A BLUEPRINT FOR NEW SANCTIONS ON NORTH KOREA

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Introduction

North Korea has emerged as one of the most significant national security threats facing the United States and its allies today. Since leader Kim Jong Un came to power in 2011, North Korea has accelerated the pace of its nuclear tests, and appears to have made substantial progress in developing operational medium-, long-range, and intercontinental ballistic missiles. Many experts assess that if left unchecked, Pyongyang could develop the capability to strike the contiguous United States with a nuclear warhead within 5–10 years. Because of that, in June 2017 U.S. Defense Secretary James Mattis characterized North Korea as “the most urgent and dangerous threat” to U.S. peace and security.

Sanctions have been a long-standing element of U.S. policy toward North Korea. However, prior to 2016, U.S. and international sanctions against North Korea were primarily designed to target specific entities involved in its nuclear and missile programs and its international support networks – rather than creating broader pressure on the country’s economy. This focus began to shift after North Korea’s fourth and fifth nuclear tests in 2016, when the U.S. government and its allies began to pivot toward a more muscular response. For example, in 2016 U.S. diplomats persuaded the United Nations to adopt two new rounds of broader economic sanctions targeting the North Korean economy, and Congress passed tough new U.S. measures that included sanctions directed at several North Korean economic sectors.

Since being sworn in, President Donald Trump has adopted a strong posture toward North Korea, including imposing additional sanctions designations and pushing for a more robust military force posture in Asia. Secretary of State Rex Tillerson and other administration officials have threatened to take additional steps, including imposing broader “secondary sanctions” that would target Chinese and other foreign companies that continue to trade with North Korea. Even as it pursues a more vigorous pressure strategy, however, the Trump administration has expressed openness to diplomatic negotiations with Pyongyang. Tillerson has stated that the United States would be prepared to engage in diplomacy “when conditions are right.”

As Congress and the executive branch consider ways to combat the North Korean threat, this report offers policymakers an analysis of the situation, an assessment of the successes and failures of sanctions imposed to date, and options for increasing Pyongyang’s economic isolation. With enhanced economic leverage, the United States will be better placed to address North Korea’s destabilizing influence and lay the table for potential nuclear diplomacy.

In 2016, U.S. diplomats, including then-Ambassador to the United Nations Samantha Power pictured here visiting the South and North Korea border, convinced the United Nations to adopt broad economic sanctions against North Korea. (Getty Images)
Background: State of the North Korean Threat

North Korea has made rapid strides in recent years in developing nuclear weapons and is actively developing ballistic missiles capable of carrying nuclear warheads. The country has conducted five nuclear tests since 2006, including two in 2016. These nuclear tests have grown more powerful as North Korea’s program has progressed. The most recent, in September 2016, was estimated by some experts to be more powerful than the nuclear weapon that the United States dropped on Hiroshima in 1945. Siegfried Hecker, a noted expert on North Korea’s nuclear program, estimated in 2016 that North Korea had likely produced enough plutonium to manufacture six to eight plutonium-based nuclear weapons and enough highly enriched uranium to produce 20 uranium-based nuclear weapons. Furthermore, he estimated that North Korea is developing enough fissile material to construct approximately seven additional nuclear weapons per year. David Albright, a nuclear expert at the Institute for Science and International Security, estimated that at the end of 2016 North Korea likely had between 13 and 30 active nuclear weapons.

North Korea has also made rapid advances in ballistic missile technology in recent years, particularly since Kim came to power. The country has conducted over 80 missile tests under his leadership, and while a number of these have failed, North Korea has successfully launched short-range, mid-range, and on July 4, 2017, intercontinental ballistic missiles. It also successfully launched a small satellite into space in 2012.

North Korea’s existing missile arsenal is capable of striking Japan and Korea, including U.S. forces stationed in both countries. In April 2017 North Korea appeared to successfully test a missile that may be capable of striking the U.S. territory of Guam, more than 2,000 miles from Pyongyang. In July 2017, it successfully tested a missile capable of reaching Alaska. North Korea has also successfully tested a submarine-launched ballistic missile, potentially giving the country a mechanism to avoid early detections of launch activity and the ability to develop a capacity to retaliate against U.S. allies if North Korea is attacked. North Korea is also actively developing long-range, intercontinental ballistic missile technology that would be capable of striking the U.S. lower 48 states.

