incomplete information on each preference of outcome in the game. Accordingly North Korea would not be sure about U.S. preference on whether to impose sanction or not to impose them on failure to comply with the demands of denuclearization. But this cannot be said to be the case, as failure to concede on demanding denuclearization would most certainly lead to threat of sanction by the United States. North Korea can be said to have 'complete information' of U.S. preference on whether it would impose sanction on failure to concede to the demands. For example the demand to refrain from conducting the second nuclear test in 2009, comes with the complete information of U.S. or for that matter UNSC's preferences of outcome would be sanction for both the players if North Korea is resilient. North Korea was resilient even though the coercer would not have been sure if North Korea would be compliant or resilient upon threat or imposition of sanction. Hence it would appear that, sanction would fail even before the threat stage as information on the preference of outcome is known. Or at the least the model would not have proven true in this case. However this is not to say that the analysis of unknown preference model on North Korea is applicable on all cases of sanctions, where it might be actually validated. One of the outcomes in their formulation is that of classic cases of sanction failure where "the coercer threatens economic sanctions, target does not comply, coercer imposes sanctions, targets does not capitulate." North Korea case may be an example of this outcome where it neither complied nor capitulated on the threat and imposition of sanctions.

According to Lacy and Niou, their model, "reveals that the threat of sanctions can be as potent a policy tool as the imposition of sanctions. If the target is compliant and if the target believes that the coercer is likely to be resolute," where the coercer threatens sanctions and the target complies, it "shows that the threat of imposing punishment can effectively compel targets to comply. Empirical studies that examine only cases in which sanctions were imposed omit a class of cases that represent successful sanctions, though the sanctions were threatened but not imposed. Examining cases of only imposed sanctions generates a selection bias in empirical research." (Lacy and Niou 2004: 38).

Lacy and Niou come up with “mixed-strategy equilibrium” where they pointed out the “conditions for a compliant target to defy the threat of sanctions but to capitulate once sanctions are imposed”, and they are: “(1) the target believes that the coercer is irresolute...(2) the value of not complying without being sanctioned is high...(3) the difference in value between complying after being threatened and capitulating after being sanctioned is small..” (Lacy and Niou 2004: 37). According to them sanctions where it involves the play of mixed strategies are not observed.

### **Resolute and Irresolute Sender or Coercer of Sanctions:**

States that threaten and impose sanctions also fall into two broad kinds, those states that are resolute in threatening and imposing sanctions and those states which are irresolute. Lacy and Niou point out that, “differences in the sanctioning behavior of a coercer may be rooted in its preferences, not its capabilities...coercers have different preferences that may or may not be linked to their capabilities” further “to infer a state’s capabilities from its behavior is erroneous” (Lacy and Niou 2004: 39). Hufbauer et al. argue that, ““Demonstration of resolve has often been the driving force behind the imposition of sanctions. This is particularly true for the United States, which frequently has deployed sanctions to assert its leadership in world affairs” (Hufbauer et al 2007: 5). Martin also argues on similar lines that in multilateral sanctions a leader state has to show resolve and initiation to draw support for imposing sanctions. (Martin 1992). But according to Oberdorfer the Bush administration was faced with indecision between pro-engagement and hawks “who believe that negotiations would simply strengthen an evil regime that they hope to bring down through external pressures” and as a result the Bush administration was policy stalemate and irresolution” (Oberdorfer 2005). Moreover a dominant approach caused rifts among the Six Party members even as China has assumed more influential role. But the fact that the DPRK frequently demands direct bilateral talks with the U.S. still indicates that Washington holds the key to resolve the nuclear crisis. At the same time U.S. harsh rhetoric and stringent economic sanctions are not shared by

South Korea (till Myun-bak administration) China and Russia who are not keen on imposing harsh sanctions on North Korea.<sup>57</sup>

### **The Efficacy of Sanctions:**

The short analysis done above with arguments made by Lacy and Niou, Drezner and others indicate that, both the sender of economic sanctions and the targets are resolute and resilient respectively (Six Party members and North Korea) thereby making sanctions a failure. But taking into account other factors that shape such an outcome, the result may be different. One should also look at the overriding or primary political objectives of employing sanctions on North Korea, which is denuclearization of the Korean Peninsula. Yet at the same time different parties in the Six Party Talks are motivated and guided by their strategic geopolitical interests that sometimes override the common objective of dismantling DPRK's nuclear weapons program. Drezner argues that, "under conditions of high conflict expectations, both the sender and target fear that any concessions made in the present will leave them in a weakened bargaining position in future conflicts, making credible commitments more difficult to achieve" (Drezner 2003: 647). Negotiations in the Six Party talks are difficult at reaching consensus due to mutual distrust which has to be quashed or removed. If Martin's formulation of forming cooperation among sanctioners are contingent of others decision rather than going unilateral implying a bandwagoning effect, the Six Party members do not effectively represent that scenario although under the institution of UNSC which Martin argues, "states will be more likely to cooperate in cases where an international institution has called for sanctions, as institutions help states avoid dilemmas of coadjustment and assurance and may give the

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<sup>57</sup> Besides, one of Russia's objectives in proactive involvement in the North Korean nuclear crisis is to curtail or counterbalance the hegemonic influence of U.S. in the Northeast Asia. China is no less wary of U. S. predominant influence in the Northeast region and looks at the prospect of Korean reunification with apprehension lest it become a pro-American democratic government losing out the buffer zone North Korea provides from the pro-western states of Japan, South Korea and the cross-strait rival Taiwan. See Ha and Shin (2006), "Russian Nonproliferation Policy and the Korean Peninsula" at [www.strategicstudiesinstitute.army.mil/pdffiles/pub747.pdf](http://www.strategicstudiesinstitute.army.mil/pdffiles/pub747.pdf). On China's dilemma, see Wang, Fei-Ling (2005), "A Regional Play of the Global Game: China's Korea Policy and the Sino-American Relationship", *International Journal of Korean Unification Studies*, 14 (2): 141-170.



major sender additional coercive tools” (Martin 1992: 40-45). Thus the generalizations of multiple cases through these arguments need not always be a correct representation and provide better understanding to single case studies.

