

## TIME FOR DECISIONS ON NORTH KOREA

BY RENSSELAER W. LEE III & WILLIAM SEVERE



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# TIME FOR DECISIONS ON NORTH KOREA

BY RENSSELAER LEE AND WILLIAM SEVERE



## Executive Summary

This briefing argues that the United States should attempt to engage Russia as a potential broker of negotiations over North Korea's nuclear and missile programs. Russia's ascension to a more prominent role in North Korean affairs is long overdue, and could add some heft to the international community's negotiating positions vis-à-vis Pyongyang.

The briefing also argues that the policy of economic sanctions on North Korea, while important in pressuring Pyongyang, has proven insufficient in coercing the country to restrain or relinquish its nuclear and missile programs. One reason for this lack of success is North Korea's skill at evading sanctions via shell companies and Chinese intermediaries. A second reason is that not all parties to the sanctions, most notably the Chinese, have demonstrated the level of commitment required to implement an airtight sanctions regime.

Indeed, attempts to use Beijing to increase pressure on Pyongyang have repeatedly disappointed. Though China has backed a nuclear-free Korean Peninsula and has signed up to international sanctions, its support for harsh penalties has been halting and unenthusiastic. In contrast to the United States, Japan, and South Korea, Beijing does not feel directly threatened by North Korea's nuclear program. China is more worried about North Korean weakness than strength, fearing a large migrant influx into northeast China in the event of a collapse of the Kim regime in Pyongyang.

Given that existing policies have not achieved the objective of changing Pyongyang's behavior, the United States should consider whether Russia might play a constructive role in defusing the North's nuclear and missile ambitions. Russia has close ties with North Korea, dating over half a century. Its economic ties are far less significant than those between North Korea and China, but Russia believes it would reap diplomatic and economic benefits if it helped resolve the Korean dispute.

Russia could coordinate its sources of influence and leverage with those of other regional players, especially China and (somewhere down the line) the United States. Though Russia and China have somewhat different interests at stake in the Korean peninsula, they might be able to agree on a common set of principles and a common strategy for managing the North Korean nuclear issue. Faced with such a "united front" and unable to play the two countries against each other or to count on Moscow's continued friendship, Pyongyang might begin to rethink its nuclear weapons policy.

## The Shape of the Problem

International stability faces a growing threat from an aggressive and heavily militarized Democratic People's Republic of Korea (DPRK, North Korea). For a variety of reasons, U.S. policy has failed to contain Pyongyang's outsized ambitions to build nuclear weapons and delivery systems that can credibly threaten U.S. allies and military interests in Asia and ultimately the continental United States. Even though the program appears to be gathering momentum and reach, there is no evidence that the North has succeeded in developing a nuclear weapon compact enough to be delivered by a North Korean missile or a reentry vehicle that could fly the weapon to its target and detonate. However, given the current rate of progress, it is simply a matter of time before the Kim regime's nuclear ambitions become a reality. Kim Jong-un's statements of intent provide disturbing clues to the shape of the nuclear threat to come; the North is still a primitive nuclear power in terms of warheads and missiles, meaning that the United States and its partners must find ways to curb the North's modernization trajectory now before it becomes unmanageable.

From what we know about the North's nuclear development, it seems to be proceeding on at least three main fronts, following the same general path of development as established nuclear states. The first is to add to the North's nuclear arsenal. Typically, calculations of the number of potential nuclear weapons are based on assumptions of the amount of highly enriched uranium (HEU) or plutonium that the regime has amassed, and on the number of kilograms of materials required to make a working bomb. Such estimates tend to be arbitrary and highly variable. To illustrate: one careful study, using different scenarios of trends in fissile material production, estimates that North Korea could have anywhere from 15 to 58 warheads today and 20 to 100 nukes in hand by the end of Donald Trump's first term in 2020.<sup>1</sup> The only area of agreement is that the nuclear stockpile is growing, but the rest seems to be largely guesswork—a level of uncertainty which will complicate the task of restraining or rolling back North Korea's nuclear aspirations.

Secondly, Pyongyang seeks to develop a fleet of ballistic missiles of various sizes and capabilities, including ICBMs that can reach the continental United States. The frequency of launches of relatively short-range missiles has increased markedly in the Kim Jong-un era. Most counted as failures<sup>2</sup>—perhaps a reflection of inexperienced design work—but some U.S. analysts chalk up the failures as technological learning experiences that provide valuable data for future trials. Yet, some missiles do work; in May 2017, Pyongyang successfully test launched a missile that could reach Guam, 2,100 miles away or about two-fifths of the distance between North Korea and Seattle. And in July 2017, the North extended its strategic reach by testing a ballistic missile—what the administration confirmed was an ICBM—that could potentially hit Alaska.

Beyond building and flight-testing more missiles, Kim's intent is to improve his country's offensive capability and survivability by developing missiles that use solid fuel as a power source. Unlike liquid fuel, solid fuel can be stored in the missile for a relatively long time, somewhat akin to gasoline in an automobile tank. A “road-mobile” solid fuel missile can be trucked around and fired from a choice of different locations, making it hard for an adversary to pin down—certainly an asset in a war-fighting context. Whether this desire represents a real intent to wage nuclear war or simply another form of posturing by the regime is difficult to tell.