North Korea claims that its September 2016 nuclear test was of a miniaturized warhead capable of being carried by a missile and that the missile it tested in April 2017 is capable of carrying a nuclear warhead. While both U.S. government and nongovernmental experts have expressed skepticism of these claims, most experts do predict that on its current pace of progress North Korea will be able to field a reliable, nuclear-armed missile capable of striking the U.S. mainland sometime in the next 5 to 10 years. This relatively short timeline makes an effective response a critical priority for U.S. policymakers.

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Existing Sanctions: Long Neglected and Outmoded, Recently Reinvigorated

One of the most common shibboleths about U.S. sanctions against North Korea is that they are maximally strong yet minimally effective. In 2015, President Barack Obama called North Korea the “most sanctioned” country in the world. Meanwhile, numerous analysts have concluded that sanctions will never succeed in persuading Pyongyang to scale back its nuclear ambitions. They began making such assertions long before sanctions became as comprehensive as they are today.

An Outmoded Sanctions Program

Despite the perception that North Korea has long been the most sanctioned country on earth, the reality is that until recently, those sanctions were not very comprehensive. Though the U.N. Security Council had passed four sanctions resolutions between 2005 and 2015, none of them meaningfully tightened the economic screws on North Korea. Without this broad economic force, they lacked the leverage to compel policy change or effective nuclear diplomacy. Instead, they were narrowly targeted at specific individuals and companies involved in North Korea’s nuclear program and served as more of a messaging tool, with relatively limited financial consequences for North Korea and its regime elites. As a parallel to this U.N. framework, unilateral U.S. sanctions between the mid-2000s and the end of 2015 were far less restrictive than the U.S. sanctions imposed on Iran during the same period.

Until recently, the underlying principles of U.S. and international sanctions on North Korea were reminiscent of the sanctions programs of the early 2000s, which focused heavily on U.N. Security Council resolutions and efforts to prevent dangerous materials (such as components for weapons of mass destruction) from reaching rogue actors.

But over the last decade, in other contexts, such as Iran and Russia, the United States has transformed the way it employs its economic strength to achieve foreign policy objectives. Instead of relying primarily on the U.N. Security Council, which is reluctant to impose harsh economic sanctions, and U.N. member states, which often implement sanctions unevenly, the United States has come to rely on the strength of the U.S. financial system for imposing meaningful economic measures. For example, U.S. and European Union (EU) sanctions on Russia have had a significant impact on the Russian economy even without corresponding U.N. sanctions. Between 2010 and 2015 the United States, the EU, and other allies put sanctions on Iran that were far more powerful than those mandated by the United Nations Security Council. These measures cut Iran’s oil exports in half, did significant economic damage to the country, and are widely credited as a major reason Tehran agreed to the Joint Comprehensive Plan of Action (JCPOA), the landmark nuclear deal in which Iran agreed to strict international controls of its nuclear program.

Both U.S. and U.N. sanctions on North Korea began to shift in 2016, starting with the U.N.’s enactment of two new resolutions – UNSCR 2270 in March and UNSCR 2321 in November – targeting important sectors of the North Korean economy. These U.N. measures were negotiated by the Obama administration, and the primacy accorded to that process is evident in the timing of the U.N. and U.S. actions. Though Congress passed aggressive new U.S. sanctions as well in response to North Korea’s September 9, 2016, nuclear missile test, that did not happen until UNSCR 2321 had been completed on November 30 – nearly three months after the test. U.S. sanctions policy on North Korea
focused disproportionately on negotiating U.N. Security Council resolutions instead of wielding the strength of the U.S. economy.

While sanctions alone will not compel Pyongyang to abandon its nuclear program – smart diplomacy and the deft use of military leverage will also be critical – there is ample room to increase pressure against the country’s economy. Aggressively doing so plus targeting the international companies, including many based in China, that still do business with North Korea could begin to curb its continued ability to generate hard currency from exports and its continued access to the international financial system. This additional pressure could limit the country’s ability to generate the funds it needs for its nuclear program. Just as important, it would restrict Kim’s ability to handle any ensuing economic instability. This would build critical leverage for the United States in future diplomatic negotiations with North Korea over its nuclear program.