Sanctions may also be imposed by selectively choosing target, as Hufbauer et al. put it, “a sender country tries to inflict costs on its target in three main ways: by limiting exports, by restricting imports, or by impeding the flow of finance” World Bank, IMF etc. “including by freezing or seizing target-country assets within the sender’s control” (Hufbauer et al 2007: 44-45). The DPRK has throughout the decades since 1950s have had little or no relation with international financial institutions as it had no form of market economy and the existing were at best primitive, with the exception that there are special economic zones developed with the help of South Korea and China in recent years. In September 2005 the U.S. imposed severe financial sanctions by freezing North Korean accounts and assets worth \$24 in BDA, the only major source and institution where North Korea has international financial transactions.

Most of the arguments on economic sanction theories posit that, the objective of effecting ‘policy change’ in a target state as yardstick for success or failure is a methodological error and biased in case selection. The argument is that the success rate of economic sanctions is higher when sanctions are threatened rather than the actual imposition. It should be worth analyzing if this is the case with North Korea as well. Allen specified the very basic condition of economic sanctions to succeed. She states, “for sanctions to influence behavior, it is imperative that the target state be vulnerable to economic sanctions” (Allen 2005: 120). She specifies the condition for success in sanctions that, “if sanctions are to succeed, the target government must concede to the demands of the sender. Regime type will influence the decision to concede, as democratic publics have the ability to exact political costs on their leaders for failed or unpopular policy choices. In contrast, autocratic populations have fewer avenues of influence” (Allen 2005: 118). Further according to her, when sanctions fail to induce behavioural change in a target state it will be abandoned as the sender has made concessions.

It should be noted that, unlike other deviant states, there are certain characteristics of the DPRK, which may not match with the generalized characteristics of a target state. Firstly, the DPRK is a closed, central command economy with no or little elements of market economy. The North Korean economy failed to register growth after the former Soviet Union disintegrated and China opened up its economy thereby removed from two of its communist benefactors. One of the basic foundations of North Korea as a nation has been guided by the principle of *Juche* interpreted 'self reliance' ideology which has its influence firmly placed in the DPRK's society. Secondly, the *Son'gun chongch'i* or 'military first' doctrine enforced by Kim Jong-il, relegates economic interests to a secondary or at a lower rung in terms of the country's priority in contrast to fellow communist state China which places economic development high on its agenda. Thirdly, the general population and society in the DPRK is most repressive, with government agency controlling information and spreading wrong propagandas thereby making the society immune to external influences and little probability of internal uprising at least for the immediate future. Fourthly, North Korea has endured a host of stringent sanctions from the United States since the 1950s as the country was placed under Trading with the Enemy Act (TWEA)<sup>58</sup> and remained on the list of State Sponsors of Terrorism with no indication that these sanctions ever worked to induce change of behaviour in North Korea. And finally North Korea now possess nuclear and credible missile capabilities after having endured sanctions, diplomatic isolations and dilapidated socio-economic structure for decades.

The above summarization of North Korea as a state and society and its characteristics which have major deviations from most nations are pointers that the application of generalized study on economic sanctions will be of no great help. Having outlined the characteristics of North Korean state and society, it may be inferred that the various specifications or generalization of economic sanctions and target states differs considerably if applied to North Korea.

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<sup>58</sup> See Lee and Choi (2007), *North Korea: Economic Sanctions and U.S. Department of Treasury Actions 1955-September 2007*, The National Committee on North Korea, p. 6-7.

Cortright argues that, “If the focus is on the instrumental objectives of sanctions, on their success in bringing about a major change in policy, effectiveness is often limited. However, if the emphasis is more on symbolic or expressive purposes, such as reinforcing international norms, sending signals of disapproval, or demonstrating resolve, sanctions can be highly effective” (Cortright 2001:118). Further, “the greatest benefit of sanctions comes not from their punitive impact but from their ability to prompt a bargaining process for the negotiated resolution of conflict. Sanctions work best as instruments of persuasion, when they are employed as part of a carrot and stick diplomacy designed to achieve a negotiated settlement.” (Cortright 2001: 118). Seen this way the ability of China and the Six Party talks to bring back North Korea to the negotiating table can be a measure of success, as the Six Party Talks were able to reach important agreements on September 19, 2005 Joint Declaration and February 13 2007 agreement to carry forward the dismantlement of North Korean nuclear facilities on the principle of “action for action.”

After the 25, May 2009 nuclear test, “the U.S. strategy has been to tighten sanctions on the DPR (particularly financial sanctions), not provide economic or diplomatic incentives for the DPRK to agree to commitments it has already made...” (Nanto and Chanlett-Avery 2010:7). The new Lee government in South Korea has shown more willingness to join forces with Washington and Tokyo to adopt harsh measures to reign in North Korea, a policy shift after nearly a decade of ‘Sunshine Policy’ and its legacy improvised by Roh Moo-yun government.

