

International Collaboration Efforts to Denuclearize the Korean Peninsula

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Abstract

The international community's confrontation with North Korea reached crisis proportions in 2017, following Pyongyang's ballistic missile launches and its sixth nuclear test. In the wake of a series of high-level summits, tensions began to thaw in 2018. At the inter-Korean summit in Panmunjom on April 27, 2018, South Korean President Moon Jae-in and North Korean leader Kim Jong-un agreed to seek support from the international community to denuclearize. But the international community, led by the U.S. in concert with the United Nations Security Council, has already worked tirelessly over the past 26 years to coordinate efforts to prevent North Korea from developing nuclear weapons. Successive U.S. administrations have worked through the cycle of confrontation, crisis, discussions and agreements with North Korea. Nonetheless, all these agreements have ultimately fallen apart, allowing North Korea to advance its nuclear program. This paper focuses on two key questions: How has the international community contributed toward denuclearizing the Korean Peninsula, and what is its role in facilitating the complete, verifiable dismantlement of North Korea's nuclear program? Ultimately, the success of denuclearizing the Korean Peninsula will be measured by whether North Korea completely dismantles its nuclear program. Fortunately, the international "tools" are on the table, but successfully denuclearizing North Korea will, in the end, be a matter of effectively enforcing existing international measures.

Keywords: Denuclearization, Project 890, Moon Jae-in, Kim Jong-un, Banco Delta Asia, UNSCR, Panel of Experts, Financial Action Task Force, Six Party Talks, IAEA, Leap Day Deal, Agreed Framework, Society for Worldwide Interbank Financial Telecommunication, Secondary Sanctions, Strategic Patience, Maximum Pressure and Engagement, Vancouver Group, Proliferation Security Initiative

Introduction

The Korean Peninsula has been “nuclearized” for over 60 years. In 1956, North Korea, along with 10 other countries, signed an agreement that created the Soviet Union’s Joint Institute for Nuclear Research¹; soon afterward, Pyongyang began dispatching technicians and scientists to train in the USSR.² Two years later, the U.S. began stockpiling tactical nuclear weapons in the Republic of Korea (ROK). During the late 1960s, the Park Chung-hee government embarked on a secret program to build atomic bombs, but Seoul scrapped its plans in 1976 under intense pressure from the Ford administration. Throughout the 1970s and 1980s, the U.S. scaled back the number of nuclear weapons considerably and withdrew the last of its nuclear stockpile from South Korea in 1991. Despite these actions, the Korean Peninsula had yet to be denuclearized as Pyongyang ramped up its nuclear weapons program.

Pyongyang’s actions in the early 1990s led to prolonged efforts by the U.S. and international community to denuclearize North Korea—efforts that continue to this day. International collaboration to denuclearize North Korea began in earnest in 1992 with efforts by Hans Blix and the International Atomic Energy Agency, mostly in coordination with the U.S., to bring North Korea into compliance with “safeguards” inspections of its nuclear facilities. Despite efforts spanning successive U.S. presidential administrations—coupled with increased collaboration on the part of the international community to curb Pyongyang’s nuclear aspirations—North Korea has succeeded in developing its own nuclear arsenal. Thus, North Korea is the reason the Korean Peninsula remains nuclearized today.

Events reached crisis proportion in 2017, when North Korea tested a variety of ballistic missiles, launched missiles over Japan and threatened to strike Guam. The Trump administration and the international community hit back with unprecedented pressure. However, North Korea accelerated its weapons program, successfully testing Intercontinental Ballistic Missiles (ICBM) and claiming to detonate a hydrogen bomb. But tensions, which had rapidly escalated through the first 12 months of the Trump administration, began to thaw in January 2018. “Pressure” seemed to give rise to “engagement,” and historic summits occurred, offering some hope for a positive outcome. In the joint declaration signed at Panmunjom on April 27, 2018, South Korean President Moon Jae-in and North Korean leader Kim Jong-un “agreed to actively seek the support and

cooperation of the international community for the denuclearization of the Korean Peninsula.”³

The Panmunjom Declaration raises two key questions: How has the international community contributed toward denuclearizing the Korean Peninsula, and what is its role in facilitating the complete, verifiable dismantlement of North Korea’s nuclear program? This paper examines the international community’s efforts to denuclearize the Korean Peninsula. It begins by examining the nuclearization of the Korean Peninsula since the 1950s. Next, the paper analyzes, through successive U.S. presidential administrations, the development of North Korea’s nuclear program and corresponding counteractions by the international community. It concludes by assessing prospects for the denuclearization of the Korean Peninsula moving forward.

Nuclear Weapons in South Korea

As noted, the “nuclearization” of the Korean Peninsula began in the mid-1950s. In 1958, the U.S. began stockpiling tactical nuclear warheads in South Korea, initially to deter North Korea. Beginning in 1961, these weapons became part of the Single Integrated Operational Plan (SIOP), the U.S. strategic plan for nuclear war. Under the SIOP, some of the Korea-based weapons targeted sites in the Soviet Union and the People’s Republic of China. The specific types and numbers of weapons varied over the 33 years the U.S. maintained nuclear weapons in South Korea, with the stockpile reaching a high of 950 nuclear warheads in 1967.⁴ By 1991, President George H.W. Bush ordered the withdrawal of all tactical nuclear weapons deployed overseas following the collapse of communism and changes to the international landscape.