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Overview of Existing Sanctions
Sanctions on North Korea have expanded over the last decade, with dramatic new authorities added since early last year.

The international sanctions regime on North Korea is framed by Security Council resolutions dating from 2006, responding to Pyongyang’s test of a nuclear device in October of that year. They impose asset freezes and travel bans on entities and individuals involved in the country’s ballistic missile and nuclear weapons activities and restrict the sale of conventional weapons to and from North Korea. They also prohibit the sale of luxury goods to North Korea and goods that could advance its proliferation activities. The 2016 sanctions additionally restrict some economic activities that generate revenue for the regime to support missile and nuclear programs. These sanctions limit North Korean shipping activities and call for member states to expand scrutiny of North Korean transactions, shipping, and contract laborers abroad.

While the United States has had sanctions in place on North Korea since the 1950s, the contemporary U.S. sanctions program on the country was initiated in 2008, targeting proliferation of weapons-usable fissile material on the Korean Peninsula. The U.S. government has progressively expanded sanctions since then to further expose and impede North Korean nuclear and missile proliferation networks and the regime leaders and their cronies facilitating destabilization in the Korean Peninsula and beyond. Congress has also imposed a series of sanctions laws related to North Korea.
These various U.S. sanctions are substantively similar to U.N. sanctions, involving asset freezes, travel bans, and economic prohibitions on individuals and entities linked to Pyongyang’s conventional weapons, missile, and nuclear programs. Furthermore, the U.S. sanctions ban investment and most economic activity between the United States and North Korea, the sale of luxury goods, and target companies that engage in coal, metal, graphite, and software trade with North Korea or that operate in its energy, transportation, or mining sectors.

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In more marked contrast to the scope of U.N. sanctions, the United States also has measures that target firms and individuals engaging in North Korean counterfeiting, drug smuggling, and other criminal activity; cyber attacks; and human rights abuse. In 2016, the U.S. Department of the Treasury named North Korea a “jurisdiction of primary money laundering concern” under Section 311 of the USA Patriot Act, compelling U.S. banks to scour their foreign business relationships for ties to North Korea and signaling to the rest of the world the serious economic risks of doing business with North Korea. More recently, in June 2017, the Treasury Department named Bank of Dandong, a China-based financial institution, as a “primary money laundering concern” under Section 311 of the USA Patriot Act for facilitating illicit North Korean financial activity. Though Bank of Dandong is very small, the move demonstrated the Trump administration’s willingness to target Chinese entities when their actions undercut economic pressure on Pyongyang.

A number of international partners have also imposed sanctions on North Korea for its nuclear and missile proliferation activities. Many observers and U.N. experts point out inadequate enforcement, however, which diminishes the effectiveness and cogency of the sanctions. A key reason for the limited enforcement is reluctance of many governments to confront China, North Korea’s key international banker and trading partner, for fear of damaging political relations and uncertainty of the strategy’s success. In light of this dynamic, and facilitated by a more confrontational policy posture to China, U.S. legislators are considering broad new secondary sanctions to compel China to sever North Korea’s international economic lifelines. This would involve threatening access to the U.S. financial system for foreign firms that do business with specific North Korean entities or economic sectors.

Economic Impacts of Existing Sanctions
Given that most sanctions before 2016 were designed to target entities involved in North Korea’s nuclear and ballistic missile programs and not the country’s economy as a whole, it is unsurprising that the U.S. and international sanctions on North Korea during that time had limited impact.

There is scant evidence that these sanctions significantly impacted the North Korean economy. Although reliable economic data on the country is not available, statistical and anecdotal evidence indicates that North Korea has generally experienced modest growth in recent years, at least until late 2015. For example, World Bank statistics estimate that North Korea’s gross domestic product (GDP) grew from $14 billion in 2010 to more than $17 billion in 2014. South Korea’s Central Bank offers an even brighter estimate of the North: modest economic growth in 2011-2014 and a small economic decline in 2015, with GDP that year totaling $31 billion.