#### **Economic Incentives at Work:**

As Cortright argue that, “inducement strategies have the potential of laying the basis for long-term cooperation and interdependence. They help to create the conditions that minimize the likelihood of violent conflict” (Cortright 2001: 121). South Korea’s “Sunshine Policy” is an example of this approach where active engagement is emphasized not only to create avenues for dialogue and build mutual trust, but also to improve the socio-economic structure of the DPRK to coax the isolated regime to open up to the international economy. But the primary and long-term objective of

denuclearizing North Korean nuclear programme stands in the way of the incentive strategy to achieve desired result. If on the other hand the U.S. is perceived as the principle adversary as the DPRK often pronounce, then whatever the incentive strategy adopted by the ROK and China will be ineffective so long as there is mutual distrust between the U.S. and the DPRK. Cortright pointed out the combined effects of sanctions and incentives which may yield better results.

Long however argues that, “incentives may be the preferred policy instrument if the goal is long-term cooperative influence because they possess some unique cooperation-inducing effects at both the domestic and international level” (Long 2006: 6). This again is arguable on the case of North Korea unlike other cases where it may make sense. North Korean society besides being the most repressed, it is also the most deprived with allegations of diverting humanitarian aids towards elites and sympathizers of the regime, the general population left to fend for themselves. The Special economic zones being experimented however could affected some profound changes, as seen especially in border areas near China where active trade and business are growing. Jae Cheol Kim gives an account of border trade propagated by medium Chinese firms looking for markets and cheap labour and Kim wrote that, “Chinese officials rejected sanctions as a means to pressure Pyongyang to abandon its nuclear program, fearing that this tactic could lead to regime collapse there. Instead, China turned to economic means offering assistance if North Korea would join the six-party talks” (Jae Cheol Kim 2006: 907).

Hence if the conventional theory or approach is nullified by the type of government sanctions or incentives, the case of North Korea presents different scenario that generalization cannot achieve.

#### **SUMMARY:**

From the above discussion of various theories and analysis, some of the arguments represent the case of North Korea, for the failure of economic sanctions, if not for the likelihood of a different outcome had the policymakers of coercer states adopted different strategies. Since this is not a study on the validation of the sanctions theory, an

assessment of the various discussion on different approaches to the study of economic sanctions was done briefly. But taking the different approaches into account it has been compared with North Korean nuclear crisis, where the reclusive regime is facing hosts of sanctions unilaterally and multilaterally from different parties in the Six Party Talks and the UNSC resolutions 1718 and 1874. Moreover the generalizations drawn on multiple cases from various analyses do not apply to North Korean case on many occasions though some may be applicable. For instance, the assumption that sanctions are imposed to bring economic hardships on the general populace so that the hardships will act as catalyst for revolution for the government to change its policies that has resulted in economic sanctions do not hold a strong basis in the case of North Korea. The DPRK is a very controlled and repressed society where mis-propaganda and misinformations are widely circulated. Even in multiple case studies this is not always the case, but North Korea differs from both as the population is one of the most repressed and a Stalinist communist country where the prospect of revolution or uprising are next to nil.

The common argument on the theories of economic sanctions starts with the assumption that most analyses on economic sanctions dwell on examples of economic sanction failures. Lacy and Niou and Drezner among others argue that economic sanctions are not total failures as pointed out by the majority of the literatures which according to them is a result of bias in case selection. In the case of North Korea, the first condition has clearly not qualified as it is already a failure. But if the explanation of target state being resilient and compliant is applied it also reveals a lot of bargaining on the two sides irrespective of the failure or success of economic sanctions.

Allen maintains that, “authoritarian leaders, have little incentive to concede to economic coercion in most situations and are unlikely to do so in the near term, if ever” (Allen 2002: 133). Allen reaches this conclusive statement based on her analysis of domestic politics of a democratic state and authoritative state that influences the resistance of the targets government. This would imply that the prospect of political gain for the coercers of economic sanctions is minimal to zero, as society in non-democratic states or totalitarian regime such as North Korea has little to offer in terms of social uprising to affect any costs on the regime or authoritarian government.

Finally, the costs of sanctions on North Korea may be of little consequence as it seeks to achieve nuclear capability which is a bigger price to forego. There can be many reasons and it is arguable if heavy concessions or “grand bargain” to give up its nuclear weapons can be negotiated. North Korea risked harsh sanctions and even military intervention by conducting two nuclear weapons in a span of three years accompanied by a series of provocative missile launches. Having gone through and risked so much, to achieve what it did today it would be wishful thinking to expect the regime to give up its nuclear weapons which has kept the Northeast region on tenterhooks with mere application of sanctions and incentives.

## Chapter 4

### Nuclear Stalemate: A Bargaining Chip?

Economic sanctions and inducements in the form of economic aids to roll back North Korea's nuclear and missile programme have not achieved its objectives i.e. denuclearization of North Korea's nuclear weapons programme. The failure of sanctions and incentives has often been blamed or explained away that DPRK's nuclear programme has become a means and a tool of extraction for more concessions and economic aids from the international community to support its crumbling economy and impoverished population. It is also argued that the nuclear programme has become leverage for North Korea in the Six Party negotiations. These views have led many to argue particularly among the hardliners in the United States that North Korea is being rewarded for its brazen conducts and that more stringent economic sanctions and other tough measures are required to resolve the nuclear stalemate. Some have argued that the nuclear detonation on 9, October 2006 and 25, May 2009 are regime saving acts against any internal contingencies alluded to the critical transition period of leadership,<sup>59</sup> owing to Kim Jong-il's reportedly ill health thereby effectively guaranteeing the legitimacy and continuity of the Kim's family legacy in the DPRK.