Project 890 - South Korea’s Secret Nuclear Program

In 1970, South Korea embarked on its own nuclear weapons program, dubbed “Project 890.”⁵ The goal of Project 890 was to build South Korean atomic bombs by 1977.⁶ President Park Chung Hee’s decision to develop nuclear weapons evolved over a period when the U.S. security commitment to South Korea appeared to be weakening considerably in the face of an accelerating North Korean conventional military threat.⁷ Amid growing uncertainty over the U.S.-ROK security arrangement, the Park government created the Agency for Defense Development and the Weapons Exploitation Committee (WEC) in 1970 to carry out nuclear research, development and acquisition activities under Project 890.⁸

By 1972, South Korea's Ministry of Science and Technology was holding consultative discussions with France and Britain on technical cooperation involving nuclear reprocessing.⁹ This led to secret negotiations between the WEC and France over the transfer of a uranium reprocessing facility.¹⁰ Until this point, South Korea's Project 890 was largely unknown to the U.S.; however, the Ford administration began paying closer attention to President Park's nuclear ambitions following India's 1974 nuclear test. In December 1974, the Ford administration caught full wind of South Korea's nuclear weapons aspirations. Shortly thereafter, Washington began applying immense pressure on Seoul to cease its nuclear program, even threatening to withdraw the U.S. security commitment.¹¹ In April 1975, the Park government ratified the Nuclear Nonproliferation Treaty (NPT). President Park shut down Project 890 in December 1976.¹²

U.S. Nuclear Weapons Ramp Down – North Korea's Nuclear Program Ramps Up

After hitting a peak of 950 nuclear warheads in 1967, the U.S. steadily reduced its nuclear stockpile in South Korea throughout the 1970s and 1980s. By 1990, the number had shrunk to approximately 100 warheads,¹³ but as the U.S. scaled back, North Korea was ramping up. Throughout the 1980s, Washington compiled ample, compelling evidence in the form of satellite imagery that North Korea was developing a nuclear weapons program. In 1989, the George H.W. Bush administration alerted governments in Tokyo and Seoul, and shared information on Pyongyang's nuclear developments with the Soviet Union and China to try and build pressure on North Korea to sign an International Atomic Energy Agency (IAEA) safeguards agreement. By signing the safeguards agreement, North Korea would have to open its nuclear facilities to IAEA inspections.¹⁴

When newspapers began reporting on growing international concerns over Pyongyang's emerging nuclear program, North Korea responded by denying any existence of a program and insisting it would never agree to IAEA inspections as long as U.S. nuclear weapons existed in South Korea.¹⁵ During a televised national address on September 27, 1991, President Bush announced the U.S. worldwide elimination of tactical, theater nuclear weapons. All remaining nuclear warheads in South Korea were withdrawn by December 1991.¹⁶

Nuclearization in North Korea

Around the same time the U.S. was building its nuclear stockpile in South Korea, North Korea was just getting started with its own nuclear program—with help from the Soviets. The Soviet Union had aided the establishment of Pyongyang’s nuclear program in the late 1950s through bilateral nuclear research agreements. By 1964, the Soviets had helped North Korea construct the Yongbyon Nuclear Scientific Research Center, and in 1965, Moscow supplied the newly built center with a small nuclear research reactor.¹⁷ The Soviets insisted North Korea place the reactor under IAEA inspection, to which North Korea adhered to in 1977.¹⁸ The IAEA was (and still is) the United Nations’ (UN) nuclear technical agency that reports to the Security Council; its authority is derived from a 35-nation Board of Governors. Since the UN adopted the Nuclear Non-Proliferation Treaty (NPT) in 1968, the IAEA’s primary role has been to implement the “safeguards” system of inspecting nonnuclear weapon states to ensure those states are upholding their NPT commitments and are not building nuclear weapons.¹⁹

North Korea agreed to IAEA “safeguards” in 1977 for the small, Soviet-supplied research reactor at the Yongbyon Research center. However, it was not party to the NPT until 1985, when Moscow agreed to furnish the country with four light-water reactors. This meant that visiting IAEA inspectors to North Korea could inspect the research reactor at Yongbyon beginning in 1977, but were shielded from inspecting other construction activities at the sprawling compound. Even after becoming party to the NPT in 1985, North Korea was not immediately subject to IAEA safeguards, as the IAEA gave North Korea 36 months from the time it became party to the NPT to sign the agreement that would allow the IAEA to conduct safeguard inspections.

After the three years, North Korea let the December 1988 deadline pass without signing the agreement. Relations with Moscow had deteriorated and prospects for receiving Soviet-supplied light-water reactors appeared less likely. Hedging its bets, North Korea realized it may have to “go it alone” in developing its nuclear program. Not signing on to the inspections would buy Pyongyang time to develop its program. Regardless, the U.S. and UN would later use North Korea’s 1985 ascension to the NPT as the international legal justification to stop the country’s nuclear program.²⁰ However, with the exception of the small research reactor, North Korea’s nuclear activities continued to move forward without IAEA scrutiny.

