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Sanctions Reconsidered: the Path Forward with North Korea

Since at least the early 1990s, there have been regular predictions of North Korea's imminent collapse—so much so that a degree of wishful thinking or “collapsism” has even characterized the debate.² Yet, the state has managed to survive, despite its corrupt deity-cult leadership, devastating famines, a largely failed economy, and an increasingly stringent international sanctions regime. In fact, North Korea's regime has not only survived, but also succeeded in resisting international pressures aimed at rolling back its nuclear program.

After decades of nuclear development, Pyongyang carried out tests in 2006, 2009, 2013, and in January and September 2016. Since the country already possesses a nascent nuclear capability which can hit most of Japan and South Korea, fears are increasing that it may turn its belligerent rhetoric—e.g. repeatedly threatening to turn Seoul into “a sea of fire”³—into action.⁴ This development could further destabilize East Asia and enhance the risk of uncontrolled proliferation in and beyond the region.⁵ Needless to say, this would not serve the interests of the United States nor its East Asian allies, nor would the international

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community at large welcome it.⁶ This begs the crucial question: do any viable tools remain for affecting change in North Korea?

The risk of having to fight another costly war on the Korean peninsula is certainly daunting for all states. Moreover, with the relative success of North Korea's nuclear weapons program, military force has become virtually unusable. Unable to use military statecraft, external actors have tried diplomatic measures. However, the Six-Party Talks on the nuclear issue have been a complete failure. Inaugurated in 2003, they have stalled since 2009. Even while they were continuing, the parties had no shared view and insufficient resolve.⁷ This is why a sanctions regime has appeared as the most likely tool to affect change in North Korea.

Successive UN Security Council (UNSC) resolutions (1695, 1718, 1874, 2087, 2094, and 2270) have designated increasingly "smart" sanctions, designed to target the leadership without harming innocent civilians. There is no doubt that these measures have had a substantial impact on the country, but they too have ultimately failed to force Pyongyang to halt its nuclear weapons program or seriously challenge the Kim dynasty.

This article demonstrates exactly *how* North Korea has managed to survive against all odds, in the face of sanctions and other hardships, by developing new supply lines and revenue streams to circumvent sanctions. It details each of these economic interactions, evaluates the extent to which existing sanctions have affected them, and discusses the pros and cons of targeting additional areas. While arguing that it is advisable for the international community to continue the close monitoring of trade related to missile and nuclear technology and other arms, and to look for ways to squeeze the "court economy" and transactions from exported laborers, we conclude by building on and adding to the recent criticism of smart sanctions, noting that some sanctions can even prove counterproductive by nipping much welcome contacts with the international community in the bud.⁸ In the final analysis, the smartest sanctions have to go hand-in-hand with much smarter diplomacy.

The North Korean Economy

Since reliable statistics are lacking, there is huge uncertainty about the precise state of the North Korean economy. This much is clear, however: while the Asian economic miracle diffused to most of the region in the second half of the 20th century, North Korea's closed, self-reliant, and state-directed economy has remained in a zombie state. Data show that accumulated growth from previous decades was lost in the first half of the 1990s, when per capita income fell by 30–75 percent.⁹ Economic growth once again increased somewhat between the late 1990s and 2009, enhancing per capita income by about 25 percent. Per

capita income trailed again in 2009 as the infamous currency reform dealt a blow to the nascent market system, wiping out capitalist activities and punishing entrepreneurs.¹⁰

Not all of North Korea's hardships are entirely of its own making, as international sanctions have continued unabated since the beginning of the Korean War (1950–53). During the Cold War, most of the harm was neutralized through preferential treatment from China and the Soviet Union. The diminishing support from these allies in the early 1990s coincided with the first UNSC resolution targeting the North Korean nuclear program in 1993. Although the sanctions regime has grown increasingly strict in response to a string of norm-aberrant behaviors since the early 1990s, and in particular since the 2006 nuclear test, it has failed to compel Pyongyang to halt its nuclear weapons program. Currently, UNSC resolutions impose an embargo on arms and related materials; a ban on exporting luxury goods to the country; a freeze on economic resources and funds; and a commitment to take cooperative action to prevent illicit trafficking in nuclear, chemical or biological weapons, ballistic missiles and their means of delivery, and related materials and technology. Some states, such as the United States and Japan, have gone even further in their sanctions regimes. For example, the United States blocks all direct or indirect import of any form of goods, services, or technology—including components—without a license from the Office of Foreign Assets Control or an applicable exemption.¹¹

Having painted a fairly dire picture of the North Korean economy, there is nonetheless some evidence that it has grown by 0.8–1.3 percent annually since 2011.¹² Particularly in the beginning of this period, hope prevailed that the new leader Kim Jong-un would steer North Korea toward some form of opening up, possibly in line with the Chinese model. According to some estimates, North Korea is now running a current account surplus.¹³ The accuracy of these figures is debatable, but they suggest at least that North Korea is not necessarily headed for the abyss in the short term.

