**UN Sanctions Continue to Devastate North Korean Trade**

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William Brown[[1]](#footnote-1)

Some in Washington and elsewhere continue to think sanctions pressures are easing on North Korea, and that Marshal Kim heads into his second summit with President Trump in a strong position. This is possible, given what we don’t know about North Korea, but seems unlikely given what we do. After a six-month data hiatus during which Chinese customs were unable to report detailed country-by-commodity trade with anyone, at least in a way that can be read by computers, a few weeks ago it resolved the problem and has now reported extensively on trade through December 2018.

The data is not surprising, showing, as one would expect, tough adherence to sanctions that the PRC itself agreed upon in 2017, but the details are nonetheless stunning. In 2018, China’s imports from North Korea amounted to only $195 million, down 88 percent from 2017 while It’s exports to North Korea fell 34 percent to $2.01 billion.

China’s surplus, North Korea’s deficit, thus soared to a record $1.8 billion.[[2]](#footnote-2)

More interesting though is the composition of China’s still significant exports. Products that tend to be sold in North Korean markets--sugar, tobacco, grain, soybean oil, and other foodstuffs--continue to trade pretty much as normal and in some cases, tobacco and beverages for example, have jumped in value. But the story is much different in manufactured and industrial goods many of which are sanctioned. Huge drops have occurred in North Korean imports of all kinds of vital machinery, vehicle, and industrial materials products. These are products that the country needs to prevent further deterioration of its industrial sector, let alone allow the economy to grow in the manner promised by Kim. One might argue that the industrial state is being squeezed much more than the people’s livelihood, at least up until now. But a decline in industrial output, no doubt, will eventually impact people’s incomes and the government’s ability to supply critical goods and services, and thus must be very worrisome to the regime. It is no wonder Pyongyang has been demanding sanctions relief every chance it can get, no doubt extending strongly into the Trump summit.

Several line-items in the China exports (North Korea imports) data serve to illustrate this difficulty, and the issue is widespread, with virtually all industrial items included. An exception is plastic goods—since North Korea has no petroleum, it has no alternative but to import any plastics that it uses, and these are considerable. Major imported items in 2018 included about $30 million each in plastic flooring, plastic sheeting for agriculture, and plastic containers and all of these have remained fairly steady over the years. Some textile items and shoes have held up well as have many food products and milled grain, the latter which might be foreign aid products purchased in China and exported across the border.

In contrast, electrical machinery, non-electrical machinery, and vehicle purchases by North Korea have taken the brunt of the impact, affected by UN sanctions that generally prohibit their sale to North Korea. In some cases these seemed to have been stockpiled prior to the tough sanctions implementation but if so, these stockpiles have likely been drawn down by now.

Amazingly, in 2018, Chinese customs reports only 20 trucks and 46 cars were shipped to North Korea, down from a customary 6,000 and 2,500. A spike in 2016 may have built up inventory but, if so, that is now well depleted.

North Korea’s electrical machinery imports fell to only $7.7 million in 2018, from $338 million the year before. This category covers everything from cell phones, to computers, to electric motors and all kinds of electrical machinery, and the collapse in these imports must be devastating. North Korean industry can replace some of these items but at a severe cost in efficiency and quality.

Similarly, North Korean industry must be feeling very strong affects from the collapse in regular non-electric machinery imports. These fell from $268 million in 2017 to only $7.0 in 2018. Representative items include; 358 gearboxes compared to 14,762 in 2017; 21 transmission shafts compared with 6,121 in 2017, 0 ball bearing sets compared with about 10,000 in 2017; 117 refrigerator/freezers compared with 69,216 in 2017; $472,000 in ADP equipment compared to $38 million in 2017. One interesting shipment that did occur was delivery of a moderate sized turbine generator set, possibly a Chinese contribution to one of the country’s delipidated power stations.

China, of course, is not North Korea’s only trade partner but even with the near collapse in China-North Korea trade in 2018, all others pale in comparison. India, Russia, and the EU’s trade with Pyongyang each is less than 1 percent of China’s engagement. And the entire UN family of countries appears to be adhering well to the North Korea sanctions, at least as based upon each country’s official data. Plenty of smuggling takes place, much of it via China, but this is unlikely to offset but a small portion of North Korea’s normal trade, and no doubt is much costlier.

In these circumstances it is no wonder that Kim has focused attention on creating self-reliant industry. Meanwhile, the Korean media make it clear they want and need sanctions relief as quickly as possible.

1. Bill Brown is a non-resident scholar at KEIA and teaches at Georgetown University and UMUC. This and other related postings can be found at his website, NAEIA.com [↑](#footnote-ref-1)
2. North Korea’s financing of this deficit is addressed in other recent articles on this blog and in NAEIA.com. Chinese data excludes China’s crude oil exports of about 600,000 tons per year, worth about $200 million last year. For unexplained reasons, Beijing has excluded these from its export data since 2014. [↑](#footnote-ref-2)