The American announcement to withdraw nuclear weapons from South Korea cleared the path for improved inter-Korea relations. In late 1991, North and South Korea concluded two accords: one centered on inter-Korean reconciliation, and the other on cooperation over nuclear issues, including commitments by both sides not to possess nuclear weapons or nuclear reprocessing facilities. In the latter agreement, North Korea expressed its willingness to allow inspections of facilities within the Yongbyon research complex. In the same month, Arnold Kanter, the Under Secretary of State for Political Affairs, agreed to a rare bilateral meeting with a high level North Korean official at the U.S. Mission to the UN in New York. On January 21, 1992, Kanter urged North Korea to open up to IAEA inspections and cease nuclear weapons development. A little over a week later, on January 30, North Korea signed the “safeguards” agreement with the IAEA, opening itself to inspections and marking the start of what would become years of protracted efforts involving the international community to denuclearize North Korea.²¹

International Collaboration to Stem North Korea’s Nuclear Weapons Program Begins

The IAEA began inspections of North Korea’s nuclear facilities in May 1992 under the leadership of Swedish diplomat, Hans Blix. Prior to the inspections, the Central Intelligence Agency provided Blix and his team with intelligence briefings on the layout of the Yongbyon facilities. Shortly after the inspections began, the IAEA inspectors discovered that North Korea had produced plutonium on multiple occasions. Pyongyang claimed it had produced only trace amounts for research purposes, but tests convincingly showed otherwise. As discrepancies accumulated and suspicions mounted, North Korea increasingly resisted the IAEA inspectors. The previously agreed-to inter-Korean cooperation began to break down.²²

In this rapidly deteriorating atmosphere, Blix confronted North Korea over two undeclared buildings that satellite imagery revealed as being nuclear waste storage facilities. When North Korea refused access to the facilities, Blix asked the U.S. to show satellite imagery of the two waste sites at the February 1993 IAEA general board meeting, a venue made up of the 35-nation Board of Governors reporting directly to the UN Security Council. Upon seeing the imagery, the IAEA board was convinced North Korea was deceiving Blix’s team and gave North Korea one month to comply with inspections or the matter would go to the UN Security

Council. On March 12, 1993, North Korea responded by announcing it was pulling out from the NPT. Under the terms of the NPT, there is a mandatory three-month waiting period before a country's withdrawal takes effect. This meant North Korea had until June 12 to become the first country to ever withdraw from the NPT.²³

North Korea, the Clinton Administration and the IAEA

The Clinton administration tapped Robert Gallucci, then-Assistant Secretary of State for Political-Military Affairs, as chief negotiator to deal with the North Koreans. Ambassador Gallucci managed to get the North Koreans to “suspend” their withdrawal from the NPT before the June 12 deadline. While this defused the mounting atmosphere of crisis, it did nothing to resolve the issue over inspections. North Korea argued that its “suspended” NPT status meant it did not have to submit to IAEA inspections while negotiations with the U.S. continued. In the midst of the stalled atmosphere, Hans Blix complained about Pyongyang's continued delaying tactics before the UN General Assembly in November 1993, prompting a 140-1 vote urging North Korea to immediately cooperate with the IAEA.²⁴

On January 26, 1994, the New York Times reported that Patriot missiles—one of the most visible weapons unveiled during the first Gulf War—were heading to Korea, further ratcheting regional tensions.²⁵ Amidst a stalemate over inspections, the IAEA announced it would turn to the UN Security Council for action if an inspection agreement could not be worked out with North Korea by February 21. No agreement was permanently reached, and on March 15, 1994, the IAEA announced that its mission had failed, ordered its inspectors out of North Korea, and turned the matter over to the UN Security Council.²⁶

As punishment for not cooperating with the IAEA, the Clinton administration readied a set of escalating sanctions that would culminate in a blockade of North Korean ports.²⁷ To secure support from China, one of the five permanent members of the UN Security Council, President Clinton controversially reinstated the country's ‘most favored nation’ status.²⁸ When making the May 26 announcement, which reversed U.S. policy on China, President Clinton said, “...broader American strategic interests justify the policy reversal.”²⁹ In parallel with preparing sanctions, Defense Secretary William Perry pressed forward with plans to deploy 10,000 troops, tactical aircraft and an aircraft carrier battle group to augment the 37,000 troops already stationed in South Korea. On June 16,

U.S. Forces Korea Commander General Gary Luck received notification that the Pentagon would seek President Clinton's imminent authorization to execute the plan.³⁰ Hours later, the crisis would be defused.

The Agreed Framework

This first nuclear crisis was ultimately averted after an eleventh-hour meeting in Pyongyang between former President Jimmy Carter and North Korean leader Kim Il-sung. More than a year of negotiations then ensued before the U.S. and North Korea eventually hammered out an agreement—the Agreed Framework—signed in October 1994. The main provisions required the U.S. to supply light-water nuclear reactors and annual shipments of heavy fuel oil. In return, North Korea agreed to freeze its nuclear program and come into full compliance with IAEA safeguard inspections. Full compliance wouldn't be required until the multi-year construction of the light water reactor project neared completion.³¹ The Agreed Framework remained in place throughout the Clinton administration, but its implementation was ultimately unsuccessful.

