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Trade can do what threats cannot, and bring North Korea in from the cold

Andrew Leung says economic overtures by China and others to Pyongyang could be more effective than further sanctions

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Economics can be a powerful alternative to sanctions and military options.

Despite sanctions and warnings, Pyongyang recently tested an alleged hydrogen bomb and launched a satellite rocket with a payload twice as heavy as its previous successful launch in 2012.

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North Korea is the only country known to have conducted nuclear tests this century and this was its fourth since 2006, which points to an unwavering ambition to achieve long-range ballistic nuclear deterrence. The response so far is for more sanctions: the blunt tool that hasn't proved to work.



North Korean leader Kim Jong-un gives a speech at a party in Pyongyang for scientists who contributed to the launch of the Kwangmyong earth observation satellite. Kim has promised to put more satellites in space, even as the international community prepares to punish his regime over a long-range rocket launch. Photo: AFP

China is in a quandary. It delivers 80 per cent of North Korea's trade, 70 per cent of its energy and half of its food supplies. While accepting the need to deter Pyongyang, Beijing remains firmly opposed to oppressive sanctions that would precipitate a humanitarian disaster on its doorstep. Over the years, 30,000-60,000 North Korean refugees are said to have escaped to China. Some believe the total could be more than 200,000. The majority first make their way to China before moving to other parts of Asia, including South Korea. The current European refugee crisis only serves to strengthen China's resolve.



North Korean soldiers

patrol the border fence near the town of Sinuiju, across from the Chinese town of Dandong. Photo: AFP

“Sanctions are not an end in themselves,” said Foreign Minister Wang Yi (王毅), who advocates bringing North Korea back to the negotiating table. However, since 2003, successive six-party talks have yielded few results. A hurried visit by Beijing’s envoy, Wu Dawei (吳大偉), to North Korea days before the rocket launch turned out to be an embarrassment.

China regards stability on the Korean peninsula as an overriding interest

China regards stability on the Korean peninsula as an overriding interest. A friendly nation on the peninsula provides a buffer between China and the democratic South, home to around 29,000 US troops.

The US and its allies are showing growing impatience with China’s response. Notwithstanding recent warmth towards China as its largest and most promising trading partner, South Korea’s President Park Geun-hye said she would consider deployment of US Thaad (terminal high-altitude area defence) missiles on South Korean soil, despite strong Chinese opposition.



South Korean protesters

stage a rally in Seoul to oppose the possible deployment of the US' advanced missile system on the Korean peninsula. Photo: AP

If China appears to be caught between a rock and a hard place, the US and its allies do not seem to be much better off. There is no guarantee that even with China's (and Russia's) support at the UN Security Council, tougher sanctions would work this time. Rhetoric notwithstanding, Thaad deployment is likely to ignite Pyongyang's dangerous firework antics. If anything, it would only hasten North Korea's nuclear and missile programmes. A US/South Korean pre-emptive military option would be out of the question. There is no public appetite in the US for another Korean war, save in extremis. For South Koreans, attacking the North unprovoked would risk nuclear suicide. **Pyongyang's greatest fear is perceived to be US-led regime change**

Pyongyang's greatest fear is perceived to be US-led regime change. Long-range nuclear missile deterrence is seen as the only effective insurance policy. Resistance to foreign coercion serves to prop up regime legitimacy in the knowledge that China would not allow its regime to collapse.

According to the US Council for Foreign Relations, North Korea's famine in the 1990s killed between 800,000 and 2.4 million people. The worst drought and poorest harvest in decades happened last June. UN agencies estimate that 70 per cent of the population lack reliable access to affordable, nutritious food.

North Korea has been quietly constructing new special economic zones with the help of China's capital and engineering teams

For China, the US, South Korea and Japan, playing by the old hymn book is clearly no solution. Meanwhile, the hermit kingdom has put into deep freeze all cordial relations with its perceived adversaries.

Beijing has been trying to gradually move Pyongyang off aid towards more commercially viable ties. According to a report in *Yazhou Zhoukan magazine*, North Korea has been quietly constructing new special economic zones with the help of China's capital and engineering teams. This follows an early experiment with the Kaesong industrial park, 区 jointly operated with South Korea, which has been temporarily shut down as a result of current tensions.



North Koreans load goods destined for China on the waterfront of the North Korean town of Sinuiju, on the Chinese border. Photo: AP

At the northwest border with China, near Dandong, the Sinuiju special economic zone, shelved in 2002, has apparently been revived. This promises to become North Korea's largest export base, 132 square kilometres in area, including clusters of textile manufacturing, tourism and commercial facilities. A 40,000-square-metre Sinuiju International Exchange complex is reported to have been completed, ready for occupation this year. A cooperation agreement was signed during China's Politburo Standing Committee member Liu Yunshan's (劉雲山) recent visit.

Another large development area is the Rason special economic zone around the Rajin port at the country's eastern tip. It is said to comprise a dozen sectors, including agriculture, logistics, light manufacturing, oil refinery and ecotourism.



North Korean seamstresses at work in the Sonbong textile factory in the Rason special economic zone. Photo: AP

In addition, there are infrastructural projects to build miles of expressways and modern rail lines with investments reported to total billions of dollars.

To change North Korea for the better, sanctions are necessary but not sufficient

When realised, these facilities may help tilt things towards economic development. Even if Pyongyang retains its “military first” strategy, it should pave the way for its eventual development into a less insecure nation that doesn’t rely on nuclear threats to prop up its regime.

To change North Korea for the better, sanctions are necessary but not sufficient. In addition, Beijing should see fit to give financial fair wind to North Korea’s special economic zones and infrastructural development, particularly those that link up with China.



A billboard along the train tracks in Rajin, North Korea, reads “Let’s work toward opening a new phase for constructing a powerful economy with the mentality and spirit to conquer the universe”. Photo: AP

A further option is to extend the “One Belt, One Road” strategy to the Korean peninsula, encompassing North Korea. This would dovetail with Park’s “Eurasia Initiative” of linking rail networks, energy pipelines and electricity grids across Europe and Asia, to complement the eventual establishment of a Eurasian free trade zone. The China-South Korea free trade pact, signed in June, was a curtain-raiser.

The ancient Greek historian Thucydides reduced human motivation for war to “fear, honour and profits”. His insight can equally apply to North Korea’s belligerence. The profits to be gained from economic development will enhance national honour and security. Once secure, Pyongyang’s need for bouts of aggressive behaviour should peter out.

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These economic overtures must be clearly understood not as a reward for bad behaviour but as a cure. While sanctions and military options may disappoint, economics can be a powerful alternative. The example of Vietnam’s Communist Party comes to mind – while a war failed to procure change, economics has now wrought wonders.

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