North Korea is active in international commerce, and its economy is deeply intertwined with China’s. Bilateral trade totaled $5.8 billion in 2016. Moreover, North Korea maintains active trading relationships with Angola, India, Pakistan, the Philippines, Russia, Saudi Arabia, and several other countries. North Korea is actually more dependent on foreign trade than Iran was in 2010 – the year the United States began levying crippling sanctions against that country. On the whole, exports and imports constituted almost a third of North Korea’s GDP in 2015.

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Anecdotal reports by visitors to North Korea during recent years offer numerous signs of growth, including large-scale construction projects, increasing traffic in Pyongyang, and the spread of technology, such as cellphones. Anecdotal reports also indicate robust
cross-border trade between China and North Korea, notably at Dandong, China. Experts also say that in addition to trade in goods, North Korea has been able to generate significant sums of money by selling North Korean labor overseas, by trying to develop the country’s tourism industry, and through criminal activity.

The sanctions enacted in 2016 have likely had some economic impact, though it is hard to quantify, given how new the sanctions are and the lack of reliable figures. For example, statistics released in May 2017 indicated that Beijing’s decision to enforce U.N. sanctions on North Korea’s coal exports had likely resulted in the lowest levels of those exports to China in several years. South Korea’s decision to close the Kaesong Industrial Complex, a joint North Korea–South Korea manufacturing center, in early 2016 has almost certainly eliminated most bilateral Korean trade, which amounted to several billion dollars in 2015. Heightened scrutiny on the use of North Korean labor abroad has prompted several countries to ban the practice. However, International Monetary Fund trade statistics indicate that North Korea’s total exports were largely unchanged between 2015 and 2016 at just under $3 billion annually. In addition, the country does not yet appear to be suffering major impediments to procuring essential goods for its economy, such as energy supplies, machine parts, vehicles, and other imports.

Given the limited economic effect of the sanctions enacted to date, it is unsurprising that they do not appear to have had a meaningful impact in changing North Korea’s policy. As previously discussed, the country has significantly increased the pace of its nuclear and ballistic missile programs since Kim came to power, despite economic sanctions. In addition, North Korea has engaged in a variety of non-nuclear provocative actions, such as its suspected roles in hacking Sony’s U.S. movie studio in 2014 and releasing a sophisticated malware program that attacked international companies in the spring of 2017.

This is not to say that sanctions have never impacted Pyongyang’s calculus. In 2005, U.S. sanctions against a Macau bank, Banco Delta Asia, that effectively froze some $25 million controlled by North Korean insiders became a major piece of leverage in diplomatic negotiations with Pyongyang. But the sanctions imposed in recent years – which, as previously discussed, have generally not targeted major sources of regime revenue – do not appear to have had a meaningful impact on North Korea’s willingness to pursue its nuclear and ballistic missile programs.

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The Chinese Perspective

While the United States sees North Korea’s nuclear and ballistic missile programs as that country’s greatest challenge to U.S. security interests, China’s greatest concern is maintaining stability on the Korean Peninsula. From Beijing’s perspective, North Korea provides a valuable strategic buffer between China’s border and South Korea, a U.S. treaty ally where more than 25,000 U.S. troops are stationed. Chinese leaders are also deeply concerned that economic or political collapse in North Korea could trigger a refugee inflow from that country into China.

China does perceive North Korea’s nuclear program as a threat to regional stability, has sharply criticized Kim’s nuclear tests, and has backed several rounds of U.N. sanctions on North Korea. In addition, Beijing worries that U.S. pressure related to North Korea could have adverse consequences for Beijing’s interests. At times China has offered concessions to the United States to dissuade Washington from taking more aggressive steps that China sees as contrary to its interests. Overall, given its interests in stability in Pyongyang, China has generally sought to maintain a middle-ground policy of supporting some pressure on North Korea while urging both North Korea and the United States to de-escalate tensions. For example, in April 2017 Chinese Foreign Minister Wang Yi said that “no one can become a winner” in a war between North Korea and the United States and he urged both countries to engage in dialogue to foster détente.