The Bush Administration and the End of the Agreed Framework

The September 11th attacks profoundly affected U.S. foreign policy and amplified concerns over “rogue states” acquiring weapons of mass destruction. This put North Korea, a rogue proliferator that had occupied a spot on the State Department's State Sponsors of Terrorism list following the 1987 bombing Korean Airline Flight 858, in the crosshairs of Washington's post-9/11 policy. In his January 2002 State of the Union address, President George W. Bush described North Korea as “a regime arming with missiles and weapons of mass destruction,” and included the country, along with Iran and Iraq, in an “axis of evil, arming to threaten the peace of the world.”³² In March 2002, the *Los Angeles Times* reported leaked excerpts from the Nuclear Posture Review, a quadrennial report developed by the Defense Department and submitted to Congress. The report listed North Korea along with six other countries as targets of nuclear attack. The report's language seemed to justify preemptive attacks “in the event of surprising military developments.”³³

Evidence had been mounting since the late 1990s that North Korea had supplied missiles to Pakistan in exchange for uranium enrichment technology.³⁴ In October 2002, the Bush administration sent Assistant Secretary of State James Kelly to Pyongyang to confront North Korea over a suspected uranium enrichment program being developed in

violation of the Agreed Framework.³⁵ When Kelly confronted the North Koreans, they more or less admitted the program's existence and defiantly argued it was their right to develop nuclear weapons.

The Bush administration responded by cutting off the heavy fuel oil shipments being supplied under the Agreed Framework. North Korea reacted by expelling IAEA inspectors and restarting its reactor at Yongbyon, effectively walking away from the Agreed Framework.³⁶ On January 10, 2003, North Korea announced its official withdrawal from the NPT. In the wake of the U.S. invasion of Iraq in March, North Korea declared it had produced nuclear weapons under a new policy of "nuclear deterrence."³⁷ A crisis atmosphere once again ensued.

The Six Party Talks

Rather than deal bilaterally with Pyongyang, the Bush administration chose to pursue multilateral talks with the regional players having a direct stake in negotiating a successful outcome with North Korea: China, Russia, South Korea and Japan. Getting Russia and China on board was thought to be critical in the event issues had to be referred to the UN Security Council. With China in the role of "permanent chair" of the negotiations, the "Six Party Talks" began in August 2003.³⁸ Two years passed before signs of a potential agreement emerged.

In September 2005, after the fourth round of talks, the six parties released a joint statement. In it, North Korea pledged to abandon its nuclear programs and return "at an early date" to the NPT. In return, the U.S. pledged security assurances and steps toward normalizing relations. The statement closed with the six parties agreeing to meet for a fifth round of talks in Beijing in November 2005.³⁹ Although lacking details, the joint statement was a hopeful sign of an impending agreement, but hopes would be dashed almost immediately.

A "Money Laundering Concern"

In the same month that the joint statement was released, the Treasury Department invoked Section 311 of the USA PATRIOT Act, issuing an advisory to U.S. banks that Banco Delta Asia (BDA), a bank located in Macau, was involved in North Korean money laundering and counterfeiting.⁴⁰ Section 311 of the Act, signed into law on October 26, 2001, provided the Treasury Secretary the authority to take a gamut of measures against foreign financial institutions "of primary money laundering concern."⁴¹ The BDA advisory caused Macau regulators to

step in and freeze \$25 million in North Korean accounts, which had a ripple effect of causing banks around the world to consider similar actions. With their accounts frozen, the North Korean elite had nowhere to park their cash. The Six Party Talks resumed in November 2005, but were overshadowed by demands to unfreeze their bank assets, with the North Koreans badly wanting to recoup their \$25 million.⁴² Frustrated that its demands were not being met, Pyongyang ramped up its nuclear program.

North Korea's First Nuclear Test and the Start of UN Sanctions Committee 1718

After eight years without conducting ballistic missile tests, North Korea launched seven missiles on July 4, 2006. The UN Security Council responded by unanimously adopting UN Security Council Resolution (UNSCR) 1695, which condemned the launches.⁴³ North Korea followed up the missile tests by conducting its first nuclear test on October 9, 2006. Less than a week later, the UN Security Council unanimously adopted UNSCR 1718, which condemned the nuclear test and established the 1718 Sanctions Committee to monitor and adjust sanctions on North Korea.⁴⁴

With the Six Party Talks at risk of collapsing due to North Korea's nuclear and ballistic missile provocations, the Bush administration enabled the release of the frozen \$25 million to North Korea. The six parties reached an "initial actions agreement" in February 2007.⁴⁵ Pyongyang continued to balk at signing on to verification protocols involving its enriched uranium program. While Pyongyang continued to stonewall, the Bush administration removed North Korea from the terrorist list in October 2008 to prevent the collapse of the Six Party Talks. Ultimately, however, North Korea would not sign on to verification procedures.⁴⁶ Thus, the Bush administration ended without the Six Party Talks producing an enforceable agreement.

The Proliferation Security Initiative

In addition to initiating the Six Party process, the Bush administration engineered a multinational mechanism aimed at thwarting North Korea's [and other weapons of mass destruction (WMD) proliferators] nuclear proliferation activities. On May 31, 2003 during a speech given in Krakow, Poland, President Bush announced the Proliferation Security Initiative (PSI), stating, "The United States and a number of our close allies, including Poland, have begun working on new agreements to search planes and ships carrying suspect cargo and to seize illegal weapons or missile

technologies.⁴⁷ The PSI followed a December 2002 incident in which a Spanish naval vessel successfully boarded a Yemen-bound North Korean cargo ship laden with Scud missiles but was unable to seize the missiles due to existing legal restrictions.⁴⁸

