Research

Primer: North Korea's Nuclear Weapons Program and International Economic Sanctions

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SUMMARY

- The United States has had economic sanctions in place against North Korea since the Korean War in 1953.
- The United Nations (UN) has placed significant economic and financial sanctions on North Korea in response to the development of its nuclear program since the mid-2000s.
- This year, it appears that China may actually be restricting trade with North Korea—a significant step, as Chinese enforcement is the key to effective sanctions.
- Despite these sanctions, in the past 10 years, North Korea has conducted five nuclear tests.

INTRODUCTION

The North Korean nuclear test earlier this month marked the fifth time the country displayed its nuclear capability—a flagrant violation of international law and numerous UN resolutions. North Korean nuclear tests also represent a threat to peace, stability, and security in the Asia-Pacific region. With strong American allies like South Korea and Japan neighboring the rogue state, U.S. interests are clearly at stake. In addition to being important treaty allies of the United States, South Korea and Japan are home to over 75,000 U.S. troops stationed there. As North Korea's ballistic missile capability increases, there is also the potential that the country could launch a nuclear warhead able to reach the U.S. mainland.

The UN Security Council first imposed economic sanctions in the mid-2000s following the first North Korean nuclear test. To date, a decade of the increasingly tightening sanctions regime has only been met with increased aggression from North Korea. This primer will examine the history of the North Korean nuclear weapons program alongside the timeline of U.S. and international sanctions. It will offer some reasons to believe that the newest rounds of sanctions may provide a different outcome but also some causes for concern that it will only result in more of the same.

THE HISTORY

The Democratic People's Republic of Korea (DPRK) began its nuclear energy program in the 1950s with the help of the Soviet Union. According to Chinese intelligence sources, the DPRK started work on developing nuclear weapons in 1969. After joining the International Atomic Energy Agency (IAEA) in 1974, its nuclear program became the subject of international monitoring. While the DPRK did accede to the Non-Proliferation Treaty (NPT) in 1985, it never came into compliance and later officially withdrew.

The first North Korean reactor came online in 1986 at Yongbyon, powered by uranium, and had the potential to produce weapons-grade plutonium. In the 1990s, after the DPRK refused to comply with various IAEA inspections and stan---dards and withdrew from the NPT, the Clinton administration announced that it would ask the United Nations to impose international economic sanctions. The North Korean regime declared that this would be an "act of war." Former President Carter traveled to Pyongyang to meet with Supreme Leader Kim Il-sung and began negotiations that would ultimately result in the Agreed Framework. Months later, Kim Il-sung died and passed power along to his son Kim Jong-il.

The premise of the 1994 Agreed Framework was that North Korea would remain in the NPT, comply with the IAEA, and allow its nuclear plants, which had the capability to produce weapons-grade plutonium, to be replaced with light water reactors. In exchange, the United States would provide oil on an annual basis for heating and electricity while the DPRK's reactors were down and promise to work toward the normalization of political and economic relations.

The DPRK's new supreme leader was soon joined by new leadership in the United States—in the form of a Republican-controlled Congress elected in 1994. The new Washington majority largely opposed the deal, and Congress did little to roll back U.S. sanctions or normalize economic relations. Meanwhile, there were significant delays to the international project to build light water reactors in the DPRK. All along, suspicions remained that North Korea was covertly continuing its nuclear weapons program. The Agreed Framework effectively broke down in 2002, when the United States cut off fuel oil shipments to North Korea in response to intelligence that the DPRK had a secret uranium enrichment program—each side blaming the other for the collapse of the deal.

The Six Party Talks soon emerged as a way to negotiate a new resolution to North Korea's nuclear program, bringing together the DPRK, the United States, China, South Korea, Japan, and Russia. In 2005, North Korea suspended its participation in the Six Party Talks and announced that it had manufactured nuclear weapons. Later that year, however, the DPRK resumed participation in the talks, agreeing to the ultimate goal of the denuclearization of the Korean Peninsula.

The following year, in 2006, North Korea conducted two rounds of ballistic missile tests as well as its first nuclear test. In response, the UN Security Council imposed economic sanctions on North Korea. In 2007, the Six Party Talks achieved a breakthrough, when North Korea agreed to end its nuclear weapons program and rejoin the NPT and IAEA regime in exchange for energy assistance. The United States also agreed to unfreeze $25 million of North Korean assets from a bank based in Macau. In 2008, the United States announced that it would remove the DPRK from its list of state sponsors of terrorism after North Korea had met its nuclear inspection requirements. Designation on the list triggers automatic unilateral sanctions, and removal was intended as part of the aid-for-disarmament deal.

