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# ECONOMIC SANCTIONS AND NORTH KOREA : HELPING A DICTATORSHIP?

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**JCSP 44**

***Exercice Solo Flight***

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## **ECONOMIC SANCTIONS AND NORTH KOREA: HELPING A DICTATORSHIP?**

### **INTRODUCTION**

On October 9, 2006, the Democratic People's Republic of Korea (DPRK) conducted an underground nuclear test. Five days later, United Nations Security Council adopted Resolution 1718 imposing sanctions against it. This was the beginning of a new series of measures against the DPRK in an attempt to coerce it in abandoning its weapons of mass destruction program.

Since then, the DPRK has conducted its sixth nuclear test and numerous ballistic missile tests, one of which flew over Japan. Consequently, additional sanctions have been applied incrementally against North Korea, each time with little change in behavior from the rogue nation.

This behavior, seen as a threat to international peace and security, has been worrisome and considered one of the wicked problems of the 21<sup>st</sup> century.

Wicked problems are by definition quite hard to solve. The simple 'process of formulating the problem is interconnected by the process of its solution.'<sup>1</sup> The North Korea problem possesses many attributes associated to wicked problems. As Rittel and Weber said, social problems are inherently wicked. And as with any wicked problems, no easy solutions can be applied, and applied solutions will have consequences, some of them creating other new set of problems. Perhaps it is time to rethink our approach and be reminded of this very important attribute of wicked problems: there is no list of

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<sup>1</sup> Rittel, Horst W.J., and Melvin M. Webber. "Dilemmas in a General Theory of Planning." *Policy Sciences* 4, no. 2 (June 1973), p. 161

permissible solutions to choose from.<sup>2</sup> In other words, the habitual set of actions or operations that frame the solution should be discarded, and new solution sets should be explored.

This essay will aim to demonstrate that UN sanctions are helping Kim Jon-un in sustaining his regime. In order to do so, this essay will first look at the effects of trades on a nation along with its unintended social consequences.

Next, it will look into the sanctions established against the DPRK, their aims, effectiveness and their unintended consequences. Lastly, it will look at the regime of Kim Jon-un, its source of power and will link consequences of the sanctions to the sustainment of the regime itself.

## THE EFFECT OF TRADE

It is important to discuss trade in order to establish its positive effect on a nation overall, not only from an economic point of view.

Tim Harford, a renowned London economist explains in his book titled 'The Undercover Economist' that trade is one of the most important aspect of a nation's economy.

In doing so he explains that in the 1960s, China, Taiwan, South Korea and Cameroon were all mired in poverty. In fact, China had more people living in poverty than Cameroon. China had just suffered the Great Famine under ruler Mao Zedong during which tens of millions of people allegedly died. But in the years that followed, all of these countries, except Cameroon, slowly opened up to the world. They invested in their

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<sup>2</sup> Skaburskis, Andrejs. "The Origin of 'Wicked Problems'." *Planning Theory & Practice* 9, no. 2 (June 2008), Table 1

infrastructure, attracted foreign investments and put in place incentives and regulations to support trade. And that is one major aspect of wealth for a nation: trade. Of course, other things must be present for the perfect journey to national wealth to happen, but a decent amount of trade must exist, with ‘government to provide the right kind of incentives for industries and individuals to behave productively’.<sup>3</sup> Today, China is the fastest growing economy in the world, while Cameroon remains one of the poorest countries in the world. It also has one of the world’s heaviest trade tariffs, which has a dramatic and negative effect on its trading abilities.<sup>4</sup> The effect of trade is seen worldwide. Trading nations are prosperous. Not only do they exchange goods and services, they also exchange ideas, create friendships, encourage tourism and overall good relations. As an example, massive exports of beer led to the Guinness Brewhouse being Ireland’s most popular touristic attraction.<sup>5</sup>

Trade is also a tool with which government can influence other countries in their behavior. As an example, think of the Chinese government blocking Canola products from Canada as a mean of exercising pressure in the Huawei affair. Because Canada and China are trading partners, they have established relations and can use them to address frictions. In this case, consider China’s point of view and the leverage created by the trade that exists with Canada. Because of the considerable trade taking place between the two countries, China is in a very good position to apply pressure on and influence the GoC.<sup>6</sup> Consequently, the GoC wishes to expedite the extradition of

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<sup>3</sup> Tim Harford, *The Undercover Economist*, Abacus Printing, London, UK, 2006, p. 235-240.