John Bolton, then-Under Secretary of State for Arms Control and International Security, was the architect of PSI. Ambassador Bolton promoted the PSI as a way to cooperate with partner nations to prevent proliferators from trading WMD and missile technology. Along with the U.S., 10 other nations joined the PSI at its inception.⁴⁹ PSI participants agreed to follow interdiction principles consistent with existing national legal authorities and relevant international law.⁵⁰

The effectiveness of the PSI has been difficult to measure. Actual interdictions of suspicious vessels would be an obvious metric to gauge PSI success. However, there is surprisingly little public data available on PSI interdictions.⁵¹ Governments involved in PSI operations are reluctant to publicly discuss specific interdictions, perhaps not wanting to inadvertently divulge sources and methods.⁵² Today, 21 nations make up the Operational Experts Group (OEG) of the PSI, and over 100 states have endorsed the PSI's interdiction principles.⁵³ China has yet to endorse the PSI.

The Obama Administration and the End of the Six Party Talks

Expecting to pick up where the Bush administration left off, President Obama selected Stephen Bosworth, an experienced diplomat and former Ambassador to South Korea, as Special Envoy for North Korea. However, before negotiations had a chance to resume in 2009, North Korea launched a ballistic missile over Japan on April 5. The Security Council condemned the missile test and North Korea responded by completely pulling out of the Six Party Talks, expelling all international monitors from Yongbyon and initiating the process of extracting plutonium from fuel rods. Shortly thereafter, North Korea conducted its second nuclear test on May 25, 2009. The UN Security Council responded by unanimously passing UN Security Council Resolution (UNSCR) 1874, which further tightened sanctions on North Korea and established the Panel of Experts to support and advise the sanctions committee set up under UNSCR 1718.⁵⁴ In September 2009, North Korea defiantly sent the UN Security Council a statement announcing it had successfully conducted uranium enrichment tests.⁵⁵

Strategic Patience

By May 2010, Obama administration officials were using the term “strategic patience” to refer to U.S. policy toward North Korea; i.e., the U.S. would wait for Pyongyang to make first moves to restart diplomacy.⁵⁶ North Korea tested “strategic patience” throughout 2010, torpedoing and sinking a South Korean naval vessel in March, and then shelling the South Korean island of Yeonpyeong in November. Pyongyang also upped the nuclear ante in November, when North Korean officials revealed the completion of an operational uranium enrichment facility.⁵⁷

The Leap Day Agreement

In an effort to restart negotiations, the Obama administration met in secret talks with North Korea throughout 2011. A breakthrough occurred on February 29, 2012. Known as the “Leap Day Agreement,” North Korea agreed to suspend long-range missile and nuclear tests, as well as permit inspections of its Yongbyon facilities. In return, the U.S. committed to providing North Korea with considerable food aid. The Leap Day Agreement fell apart three weeks later after North Korea announced it planned to launch a “satellite.” On April 13, North Korea carried out the launch, which was met with immediate condemnation by the UN Security Council.⁵⁸

North Korea Declares Self a “Nuclear Weapons State”

In April 2012, North Korea declared that it was a “nuclear weapons state.” Shortly after its third nuclear test in February 2013, North Korea’s Supreme People’s Assembly established the “Nuclear Weapons State Law.” As written, the law justifies North Korean nuclear weapons as a deterrent against the U.S.⁵⁹ The UN Security Council responded to North Korea’s nuclear test with UNSCR 2094, which, among its many provisions, contained measures targeting Pyongyang’s financial activities.⁶⁰ Unanimously passed with China’s support, this was the first UN resolution that comprehensively targeted North Korea’s illicit money-making activities and banking relationships.⁶¹

Tools to Target Finances – Sanctioning North Korea’s Foreign Trade Bank

Shortly after UNSCR 2094 was passed, on March 11, 2013, the U.S. Treasury Department sanctioned North Korea’s Foreign Trade Bank (FTB) in accordance with Executive Order (EO) 13382.⁶² The EO was originally

signed by President Bush in June 2005 to financially isolate WMD proliferators.⁶³ The FTB is a state-owned institution that has been Pyongyang's primary foreign exchange bank since 1959. Seeking to replicate the international pressure North Korea experienced in 2005 due to the Treasury Department's Section 311 Banco Delta Asia advisory, the Obama administration urged other countries to follow suit.⁶⁴ On May 7, China joined forces with the international community when the Bank of China announced it had ceased financial dealings with the FTB.⁶⁵

The Financial Action Task Force "Blacklist"

Beginning in February 2010, North Korea appeared on the Financial Action Task Force (FATF) "blacklist" as "a risk to the international financial system."⁶⁶ Established in 1989 at the G-7 Summit in Paris in response to mounting international concern over money laundering, the FATF is an intergovernmental body charged with analyzing money laundering trends and recommending countermeasures, and has 37 members today, including China.⁶⁷ In February 2015, the FATF reaffirmed its decision to blacklist North Korea, warning financial institutions to scrutinize entities potentially linked to Pyongyang for activities related to money laundering and terrorist financing.⁶⁸