The arguments made above are valid and logical but at the same time raises some fundamental questions which are not addressed such as; why a failing state like North Korea on the brink of collapse would risk further sanctions, diplomatic isolation and even the possibility of military intervention?; and why North Korea refuse to comply even after assurances from the United States of nonaggression and promises of normalizing bilateral relations if DPRK is willing to give up its nuclear infrastructure? Are sanctions and aids just inadequate to induce North Korea to give up its strategic asset i.e. its nuclear weapons programme? These are some pertinent questions that need better analyses and understanding than offering seemingly logical answers which do not address the more

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<sup>59</sup> Kim Jong il reportedly suffered stroke on the 60<sup>th</sup> anniversary of North Korea. However North Korea dismissed it as baseless the next day.

fundamental issues. It could also be possible that the arguments given suffice or that there are more aspects which will better answer the questions. The purpose here is to address an argument which has received lesser attention on the explanation of the North Korean nuclear crisis. Therefore it will examine the bargaining chip hypothesis which argues that the nuclear weapons programme is used as a bargaining tool. Arguments will be attempted that the nuclear weapons programme is not a bargaining chip – that concessions and aids become additional benefits to its real goals of achieving nuclear capability – but to argue that North Korea’s objective goal is to achieve nuclear capability itself. As few have pointed out DPRK’s involvement in the Six Party talks has been a strategy to buy time to develop nuclear weapons. If this is the case, then no amount of sanctions and incentives or at least the sanctions and aids provided thus far would have stopped North Korea’s nuclear ambition. It would have needed much more than present strategy to achieve denuclearization in the Korean Peninsula. However it should also be noted that, perceiving the real motives of North Korea is a difficult task and many analyses provided in the literatures are speculations and assumptions.

Six Party Talks was formed in August 2003 and after many rounds of negotiations and fluctuating fortunes on the prospect of denuclearizing North Korea, North Korea gained in the form of two nuclear tests and a barrage of missile flights. The international community faces a reclusive regime in possession of nuclear weapons capability. The second nuclear test on 25, May 2009 combined with provocative missile launches show indications that the likely additional and stricter sanctions and incremental risks in the region did not deter North Korea. The hard-liners perception of looking upon North Korea’s defiant nuclear posture as a form of brinkmanship and bargaining reinforced the argument of rewarding a “rogue state” which prevented the establishments from adopting more constructive approach.

According to Andrei Lankov, economic sanctions are imposed on the premise the resulting economic hardships would led the dissatisfied to “press for change in the policy which led to the international sanctions in the first place, or simply overthrow their non-complying government” (Lankov 2009: 257). This may be a limited concept



understanding of sanctions as more detailed discussions had been done in chapter three. However this is one of the many goals of imposing economic sanctions on authoritarian of undemocratic government, in this case a totalitarian regime. The United States has made no attempt at hiding its intention and desire to bring about a regime change or military intervention if situation allows. But in the case of North Korea, where the general population is already facing one of the worst economic stagnation, sanctions imposed in the hope of causing a domestic unrest that would topple the government is unlikely to occur and Lankov contended as much as he maintained that North Korea is not liberal enough for its people to have any influence in matters of governance.

#### DIFFERENCES AMONG THE SIX-PARTY MEMBERS:

The differences among the Six Party Talks members have been one of the major causes of failing to put up a common front against the brinkmanship tactics of North Korea during the negotiations. Conflict of geostrategic interests and differential political goals in Northeast Asia have been described in chapter two. The collapse of the Kim regime is seen as unfavourable to China, Russia and ROK whereas the U.S. and Japan expect and at worst worked to bring about 'regime change'. United States on the other hand had in its policy options the capitulation of the regime, that of 'regime change' to bring the nuclear stalemate to an end. Amidst these differences in advocacy and approaches, North Korea has attained what it sought to achieve, nuclear weapons capability. Some analysts have argued that the October 9 nuclear test was a desperate effort by the North Koreans to secure bilateral negotiations with the United States and, once in negotiations, have more leverage. (Rennack 2006: 6).

While Russia on the one hand view Washington's hegemonic role and its sanctions on North Korea as counter-productive and destabilizing, the United States accuses Russia of being uncooperative with the new Lee Myung-bak government in ROK and doing little to North Korea overcome its isolation and was not pleased when Russia blamed the U.S. and North Korea for stalling the Six Party Talks on 2008. Toloraya pointed out that, "some conservative U.S. experts consider that "Russia increasingly





plays a self-serving spoiler role more related to a resurgent Russian resistance to the US globally than to anything relevant to Korea.” (Pacific Forum CSIS (2008), *Pac Net*, No. 2 quoted in Toloraya 2008: 54). Some obvious cases where their differences have occurred are in the two resolutions passed in the United Nations Security Council, Res. 1718 and Res. 1874. Russia and China on both occasions objected the inclusion of the provision on ‘military force’ under Chapter VII, Article 42. It was argued that this act has robbed the resolutions of its effectiveness with no coercion in the implementation.

#### WHY THE U.S. WON’T BILATERALLY ENGAGE NORTH KOREA?

One of the persistent demands from North Korea to lowering the tension and improve overall atmosphere for dialogue and negotiation on the nuclear stalemate has been to have direct bilateral talks with the United States. The U.S. for its own reasons insists on the multilateral set up, the Six Party talks to negotiate and resolve the nuclear crisis insisting that they can have bilateral talk under the auspices of the Six Party Talks.