In April 2009, North Korea agreed to dismantle the Yongbyon nuclear facility, and the United States officially removed the DPRK from the terrorism list. The following month, North Korea carried out its second nuclear test. In response, the UN Security Council expanded its sanctions. In 2012, following the death of Kim Jong-il and rise to power of his son, Kim Jong-un, the DPRK attempted two satellite launches, both breaches of UN

resolutions. In 2013, North Korea conducted its third nuclear test, triggering yet another expansion of Security Council sanctions. In January of 2016, the DPRK announced it had successfully tested a hydrogen bomb. While experts were skeptical of North Korea's claim that the explosion was thermonuclear, the incident stands as its fourth nuclear test. In March of 2016, the United Nations significantly tightened the sanctions regime against North Korea.

Just six months later, the DPRK conducted its fifth nuclear test. While the initial report that the explosion had a yield of 10 kilotons made the test North Korea's biggest one yet, other estimates ranged from 20 to 30 kilotons. (The bomb that the United States dropped on Hiroshima during World War II yielded 15 kilotons.) North Korean leaders also claimed to have developed the capability to mount a nuclear warhead on a ballistic missile.

THE THREAT

North Korea's four nuclear tests over the last 10 years give it the distinction of being the only country in the world that has conducted nuclear tests in the 21st century. Coupled with its ballistic missile arsenal, these nuclear tests represent a serious threat to the United States and its allies in the region. Estimates are that the DPRK maintains more than 1,000 missiles of varying ranges. A ballistic missile is only a delivery mechanism; the payload could be anything from a satellite to biological or chemical weapons to a conventional warhead—or, of course, a nuclear warhead.

North Korea's short-range missiles have the capability to reach up to 300 miles, giving the DPRK the ability to strike any part of South Korea's territory. The range of these missiles also raises the possibility of the DPRK targeting U.S. military bases in South Korea. With a range of over 600 miles, North Korea's Nodong missiles could reach Japan. After the first test of the medium-range Musudan missile in June of 2016, Kim Jong-un made clear that North Korea had the ability to hit U.S. military bases throughout the Asia-Pacific, such as Okinawa and Guam.

The multi-stage Taepodong missiles give North Korea the capability to hit targets much farther away and even launch satellites into space. In particular, the Taepodong-2 has an estimated range of between 3,000 and 9,000 miles. The West Coast of the United States is just over 5,000 miles away from North Korea. The DPRK has tested Taepodong-2 missiles three times, often disguised as satellite launch attempts, all of which ended in failure. In 2012, North Korea did successfully launch a satellite into space.

North Korea also poses a more conventional threat to the region. In 2010, North Korea torpedoed a South Korean ship and bombed a South Korean island, killing a total of 50 people. It is important to remember that the two Koreas officially remain in a state of war, as the conflict during the Korean War came to an end with an armistice agreement not a peace treaty.

THE SANCTIONS

The United States has had economic sanctions against the DPRK since the Korean War. President Truman first restricted trade with North Korea in 1950 under the auspices of the Trading with the Enemy Act. Together with the designation of North Korea as a State Sponsor of Terrorism in 1988, this designation constituted strict unilateral sanctions. These sanctions were in effect until 2008, when President George W. Bush announced he would lift the provisions of the Trading with the Enemy Act with regard to the DPRK and remove North Korea from the State Sponsors of Terrorism list.

Subsequent rounds of North Korean ballistic missile and nuclear tests triggered ever-tightening international sanctions from the United Nations. The first UN sanctions, imposed by the Security Council in 2006, prohibited "the provision of large-scale arms, nuclear technology, and related training" to the DPRK. They also prohibited the transfer of luxury goods and imposed an asset freeze and travel ban on individuals related to North Korea's nuclear weapons program.

Following the second nuclear test in 2009, the UN Security Council voted to expand the 2006 sanctions. This round of sanctions extended the weapons ban to include armored combat vehicles, attack helicopters, warships, missiles, and spare parts. It also imposed financial sanctions to prevent fund transfers that would contribute to the DPRK nuclear weapons or ballistic missile programs.

After the third nuclear test, the Security Council further strengthened sanctions on the DPRK in 2013. The additional sanctions targeted North Korea's banking relationships and prohibited the provision of "bulk cash" that might be used to evade sanctions. The Security Council codified a list of luxury goods to clarify the ban on items such as jewelry, gems, yachts, and race cars. These sanctions also imposed an asset freeze and travel ban on executives of companies believed to be involved in trade related to the ballistic missile program.