A third imperative of nuclear modernization relates to requirements of miniaturization—designing a warhead that is small and compact enough to fit aboard a missile, but powerful enough to destroy the intended target. Pyongyang claims that its efforts to produce a more compact nuclear warhead have been successful and that it is working toward developing thermonuclear weapons. Some believe that the North is capable of producing a “boosted” fission weapon, but the yield from its most recent nuclear test (September 2016) was estimated by Japanese and South Korean experts to be about 10 kilotons, considerably less than the explosive force of the bombs dropped on Hiroshima and Nagasaki. It is probable that that Pyongyang is by now capable of mounting a nuclear weapon on a missile of short or medium range that could target South Korea or Japan. While the prospect of a nuclear-armed North Korean ICBM aimed at

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<sup>1</sup> Jenny Town, “North Korean Nuclear Ambitions,” Presentation at meeting of the Asian Forum, Chevy Chase Club, Chevy Chase, MD, October 28, 2016.

<sup>2</sup> Failures tend to be common in early stages of rocketry development. The United States' data published in 1965 indicate that nearly half of the approximately 100 early Atlas missile launches and exactly half of the first 22 Titan missile launches failed.

the United States seems a long way off, this dynamic could become a reality within the next ten years if nothing is done to halt it.

## Policy Issues

President Barack Obama, in the weeks after the 2016 election, described North Korea as the top national security problem for the incoming Trump administration. The current administration's North Korea policy is still a work in progress, but so far, it follows the pattern of previous years, though with refinements that would tighten the screws on the North economically and diplomatically. The most important policy tool in the U.S.-United Nations toolbox has been international sanctions—in effect a set of prohibitions and directives that seeks to govern Pyongyang's relations with the outside world.

North Korea sanctions, imposed in seven rounds over the past 11 years, are intended generally to convince the North to cease its illegal procurement activities and to embark on the path toward eventual denuclearization. The policy was initiated in July 2006 following a series of North Korean missile tests. Recent iterations—UN Resolutions 2270 and 2321 of 2016—together contain 101 provisions, which mostly focus on three objectives: to deny the North access to militarily sensitive goods and technologies, to constrict the DPRK's overseas banking channels (such as the number of its bank accounts in third countries), and to limit Pyongyang's foreign exchange earnings from trade. The direct effects of these measures on Pyongyang's nuclear development have been small, though some consequences for the long-term development of the civilian legal economy can be anticipated.

The failure of sanctions relative to U.S.-UN expectations is attributable to many factors, not all of which will be detailed here. However, several prominent ones seem to have particular explanatory value. One of these is that the North over the years has evolved highly sophisticated techniques to evade detection—a dizzying array of front companies, shell companies, joint ventures (often with Chinese banks), correspondent accounts, bulk transfers of gold and cash, and the use of foreign-flagged vessels to transport sanctioned goods. The scope, sweep, scale, and inventiveness of such operations simply boggle the mind.

Unsurprisingly, neighboring China (itself the hub of a web of illegal activities) has proved to be a particularly useful partner in such evasive practices. Some of these almost defy detection. One noteworthy concealment stratagem, according to a recent MIT study by John Park and Jim Walsh, has been to “rent Chinese companies to carry out procurement of sanctioned products,” which may include Western-made technologies and components. Chinese banks are used to sending and receiving payments along the procurement-logistics chain—North Koreans are uninvolved in these transactions. Such deals are brokered by Chinese intermediaries, some with established representation abroad. This system is a pretty slick one, posing enormous challenges on law enforcement to identify, unravel, and shut down. The authors argue that this symbiotic pattern of business relations could become more widespread as enforcement pressure on the North intensifies. “There will be not North Korean bank accounts,” they write, “they will be Chinese accounts.”<sup>3</sup>

A second and related reason for the relative failure of sanctions comes down to a lack of commitment and political will on the part of member states. Many don't bother to monitor the North's activities within their territories, much less to enforce sanctions when these are warranted. According to a February 2017 UN Panel of Experts report, a total of 116 member states had failed to submit required reports on what steps they have taken to implement the sanctions<sup>4</sup> regime (investigations, seizures, arrests, and so on) to UN authorities, which likely signifies that they have done nothing or next to nothing. The largest number of non-performers—43—was in Africa, a principal market for North Korean weapons and military-related services.<sup>5</sup> In fact, only a handful of states see North Korea as a first-order international security threat. The prevailing attitude seems to be indifference or avoidance, reflecting

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<sup>3</sup> John Park and Jim Walsh, “Stopping North Korea, Inc. Sanctions Effectiveness and Unintended Consequences” Cambridge MA, MIT Press, September 10, 2016, pp. 22, 60.

<sup>4</sup> Panel of Experts Report to the UN Security Council, Annex 2-1, Reports by Member States, National Implementation Reports, Vienna, January 30, 2016, p. 10.