The United States as a democratic and most powerful state may not so it fit to be dealing bilaterally with North Korea. The infamous ‘axis of evil’ speech indicates a way of dealing with outlaw regimes i.e. through tough measures including military force. In this context Bleiker argues that, “the reluctance to use force against North Korea obscures the fact that US foreign policy is guided by a largely consistent approach towards the phenomenon of so-called ‘rogue’ states. That war was not advocated in Korea is a reflection of diplomatic constraints and, above all, strategic limitations” (Bleiker 2003: 720).

According to Choi and Park, the U.S. approach toward North Korea has been terrorism and proliferation. Since the 9/11 terrorist attack the new Bush government adopted a “anything but Clinton” policy implying that the Clinton’s administration policy of courting North Korea or other deviant actors from international norms and anything or anyone related to terrorism was an evil to be eliminated. This according to Choi and Park “provided a basis for forming a US perception of North Korea and set the tone for and orientation of US approach toward North Korea. So the US rhetorical expressions such as

“axis of evil” and “outpost of tyranny” could not and should not be taken lightly...” (Choi and Park 2007: 107). According to Choi and Park, “the United States has viewed and approached the North Korean nuclear problem from the two dominant aspects: terrorism and proliferation” (Choi and Park 2007: 106).

The Clinton’s era of engagement were replaced with hawkish and hard-line policy advisers in the Bush administration. Even as the 2002 second nuclear crisis started, the U.S. 108<sup>th</sup> Congress in 2003 adopted measures in, S. 145, North Korea Democracy Act of 2003: which prohibits assistance to KEDO, limits entry into force of any nuclear cooperation. Earlier President Bush in his State of the Union Address, labeled North Korea along with Iraq and Iran as ‘axis of evil states’ which many see as unnecessary and provocation to the DPRK who often make open declaration that U.S. antagonist approach are the biggest source of threat for North Korea.

In a Report of The Atlantic Council Working Group on North Korea, it pointed out that, “North Korea’s view of the United States as a fundamental threat to its existence, leading to severe distrust, obviously contribute to the difficulties in U.S.-North Korea relations” (The Atlantic Council of the United States 2007: 7). Though this may be one of the main causes of mistrust and antagonism between the two, it is not without reasons as it will further be discussed in the later section.

The October 9, 2006 nuclear test according to Blank “represented a major defeat for US foreign policy” arguing that American pressure tactics such as the financial sanction on BDA affair and placing human rights on the negotiating agenda – so that it will collapse, obviating the need for detailed engagement with Pyongyang over proliferation” (Blank 2007: 7-8). The fact that the nuclear test along with hosts of missile test occurred a year after September financial sanction one of the most stringent indicates that sanctions were not likely to deter North Korea’s nuclear weapons aspirations. One of the outcome of the nuclear test, as Blank pointed out is the omission or removing “imposed regime change from consideration” from the negotiations and moving towards engagement (Blank 2007: 9).

North Korea is under sanction regimes imposed through Trading with the Enemy Act (TWEA) of 1917 and placed under the State's sponsor of Terrorism, which technically makes North Korea a deviant state and is therefore isolated diplomatically. By resuming normal bilateral relations a state is accorded official recognition and diplomatic relations. At negotiations the DPRK's demands include these normalcy and recognition. North Korea was removed from both this appellation in 2008 as part of the 13 February 2007 agreement to work towards North Korea's nuclear weapons programme dismantlement on the principle of "step by step" and "action for action" principles. North Korea and the U.S. has held bilateral discussion on these matters as well as lifting the freezing of \$24 million held in BDA which was frozen in September 2005 on allegations of money laundering. These were a series of positive achievement after the 2007 13, February agreement.

#### NORTH KOREA'S NUCLEAR WEAPONS PROGRAMME: A BARGAINING CHIP?

It is visible to all that North Korea indeed uses its nuclear weapons program as means to extract concessions economic aids and other concessions. According to Andrei Lankov, "...the existence of nukes means that every time North Korea experiences problems, it can start making threatening noises in order to squeeze some aid from the outside world. They are afraid that without nuclear weapons the world will become far less willing to satisfy their demands-and they are probably correct. Even if the surrender of nuclear weapons is likely to rewarded with a large compensation payment, this lump sum would not last forever. Meanwhile, the existence of nuclear weapons creates an opportunity for systematic and regular extortion." (Lankov 2009: 256). According to Shen, North Korea has "used the Six-Party Talks to protect its nuclear development" (Shen 2009: 176). These arguments offer a logical answer to North Korea's behaviour, but its that and nothing more. If it is used as a bargaining tool then there is an implicit understanding that, a "grand bargain", a carrot tasty enough the North Koreans will not forgo with its nuclear weapons seems likely. However the second nuclear test, although the Six Party was already under suspension as North Korea walked out of the Six Party talks.

Michishita speculated North Korea's motives for the 2006 missile and nuclear tests alluding to U.S. mid-term elections and policy debates where voices were raised against Bush's North Korea policy; hoping for a similar LWRs package deal that the EU made with Iran; in defiance to the financial sanctions on North Korean assets in BDA; and possibly to "consolidate domestic unity" with regard to increasing gap between the government and the people (Michishita 2008: 134-135). However the argument can have limitations as simply on something which has huge repercussions not only to the United Nations but also to the international community. It is not to say that North Korea deciding to conduct test on this day is a coincidence, but a calculated move.