Although the centrally planned economy has collapsed, a second, illicit shadow economy has emerged (and which is not included in the economic estimate above). With the breakdown of the food distribution system in the mid-1990s, illegal and semi-official cross-border trade as well as small markets became lifelines for those with access to hard currency. This illicit economy has continued to develop, sometimes with the regime's blessing, at other times despite crackdowns. Combined with extensive corruption, the shadow economy has begun to erode state domination of the economic sphere, and

There is some evidence that the North Korean economy has grown annually since 2011.

something reminiscent of crony capitalism is under way. Despite its emphasis on self-reliance, Pyongyang's dependency on the outside world has thus actually increased step by step since the 1990s. Official and unofficial supply lines and revenue streams have become crucial to its survival. We evaluate each of these streams below, and assess the effects of existing sanctions, as well as the viability of additional ones.

International Trade

North Korea is actually similar to other states in that trade makes up the bulk of its gross domestic product. It maintains trading relations with around 70 countries, but the lion's share is with China and South Korea. External trade, including inter-Korean trade, in 2014 was worth \$9.952 billion (exports \$4.366 billion, imports \$5.586 billion). China has accounted for about half of North Korea's overseas trade in the past decade. In 2014, bilateral trade amounted to \$6.86 billion, and made up about 70 percent of North Korea's external trade (exports \$2.84 billion, imports \$4.02 billion).¹⁴ Since the early 1990s, China has accounted for almost 90 percent of North Korea's energy imports and as much as 45 percent of its food imports. Mineral exports to China produce a major revenue stream for North Korea; exports of anthracite, a higher-grade quality coal used for power generation, for example, have brought in more than \$1 billion annually since 2011.¹⁵

Between 1997 and 2010, 138 joint ventures were established, mainly with Chinese small- and medium-sized companies, creating flexible revenue streams for Pyongyang.¹⁶ China's importance to North Korea is boosted by the fact that trade in the Chinese yuan has been allowed since February 2008, facilitating less risky exchanges as external parties become less dependent on North Korean political whims regarding official exchange rates of the North Korean won. Use of the Chinese currency has surged, especially since the failed currency reform in 2009 which reduced the value of the North Korean won by 99 percent. China also accounts for the vast majority of the goods available on the so-called open market in North Korea—figures as high as 90 percent have been circulated—and it is crucial to the export of labor as well as to many illicit revenue streams, which we will return to in a moment.

There are signs that trade with China decreased after the December 2013 purge of North Korean leader Kim Jong-un's uncle, Jang Song-thaek, who was a key interlocutor and proponent of business links with China. Although it is too early to draw any definite conclusions, Pyongyang officials and trading companies have appeared more cautious, and a degree of mistrust has developed on the Chinese side. However, even if trade with China has decreased somewhat, it is certain to remain the backbone of the North Korean economy.

Until the closure of the Kaesong Industrial Zone in February 2016, South Korea was North Korea's second-largest trading partner. On average, annual bilateral trade between 2009 and 2014 was worth around \$1.79 billion (North Korea exported \$965 million and imported \$828 million). Until its closure, this trade had in practice been channeled through Kaesong since it opened in December 2004. In 2014, the zone employed around 54,000 North Koreans.¹⁷ It had been of great importance to Pyongyang because any surplus—including from taxation of the wages paid to the North Korean workers—went directly into government coffers.¹⁸ Since payments were made in U.S. dollars, it was also a vital source of hard currency.