<sup>5</sup> Ibid. “Overview Of Reporting By Region,” p. 11.

commercial aspirations or ties (which sanctions tend to complicate) and, perhaps, increasing acceptance of the North as a legitimate state and de-facto nuclear power.<sup>6</sup>

A third and related explanation is the weak and unenthusiastic support of China to implement harsh penalties against its neighbor. The reasons are largely political and relatively complex. Like everyone else, the Chinese favor a nuclear-free Korea and have signed on to UN Resolutions 2270 and 2321 in support of this aim; moreover, as the DPRK's principal economic lifeline, it probably can wield sufficient clout to destabilize the North politically or at least to cause major policy shifts there. China generally is portrayed as the centerpiece of U.S. efforts to resolve the Korean nuclear crisis, and Washington consults almost exclusively with Beijing on nuclear policy vis-à-vis the North.<sup>7</sup>

Yet, China is also a North Korea patron, treaty ally, and guarantor of its viability as an independent state. China views North Korea as an important buffer against potential enemies, especially Japan and the U.S.-ROK alliance in the south. It has no wish to see the country collapse economically or politically. Moreover, it fears the consequences of an implosion of the North Korean regime, ranging from a massive and uncontrolled flow of refugees into northeast China, to the reunification of the Koreas under South Korean auspices. A further, if seldom articulated, concern is the prospect of nuclear anarchy next door—gravitation of unsecured nukes into the hands of competing political factions—a conflict that could spill over into China and northeast Asia generally.

For these reasons, the strategic assumptions of Beijing's Korea policy necessarily differ from those of the United States. America's preeminent concern is that North Korea might launch an ICBM-borne nuclear attack on the United States. America would gladly dispose of the Pyongyang regime if there were a safe way to do it, whereas China fears the regime's economic and political collapse. Therefore, China is wary of harsh sanctions and other high-pressure tactics that could impair North Korea's functioning.

Yet, additional factors may also condition Chinese mindsets on the North's nuclear problem. For example, U.S.-Chinese relations could be characterized as troubled or quasi-unfriendly. There are quite a few Asian issues on which the sides disagree: Taiwan, the South China Sea, Terminal High Altitude Area Defense (THAAD), trade imbalances, and so on. And the subtext of U.S.-Chinese relations (despite the naiveté of many China hands) really boils down to competition for primacy in East Asia. Chinese President Xi Jinping has made little secret of his desire to see America gone from Asia, at least militarily, and its Asian alliance system dismantled, especially the pacts with South Korea and Japan. So, the Chinese can't be expected to carry our water over North Korea and are generally reluctant to "get tough" on Pyongyang. Indeed, China's enforcement of sanctions has often been deliberately lax in enforcing the UN resolutions, allowing the North's various illicit activities to flourish on Chinese soil—potentially a boon for the North's various WMD programs. These are the realities the United States faces in trying to garner or coerce Beijing's support for U.S. non-proliferation policies. In fact, the United States has threatened to impose "secondary sanctions" on Beijing to elicit a more robust performance in sanctions enforcement. Responding to international demands, China recently took steps that greatly annoyed the North Koreans: suspending purchases of anthracite in February 2017 and threatening to cut fuel exports to North Korea if it carried out a sixth nuclear test—a threat that may have worked.<sup>8</sup> How far Beijing is willing to continue on this course remains to be seen. But it seems unlikely that the fundamental rationale driving the China-North Korea relationship will change significantly.

Finally, the apparent successes of North Korea's domestic economy, most evident in a growing consumer culture, have limited the leverage of sanctions on the North's nuclear policy and decision making. In effect, somewhat to the West's chagrin, the North Koreans were able to implement the so-called Byungjin policy—which calls for simultaneously

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<sup>6</sup> Joel Wit, "Trapped in No Man's Land: The Future of U.S. Foreign Policy Toward North Korea," 38 North, June 10, 2016

<sup>7</sup> See discussion in Artyom Lukin, "Thinking Beyond China: When Dealing with Pyongyang, Is There a Role for Russia?," FPRI E-Note, April 4, 2017, <http://www.fpri.org/article/2017/04/thinking-beyond-china-dealing-north-korea-role-russia/>.

<sup>8</sup> Nyshka Chandran, "China-North Korea Ties Cool, Russia Looks to Benefit," CNBC, May 7, 2017, <http://www.cnbc.com/2017/05/07/as-china-north-korea-ties-cool-russia-looks-to-benefit.html>.



improving the civilian economy while moving ahead with the nuclear-missile program.<sup>9</sup> Various reforms are underway, including decentralization of management in agriculture and industry. However, the sanctions policy is not a useless failure, as some writers suggest; it has forced the North, a poor country by any standard, to rely on non-transparent, circuitous, and high-cost methods of WMD procurement.