The DPRK has repeatedly announced U.S. as a serious threat which itself needs some attention. How serious is U.S. as a source of threat can be deduced from its foreign policy objectives and its strategic posture on key security issues in the world. The Korean Peninsula is one such region where the foreign policy objectives and strategic interests pose a crucial role the primary goal of denuclearization. In Michishita's assessment of the post October 2006 test, reaction from the United States and Japan did not result in increased or drastic sanction despite strong rhetoric as according to the author the US and Japan were wary of prompting China and the ROK to support North Korea to muddle through due to possible instability and partly because of Bush administration's policy not to react positively to provocation as the regime always strived for attention (Michishita 2008). The author's contention on the second premise is however questionable as nuclear detonation poses far more threat to regional power equilibrium and put U.S. stakes at risk as the DPRK has crossed the so-called "red-line". Moreover just a year ago, the U.S. imposed harsh financial sanctions freezing North Korea's assets worth \$24 million in BDA even as North Korea was willing to cooperate in the multilateral negotiations.

The stalemate over North Korea's nuclear crisis is often explained and argued that the DPRK uses its nuclear program as a bargaining chip for more economic aids and assistance. Though this argument has its merits, it however narrows down the scope of understanding and analyses. This assumption also implies that North Korea is mostly to

be blamed for Six Party failures and stalemate when in fact the conflicts of interests and approach among the Six Party members contribute as much to the stalemate. For instance,

#### NORTH KOREA WANTS THE BOMB:

In October 2002 when North Korea was confronted with alleged uranium enrichment programme during U.S. Assistant Secretary of State Christopher Hill visit, North Korea supposedly confirmed the intelligence report which was later vehemently denied by the DPRK. The U.S. accused North Korea of flouting the 1994 Agreed Framework that brought to an end. Just eight months earlier, President George Bush in his State of The Union Address in February labeled North Korea as part of the Axis of Evil. North Korea later confirmed that it had restarted its nuclear program and expelled IAEA inspectors from the Yongbyon nuclear facility. By January 2003 it withdrew from the Non Proliferation Treaty and began full time development of nuclear weapons.

There are those who consider North Korea's nuclear weapons program as stemming from insecurity and early exposure to the threat of nuclear war and politics in the region i. e. during the Korean War in the 1950s. This group view North Korean nuclear program through the prism of security concerns of North Korean perspective caused by cold war politics, deterrence and nuclear blackmail. According to Mazaar, North Korea felt its security was compromised by the presence of U.S. nuclear weapons in South Korea; "the first, and potentially most significant, influence on Pyongyang's nuclear thinking" coming "from U.S. threats to use nuclear weapons in defense of the South" (Mazaar 1995: 19). Bleiker also noted that, "very few policy-makers, security analysts and journalists ever make the effort to imagine how threats are perceived from the North Korean perspective.." (Bleiker 721: 2003).

As much as it is difficult to read the real motive of North Korea's intention on nuclear capability, it should be noted that no country or North Korea as a matter of fact would remain idle to rhetoric of war, conflict and being labeled a 'rogue' and belonging



to 'axis of evil' states. Bleiker pointed out that in the June 2002 Nuclear Posture Review, in which "a key plank of the new US strategic doctrine was the possibility of making preemptive nuclear strikes against terrorists and rogue states. North Korea was explicitly cited with regard to two possible scenarios; countering an attack on the South and halting the proliferation of weapons of mass destruction" (Bleiker 2003: 727). Sagan in his 'three models in search of a bomb' argues that since nuclear weapons has "enormous destructive power...any state that seeks to maintain its national security must balance against any rival state that develops nuclear weapons by gaining access to a nuclear deterrent itself" (Sagan 57). While North Korea's rival or source of great threat would be the United States, besides Japan and South Korea which have no nuclear weapons, North Korea cannot possibly attain parity with the might of the United States. But given the geographical dimension in the region and the likely spillover effect of war all over the region, a small deterrent capability may also serve North Korea's interest in deterring military intervention.

A case in point where some blame it on the increasing hostile from the U.S. was the 2005 Banco Delta Asia, where North Korean assets and deposits worth \$24 were frozen. According to Rhyu and Bae, the financial sanctions had been counterproductive leading to missile tests and the October 9 2006 nuclear test, all during 18 months of financial sanctions before it was lifted in mid-2007. Though this correlation may hold some of the answer for North Korea going nuclear, it is also unlikely that North Korea would play into the hands of policy divergence and succumb to economic pressures; rather it would take the chances to maximize its position.

But North Korea has stretched the tolerance of the international community with the two nuclear tests. The United States has declared before the first nuclear test that conducting nuclear test would be 'crossing the red-line'. Since then it has revised and warned that, passing on nuclear related technology to terrorists would be considered a grave threat and the proverbial red-line. Pritchard rightly argues on the October 9, 2006 nuclear test, "the North Koreans have been remarkably consistent in their own rationale—however faulty and misguided the United States may believe it to be—for

developing their nuclear weapons program.” (Pritchard 150). As Dongho Kim pointed out that despite series of measures and strategies to deter like, “...many U.S.-led U.N. sanctions, a military strike planned to eradicate nuclear facilities, and a crackdown on illicit funds of the DPRK have not discouraged have not discouraged the nuclear ambitions of North Korea” (Dongho Kim 2007: 54). In the same vein he continues that, “...expecting North Korea to change hastily through regime change or internal leadership collapse is an idiotic philosophy that was most likely spawned by the views of ethnocentric Western culture” (Dongho Kim 2007: 5).

