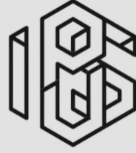


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# US-ROK POLICY BRIEF

THE FUTURE OF  
SANCTIONS AGAINST  
NORTH KOREA

BY WILLIAM B. BROWN



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Bill Brown is principal of his consulting firm, Northeast Asia Economics and Intelligence Advisory LLC. (NAEIA.com). He is retired from a federal government career in CIA, Commerce Department, the National Intelligence Council, and ODNI's North Korea and East Asia Mission Managers Offices, during which he focused much of his attention on the economies of China and Korea. Bill grew up of American parents in Kwangju, Korea in the 1950s and 60s and worked as senior analyst in the US Embassy in Seoul in the mid-1980s and in the US Consulate General in Hong Kong in the early 1980s. He has a B.A. in International Studies from Rhodes College, Memphis, TN and a M.A. in Economics and Chinese studies from Washington University, in St. Louis, with most courses completed for the PhD. He has taught economics of China and North Korea as an adjunct professor for twenty years in George Mason, George Washington, and Georgetown Universities (the "3 Georges") and currently teaches a course on Contemporary China for University of Maryland Global Campus. He is Chair of the North Korea Economic Forum at George Washington University and sits on the Board of Directors of the Korea Economic Institute of America (KEI). He continues to do consulting work for the US government and writes and speaks regularly for Korean government think tanks and for Voice of America. He lives with his wife, Helen, and daughter in Oak Hill, Virginia. His three sons live in Boulder, Co., Atlanta, GA, and Cary, NC.



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# THE FUTURE OF SANCTIONS AGAINST NORTH KOREA

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Whether Joe Biden, Donald Trump, or another individual is the U.S. president, he or she will face challenging decisions regarding North Korea early next year. We need serious discussions with Putin and Xi or we might as well discard the current UN and bilateral sanctions and start anew. Following such talks, whether successful or not, we must engage in rigorous talks with Pyongyang and constructive dialogue with Seoul. Diplomacy, which has been absent for the past four years, must be revived. The critical question we need to address before we begin is our

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specific objectives with North Korea and the associated costs. If denuclearization is our primary goal, we must focus our sanctions solely on this objective, urging China and Russia to collaborate while addressing other issues through bilateral rule-based negotiations.

The UNSC and bilateral anti-nuclear proliferation sanctions have been largely ineffective in North Korea, despite involving almost the entire world. Some argue they have increased the costs of Pyongyang's nuclear program and possibly slowed its development, but not enough to make a significant difference. So, why continue them? As my late friend, Washington Post reporter Don Oberdorfer, remarked, "Are we not just kicking the can down the road?"

A cynical but likely accurate answer is that economic sanctions, usually trade-related, give democracies the illusion of a strong response to wrongdoing, even when such tactics have repeatedly proven ineffective. Policymakers present them as one-sided, with the costs borne solely by a targeted leader. However, effective sanctions harm both sides of the trade equation and impact economic players quite differently, aiding some and hurting others, making them difficult to maintain and enforce. For example, stopping coal exports from North Korea hurts state owners of

the industry but benefits the electric power industry and consumers who need coal. It also creates high-profit smugglers and unreliable statistics. Kim Jong-un loses his ambition to develop a tourism industry but likely enjoys portraying himself as standing up to imperialist powers hurting his textile workers and fishermen, giving him an excuse for poor economic performance. His Workers Party ideologues likely appreciate the forced isolation, which they use to reset their planning mechanisms without outside market interference. For democracies, sanctions buy time until the next election. However, with Russia buying artillery shells and even sanctioned ballistic missiles to use against Ukraine, making a mockery of its 2017 UNSC commitment, the charade is all too obvious. Little is likely to change until after the U.S. elections, given the U.S.'s leading role in sanctions, but whichever side wins is likely to begin another policy review promising major changes.

Before impulsively abandoning sanctions and starting over, let's consider what went wrong and how they might be achieving something. Despite numerous ballistic missile launches, Pyongyang has not tested a nuclear weapon since 2017. It has not flown an ICBM to range with a dummy nuclear payload and reentry vehicle on board; at least our government has not reported such a test. Is this a red line drawn by Russia and China?

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If Pyongyang crosses it, does it expect either or both neighbors to ramp up sanctions enforcement? Possibly, and if so, we should be cautious in pushing the three too hard. Some degree of ambiguity in North Korea's ability to hit the U.S. is useful to everyone, delaying political forces advocating a dangerous hair trigger to preempt such an attack or those who would concede and accept Pyongyang's ability to harm us if we interfere with their perceived interests, even if those interests involve South Korea. Despite recent North Korean weapons exports, neither China nor Russia has provided Pyongyang with advanced military items, leaving North Korea's conventional army vulnerable to the type of warfare seen in Ukraine and without defense against air or naval attacks, even from South Korea.