The 2016 UN Security Council resolutions also made a quasi-credible effort to hamstring Pyongyang's legal foreign commerce, banning exports of rare earth minerals and of seven different non-ferrous metals and extending the ban to coal and iron, the North's main money-earning commodities. However, the regulations allowed sales for humanitarian purposes—a loophole that largely blunted their impact. Resolutions 2270 and 2321 also required member states to inspect all cargo transiting their territories to or from North Korea, but this provision was not widely enforced. More effective were provisions designed to cut the North's ties to the international financial system. Among other things, these provisions disallowed correspondent relations between DPRK banks and foreign banks and required member states to close existing bank branches and representative offices on DPRK territory.

Overall, the most devastating impact of the Security Council resolutions may have been on foreign investment. Heavy sanctions on North Korea made it difficult or unrewarding to do business there. Especially harmful were bans on exports of valuable metals (rare earths, gold vanadium, and titanium, in Resolution 2270; and silver, copper, nickel, and zinc in Resolution 2231). By way of example, following adoption of Resolution 2270 (March 2016), Russia severed banking ties with the North and suspended or buried many large investment projects that, if implemented, would have transformed the face of the North Korean economy. One reason cited was that the North Koreans couldn't come up with the funds to compensate Russia for its investment expenses. In any case, Russia-North Korea relations trended downward as a result.<sup>10</sup>

Right now, under its Byungjin policy (simultaneous improving the economy and building a powerful weapons establishment), the regime is promoting broad internal economic reforms to spur productivity and growth, Kim's so-called New Economic Management System. Important reforms include decentralizing agricultural and industrial management, allowing enterprises more autonomy in setting goals, and creating new special economic zones (more than 12) to attract outside investment.

The Byungjin policy may well allow the domestic economy to scrape by and to counter the effects of foreign sanctions. Since the regime doesn't publish economic statistics, we don't know how well the policy is working. However, there are some positive notes. Indeed, the most high-profile and socially significant achievements of the Kim Jong-un era relate to people's livelihood issues. For instance, the development of free markets—ever larger, in more cities and with a wider assortment of goods—testifies to the communist regime's partial embrace of market principles. More upscale shopping opportunities have become available. As recounted by German economist Rudiger Frank, Pyongyang showcases the Kwangbok Area Shopping Center, a three-story building that comprises a supermarket, a clothing emporium, “something like” a food court, and a place to change dollars into won and vice-versa. (Another similar shopping complex exists in the special economic zone of Rajin, according to Frank). In fact, rampant consumerism and accoutrements of modernity are increasingly evident in Pyongyang today; among the obvious examples are private cars, taxi companies, travel agencies, pizza parlors, fashion shows, street lights, traffic jams, and wheelchair service at the airport.<sup>11</sup>

An important indicator that life is getting better in the North is the declining rate of defections to South Korea. For example, in the five last years of Kim Jong-il's rule (2007 - 2011) defections averaged 2,678 per year, but in the years following Kim Jong-Un's accession to power, they averaged 1,340—a huge difference. Moreover, according to

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<sup>9</sup> See Wit, “Trapped in No Man's Land,” p. 17. Wit's point is that U.S. policy failed to force Pyongyang to choose between economic development and nuclear-missile development.

<sup>10</sup> Georgy Toloraya, “Russia's North Korea Conundrum,” *The Diplomat*, March 17, 2016, <http://thediplomat.com/2016/03/russias-north-korea-conundrum/>.

<sup>11</sup> Ruediger Frank, “Consumerism in North Korea: The Case of the Kwangbok Shopping Center,” *38 North*, April 6, 2017, <http://www.38north.org/2017/04/rfrank040617/>.

a Ministry of Unification study (Seoul), “Economic difficulty and hunger were cited as the first and main reasons of defection before 2013, but desire for freedom ranked top in the reasons for defection after 2014.”<sup>12</sup>

In other words, life under Kim Jong-un is relatively good compared to the past, another reason why sanctions have limited utility as an instrument of economic pressure.

## New Pathways

Two major shortcomings can be identified in the American approach to dealing with North Korea. One is the almost exclusive reliance on international sanctions as a policy tool. America’s military presence on the Korean peninsula (recently enhanced with an aircraft carrier and nuclear-capable B1B bombers) is a unilateral psychological device that probably just irritates the North Koreans and, if anything, causes them to accelerate long-term nuclear planning. Nonetheless, that subject won’t receive significant treatment in this essay. A second is the dubious proposition that America can count on China to use its acknowledged massive economic leverage to bring about full denuclearization of the North. For various optical and strategic reasons which were discussed previously in this text, China has been a reluctant partner in enforcing UN sanctions, viewing them as potentially destabilizing. Among other things, this situation has allowed multiple links to develop between Chinese entities and North Korean trading companies interested in purchasing military-related goods.

Though ineffective in addressing the North’s nuclear threat, sanctions cause some economic pain and should be maintained in some form—indeed, China notwithstanding, some provisions could be usefully tightened a bit. But sanctions should be combined with diplomacy with the general aim of reaching a negotiated and peaceful solution to the Korean nuclear crisis (increased militarization of the Korean peninsula will push relations in the wrong direction, raising tensions and the risk of serious conflict). America, hoping that sanctions alone would resolve the issue, hasn’t seriously explored the diplomatic track for the past five years, during which time the Kim regime has amassed power and self-confidence, making denuclearization a tougher sell. Still, negotiations remain the only reasonable and safe way to achieve a nuclear-free North Korea, or at least a rollback of its present capabilities, though the process will be long and arduous.