International sanctions since 2006 have targeted North Korea's external trade, and each set of UNSC resolutions has strengthened them. After the nuclear and missile tests earlier this year, for example, Security Council Resolution 2270, adopted in March 2016, significantly expanded the breadth and depth of previous sanctions. Among other things, it explicitly targets North Korea's profitable natural resource exports, which have been a major source of revenue. It also showed that the UNSC has been influenced by the findings of the UN Panel of Experts on Sanctions toward North Korea, closing some of the loopholes that the Panel's reports have revealed.¹⁹

The willingness of China and South Korea to tighten sanctions on trade and to fully comply with UNSC resolutions also seems to have increased over time, with their displeasure over North Korean missile and nuclear tests and other provocations. China has announced restrictions on trade with North Korea including bans on gold, rare earth metals, and certain coal imports.²⁰ However, it is still too early to draw any definitive conclusions on actual implementation. As noted above, Seoul has shut down its only remaining trading link, the Kaesong Industrial Complex, as a way of restricting revenue streams. The closure is expected to deal a blow to the North Korean regime, but given that Pyongyang itself boycotted the facility from May–September 2013, the complex is arguably not as vital as is sometimes perceived. The shut-down of Kaesong could also have a number of other negative consequences. Most importantly, it decreases the interdependence between the two Koreas, which is detrimental from the viewpoint of Seoul's long-term reunification policy.

There is no consensus among the members of the UNSC or the wider international community on how to interpret the existing sanctions regime or how strictly to enforce it. One example of this is the continuing problem of China's questionable compliance; another is when Russia negotiated exceptions to the

The willingness of China and South Korea to tighten sanctions seems to have increased over time.

March 2016 resolution.²¹ Nonetheless, even in the hypothetical scenario of more-strictly-implemented sanctions (for example through full enforcement by China and Russia), this would not necessarily produce the desired results. For starters, it is highly unlikely that it would compel North Korea to roll back its missile and nuclear programs. Furthermore, previous research has shown that sanctions provide strong incentives for entrepreneurs to take a criminal option by setting up transnational smuggling routes with the help of organized crime.²² Since this has already been seen in North Korean illicit trade (see below), stricter sanctions could make criminal circumvention an even greater problem. This makes it advisable to crack down on trade related to missile and nuclear technologies, rather than trade in general.

The Export of Labor and Remittances

The export of North Korean labor and the remittances sent back by ethnic Koreans living abroad are two major revenue streams that often go overlooked. Since the mid-2000s, 74–81,000 North Koreans have been dispatched to work in 40 different countries, and another 20,000 are working in the Chinese border region.²³ North Korean laborers are engaged in logging in Russia, run restaurants in China and Southeast Asia, and work in construction in the Middle East and Africa. Even Malta and Poland have been accused of hosting North Korean workers.²⁴

Estimates of the revenues gained from North Korean workers abroad vary greatly. In our assessment, the best estimate to date is that the returns amount to a few hundred million dollars per year, as suggested by Marcus Noland.²⁵ This is more than three times the \$88 million a year netted from contract labor remittances in 2006–11 (\$40 million from China, \$28 million from Russia, and

Labor exports remain an important source of revenue for the regime.

\$20 million from the rest of the world).²⁶ One problem with these figures is that the size of the regime's cut is difficult to approximate, but estimates range from 50 percent to 90 percent.

Despite being a major source of revenue, labor exports are not explicitly targeted in the current sanctions regime. Instead, to date this has mainly been addressed as a human rights

or human trafficking issue. Despite having been limited by current restrictions on financial transfers to North Korea, labor exports remain an important source of revenue for the regime. Without being naive, if there is even the slightest chance that North Koreans working abroad can be exposed to and interact with foreigners, labor exports may have positive side-effects. Instead of targeting

labor exports per se, sanctions should thus continue to pinpoint the financial transactions.

Ethnic Koreans in South Korea and Japan also send remittances to North Korea. About half of the 27,000 or so North Korean defectors in South Korea regularly send money to their families.²⁷ These remittances are estimated to amount to around \$10 million annually. The figure can be expected to grow with the increasing number of defectors and their enhanced integration into South Korean society. Historically, ethnic Koreans in Japan have also sent large amounts of money to North Korea. The exact sum is open to debate—in the early 1990s, estimates ranged from \$100 million to \$2 billion.²⁸ Japanese restrictions and crackdowns on pro-Pyongyang associations, however, mean that the amount has decreased in recent years.

We do not believe that individual remittances should be further targeted: 70–80 percent of them actually reach their intended targets in North Korea, and on balance they keep people and families alive rather than sustain the regime. Even if this were not the case, these remittances cannot be halted completely because the diaspora will always find ways to send money home. The most likely effect of additional sanctions would therefore be simply to increase transaction costs.