However it would be naïve to expect that the regime is irrational and could any moment escalate the crisis. David Kang in particular has criticized the western democracies’ obsession with imminent second Korean war thesis, that a ruthless and irrational North would resort to war in the Peninsula. This has led to the formation of preventive, preemptive war mentality to deal with deviant states such as North Korea. It is highly possible that North Korea having endured the worst of times has developed strategies to deal with crises in its own way appreciated or condemned by the international community for regime survival.

It is worth assessing North Korea’s cost-benefit calculus in making the decision to go nuclear, even as the Six Party Joint Statement of 19, September, 2005 pledged for North Korea’s denuclearization. The fact that military coercion is an unlikely course of action despite the likely stronger recrimination and tougher sanctions could have played a role. It has been often stressed in this work that North Korea has endured sanctions and hardships for more than half a century,

There were wide speculations and fears that a crumbling regime in possession of nuclear weapons poses greater threat if the regime collapses and the prospects of “loose nukes” falling into the hands of deviant states or non-state actors, most notably terrorists. Blank most lucidly pointed out the aftermath policy shifts of involved parties on North Korean nuclear crisis that, “Every one of Pyongyang’s interlocutors now has a vested interested in preventing that state failure and in helping it to survive and gain solid

control over those weapons.” (Blank 2007: 10). Thus technically the North Korean objective of achieving deterrent capability has been boosted in a manner not conforming to deterrence logic. But nukes or no nukes, it is still unlikely that Iraq like invasion would occur as there are many other factors, and the much higher collateral damage that will happen should military intervention or war break out in the Peninsula.

Noland speculated that, “Pyongyang put such a high value on demonstrating the country’s nuclear capability that it outweighed the downside risks, however large”. (Noland 2009: 62). The state of the economic condition North Korea is in, giving up the nuclear option would have been much too much loss for the regime based on the ‘military first’ doctrine. The political costs would have been diplomatic isolation and a stronger resolve among the Six Party members. China and Russia have already voiced their strong protests and ROK’s President Lee Myun-bak has moved away from his predecessors engagement strategy willing to gang up with Washington and Tokyo.

Michishita explains another dimension of North Korea’s nuclear and missile capabilities. North Korea has already announced officially its uranium enrichment programme when it threatened to process its own enrichment programme. Michishita explains that North Korea armed with nuclear and missile capabilities are willing to use them as diplomatic cards.

“The United States introduced ground-based nuclear weapons to bases in Korea in January 1958, although they were not introduced in response to any specific event in Korea or even in Asia...guarded by American troops, the nuclear weapons in Korea were kept near the DMZ and at Osan Air Base south of Seoul...In effect, elements of Massive Retaliation doctrine were retained indefinitely in Korea, long after Kennedy and McNamara had abandoned the ideology in Europe. (Hayes. 356).

## **WHY ECONOMIC SANCTIONS AND AIDS FAILED ON DPRK?**

As discussed in the previous section on why North Korea wants the bomb despite various measures to stop DPRK's march towards attaining nuclear capability, it is necessary to evaluate and analyse if indeed the stick was not big enough or the carrot wasn't tastier to deter North Korea from getting the bomb. An obvious and stark pointer to the failure of economic sanctions and aids is the lack of coherence and unison in imposing sanctions on North Korea due to differences in the interests and political objectives of the Six Party members. However it is necessary to delve deeper to understand the workings of economic sanctions and examine if sanctions themselves are irrelevant and ineffective, whatever the interests and policy goals of the parties to the Six Party talks.

As the previous chapter has tried to show the sometimes irrelevance of sanctions theories on North Korea, the resolution of the sender having no effect, i.e. even if sanction threatened and imposed irrespective of the targets resilience or compliance it North Korea is one country which could resist. Such resilience would come when a state or target is determined to achieve its political goals as it is much a higher price to forgo than complying to threat of sanctions. The obvious lack of cooperation the Six Party members also gave avenue for North Korea to exploit.

Many have argued that North Korea becomes a conceding player in the Six Party talks only on receiving concessions which often is not the reality. A case in point is North Korea's return to the fourth round of the Six-Party Talks after a long break of thirteen months, where some argued that it was because South Korea decided to offer, as part of potential settlement, 2 million kilowatts of electricity alongside South Korea's provision of 500,000 metric tons of food. Pritchard instead contend that Pyongyang made the decision to return to the six party talks long before, Kim Jong-il met with the South Korean Unification Minister Chung Dong-young in June 2005. According to him, "it is one thing to come back to the talks; it is quite another to stay fully engaged." (Pritchard 2007: 108-109).

## **Chapter 5**

### **Conclusion**

One of the shortcomings of imposing sanctions and the consequent debates on the failure or success could be the relative absence of analysis on how the target states assess the cost-benefit analysis of sanctions imposed upon them. At best this aspect of analysis is seen from the perspective of the sender states, whereupon the failure to yield policy change or behaviour is seen to be an act of defiance from the target states. In other words, sanctions are not seen as threats from the perspective of sanctioned state, where they would develop strategy to minimize the political impacts and costs of economic sanctions. Likewise the failures of incentives to induce change would be seen as bargaining from the perspective of a coercer of sanctions. But difficulty arises in these observations as it cannot be generalized across cases as it is a single case scenario.