With respect to China, the reality is that its core interests in North Korea differ significantly from America’s. More boldly put, China may care less about a North Korean ICBM hitting the continental United States than about the threat of instability and nuclear anarchy in its backyard. China is unlikely to exert meaningful pressure on North Korea, though it is certainly capable of doing so. Nevertheless, official Washington consults almost exclusively with the Chinese (alternately prodding and cajoling them) in developing North Korea policy. As Vladivostok scholar Artyom Lukin puts it, Washington “is obsessed with China as the only way to solve the Korean nuclear problem,”<sup>13</sup> thus ignoring the potentially valuable contributions of other regional actors and players. (The Chinese themselves complain about being stuck with all the heavy lifting on North Korea, and would like others to play a larger role.) One such player is Russia, a country with a powerful strategic presence in northeast Asia, a history of involvement in Korea (dating to the 19th century), and one that retains a vital geopolitical stake in the peninsula. Russia should play a leading role in international deliberations on the North, considering especially that the United States is an outsider to the region and that U.S. policy hasn’t succeeded even minimally in containing North Korea.

The idea that Russia can be a stabilizing force in northeast Asia and a restraint on the Kim regime’s nuclear designs hasn’t exactly caught on in Washington policy circles. Washington tends to view Russia through a European lens<sup>14</sup>—that is, adversarially—while overlooking opportunities for cooperation in the East. In North Korea, Russian and American interests seem to overlap. But what can Russia usefully add to a current array of (largely failed) Korea policies informed mainly by the United States and China which have proved singularly unsuccessful? What channels

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<sup>12</sup> Dagyum Ji, “Middle Class North Koreans Fleeing for Non-Economic Reasons – MOU,” NK News, September 7, 2016, <https://www.nknews.org/2016/09/middle-class-n-koreans-fled-to-s-korea-due-to-non-economic-motive-mou/>.

<sup>13</sup> Lukin, “Thinking Beyond China.”

<sup>14</sup> Chris Miller and Joshua Walker, “Russia is an Asian Power Too; Japan Understands but Does the United States?,” War on the Rocks, April 17, 2017, <https://warontherocks.com/2017/04/russia-is-an-asian-power-too-japan-understands-but-does-the-united-states/>.

of access and influence can Moscow command vis-à-vis the North, and how can these be best exploited? How does Russia envisage the timelines and steps required for a satisfactory denuclearization agreement, and how do its ideas square with stated U.S. objectives?

To begin with, let's look at the overall setting of Russia-DPRK relations. Russia shares a short 11-mile border with North Korea, and boasts a wealth of experience dealing with the Kim regime, which it installed in power some 70 years ago. History matters, creating a unique bond between the nations, and allowing Moscow to talk to Pyongyang in ways in which other foreign leaders cannot—perhaps even taking up issues of nuclear policy. Today, Russia is the only important power with which North Korea maintains more or less friendly relations and (up to a point) a relationship of trust.<sup>15</sup> Importantly, the DPRK's relations with China, its main benefactor, have recently soured. According to media reports, this decline in relations occurred because Beijing is now increasing economic pressure on the North. Depending on how far this pressure goes, the North will be motivated to expand trade and other ties with Russia to compensate for any losses inflicted by China.

Russia's influence over North Korea, such as it is, is largely political and strategic. Like China, Russia is a vitally important player in northeast Asia, with a major geopolitical stake in peace and stability in the region. Both powers are committed to a nuclear-free Korean peninsula. Both are permanent members of the UN Security Council, with authority to decide on sanctions policy vis-à-vis North Korea. Both participated in the Six Party Talks (2003 - 2009), a forum for discussing the security implications of the North's nuclear weapons program.

In addition, Russia's influence is augmented by economic and other links to North Korea. Transportation is a particularly important aspect here. Russia's cooperation is essential—perhaps more so than China's—to the North's ability to communicate with the outside world, with two railway connections (across the Tumen River in the north and between Khasan and Rajin in the south, plus regularly scheduled air service on the North's national airline) between Vladivostok and Pyongyang, and a recently installed ferry service from Vladivostok to Rajin. Yet, the intensity of economic and commercial contacts pales beside China's—and today Russia is a relatively minor economic player in the North. In 2015, the most recent year for which comparative data are available, China's direct trade with the North was about \$5.5 billion, almost 70 times Russia's mere \$84 million (The 2016 figure was even lower—\$67 million). Admittedly, the figures exclude the value of Russian origin products (such as fuel products) exported to the North through China; however, the value of this trade has not been reliably estimated. Also worth mentioning are the estimated 30,000 to 40,000 North Korean guest workers currently present in Russia. These workers, employed mostly in construction, agriculture, and forestry, remit some \$115 million to \$170 million to their homeland each year. The number of workers seems destined to grow. As of 2015, already 47,364 North Koreans had received permits to work in Russia. Russia is said to be the largest recipient of such workers, whose earnings obviously exceed the value of direct Russia-North Korea trade by a significant margin.<sup>16</sup>