Mobile Telephones

Having previously been gadgets only for the elite, mobile phones have spread throughout North Korea in recent years, reaching around 3 million subscribers.²⁹ This does not mean that 3 million North Koreans own a mobile phone, as the subscription structure encourages ownership of more than one handset, and with 25 percent of phones for official use.³⁰ Handsets and subscriptions have nonetheless become an important source of income for the regime. In the first three quarters of 2013, subscription fees brought in a profit of \$230 million.³¹ If the estimated annual revenue is \$307 million, the regime's 25 percent cut would amount to \$77 million. These figures exclude the fees paid by foreigners, who have been allowed to keep their phones during visits since January 2013. In addition, the Egyptian company Orascom, which owns 75 percent of the network in North Korea, has been prohibited from repatriating its share of the profits (\$585 million by 2015) which, if confiscated, would add further to the regime's coffers.³²

Mobile telephony is primarily a domestic activity, so there is only limited scope for international sanctions. The most effective idea would be to restrict the export of the components needed to build handsets, and the provision of services and materials required for maintenance of the network. However, this is not necessarily an area where the international community should try to intervene; to inhibit communication in a closed, authoritarian state that you want to open up is simply counterproductive.

Tourism

North Korea encourages inward tourism for propaganda purposes, and to bring in foreign exchange. The income from tourism used to be substantial. Each year between 1999 and 2008, hundreds of thousands of South Koreans toured approved sites, including Mount Kumgang and Kaesong City. These visits ceased after a South Korean tourist was fatally injured in 2008, however, and South Korean tourists have since been replaced by Chinese visitors. There are no reliable statistics, but the best estimate is that China by now accounts for 90–95 percent of the total number of foreign visits (at least in 2012), amounting to 200,000–250,000 visits per year.³³ North Korea is the option for those Chinese unable to afford trips to more distant destinations, such as Europe and Southeast Asia, so this does not generate much income.³⁴ There are estimates of no more than \$100 million per year, but the actual figure is arguably lower.³⁵

Although highly visible, Western tourism to North Korea is negligible. According to a survey of tour operators, around 4,000 Westerners visited North Korea in 2014.³⁶ Even if each tourist is expected to spend about \$1,000–2,000 in the country, the revenue generated amounts to no more than an annual \$4–8 million—a tiny share of the total tourism income and a tiny contribution to North Korea's GDP.

In sum, tourism contributes positively to the North Korean economy, in particular by bringing in hard currency. Since the vast majority of tourists originate from China, there are only limited options for sanctions. Moreover, although the interaction between tourists and North Koreans is tightly controlled, and we have no illusions that it will bring about any miracles, it might still give the population an impetus to learn about the outside world, and thus help to instigate beneficial change in the medium to long term.³⁷ In any case, banning tourists would not facilitate any change.

Foreign Assistance

Total official development flows to North Korea reached \$155 million in 2014, up from \$80–\$120 million per year in 2010–2013.³⁸ About half of the aid is humanitarian and food aid, and it has been crucial for feeding North Koreans in recent decades. In the case of the United States, most forms of economic assistance are prohibited, or limited to purely humanitarian purposes. Having provided over \$1.3 billion in 1995–2008, there has been almost no U.S. aid since early 2009.³⁹ The EU's current contribution is slightly larger but also limited. In the past two decades, over €366 million (about \$400 million) has been provided in the form of agricultural support, food aid, as well as medical, water, and sanitation assistance.⁴⁰

Foreign aid is not an area that should be targeted by international sanctions. Since it is both limited and mainly focused on humanitarian needs, it benefits

the people more than the regime. Although it remains important to enhance monitoring mechanisms, donors have gained more opportunities to monitor how assistance is used in recent years.

The Arms Trade

Traditionally, the arms trade was one of North Korea's largest sources of revenue, bringing in hundreds of millions of dollars each year. In the late 2000s, estimates circulated that annual returns were as high as \$1.5 billion.⁴¹ As a consequence of UNSC resolutions, this revenue stream had decreased by around 90 percent by 2010.⁴² As the UN panel has not been able to determine whether the arms trade has decreased or increased since then, this estimate remains the best available.⁴³ At around \$100 million per year, the arms trade is nevertheless still an important source of income for North Korea.

The implementation of existing sanctions on arms trade should continue, and they should be continuously monitored in order to identify when they are broken, and to update and fine-tune them as necessary. In this context, it is crucial that the mandate of the panel of experts established by UNSC Resolution 1874 (2009), to monitor and detect breaches as well as make recommendations accordingly, is renewed and taken seriously.

Arms trade revenue decreased substantially until 2010, but is still important for North Korea.