The most recent round of sanctions came in March of 2016, when the Security Council condemned North Korea's "flagrant disregard" of UN resolutions following its fourth nuclear test in January and rocket launch in February. To tighten the previous sanctions, the UN subjected all cargo going to or coming from North Korea to inspection. These new sanctions expanded the arms embargo to cover all small arms and light weapons, banning the transfer of any military-use items to North Korea. For the first time, these sanctions targeted North Korean commercial trade, prohibiting the purchase of coal, iron, iron ore, gold, titanium ore, and rare earth minerals from the DPRK. They placed additional restrictions on North Korean banks in other countries and foreign banks in the country. The UN prohibited the sale of aviation fuel to the DPRK. It imposed a variety of transportation restrictions, including a ban on leasing and chartering vessels and aircraft or providing crew services to North Korea, and required all member states to de-register any vessels owned, operated, or crewed by North Korea. It also expanded the definition of luxury goods to include items like high-end watches and snowmobiles. These sanctions are some of the toughest measures that the UN Security Council has ever taken.

Two weeks later, President Obama imposed a comprehensive ban on U.S. trade with North Korea. Through an executive order, the president went beyond the UN sanctions and prohibited virtually all business dealings between the two countries. Effectively constituting an embargo, the United States now banned the export and import of any goods, services, and technology to and from the DPRK. The executive order also prohibited any new investments from the United States in North Korea. It imposed an asset freeze on all property owned by the DPRK government and political party. Finally, the order imposed secondary sanctions to target entities that continue to trade with North Korea, which is an indirect way tighten the overall sanctions regime.

In July of 2016, the U.S. Treasury Department for the first time announced sanctions against Kim Jong-un personally, citing egregious human rights abuses. In the past, the United States has individually sanctioned heads of state like Saddam Hussein of Iraq and Robert Mugabe of Zimbabwe, also on human rights grounds.

Adding individuals to the sanctions blacklist freezes their U.S.-based assets and prohibits Americans from doing business with them. Moreover, it is intended as a signal to others in the regime that they will bear personal responsibility for participating in human rights abuses. North Korea called this a "declaration of war" by the United States.

THE CHINA PROBLEM

With veto power at the UN Security Council, China could have single-handedly prevented any of the economic sanctions against North Korea. Chinese representatives, however, supported each new round of UN sanctions, emphasizing the importance of easing tensions and bringing a peaceful solution through diplomatic negotiations. Implementation, however, was a different story.

International economic sanctions against North Korea are only as strong as Chinese enforcement of those sanctions—and in the past, China has always relapsed. As Chinese banks and companies return to doing business in North Korea, the DPRK is spared the pressure of true economic isolation, and the international sanctions are undermined.

China is North Korea's most important ally and largest trading partner, but the two states have an increasingly complicated relationship. Once a traditional client state relationship, the alliance began to deteriorate in 2006 when North Korea tested its first nuclear weapon and China supported UN sanctions. Tensions have only worsened since Kim Jong-un came to power in 2011. Following the fourth nuclear test, the Chinese Foreign Minister employed unusually harsh rhetoric, calling on North Korea to "honor its commitment to denuclearization and stop taking actions that worsen the situation."

Early signs show that China may actually be enforcing the new sanctions—and maybe more. According to reports, daily trade between China and North Korea declined by 30 percent this year. Satellite imagery has even shown that trade across the border between China and North Korea has dropped significantly. Unilateral Chinese measures to restrict aid to the Kim regime are unprecedented. In the absence of reliable North Korean trade data, information like this is useful to gauge how committed China is to the sanctions regime.

Chinese willingness to impose expanded economic sanctions in 2016 was key to their passage. And to date, China appears to be complying with the sanctions. If history is any guide, however, the question of whether China will remain committed to implementing the new sanctions may only be a matter of time. From China's perspective, imposing truly crippling sanctions on North Korea presents the unattractive prospect of regime collapse, which could result in a refugee crisis and potentially even a unified, democratic, pro-American Korea on its border.

The United States does have the ability to sanction third parties that continue to do business in North Korea in violation of international agreements. The secondary sanctions regime, however, is not automatic; the Treasury Department has the option of sanctioning Chinese entities that are not enforcing sanctions, but it requires an affirmative designation. To date, the United States has never sanctioned any third parties in China for violating international sanctions with regard to North Korea.

CONCLUSION

With its repeated nuclear tests and missile launches, North Korea represents a serious threat to the United States, including its regional allies, deployed troops, and even the homeland. Despite successive rounds of international

economic sanctions over the last ten years, the DPRK has only grown more belligerent and increased the pace of its nuclear tests. After conducting nuclear tests once every three of four years in 2006, 2009, and 2013, North Korea's two nuclear tests in 2016 raise serious questions about not only the development of their weapons program but also the effectiveness of economic sanctions as a tool to restrain the regime's aggressive behavior.