Russia would like to have a more robust economic presence in North Korea, and until recently, was actively pursuing this aim. The early years of Kim Jong-un's rule (2012 - 2015) were a period of great euphoria in Russia-North Korea relations, and enthusiasm for establishing new cooperative ties ran high in both countries. Russia wrote off 90 percent of the North's Soviet era debt (\$11 billion in 2014), and a Russian-North Korean Business Council was set up in 2015. The countries' leaders called for increasing bilateral trade—about 1,000 percent to \$1 billion in 2020. Exchanges of high-level delegations proliferated, and many new agreements were signed.

Within this favorable context, Russia aimed to develop core investment projects in automotive, electric power, zinc, mining of ferrous metals, transportation, and other fields. One Moscow company (Mostavik) declared its intention to invest \$25 billion over the next 20 years in modernizing the North's railway system—like with other projects, the company expected to be compensated from privileged access to the North's mineral wealth. Taken together, such

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<sup>15</sup> See, Artyom Lukin and Rens Lee, "How Russia Could help Curb North Korea's Nukes" Huffington Post, June 2016, [http://www.huffingtonpost.com/artiom-lukin/russia-north-korea-nukes\\_b\\_10594578.html](http://www.huffingtonpost.com/artiom-lukin/russia-north-korea-nukes_b_10594578.html).

<sup>16</sup> Lukin, "Thinking Beyond China," and Ludmilla Zakharova "Russia-North Korea Economic Relations," Joint U.S.-Korea Academic Studies, KEIA, 2016.

projects could have put the North on a path to sustained growth as well as put Russia pretty much in charge of the North's long-term economic destiny.<sup>17</sup>

But this was not to be. In January 2016, the North set off its fourth nuclear test; in February, it test-fired a long range ballistic missile; and in March, the UN adopted Resolution 2270. (Which Moscow backed to show support for the resolution's nonproliferation objectives even though it ran counter to Russia's economic interests.) Since then, Russia-Korea relations have been in decline. Moscow backed away from the big economic investment projects, more or less terminated financial dealings with the North, and for good measure, suspended nearly all high-level (ministry and above) contacts. The only project to be implemented was the renovation of the 54-kilometer Khasan-Rajin railroad line, completed in 2013. Yet, Moscow had demonstrated at least the willingness and capability to assume a significant stake in the North's modernization—a reality not lost on the Kim regime. Besides, the big economic projects could eventually be introduced as part of a deal with the North on nuclear security issues.

Other points of potential economic leverage derive from Russia's strategic location, which would allow it to implement several large-scale projects that could join the two halves of the Korean peninsula in a dynamic growth framework. The most publicized and widely discussed of these include building a natural gas pipeline, electricity transmission lines, and railway projects linking the Russian Far East and South Korea through DPRK territory. Income from these projects, if realized, could greatly boost the North's economic fortunes and prospects for integration with dynamic Asian economies. Russia would benefit from direct access to South Korea's developed economy and 51 million customers, and Seoul would benefit from greater energy security. (Russia also sees South Korea as a stepping stone to developing influence in other East Asian nations). Of course, such projects would require a much improved security environment on the Korean peninsula, including a more engaged relationship between the Koreas and major concessions from the North on nuclear policy.

Experience suggests that such transformative economic inducements alone are not sufficient to sway the North's decision making on nuclear weapons and missile policies. Nor are sanctions; recall that the Kim regime was willing to incur international sanctions and scuttle a promising economic relationship with Russia by conducting its fourth nuclear test and launching a long-range missile in early 2016. However, economic incentives have been part of agreements with the North in the past. The Agreed Framework of 1994, which shutdown the North's plutonium production for eight years, offered 500,000 tons of heavy fuel oil annually, plus two Light Water Reactors for electricity supply (never delivered). As part of the 2012 so-called Leap Day Agreement, the United States would provide 240,000 tons of food aid, and in return, the North would suspend nuclear and missile testing, as well as uranium enrichment activities, and even allow International Atomic Energy Agency (IAEA) inspectors into the country. (A subsequent satellite launch by the North effectively torpedoed that agreement.) There seems to be an unfortunate pattern here. The Kim regime has become increasingly wedded to idea of building a full-fledged nuclear establishment—now considered vital to the country's survival—and attaches less importance to economic stimuli or disincentives. Of course, this pattern may be a form of regime posturing, since the country's needs are seemingly endless. Economic incentives by themselves won't change minds in Pyongyang, but combined with the right security guarantees, they might.<sup>18</sup>