North Korea's Nuclear Program Accelerates

Despite UN sanctions and growing international attempts to target Pyongyang's financial activities, North Korea accelerated its nuclear program in 2016. The country tested two nuclear weapons and launched numerous ballistic missiles. After North Korea conducted its fourth nuclear test on January 6, 2016, the UN Security Council unanimously adopted UNSCR 2270, which included new measures that covered inspections of cargo and prohibitions on aviation fuel. Among its provisions, the resolution called for states to inspect all cargo coming from or going to North Korea.⁶⁹ Undeterred, North Korea conducted its fifth nuclear test on September 9, 2016. Again, the UN Security Council responded—this time, by unanimously adopting UNSCR 2321, which strengthened existing penalties on North Korea.⁷⁰ The FATF also intensified its "blacklist" language against North Korea in October 2016, urging jurisdictions to "take necessary measures to close existing branches, subsidiaries and representative offices of DPRK banks within their territories and terminate correspondent relationships with DPRK banks, where required by relevant UNSC Resolutions."⁷¹

The Trump Administration and the End of Strategic Patience

In November 2016, President-elect Donald Trump received a dire warning from the outgoing Obama administration that North Korea was a “grave, near-term threat to America” due to its rapidly accelerating nuclear and missile programs.⁷² After taking office in January 2017, President Trump tasked his National Security Council (NSC) to review North Korea policy. In February, Army Lieutenant General H.R. McMaster stepped in as National Security Advisor and advanced a systematic plan to deal with the accelerating North Korean threat.

A few days prior to Xi Jinping’s visit to the U.S. in early April 2017, the NSC completed its comprehensive review and produced the “maximum pressure and engagement” policy aimed at denuclearizing North Korea through pressure and dialogue.⁷³ The four-point strategy stipulates the U.S. (1) will not recognize North Korea as a “nuclear state;” (2) will impose all possible pressures and sanctions on North Korea; (3) will not seek a “regime change;” and (4) will resolve the nuclear problem with North Korea through dialogue “in the end.”⁷⁴

UN Panel of Experts Increases “SWIFT” Pressure on North Korea’s Finances

In February 2017, the UN Panel of Experts released its annual report covering Pyeongyang’s illicit financial activities during the previous year. The report stated that North Korea had “intensified its prohibited activity by engaging in an unprecedented number of nuclear and ballistic missile-related tests” and was “flouting sanctions through trade in prohibited goods, with evasion techniques that are increasing in scale, scope and sophistication.” The Panel added that “Behind these illicit activities is the continued access of the Democratic People’s Republic of Korea to the international banking system.”⁷⁵ Deep within the report, the Panel described the results of its investigation of the Society for Worldwide Interbank Financial Telecommunication (SWIFT) and financial messaging services being provided to North Korean banks.⁷⁶ Headquartered in Belgium, SWIFT provides global financial messaging services to more than 11,000 financial institutions located in over 200 countries and territories.⁷⁷ The Panel found that SWIFT was in violation of UN asset freeze provisions because it was providing services to North Korean banks designated in UNSC resolutions.⁷⁸ On March 8, SWIFT announced it was no longer providing financial services to North Korean banks designated under U.N. sanctions.⁷⁹

Increased Diplomatic Pressure through UN Security Council Resolutions

Throughout 2017, the Trump administration increased military, financial and diplomatic pressure on North Korea, coordinating closely with U.S. Ambassador to the UN Nikki Haley to gain the UN Security Council's unanimous adoption of three separate resolutions. Despite the increased pressure, Pyongyang continued to advance its nuclear program, successfully launching an ICBMs on July 3 and July 28. In August, the UN Security Council responded to the launches by adopting UNSCR 2371, which imposed a comprehensive ban on North Korean exports, including coal, iron, lead and seafood worth \$1 billion.⁸⁰ Still undeterred, North Korea successfully conducted a test of what it claimed to be a hydrogen bomb on September 2. Nine days later, the UN Security Council unanimously adopted UNSCR 2375, the strongest sanctions yet to be imposed on North Korea. UNSCR 2375 banned textile exports, prevented North Korean laborers from financing Pyongyang with wages earned overseas, reduced the amount of oil going into the country, and banned joint financial ventures with North Korea. The resolution also provided tools to help countries counter North Korea's illicit maritime activities more effectively.⁸¹

More Financial Pressure on North Korea – “Secondary Sanctions”

President Trump signed EO 13810 in September 2017, broadening the Treasury Department's authority to target entities financing or trading with North Korea; i.e., “secondary sanctions.” The EO allowed the Treasury Department to freeze the assets of companies supporting North Korean textiles, fishing, IT and manufacturing. The EO also banned any aircraft or ship that visits North Korea (including ship-to-ship transfers) from visiting the U.S. for 180 days. Treasury Secretary Steve Mnuchin relayed the contents of the EO to his Chinese counterpart, who then directed China's financial institutions to restrict business dealings with North Korea.⁸² On 3 November 3, 2017, the FATF intensified its “blacklist” language against North Korea. In its statement, the FATF urged implementation of several key UNSC resolution provisions intended to disrupt North Korea's illicit financial tactics.⁸³

North Korea's Last Missile Launch?

Not done with its tests, North Korea successfully launched an ICBM on November 29. The UN Security Council responded in December by

passing UNSCR 2397, building on previously imposed sanctions set forth in UNSCR 2375. In addition to further restricting imports of refined petroleum products and crude oil, the new resolution included tools and requirements for countries to interdict ships smuggling illicit cargo, including oil and coal.⁸⁴ After roughly one year of the Trump administration's "maximum pressure" campaign, this would be North Korea's last missile launch before Kim Jong-un moved to freeze his nuclear program.