Despite the overall close economic relationship between North Korea and China, Beijing has proved willing to pressure its neighbor in response to specific developments in North Korea’s nuclear program. For example, some experts speculate that China has in the past temporarily cut off fuel supplies to North Korea to send a message. Anecdotal evidence from reporters indicates that China has taken some steps to increase inspections of China–North Korea trade since late 2016. In early 2017 China ordered several ships carrying coal from North Korea to return to that country without unloading to comply with the U.N. sanctions that restrict North Korea’s coal exports. However, China remains North Korea’s dominant trading partner, and North Korea continues to rely on China as a market for exports of natural resources, textiles, and manufactured goods, and for imports of fuel, vehicles, machinery, and other critical goods.

Beijing has a long-standing policy of publicly objecting to U.S. secondary sanctions that threaten to penalize Chinese companies for engaging in business with third countries, such as sanctions that seek to deter Chinese firms from doing business with Iran or North Korea.
However, China has also at times agreed to curb certain business activities when threatened with U.S. secondary sanctions. For example, China substantially reduced its oil imports from Iran in response to U.S. pressure, and Chinese banks also curbed certain business with Iran. There are limits to China’s willingness to quietly abide by U.S. sanctions. For example, in the end the United States was compelled to impose sanctions on Bank of Kunlun, a Chinese bank that continued to engage in financial transactions with Iran despite U.S. warnings.

The United States needs to be judicious in how it imposes secondary sanctions.

Given China’s strong policy interests in North Korea, the threat of U.S. secondary sanctions is unlikely to completely deter trade between the two neighbors. Also, the United States needs to be judicious in how it imposes secondary sanctions. However, as in the Iran case, U.S. secondary sanctions can be useful in pressuring China to take at least some important steps toward increasing economic pressure on Pyongyang.

A New Sanctions Strategy

Against this backdrop, U.S. policymakers should adopt a new and tougher approach to North Korea sanctions. The best model for this is the sanctions that the United States imposed on Iran before the JCPOA was concluded in 2015. The pre-JCPOA Iran sanctions regime represented nothing short of a full-court press against Iran’s economy, focusing on the government’s sources of export revenue, its trade connections and access to hard currency, and the international financial system.

From a sanctions perspective, North Korea’s international trading relationships constitute a target-rich environment. By using secondary sanctions, the United States can disrupt those relationships by threatening to blacklist foreign companies that transact with North Korea. Access to the U.S. financial system is essential for most firms around the world that wish to operate internationally, owing to the ubiquity of the U.S. dollar. (To illustrate the extensive reach of the U.S. financial sector: Many international transactions that do not seem to involve U.S. entities or U.S. dollars end up transiting U.S. banks, giving the U.S. government a chokepoint to disrupt those transactions.) Moreover, for most of North Korea’s trading partners, Pyongyang derives much more value out of the relationship than its counterparts do.

As a result of these factors, if the United States were to threaten secondary sanctions against foreign firms that buy North Korean exports, many of those firms would likely opt to cease such business instead of risking their access to the United States.

Recommendations for the United States

For sanctions against North Korea to be optimally effective, the Trump administration should work with Congress to develop a whole-of-government approach. Secondary sanctions, no matter the context, are diplomatically sensitive, as they involve threatening penalties against firms in countries that are friendly to the United States or at least not U.S. adversaries. When the executive branch has a choice about whether to impose secondary sanctions, it often decides not to, as foreign governments can apply pressure to the White House by threatening to withhold something else that the United States wants.