<sup>4</sup> World Trade Integrated Solution, UN, accessed on 8 may 2019, <https://wits.worldbank.org/countrysnapshot/en/CMR/textview>

<sup>5</sup> According to Guinness Brewhouse’s own website. <https://www.guinness-storehouse.com/>

<sup>6</sup> Proctor Jason, CBC News, ‘*Poor Canada*’: *Will Wenzhou extradition hearing threatens National Interest?* Last updated May 3 2019, <https://www.cbc.ca/news/canada/british-columbia/meng-wanzhou-extradition-chinese-huawei-1.5089840>

Huawei's CFO, Meng Wanzhou, as soon as possible, hoping that it can return to do business with its main trading partner without further damaging the relation and its economy. Without this trading relationship, such political pressure could not exist.

So, trade is good. Not only for businesses and the general population, but due to its multiple unintended consequences such as exchange of ideas, rule of law principles, human rights philosophy and so on. Trade is a powerful foreign affairs tool and as Canada's Minister of Foreign Affairs stated: 'Canadians are safer and more prosperous when more of the world share our values'.<sup>7</sup> Trading with others allows us to share those values. Thus, by inhibiting trade with the DPRK, nations of the world are reducing their influence over North Korea.

## LOOKING INSIDE AN ISOLATED COUNTRY

It is important to understand Kim Jong-un's power over the country in order to establish a plan to guide the DPRK away from nuclear weapons. Targeting the source of power is the key.

Three generations of the Kim family have ruled over North Korea since World War II with absolute authority, heavy repression and a system of corruption to ensure support from the military and the elites. Since taking power in 2012, Kim Jong-un swiftly consolidated his power by installing his own top personnel, reinvigorating the Worker's Party of Korea (WPK) as the core political organ, and reclaiming power from elite factions that had been delegated authority by his father during the last years of his

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<sup>7</sup> Government of Canada, Canada's Feminist International Assistance Policy, May 2018  
[http://international.gc.ca/world-monde/issues\\_development-enjeux\\_developpement/priorities-priorites/policy-politique.aspx?lang=eng](http://international.gc.ca/world-monde/issues_development-enjeux_developpement/priorities-priorites/policy-politique.aspx?lang=eng)

reign. In doing so, he has created an ‘instability or unpredictability for elites and can use it as a lever that allows him to maintain his hold on power.’<sup>8</sup> Control over the population is different.

According to the 2019 Human Rights Watch World Report, North Korea remains one of the world’s most repressive states:

‘The government restricts all civil and political liberties, including freedom of expression, assembly, association, and religion. It also prohibits all organized political opposition, independent media, civil society, and trade unions.’<sup>9</sup>

There exist tight restrictions on travel and North Koreans are punished for making contact with the outside world. Many measures have been deployed to prevent people from crossing the land border with China and North Korea, and the Chinese government is encouraged to return captured fleeing North Koreans, where they will likely end up in jail or worse. Still, there is a logic to this madness. Isolation is required in order to assert control of the population. Repression of ideas is more easily accomplished when people are not exposed to better ideas on governance or human rights. If the North Koreans are told their Supreme Leader is good and does everything he can to save them, and have no basis for comparison, the message appears as credible to them. This void of outside information is key to maintaining control. In that regards, border tightening, whether created by North Korea or a fall out of economic sanctions, works in favor of the regime. Isolation is not only good for Kim Jong-un; it is a requirement.

Yet, isolation has an impact. After the failed February summit in Vietnam between the DPRK’s Supreme Leader and the president of the United States (US), Kim

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<sup>8</sup> Albert, Eleanor, *North Korea’s Power Structure*, Last modified June 2018, <https://www.cfr.org/backgrounder/north-koreas-power-structure>

<sup>9</sup> Human Rights Watch, 2019 World Report, <https://www.hrw.org/world-report/2019/country-chapters/north-korea>, accessed 9 May 2019.

announced that self-reliance would remain a priority objective in order to deal a ‘telling blow’ to the UNSC who he refers to as the hostile force behind the sanctions.<sup>10</sup> This idea of self-reliance is not new. According to the official website of the DPRK, the self-reliant national economy started after the ‘liberation’ of the DPRK (after the decades long Japanese occupation of Korea, ending in 1945).<sup>11</sup> A socialist nation, North Korea operates a planned economy where cooperative organisations are state owned. National production is tightly controlled and based on complex calculations, in order to produce the desired national output. This isolated socialist system must work harder in order to prevail. This effort is unfortunately done on the back of its people. Human Rights Watch reports that forced labor from ordinary citizens, including children, is used regularly by the government to control its people and sustain its economy. This is quite shocking, when the DPRK’s official website clearly states that child labor is strictly forbidden. Even if self-reliance is the core of North Korea economic objective, Kim Jon-un, in his early years into power developed the *Byungjin* policy.<sup>12</sup> It is a policy of parallel development: economic reform and nuclear military capabilities. For the economy, this means a more relaxed system, moving slowly away from the socialist, planned economy to a system that allows incentives for productivity. This approach is similar to China’s economic shift of the 80’s that helped create what it is today. As for the development of the nuclear capabilities, it is seen as a threat to international peace and security and it led to the international community imposing series of economic sanctions.