Trump-Moon Alignment – Pressure Gives Rise to Engagement

In striking ways, President Trump and South Korean President Moon Jae-in have been effectively aligned under the banner of the Trump administration's "maximum pressure and engagement" policy, with the two leaders playing a version of "good cop, bad cop." The increased "pressure" on North Korea that had been mounting throughout 2017 gave rise to, or possibly forced, "engagement." President Moon had sought to have South Korea lead any engagement with the North. Although tensions had been rapidly escalating through the first 12 months of the Trump administration, they began to thaw beginning in January 2018.

Tensions Thaw while Pressure Continues

On January 9, officials from North and South Korea met in Panmunjom and held the countries' first official talks in more than two years. There, North Korea agreed to send a delegation of officials, athletes, and cheer squads to the Winter Olympics in South Korea set to open in February.⁸⁵ As South Korea ramped up engagement, the Trump administration and the international community maintained intense pressure on Pyongyang.

The Resurgence of PSI

On January 12, only days after North Korea agreed to attend the Winter Olympics, the U.S. and 16 other members of the Proliferation Security Initiative's (PSI) Operational Experts Group (OEG) released a joint statement in support of enforcing UNSCRs 2375 and 2397, noting provisions requiring "maritime interdiction obligations and authorities to help shut down North Korea's illicit smuggling activities."⁸⁶

The "Vancouver Group"

On January 16, 20 nations met in Vancouver to consider ways to further pressure North Korea to give up its nuclear weapons.⁸⁷ The

“Vancouver Group” consisted of the 16 UN member states that sent combat forces to support South Korea during the Korean War, along with South Korea, Japan, India and Sweden.⁸⁸ South Korean Foreign Minister Kang Kyung-wha attended the meeting, where she explained President Moon’s policy toward North Korea and sought support for the recent breakthrough in inter-Korean dialogue.⁸⁹ At the meeting, co-hosted by Canada and the U.S., then-Secretary of State Rex Tillerson underscored the importance of jointly countering North Korea’s sanctions evading activities and strengthening “global maritime interdiction operations to foil the illicit ship-to-ship transfers.” He also warned North Korea would trigger war if it was not willing to engage and negotiate.⁹⁰

The “Pence Factor”

On February 9, during the opening ceremony of the Winter Olympics, Vice President Mike Pence and North Korean leader Kim Jong Un’s sister, Kim Yo-jong, sat within meters of each other as North and South Korean athletes marched together under the unified flag of Korea. Earlier that day, Pence met with North Korea defectors and toured the memorial commemorating the sinking of the *ROKS Cheonan*. The vice president condemned North Korea’s nuclear program during these stops before making his way to the opening ceremony.⁹¹

Treasury Hits Hard

Two days before the closing ceremony in Pyeongchang, the U.S. Treasury Department announced the largest package of sanctions to date as part of the “maximum pressure” campaign. On February 23, the Treasury Department sanctioned an individual, 27 companies and 28 vessels in an effort to further disrupt North Korea’s illicit shipping. A separate list was also proposed for additional UN sanctions. In conjunction with the State Department and U.S. Coast Guard, the Treasury Department issued a public advisory warning of “significant sanctions risks to those continuing to enable shipments of goods to and from North Korea.”⁹²

PSI Operations Go into Effect in the Pacific

At the same time of the Treasury Department’s announcement, reports began to surface that the Trump administration and key Asian allies, including Japan, South Korea, Australia and Singapore, were preparing a plan to expand maritime operations targeting North Korea, including the deployment of U.S. Coast Guard vessels for operations in the Pacific.⁹³

The plan would expand the PSI, the initiative originally championed by John Bolton.⁹⁴ In the meantime, tensions with North Korea continued to thaw. After President Moon met with a North Korean delegation on the day of the Winter Olympics closing ceremony, the Blue House released a statement announcing North Korea's interest in engaging the U.S. in dialogue.⁹⁵

Panel of Experts' Dire Warning

In its report released on March 5, the UN Panel of Experts noted that despite strengthened UN sanctions, North Korea continued to flout the resolutions "by exploiting global oil supply chains, complicit foreign nationals, offshore company registries and the international banking system." The report also noted that between January and September 2017, North Korea had managed to generate nearly \$200 million through the continued export of "almost all the commodities prohibited in the resolutions." The report lauded the international community's efforts to increase new measures to thwart North Korea, but noted that the efforts had "yet to be matched by the requisite political will, international coordination, prioritization and resource allocation necessary to drive effective implementation." The report warned that the "year 2018 could represent a critical window of opportunity before a potential miscalculation with disastrous implications for international peace and security."⁹⁶

Summitry

On March 6, after returning from Pyeongyang with a South Korean delegation, Chung Eui-yong, President Moon's national security advisor, announced that a summit between Moon and Kim Jong-un would be held in Panmunjom in April. He also mentioned that North Korea was committed to denuclearizing the Korean Peninsula and was willing to talk with the U.S. on denuclearization and normalizing relations.⁹⁷ Two days later, President Trump agreed to meet with Kim Jong-un.⁹⁸

More Sanctions

On March 30, the UN Security Council's 1718 Sanctions Committee added 27 vessels, 21 companies, and a Taiwanese individual to its sanctions list.⁹⁹ The unanimously agreed upon list was actually part of the request Washington made in February. That original list included 33 vessels, 27 companies and the Taiwanese individual, but the request was

delayed by China, apparently resulting in the shorter list. The Security Council action came within days of Kim Jong-un returning from a visit with President Xi Jinping in Beijing, and the announcement of the Kim-Moon summit scheduled for April 27.¹⁰⁰