A significant factor in the success of the Iran sanctions is that Congress mandated by law that the executive branch enforce secondary sanctions. By tying the Obama administration’s hands legally, the laws made the administration’s threats to impose secondary sanctions substantially more credible than they otherwise would have been. As a result, it behooves the Trump administration to work cooperatively with Congress to build a robust strategy for secondary sanctions, even if new North Korea sanctions laws would limit the executive branch’s flexibility.36

The U.S. government – through coordination among the Treasury Department, the State Department, the National Security Council, and Congress – should take the following steps to strengthen sanctions against North Korea:

1. **Impose sanctions against any bank or company involved in purchases of North Korean exports – including coal, minerals, textiles, and other products.**

   Such a provision should mimic the sanctions on Iran’s oil exports that were enacted by the National Defense Authorization Act for Fiscal Year 2012. The United States should threaten secondary sanctions against any foreign company that purchases North Korean exports and should allow waivers for jurisdictions that demonstrably and significantly decrease their trade with North Korea over a six-month span. Such waivers would allow China and other trading partners to reduce their imports from North Korea gradually and would give them a clear path to gracefully avoid the brunt of U.S. secondary sanctions.
2. **Require that all payments to North Korean entities be held in escrow accounts outside of North Korea, with limitations on how the money can be used.**

This requirement – which the United States previously employed with respect to Iran’s oil revenues – is a useful corollary to secondary sanctions against firms that buy North Korean exports. By forcing foreign banks to hold North Korean payments in escrow accounts, it will be easier to ensure that Pyongyang is not using hard currency for illicit activities, such as purchasing missile or nuclear components. Moreover, it would enable North Korea to continue to import humanitarian goods such as food and medicine using its export revenues held abroad. To illustrate, this provision would require a Chinese company that pays North Korea for a product to transfer the money into a North Korean account in a Chinese bank, ensuring that Chinese regulatory authorities maintain oversight on the funds. The United States can enforce such a requirement by threatening secondary sanctions against any bank that repatriates funds to North Korea without explicit authorization.

3. **Impose sanctions against North Korean ports, including shipping lines and other entities that transact with those ports.**

The United States should act swiftly to add all North Korean trading ports to the Specially Designated Nationals List (SDN List). There are eight significant ports in North Korea, including the critical port of Nampo in the country’s west, near Pyongyang. After designating all of these ports, the U.S. government should impose secondary sanctions against any company that directly or indirectly provides goods or services to those ports. Such sanctions would persuade most international shipping lines to cease calling at North Korean ports, hinder repairs and maintenance of port infrastructure, and add another incentive for companies around the world not to trade with North Korea.

4. **Craft sanctions targeting insurance companies that underwrite cargoes to and from North Korea.**

Substantial trade cargoes that enter and leave from North Korea require insurance and reinsurance, regardless of how they are transported. By imposing sanctions against any financial institution that provides insurance or reinsurance for North Korean exports and imports, the United States can make it significantly harder for North Korea to engage in foreign trade. Such sanctions would force financial institutions to do more thorough due diligence to ensure that they are not inadvertently providing insurance to vessels that are calling at North Korean ports.

5. **Develop and enforce sanctions against foreign banks that transact with North Korean front companies.**

There are still a number of Chinese banks that transact with North Korean front companies, and it would serve the United States well to impose sanctions on some or all of them. If an initial salvo of secondary sanctions does not persuade other Chinese banks to cease transactions with North Korean front companies, the United States can impose sanctions on remaining firms with ties to North Korea. Though there is understandably hesitation about targeting Chinese financial institutions, it is important to bear in mind that the U.S. government did impose sanctions on China-based Bank of Kunlun in 2012 for its dealings with Iran. U.S. sanctions on Bank of Kunlun did not cause Beijing to end its cooperation with the United States on confronting the Iranian nuclear threat.

6. **Initiate a high-profile public diplomacy campaign to discredit any trade with North Korea.**

One reason that U.S. secondary sanctions against Iran worked was because the United States successfully cast a pall on any trade with Iran, underscoring its human rights abuses, quest for nuclear weapons, and regional destabilization. A similar public diplomacy campaign to highlight how purchasing North Korean goods, or employing North Korean laborers, aids and abets the Kim regime would go a long way toward easing the international environment to an aggressive use of U.S. secondary sanctions. By reinforcing the negative and inhumane consequences of trading with North Korea, the United States can amass essential legitimacy for its campaign to coerce Pyongyang with economic pressure.