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<sup>10</sup>Joyce Lee, Reuters, World News, 10 April 2019 <https://www.reuters.com/article/us-northkorea-usa/north-koreas-kim-says-must-deliver-blow-to-those-imposing-sanctions-kcna-idUSKCN1RM2UB>

<sup>11</sup> Korean Friendship Association, 2011, <https://www.korea-dpr.com/economic.html>

<sup>12</sup> Albert, Eleanor, *North Korea’s Power Structure*, Last modified June 2018, <https://www.cfr.org/backgrounder/north-koreas-power-structure>



## SANCTIONS AND CONSEQUENCES

Economic sanctions are a foreign affairs tool. They act quite differently than trade, but they usually have three major aims: to coerce a change of behavior, to constrain proscribed activities and to signal (or stigmatize) targets about international norms. A study conducted on UN sanctions by the Watson Institute indicates that sanctions were effective in coercing only about 10% of the time.<sup>13</sup> Since the nuclear test of 2006, the DPRK has been the subject of twenty UNSC resolutions. Not all resolutions are about sanctions, some are expressing concerns and condemning activities related to ballistic missiles and nuclear weapons developments. Specifically for the government of Canada, those sanctions are enacted ‘in order to pressure the DPRK to abandon all existing weapons of mass destruction programs...’<sup>14</sup>

In order to achieve this aim, Canada applies pressure by means of denying trade of goods and services susceptible of supporting military development programs, from small arms to intellectual properties and technologies that could be used to support unwanted weapons development efforts. But when those measures don’t produce expected results, the sanctions tend to grow in terms of what they encompass. That is why today, the sanctions towards North Korea are very comprehensive: ban on all exports to and all imports from the DPRK, including services, data and more.<sup>15</sup> In theory, it means that eventually, ‘economic sanctions will hurt or inconvenience the general public sufficiently that leaders will be compelled to alter their behavior.’<sup>16</sup> This approach has

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<sup>13</sup> Targeted Sanctions Consortium, *The Effectiveness of UN Targeted Sanctions*, Watson Institute, Nov 2013, p 7.

<sup>14</sup> Global Affairs Canada Website, last edited 12 Apr 2019, [https://www.international.gc.ca/world-monde/international\\_relations-relations\\_internationales/sanctions/korea-coree.aspx?lang=eng](https://www.international.gc.ca/world-monde/international_relations-relations_internationales/sanctions/korea-coree.aspx?lang=eng)

<sup>15</sup> Ibid, Prohibitions Chap.

<sup>16</sup> Susan H. Allen and Lektzian, David, *Economic sanctions: A blunt instrument?*, Journal of Peace Research, 50-1, 2012, p.122

been compared to a mediaeval siege by some. As a result, North Korea is one of the poorest nations in the world, with widespread malnutrition.<sup>17</sup> But not everyone in the DPRK is feeling the pinch.

## SANCTIONS AND THEIR EFFECTIVENESS

Despite very stringent international sanctions in place, the DPRK economy is reported as having grown slightly in 2016 according to South Korea's Central Bank. This can be explained by many factors. Kim's focus on economic self-reliance is accompanied by more relaxed rules encouraging the liberalizations of domestic markets, meaning putting in place incentives for productivity. This can be as simple as allowing farmers to sale their surplus for profits, once state production quotas have been achieved. However, this growth can also point to North Korea's resilience towards sanctions. Studies have demonstrated that rogue nations will increase use of black markets, bypass sanctions through front companies and tertiary partners, illicit smuggling, ship reflagging and more. The recently captured North Korean cargo ship in Indonesia is an example of that. North Korea also operates a network of workers sent abroad to raise money for the ruling Kim family. They are able to bring an estimated \$500M per year of hard currency into the country under the supervision of Office 39, the North Korea's CIA equivalent.<sup>18</sup> Those unintended consequences are indicative of another level of complexity to this wicked problem: the willingness of actors to implement those sanctions.

