The Effectiveness of Economic Sanctions on North Korea: China’s Vital Role

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As the United States and South Korea expressed solidarity in blaming North Korea for its attack on the South Korean warship Cheonan, followed by North Korea’s artillery attack on Yeonpyeong Island, and in imposing further sanctions on North Korea, global attention is now focused on China with regard to whether it will cooperate in imposing punitive measures on its ally. Despite the worsening cleavages between China and North Korea since October 2006 when the latter tested its nuclear weapons, this study shows that their relations have remained robust in the economic context although they are experiencing a political transition. This paper begins with Sino-DPRK relations by exploring the status of the alliance in transition in the political and military context. Further, it considers the economic context between the two nations by reviewing Chinese aid to North Korea and North Korea’s trade data, using the “flow of goods” as a proxy for “flow of money.” Then, this paper applies North Korea’s strategic interaction with the United States in the game-theoretic methods in order to illustrate the Chinese impact on the effectiveness of economic sanctions on North Korea. The study found that China’s role remains consequential, as the strategies of North Korea and the United States depend on China’s position.

Introduction

The sinking of the South Korean Navy warship, Cheonan, which was attacked by North Korea (Democratic People’s Republic of Korea, DPRK) in March and the firing of artillery by North Korea on Yeonpyeong Island in November last year, brought inter-Korean relations to their lowest ebb since the 1980s. In response to North Korea’s torpedo attack on the Cheonan, the South Korean government announced the termination of economic ties with North Korea, with the only exception being the Gaeseong Industrial Complex, and the United States and South Korea staged joint naval exercises. In response, North Korea threatened to respond with “corpses and graves” to any attempt to invade its soil. Moreover, the United States has issued executive orders to cut off all sources of overseas funding for North Korea’s conventional weapons trade and purchase of luxury goods. The United States believes that this move will freeze North Korea’s assets and further isolate it from the international

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financial system; this move will also give Pyongyang a substantial warning to stop further provocations.

It has often been said that relations between China (People’s Republic of China, PRC) and North Korea have experienced deepening cleavages since Pyongyang carried out nuclear tests in October 2006. There have been certain indications that both China and North Korea, respectively, had been reconsidering the nature of their alliance even before 2006, particularly after the normalization of relations between China and South Korea in 1992. However, after the recent Cheonan incident, Kim Jong Il scurried off to Beijing, despite his serious health condition, and China welcomed the North Korean leader warmly, while protesting harshly against the joint maritime drills by South Korea and the United States. Meanwhile, there have been growing debates on China’s influence on North Korean affairs. Many agree with the increasingly significant role of China in North Korea, while others argue that China may have less leverage on Pyongyang.

This study is a systematic attempt to demonstrate that China has a consequential impact on North Korea, particularly in terms of the success or failure of sanctions on North Korea, and argues that without a change in current PRC-DPRK relations, these sanctions may not have much impact on North Korea. The study begins by reviewing PRC-DPRK relations focusing on the changes in the nature of the alliance in political, military, and economic contexts. This paper then uses a game-theoretic approach; more specifically, sequential game-models were created that were initiated by the United States and responded to by North Korea.

It is noteworthy that each player’s best option depends, respectively, on the degree of the alliance between China and North Korea in the political, military, and economic contexts, respectively. This highlights China’s significant role in North Korean affairs; if the PRC-DPRK alliance is politically and militarily strong, it will increase America’s political cost of imposing sanctions on North Korea, and the United States might then choose a weak form of sanctions instead of strong measures. If the Sino-DPRK alliance is strong in the economic sense, it will enable Pyongyang to choose to “ignore” pressure from the United States. This paper derives four possible cases and argues that the goal of the U.S. sanctions will be met, indicating that North Korea will conform and stop further provocations only when PRC-DPRK relations are weak, both politically and militarily, as well as economically. This paper found that PRC-DPRK relations remain strong in the economic context, despite the alliance being in a phase of transition in the political and military contexts, and argues that as long as their bilateral relationship maintains its current stance, sanctions against North Korea have little possibility of succeeding.

PART I: Status of North Korea-China Relations

Political and Military Relations in Transition

The phrase, “as close as lips and teeth,” as described by Mao Ze Dong, has often been used to portray the close relationship between China and North Korea. This Chinese cliché implies that if the North Korean “lips” were to collapse, the Chinese “teeth” would become sensitive. It was the Chinese leadership’s mindset that North Korea was a critical buffer state during Mao’s era; and indeed, for many decades,