7. **Introduce a far-reaching diplomatic outreach campaign to build support for U.S. sanctions and avoid miscalculation.**

Aggressively enforcing secondary sanctions can cause diplomatic rifts and risk a downward spiral in international relationships. The United States can mitigate the potential for such negative consequences by expending substantial diplomatic energy to explain its steps on sanctions and highlight how to avoid being targeted by them. The most important diplomacy must take place between Washington and Beijing, but the Trump administration must also...
take a broader approach. It should engage proactively with any foreign government or global sector that may be impacted by U.S. secondary sanctions. Honest global engagement by U.S. officials on what can be a very difficult topic (the unilateral exercise of American economic might) will help build a constructive basis for both the sanctions campaign and any diplomatic negotiations that eventually take place between Washington and Pyongyang.

8. Keep open lines of communication with China – but set clear expectations and articulate unambiguously that North Korea is a top-tier U.S. priority.

Any aggressive U.S. sanctions campaign against North Korea will entail friction between Washington and Beijing. This is inevitable, just as it was when the United States wielded secondary sanctions to compel China to reduce its trade with Iran. A framing objective of U.S. policy should be to keep open lines of communication with China, ensuring that Beijing is not taken off guard by any aggressive U.S. sanctions actions. At the same time, Washington must articulate clearly to Beijing that North Korea’s nuclear development poses a direct threat to the United States and its allies and that the U.S. government will not hesitate to defend American interests. That means China does not get a veto over any aggressive U.S. sanctions action, nor do Chinese companies get a free pass for dealings with North Korea. The United States should not allow Chinese threats or dubious assurances to derail a sanctions campaign that is perhaps Washington’s only hope to halt North Korea’s nuclear development without recourse to military force. Meanwhile, Washington should quietly telegraph to Beijing that if North Korea’s nuclear development reaches a certain threshold, military force might be the only tenable U.S. option. China may not like tough sanctions against North Korea, but it surely prefers sanctions to an outbreak of violence on the Korean Peninsula. Such signaling may help China understand that undermining sanctions would not serve its interests.
Conclusion

U.S. policymakers have many options to strengthen sanctions against North Korea. North Korea’s economy is not as isolated as is commonly believed, and the vast reach of the U.S. financial system enables the U.S. government to disrupt international trade with North Korea that does not appear to involve American entities. With the threat from North Korea expanding at an alarming rate, and U.S. military options for destroying North Korea’s nuclear and missile programs highly risky, U.S. policymakers must exhaust every measure short of war to confront the threat from Pyongyang.

Simultaneously, U.S. policymakers must keep in mind that stronger sanctions will not be a magic bullet that solves the North Korea problem once and for all. Its leader, Kim, has clearly assessed that possession of an operational nuclear-weapons capability is essential to his regime’s long-term survival, and he will thus be reluctant to give it up. Sanctions will not be a panacea, and the Iran example of sanctions-driven successful nuclear diplomacy does not present the perfect road map for the North Korea challenge. In fact, the North Korea problem is far more difficult than the Iran problem. Tehran never even acknowledged an interest in nuclear weapons, giving the Iranian regime more wiggle room to agree to constraints on its nuclear program than Pyongyang has today.

But it would also be a mistake to conclude that Kim will never give up his nuclear weapons under any circumstances, as some who know him have claimed. Implemented adeptly and aggressively, U.S. sanctions could exact crushing economic pressure on Pyongyang, constraining the regime in more ways than it is possible to foresee. It is difficult to predict how Kim would react when confronted with such pressure, but it is certain that such pressure would represent invaluable leverage for the United States in diplomatic negotiations. The Trump administration should focus intensively on amassing this type of economic leverage before it dives into talks with Pyongyang.

On his way out of office, President Obama warned then President-elect Trump that North Korea would be the most urgent problem he would confront in the White House. After nearly six months as commander in chief, Trump seems to share his predecessor’s assessment. With bipartisan agreement on the severity of the threat, Washington is well-positioned to employ a whole-of-government strategy to dial up the economic pressure on Pyongyang. For the good of U.S. national security, it is important that such a strategy proceed without delay.

**Stronger sanctions will not be a magic bullet that solves the North Korea problem once and for all.**
Endnotes


5. Ibid.


14. These include Executive Orders 13551, 13570, 13687, and 13722.


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