It is also worth considering the fact that the tests conducted by North Korea, did not have wide security and diplomatic ramifications as feared. After the first test, ...the magnitude of test and the yield were very insubstantial besides the huge political boost gained by North Korea. Though the tests yields are relatively very low as compared to average detonation by other states, the data and experience accumulated from the tests are immeasurable gains. But the realistic prospect of turning it into a bomb of considerable threat will take some years. This knowledge might have smothered stronger reaction from South Korea and China who carried on bilateral trade relations besides the UNSC mandated sanctions. Supposing the yield of the nuclear test was much higher (6 to 8 or 10 kilotons), one could well imagine the level of hysteria and stronger reaction since it is faced with the prospect of a real nuclear state in the Korean Peninsula, which neither South Korea and China will like to savor it.

Since the 25, May 2009 nuclear test, the United States will not likely engage North Korea or give incentives. According to Nanto and Chanlett-Avery, the DPRK will not likely give up its nuclear weapons and the U.S. is left with three options: containment and continued sanctions

## **IMPACTS AND POST-TEST SECURITY SCENARIO IN THE REGION:**

The North Korean nuclear test also had its impact on the region's security with fears that it could propel the region into nuclear arms race which is not unfounded. "The July 2006 missile test stimulated Japanese domestic debate over whether Tokyo might need preemptive strike capabilities, revealing a newfound sense of vulnerability." (Snyder p. 40). The October nuclear test had its effect on Japan as it considered beefing up its defence capabilities even as the acquisition of nuclear weapons were actively debated in a country which has shunned nuclear weapons since the August 1945 bombing of its two cities, Hiroshima and Nagasaki. South Korea also entertained the acquisition of nuclear weapons and had experimented laser enrichment of uranium isotopes on a limited scale between 1982 and 2000 which went unreported to the IAEA. (Snyder p. 40). According to Snyder both Japan and South Korea "have the technological capacity, know-how, and necessary materials to go nuclear in a matter of weeks or months". (Snyder p. 40).

The implications of the nuclear tests are serious with many expressing apprehension of an Asian nuclear chain reaction with the existing non nuclear weapon state opting to go nuclear. Joo and Kwak (2007) gave analyses of the changed scenario in the Northeast region after North Korea crossed the dreaded nuclear threshold throwing the region into uncertainty and increased tensions. They assessed the situation after the first nuclear test and according to them the short term implications of the test is a weakened U.S.-China cooperation and the ROK-U.S. alliance. The long term implications are many; it poses a serious challenge to the nonproliferation regime and might spark nuclear proliferation chain reaction in the region and around the world. The test has prompted Tokyo to accelerate a missile defense system in cooperation with Washington. Besides, there is the danger of North Korea selling nuclear weapons or passing on the know-how which would pose greater problem and security threat.

There have been voices raised in Japan calling for reconsidering its nuclear option. Japan has the wherewithal in technology and infrastructure to develop nuclear weapons if there is political will to do so. Japan is already in discussion with the United States to set up missile defense system against possible North Korean ballistic missiles which are within the range of most North Korean missile. As the The Atlantic Council of

the United States in their report has pointed out, Japan feels the most threatened from the North Korean missile and nuclear development. Japan due to historical and domestic political reasons have always been averse to nuclear weapons development. Its experiences with the Hiroshima and Nagasaki atomic bombing in 1945 still has its influence among foreign policy instruments and domestic and the general sentiments on nuclear issues.

China though sympathetic to North Korea is gravely worried over the DPRK's nuclear ambition. Though it prefers status quo and stability in the Northeast Asian region, North Korea becoming a full nuclear state with credible threat will damage its interests in the region. Taiwan is known to have nuclear capabilities and technological capacity if it wants to. Moreover its wish and natural place in the Northeast Asia region as a dominant influence will not be achieved so long as the region is unstable and the U.S. remain in the region.

The hope of an uncomplicated Korean reunification is now an uncertainty with nuclear weapons thrown into the equation. Its hope of an eventual reunification through peaceful means are an impossibility and the Kim's "Sunshine Policy" have yielded nothing but a nuclear North Korea even as the United States and Japan would even be more wary of a nuclear North Korea and the total dismemberment of the Cold War structure in the form of solution in the Korean peninsula and the removal of U.S. forces from the Korean Peninsula, remains a distant dream. The new Lee Myun-bak government has reinforced the hardliners that question active economic engagement with a belligerent North Korea. It demands that North Korea reciprocate with positive steps before expecting aids and concessions from the South. However it cannot be put aside or regard South pro-active engagement with the North as a failure. Forms of market economy which has been initiated is growing although at a very slow pace. The one hope that remains for the South riding on the common Korean nationalism is that, market reforms and opening up to the international community would induce reunification of a strong democratic Korea in the Northeast Asia. In fact those were the basic principles of Kim's "Sunshine Policy".

The United States sees its continued commitment to Japan and South Korea continue into the indefinite future. The Obama administration has said as much after the second nuclear test and the U.S.-ROK alliance looks revived with the new incumbent President Lee Myun-bak, making no less an effort to move away from Sunshine Policy legacy. President Obama has raised questions on Clinton's engagement with DPRK and Bush's hard-line which later turned to a softer approach. The new administration wants to move away from these two past approaches and deal the denuclearization issue on a reciprocal way, avoiding handing out aids and concessions without some substantive progress and equal reciprocity from North Korea.

The strategy of economic sanctions and incentives as discussed in Chapter two and three have clearly shown that these measures have not yielded any success. North Korea has been a resilient target state, though some may question this assertion as the September 19 Joint Statement and the February 13 Agreement seem to indicate North's compliance to concessions and aids by willing to denuclearize its weapons programme. But the end result is still that North Korea got the bomb and has endured sanctions and received major concessions along the way.



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