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<sup>17</sup> Albert, Eleanor, *North Korea's Power Structure*, Last modified June 2018, <https://www.cfr.org/background/north-koreas-power-structure>

<sup>18</sup> 101 East, *North Korea's Secret Money*, Al Jazeera, last modified 17 Jan 2019, <https://www.aljazeera.com/programmes/101east/2019/01/north-korea-secret-money-190117072237221.html>

So, as Rittel and Weiber explained, solutions to wicked problems are likely to have unintended consequences. In the case of the economic sanctions these unintended consequences are be numerous and not necessarily in line with the desired outcome of the sanctions. As explained above, some are in reaction to the sanctions themselves, others are a direct impact of such sanctions: public health and isolation.

### Public Health

Many studies (Cuba, Haiti, Iraq, Yugoslavia) have demonstrated that economic sanctions can have a devastating effect on public health because ‘economic sanctions do not discriminate between civilians and those who perpetrated the acts that led to international censure.’<sup>19</sup>. This impact flows from the sanctions affecting four factors linked to public health. As explained by Allen and Lektzian, these factors are risk, wealth, allocation and efficiency.

This is rationalized by the fact that economic sanctions result in less trade, i.e. less national wealth. This reduced wealth means leaders must review their calculations about resource allocation. Lack of resources will reduce health care being provided and/or its overall efficiency and will reduce health care prevention by an even bigger margin. For instance, consider immunizations for young children. Countries that experienced economic sanctions saw a greater reduction in immunization rates than countries that experienced minor and major military conflicts, leading to greater rate of infantile mortality.<sup>20</sup>

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<sup>19</sup> Susan H. Allen and Lektzian, David, *Economic sanctions: A blunt instrument?*, Journal of Peace Research, 50-1, 2012, p.122

<sup>20</sup> *Ibid*, p. 129

### Strengthening isolation

As demonstrated earlier, trade between nations produces many unintended and positive consequences. Exchanging goods and services lead to exchanging ideas, tourism and more. Conversely, effect of preventing trade is likely to increase criminal activities and corruption, which is bad for the population. Moreover, some consequences can be rather positive for the regime. As a matter of fact, in their study about the effectiveness of UN sanctions, Biersteker and Eckert indicate that sanctions are likely to strengthen the authoritarian rule, create an effect of rally around the flag by painting foreign nations as enemies and increase the role of the state in the economy.<sup>21</sup> All of those unintended consequences work against the authors of the sanctions and risk to negatively affect their credibility. It is important to keep in mind that sanctions are considered a failure when the targeted state does not change its behavior. Simply affecting the economy is not a measure of success.

So, if economic sanctions are likely to fail in coercing the behavior of a state and will most likely hurt innocent people and, in the case of North Korea, help the regime of Kim Jong-un in maintaining control over North Koreans, then why use them? There is an aspect of political gains, which can both domestic and international. Governments can bolster that they are doing something. And in the case of a nation that did not trade with North Korea before sanctions, this gain can easily be achieved at no costs, since no disruption of economic activities will take place in the implementation of such sanctions. It can also be argued that sanctions are better than military actions, albeit the suffering of

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<sup>21</sup> Targeted Sanctions Consortium, *The Effectiveness of UN Targeted Sanctions*, Watson Institute, Nov 2013, p 17 and 38.

civilians. As Robert Renfro mentioned, perhaps the UNSC should consider lifting sanctions and using trade as a bargaining chip in the future.<sup>22</sup>

## CONCLUSION

The UNSCR provided a policy instrument to legitimize actions against the DPRK in response to its ballistic missile and nuclear weapons programs. However, by implementing sanctions against North Korea, the international community has further isolated the country from the rest of the world. This isolation is having multiple unintended consequences. It affects the general population and not necessarily those responsible for the DPRK's behavior. In addition, this isolation directly helps Kim Jong-un in asserting control over his people: authoritarian rule is reinforced, state involvement in the economy is increased, people rally around the flag and see outside factions as enemies of the state. Lastly, sanctions have yet to show signs of effectiveness in terms of coercing North Korea in abandoning its military ballistic missile and nuclear program. Therefore, the tangible consequences of the UN sanctions are felt on the people of North Korea and not those who perpetrated the acts that led to international censure in the first place. It seems the UNSC is applying a solution it believes would work on a democracy or a like-minded nation. However, with a high level of repression and social control, perhaps we are wrong in thinking that the North Koreans are in a position to create the political changes the international community is seeking. Knowing that trade can be quite beneficial for the economy and beyond, and that it can also be a powerful foreign affairs tool, perhaps the international community should make better use of it to bring the DPRK

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<sup>22</sup> Col. Robert Renfro, *Why Expanded North Korea Sanctions Fail*, North Korean Review, 04/2018, Volume 14, Issue 1, p.114.

out of the hole and into the light. After all, if we want to share our values, we have to start sharing somewhere.

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