In sum, Russia is a seriously interested player in North Korean affairs and can help provide a general framework and guidelines for proceeding with Pyongyang, and even conduct independent (if exploratory) negotiations with the Kim leadership. Relations with the North are fairly good, even under the international sanctions regime. Direct economic ties with the North are currently quite limited, but there is little doubt about Russia's potentially transformative influence on the North's economic development. (Besides, Pyongyang would like to diversify its economic relations away from China, and may seek Russia's protection in the event of a serious downturn in Beijing-Pyongyang relations.) Cross-border linkages, Russian fuel exports, and the institution of guest workers help expand Russian channels of

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<sup>17</sup> Zakharova, "Russia-North Korea Economic Relations," pp. 213-213, 217-220; Ludmilla Zakharova, "Economic Cooperation Between Russia and North Korea, New Goals and Opportunities," *Journal of Eurasian Studies*, Volume 7, Issue 2, July 2016; and Georgy Toloraya, "Russia-North Korea Economic Ties Gain Traction," 38 North, November 6, 2014, <http://www.38north.org/2014/11/toloraya110614/>.

<sup>18</sup> Steven Lee Myers and Choe Sang-hun, "North Koreans Agree to Freeze Nuclear Work: U.S. to Give Aid" *New York Times*, February 29, 2012, <http://www.nytimes.com/2012/03/01/world/asia/us-says-north-korea-agrees-to-curb-nuclear-work.html>.

influence in the North, though they can also be used as pressure points (blockades, cuts in exports, kicking out guest workers, and so on). Mention should also be made of non-economic factors that contribute to closer relations; among them are scientific and technical exchanges, vital in modernizing the North's scientific base, and educational exchanges such as that between Kim Il-sung University in Pyongyang and Far Eastern Federal University in Vladivostok. Russia is the second largest recipient of North Korean students, after China, though the overall number is small—"no more than 150."<sup>19</sup>

Taken together, these various factors extend Russia's range of contacts in North Korea, and help solidify the bases of friendship between the countries. But whether or how much these various interactions could make a difference in slowing or curbing the North's nuclear weapons dynamics is far from clear at this point—obviously a nagging question in this issue.

## Dealing with North Korea

Significant differences exist between Russian and Chinese positions on managing the North Korean nuclear threat and the official U.S. (or at least the Trump) position. Russia and China favor non-coercive approaches in dealing with the issue, are generally wary of sanctions, and oppose the use or threat of military force. By contrast, Trump has favored expanding sanctions—calling on countries to sever or degrade diplomatic ties with the North and to expel North Korean guest workers. Moreover, Trump says that all options are on the table, and that a major conflict with the North is a distinct possibility. To emphasize the point, the United States has ramped up U.S.-ROK military exercises and has introduced massive amounts of military hardware into the region (a carrier-led strike force, two B1B bombers, a number of F-16 fighters, and THAAD, for example). Finally, and this distinction is an important one, some high-level Russian officials favor pursuing a moratorium on nuclear and missile testing as an attainable goal, while the United States believes that such a freeze, if unaccompanied by other steps, would leave too much of the North's nuclear weapons program intact.

Given these differences in approach, Russia and China should themselves try to articulate a common set of principles and a common strategy for dealing with the North. Such collaboration could have an impact on the North's strategic calculations and could improve the prospects of an eventual nuclear deal. Ideally, such a cooperative effort should also take into account aspects of the U.S. "hard line" position—not so much on sanctions or military options, but on the desirable scope of such a deal—and how much denuclearization to push for. This approach is important because the United States is now and has been for some time conducting "secret" talks with the North over its WMD programs, partly in an effort to reestablish a diplomatic track for future negotiations with the Kim regime over its nuclear policies. Have the discussions touched on possible interim options short of full nuclear disarmament? Should Russia and China be brought into the talks at some point, given their dominant position as regional actors? How great a priority is a nuclear-free North Korea for these countries and what policies would they espouse to achieve this end?

Russia's ascension to a more prominent role in North Korean affairs is long overdue, and could add some heft to the international community's negotiating positions vis-à-vis Pyongyang. This is especially the case if Russia can coordinate its sources of influence and leverage with those of other regional players, especially China and (somewhere down the line) the United States. Though Russia and China have somewhat different interests at stake in the Korean peninsula, they might be able to agree on a common set of principles and a common strategy for managing the North Korean nuclear issue. Faced with such a "united front" and unable to play the two countries against each other or to count on Moscow's continued friendship, Pyongyang might begin to rethink its nuclear weapons policy—or so the theory goes.

But what kind of settlement, if any, would Pyongyang be willing to agree to? Many Russian analysts believe that full denuclearization is a distant goal, contingent on a vastly improved security environment on the Korean peninsula, iron-clad security guarantees for Pyongyang, and normalization of U.S.-North Korean relations. Some experts believe that North Korea would never give up its nuclear weapons under any circumstances, viewing them as integral to national defense and to the North's survival as a nation. (Indeed, the 2012 Kim Il-sung–Kim Jong-il Constitution

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<sup>19</sup> Lukin, "Thinking Beyond China."

defines North Korea as a “nuclear-armed state”).