We also need to consider the impact of sanctions on North Korea's internal economy, a complex issue requiring careful analysis. The UN sanctions on North Korea are among the strongest ever imposed on any country and were seemingly implemented on a whim, with logic being the first casualty. Instead of creating sanctions that can be adjusted to penalize bad behavior and reward good behavior or have time limits that can be turned on and off, the sanctions are blunt instruments, never changing once imposed. Why prohibit "luxury goods" exports to Pyongyang? Luxury is defined by scarcity, so the more they are squeezed, the more the regime values what they can smuggle in. Probably the worst sanction is preventing North Korean workers from going abroad or American tourists from visiting North Korea. The notion that any dollar earned could go to nuclear development and must therefore be stopped is a recipe for economic strangulation, something China, Russia, and many others, even in South Korea and the U.S., do not want to see.

In some ways, the sanctions appear to be beneficial to the North Korean economy. Despite poor enforcement by China, they disproportionately impact the old state sector, forcing Pyongyang to allow internal market changes,

particularly the continued use of dollars and yuan, which are helping it survive. Pyongyang can no longer afford much of its socialist system and is unavoidably decentralizing to the private sector. State authorities resist strongly, creating trouble in monetary and fiscal policy. At least farmers no longer compete with free foreign food aid, and the regime has attempted, unsuccessfully, to give collective farms more independence to improve productivity and provide more grain to the cities. It is a complex situation warranting further analysis to determine how best to push the country towards reform. In other words, nuclear controls are not the only issues with North Korea.

During talks with President Trump in Hanoi five years ago, Kim clearly wanted the toughest economy-focused

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sanctions removed but was unwilling to make sufficient nuclear concessions. In hindsight, both sides probably wish the talks had continued. In 2025, with presumably more nuclear devices and fissile materials and a faltering economy, Kim's and our negotiating priorities likely have changed. We need to find out if there is room for negotiation.

Here are two suggestions for the U.S. side. South Korean priorities may differ.

### **First is Focus**

What is the purpose of the sanctions? Are they to stop and reverse North Korea's nuclear program? It is late, but not impossible, to achieve this if China and Russia can be brought on board again. Hard diplomatic talks involving the U.S., China, and Russia are necessary to discern whether these nuclear-armed neighbors really want a non-nuclear Korean peninsula. I suspect they do. They signed the harsh 2016/7 sanctions after Pyongyang exploded a large, possibly hydrogen, nuclear device that shook China's northeast. If we accept some Chinese and Russian reservations and avoid adding too many economic or regime-threatening features, they might agree to tighten specific nuclear-related provisions. Without their support, UN sanctions will not work, and we should be clear that we will abandon that approach and move to something else, likely involving South Korea and Japan, which would not please Beijing and Moscow. But to have a chance, we must accept Chinese and Russian warnings that they do not support regime strangulation. Sanctions pressure should target individuals and firms and institutions directly related to nuclear and ICBM developments, with Chinese and Russian intelligence assets helping isolate and narrow the targets. Including all "ballistic missiles" in prohibited actions might be overkill, as many countries argue North Korea has the right to produce shorter or medium-range missiles. The issue is the warhead, which should be the focus. A reestablished and reinvigorated UN "Panel of Experts" could concentrate on this focused work.

## Second, Use Rules Instead of Sanctions to Differentiate Between Good and Bad Behavior

We have overloaded the nuclear sanctions plate with many other issues, making them impossible to enforce and causing China and Russia to bail out. We have plenty of tools other than sanctions to address these issues. Many rules are already in place, particularly for the U.S., making UN sanctions redundant. These rules are not sanctions;

**To initiate negotiations with Russia and then China, we should immediately volunteer to eliminate two of the most ineffective sanctions: prohibitions on U.S. and other travel to North Korea and prohibitions on "luxury goods" sales to North Korea.**

Pyongyang can choose to comply, and different countries can impose different rules, many already set by the UN. For example, products made by North Korean workers not paid money wages should not be imported, with certification requiring deep access to their firms. Imports should face varying tariffs based on fair market pricing. Investments would require proof of creditworthiness, with bankruptcy workouts for unpaid credits. A new Human Rights Resolution in the UN General Assembly should be passed, expecting all members to comply. In other words,

treat North Korea as a normal country where rule violations have immediate consequences. Criminal behavior, such as cyber theft or counterfeiting, should be prosecuted in courts. China and Russia have a significant interest in civilized North Korean behavior due to their borders and populations, and effective diplomacy might secure their help. Even without their help, the global market would incentivize North Korea to correct its behavior.

To initiate negotiations with Russia and then China, we should immediately volunteer to eliminate two of the most ineffective sanctions: prohibitions on U.S. and other travel to North Korea and prohibitions on "luxury goods" sales to North Korea. The latter is a simplistic feel-good measure by U.S. policymakers, and the former cuts off our ability to influence North Korea at an individual level, leaving all discussions to diplomats who have been out of contact for years. North Korea is trying to open a tourism industry, and with proper safeguards, this should be encouraged, not prohibited by an ill-conceived and poorly implemented sanctions regime.

**With this start, demand that talks proceed. Rather than multilateral as in the past, do them bilaterally and perhaps secretly, so that deals can be made. After some progress, let the world know what is going on and momentum can build.**

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*The US-Korea Policy Brief is a joint publication between The George Washington University Institute for Korean Studies (GWIKS) and the Seoul National University Institute for Peace and Unification Studies (IPUS) dedicated to exploring current Korea-related policy matters within regional and global contexts.*

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