Illicit Activities

Illicit activities—such as drug trafficking, currency counterfeiting, and the smuggling of contraband—continue to provide a lifeline for the regime in North Korea. The United States and the international community target such activities with a growing understanding of their dynamics and increasingly smart sanctions, but they still constitute a major source of income. The exact value of these illicit activities is difficult to assess, but has been estimated at as much as \$500 million per year.⁴⁴ Pressure to counter such activities has increased since the mid-2000s. Action has been taken against Banco Delta Asia in Macau for money laundering, the United States has detained individuals associated with the trafficking of illicit goods, and the U.S. Treasury has publicly stated that banks dealing with North Korea are likely to face charges of money laundering.⁴⁵

However, North Korea has shown great adaptability in circumventing such actions. While the trade has become less visible, it has not necessarily declined. As sanctions have limited the access to traditional shipping routes, the Chinese border area has grown in importance. There has also been a shift in governmental involvement. The trafficking of illicit goods is now either decentralized or

conducted by state-tolerated (in contrast to state-controlled) entrepreneurs. The actual smuggling is carried out by criminal networks, rather than by government officials as used to be common practice.

This means that illicit activities are no longer an elite affair, but have started to involve many ordinary North Koreans. Since the regime's income has decreased, it has begun to look for new ways, other than direct control, to extract its cut. These include loyalty offerings, bribes, and other forms of contributions. Having observed this shift, it is up for debate whether and to what extent sanctions in this area should be fine-tuned and expanded. It is clear that stricter sanctions might risk hurting the North Korean individuals for whom engagement in illicit trade has become an important lifeline. However, the export of illicit goods such as drugs and counterfeit medicine should be stopped to protect potential users from harm. Since most channels have already been severely restricted, it is the Sino–North Korean border region in particular where illicit activities continue—but China remains reluctant to put too much pressure on North Korea. Having said that, recent analyses of satellite imagery indicate that Beijing may in fact be cur-tailing cross-border interactions in secret, squeezing North Korea more than it publically acknowledges.⁴⁶

The Shadow Economy and Semi-Official Trade

The development of open markets has spread market practices throughout North Korea, blurring the lines between state-owned companies and private enterprises. A range of private enterprises is now allowed to operate, albeit in return for a payoff of 30–70 percent of their profits.⁴⁷ It is notable that privately-run shops registered as state outlets have become commonplace.⁴⁸

The shadow economy is crucial to regime survival, but at the same time it is highly difficult to target. Even the most severe restrictions imposed by UNSC Resolution 2270, or unilaterally by the United States, have had limited impact. Shadow trade simply does not leave any formal or legal trace that would allow targeting of the entities or individuals involved in, or supporting, these practices. Moreover, since the shadow economy works as a lifeline for many ordinary North Koreans, it is not necessarily an appropriate target for sanctions. Even if a successful blow against these activities could affect the regime, the impact on ordinary citizens would almost certainly prove disastrous. In addition, the shadow economy has the semblance of a “free market.” Thus, the practices and institutions created through the shadow economy and semi-official trade have the potential to become a force for change, helping to erode the existing system from within. That is not to say that they will necessarily become such a force; only that it is not worth the risk of missing out on such a possibility.

The Court Economy

In addition to, and separate from, the state economy there is also a court—or “royal”—economy. This economy is operated from offices 38 and 39 of the Workers’ Party of Korea, with the aim of acquiring the funds needed to support the senior leadership’s lavish lifestyle and rewarding its supporters. The import of luxury goods has increased every year since Kim Jong-un took power in December 2011, from \$446 million in 2010 to \$645 million in 2012.⁴⁹ This is twice the average rate of increase under his father and predecessor, Kim Jong-il.

The court economy is funded through both legitimate and illicit sources. Party-owned trading companies sell the most marketable commodities, including gold and agricultural products such as pine, mushrooms, and seafood. It also obtains its share from the trade in illicit goods, such as illicit drugs, and counterfeit pharmaceuticals (mainly Viagra), currency (dollars and yen), and cigarettes. Drawing on statistics from other countries, the value of this trade has been estimated at several hundred million dollars per year.⁵⁰

The court economy is a target of existing international sanctions, which try to pinpoint luxury goods such as high-quality liquor and cars, but the effect has been quite limited. Financial restrictions are also important, as they can limit the leadership’s ability to build up a “slush fund,” which can be used to pay for the things that make the life of the Kim entourage more pleasurable, thereby keeping the elite happy. There are also sanctions targeting specific individuals, such as “the U.S. Specially Designated Nationals (SDN) and Blocked Persons List,” and certain entities.⁵¹ These sanctions have restricted both freedom of travel for the elite, and the ease with which North Korea can pay for goods.