For Pyongyang, the main issue may be trust. North Koreans like to cite the example of Libyan president Muammar Gaddafi, who terminated Libya’s nuclear weapons program in 2003 in return for promises of economic benefits. Eight years later, he was overthrown by rebel forces with the assistance of NATO, and later murdered—in a most grisly fashion according to some accounts. The following comment from a DPRK Foreign Ministry spokesman describes rather eloquently the lessons the North Koreans believed they learned from Gaddafi’s fall from power:

The present Libyan crisis teaches the international community a valuable lesson. . . . Libya’s nuclear disarmament, much touted by the United States in the past, turned out to be a mode of aggression, whereby the latter coaxed the former with such sweet words as ‘guarantee of security’ and ‘improvement of relations’ to disarm itself and then swallowed it up by force. It proved once again the truth of history that peace can be preserved only when one builds up one’s own strength as long as high-handed and arbitrary practices go on in the world.<sup>20</sup>

If the North insists on keeping its weapons, for whatever reason, what room is there to negotiate? Many Russian observers and some U.S. analysts believe that the best way to proceed is to negotiate a freeze or moratorium on nuclear and ballistic missile testing. This approach would have the advantage of practically eliminating the North Korean ICBM threat to the United States, but would leave the North’s nuclear establishment pretty much in place, perhaps for an indefinite period of time. This approach doesn’t have much support in Washington. As Secretary of State Rex Tillerson noted during a recent trip to South Korea, it would enshrine a “comprehensive set of capabilities” that already pose too great a threat to the United States and its allies.<sup>21</sup> Of course, there are different ways of defining a freeze. Some combination of diplomatic arm-twisting and political and economic pressure, plus an appropriate package of incentives, could induce the North to take additional steps toward denuclearization.

Such an option would still leave North Korea as a de-facto nuclear state, but deactivating even a part of the North’s weapons production complex could provide diplomatic momentum for achieving a more comprehensive nuclear settlement. Much would depend on the Kim regime’s priorities at any given time—especially the importance it places on economic stability and growth as opposed to nuclear weapons development. While this seems fairly unlikely at present, no talks with the North have occurred for the past five years, so its true negotiating position is not known with certainty. It’s just possible that a carefully crafted and concerted diplomatic effort by the primary regional powers could strike the right notes with the Kim regime, perhaps helping to push its nuclear policies in a more auspicious direction—or at least that is the hope.

## A Final Word

Russia is an influential enough player on the Korean peninsula to use its good offices to engineer a diplomatic channel and framework for negotiations with the North—and perhaps to guide the international community toward a resolution of the ongoing Korean nuclear crisis. But why would it want to? Most U.S. experts believe that Russia does not view a North Korean nuclear state as a serious threat to Russia itself.<sup>22</sup> Also, the abysmal state of U.S.-Russia relations—at the worst level since the 1963 Cuban Missile crisis—likely discourages Moscow from engaging in any cooperative dialogues with the United States over sanctions and other pressing matters relating to the DPRK. Russia will not likely be anxious to carry our water in North Korea, although it has a pretty good record of compliance with UN sanctions. Taking all things into account, Russia’s record of compliance is better than China’s, although the latter’s may be improving.<sup>23</sup> Nonetheless, Russia has powerful economic and security reasons for seeking at least a partial

<sup>20</sup> Cited in Andrei Lankov “Nothing Can Really Be Done about North Korea’s Nuclear Program,” Project Muse, Undated, @2015 Seoul, p. 10.

<sup>21</sup> David E. Sanger, “Rex Tillerson Rejects Talks With North Korea on Nuclear Program” New York Times, March 17, 2017, <https://www.nytimes.com/2017/03/17/world/asia/rex-tillerson-north-korea-nuclear.html>.

<sup>22</sup> Lukin, “Thinking Beyond China,” and Interview Andrei Khlopkov Washington, D.C. October 26, 2016.

<sup>23</sup> To be fair, Russia’s 11-mile border with the North is fairly easy to protect against smugglers. China’s 888-mile border, about the same distance as from Boston to Chicago, presents an almost insuperable challenge to Beijing’s law enforcement and security service.

solution to the North's nuclear problem. For example, core modernization projects planned earlier in the decade (but never implemented) would entrench Russia as a controlling force in the DPRK economy and provide unprecedented access to its valuable mineral resources. More importantly, the Trans-Korea projects would magnify Russia's economic and political influence with South Korea and in Asian countries beyond. Additionally Russia, like many other countries, doesn't approve of the North's nuclear weapons program—not so much from a fear of attack, but from the North's obvious disregard of the global non-proliferation regime. The onus of containing the North should fall mainly on the diplomatic skills and various influence factors of Russia and China. These are, of course, considerable.

If the United States could compartmentalize its messy relations with Russia in Europe and the Middle East and work with Russia to address the North Korean nuclear issue, then the probability of containing and ultimately rolling back the North's nuclear weapons program could be greatly improved. The Trump administration might see value in this approach, both for the Koreans and for its overall Asian policies. To effectively cooperate with Russia, China, and other regional players on North Korea and gain consensus on the path forward could require the United States to modify some current hardline postures. Would any of this work? We can't predict at this point, but if it doesn't, then perhaps nothing will.