However, luxury goods in sufficient quantities continue to pass through the North Korean border. Somewhat ironically, one thing that has created problems for the court economy is the decentralization of the market, as illicit trade is not as easy to tax as a more top-down system. This is also an important reason why Pyongyang is trying to enhance security on the Chinese border. Since the court economy is crucial to regime survival—its *raison d’être*—and has no benefits for the people, it should be a prime target for sanctions. We strongly encourage measures to prevent the supply of revenues and luxury goods from reaching North Korea. The mandatory inspection of cargo with any possible connection to North Korea, enacted in UNSC Resolution 2270, is a good example of such a measure.

The rate of import of luxury goods has increased every year since Kim Jong-un took power.

From Smart Sanctions to Smarter Diplomacy

The North Korean regime has managed to survive despite almost unprecedented levels of autocracy and crisis, and despite an increasingly strict sanctions regime. International sanctions have had a major impact on Pyongyang's options,⁵² but thus far they have failed to halt the nuclear weapons program or to topple the regime. Pyongyang has skillfully adapted to the new circumstances, and found ways to maintain supply lines and revenue streams, not least by hiding its involvement in illicit activities. These findings are far from counter-intuitive from the viewpoint of the sanctions literature.

The sanctions toolbox does not contain a silver bullet.⁵³ Indeed, as we have shown, it is even highly probable that the benefits of targeting the economic interactions that keep the regime alive would be overshadowed by a range of adverse effects on the wider population. For example, despite being “smart,” many additional sanctions could harm civilians by slowing down the economy, stimulating criminal activity, or curtailing an emerging civil society. Above all, if sanctions do not generate the desired concessions, we have to assume that North Korea will

continue to survive, and that its nuclear program will continue to develop unabated.

That said, we can expect some sanctions to be more effective and less harmful than others. In particular, we recommend continued monitoring of the arms trade, and measures to squeeze the court economy and to target remittances from exported laborers. We also recommend renewed efforts to restrict North Korea's trade in illicit goods, but mainly for

Some sanctions are more effective than others; but what is needed above all is smarter diplomacy.

health reasons. Nonetheless, as long as China in particular refuses to fully enforce sanctions, there is a risk that additional measures will meet the same fate as existing ones.

Rather than putting our faith in the hope that additional, increasingly smart sanctions will do the trick all by themselves, we argue that what is needed, above all, is smarter diplomacy. We have no illusions about North Korea—one of the most repressive regimes ever seen on earth. Yet the Western contact phobia with Pyongyang and the fear of rewarding bad behavior have become utterly counterproductive. Since North Korean leaders may also perceive talks with the outside world as a slippery slope to regime change, Western states should make it worthwhile for them. The reason, of course, is that an isolated North Korea has the space where it can continue to develop its nuclear capability. While it is difficult to imagine that even North Korea will ever use nuclear weapons—despite its characteristically bellicose rhetoric—the risk exists that an

isolated North Korean regime may find it increasingly attractive to gain hard currency by proliferating to less scrupulous actors, such as terrorists. This is a risk that is real and daunting.

Smart diplomacy thus has to recognize that North Korea has managed to survive, against all odds, by circumventing existing sanctions. It must also accept the more fundamental point that enduring pressure will only continue to breed North Korean resistance and hostility to the outside world. Rather than restricting all of North Korea's international contacts, we thus believe that most interactions should be encouraged and developed with the hope that they can contribute to a gradual re-socialization of North Koreans.

Hence, rather than continuing to punish North Korea, we think the time is ripe to engage North Korea and to restart a functioning dialogue and negotiations. One such option could be to test, more seriously than to date, whether North Korea would be willing to receive U.S. security guarantees in return for denuclearization. As Jong-kun Choi has pointed out, this may be called by some "extortion or rewarding North Korea's bad behavior, but in the language of diplomacy . . . [it is called] a trade-off."⁵⁴

If regional tensions and deadlocks continue to prevent meaningful dialogue, we hope that smaller states, with no strategic interests in the region, will be challenged to get involved and play the role of "honest brokers." Our own native Sweden is one option here, having one embassy in Seoul and another in Pyongyang—where it plays the role of protective power of the United States—as well as having officers in the demilitarized zone. We know of policymakers in East Asia who agree on Sweden's suitability.⁵⁵

Nevertheless, while it will ultimately be necessary for China to retake the primary initiative, progress will require all key regional actors to unite in a willingness to engage constructively, and prioritize peace and security on the Korean peninsula over narrower national interests.

Notes

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