Historic Inter-Korean Summit and the Launch of Pacific PSI Operations

A week before the Moon-Kim summit, North Korea, through a Korean Central News Agency announcement, said it was suspending its nuclear and missile tests and shutting down its nuclear test site.¹⁰¹ On April 27, the leaders of South and North Korea held their historic summit in Panmunjom, where they signed a joint declaration promising to work together toward peace and confirming “the common goal of realizing, through complete denuclearization, a nuclear-free Korean Peninsula.”¹⁰² The following day, Japan’s Ministry of Foreign Affairs announced Japan, the U.S. and other partner countries, including the United Kingdom (U.K.), Australia and Canada, were launching monitoring and surveillance activities as part of the “maximum pressure” effort targeting North Korea’s illicit maritime activities, including ship-to-ship transfers. As part of the ongoing effort, Japan’s Coast Guard and Maritime Self-Defense Force were “conducting information gathering activities for vessels suspected to be in the violation of UNSCRs.”¹⁰³ In April the U.K.’s Royal Navy frigate, *HMS Sutherland*, arrived at the Yokosuka Naval Base in Japan. The U.K. also deployed the *HMS Albion*, an amphibious transport dock, and expects to send another frigate, the *HMS Argyll* to join the effort at some point later in the year.¹⁰⁴ For its part, Canada deployed a CP-140 Aurora long-range patrol aircraft, along with 40 support personnel to Kadena Air Base in Okinawa.¹⁰⁵ Australia sent a P-8A Poseidon surveillance aircraft to work alongside the Canadian operation.¹⁰⁶ By all appearances, and with Ambassador Bolton positioned as President Trump’s National Security Advisor, an expanded PSI effort was currently under way.

Trump-Kim Summit

After a few rollercoaster weeks in May that included President Trump’s cancellation of a previously agreed to summit, the two leaders assented to meet for an historic summit.¹⁰⁷ On June 12, President Trump and North Korea’s supreme leader, Kim Jong-un, met in Singapore, where they signed a joint statement committing to work to build peace and denuclearize the Korean Peninsula. Surprisingly, President Trump agreed

to end “provocative” war games—combined exercises conducted by the U.S. and South Korea—claiming that “ending the exercises also would save money.”¹⁰⁸ Previously, as preparations for the Singapore meeting were being made, President Trump indicated he wanted to drop the term “maximum pressure” because he was “getting along” with Kim Jong-un.¹⁰⁹ After the summit, however, Secretary of State Mike Pompeo clarified that sanctions would remain in place until North Korea completely denuclearized.¹¹⁰ This is where the crux of the challenge lies.

Conclusion

The international community has worked tirelessly over the past 26 years to coordinate efforts to denuclearize North Korea. The efforts have largely been U.S. led, in concert with the United Nations Security Council and its subsidiary organs. During this time, each U.S. presidential administration has chosen different negotiating strategies to deal with North Korea. Although political parties and personalities differed, the negotiating cycle across successive administrations has been similar: confrontation, crisis, discussions and agreements. Yet all agreements have ultimately fallen apart, resulting in North Korea being able to advance its nuclear program. Despite the steadily increasing pressure brought forth by sanctions, North Korea has successfully evaded sanctions while dodging inspections of its nuclear program.

The Trump administration has operated differently from previous administrations, the past three of which have all used a similar negotiating approach. The Clinton, Bush and Obama administrations looked to the State Department and chose seasoned diplomats at the Assistant Secretary of State-level to act as the U.S. chief negotiator. It is reasonable to assess that North Korea found the U.S. negotiating strategy across these administrations to be predictable and susceptible to constraints imposed by the time left on each “presidential clock.”

Each of the previous administrations started out resolute—even uncompromising and tough—only to crumple later. As North Korea stalled and maneuvered, applying brinkmanship tactics and conducting provocations, each administration eventually softened its approach to gain a tangible diplomatic achievement. As time wound down during the Clinton, Bush and Obama administrations, North Korea “worked the clock,” stalling negotiations and avoiding inspections while advancing its nuclear program. Each administration confronted a predictable pattern: (1) North Korea provoked a “crisis” early in the new administration; (2)

Pyeongyang would then agree to discussions; (3) resulting in a suboptimal agreement that ultimately fell apart, further resulting in (4) North Korea advancing its nuclear program into the next U.S. presidential administration. The Trump administration could get trapped in a similar cycle if Kim Jong-un maintains North Korea's decades old brinkmanship tactics to avoid inspections, re-start testing activities or conduct other provocations that creates a crisis atmosphere.

Ultimately, the success of denuclearizing the Korean Peninsula will be measured by whether North Korea completely dismantles its nuclear program. To increase the probability of North Korea dismantling its nuclear program, the Trump administration and the international community must maintain, or increase, the current level of pressure on Pyongyang to keep progress towards denuclearization on track. This will be difficult, particularly in an atmosphere of conciliation. Despite public statements, China and Russia have been ambivalent about enforcing UN sanctions targeting North Korea. Nonetheless, the U.S. will have to work hard with its international partners to keep up the pressure.

Fortunately, the tools are on the table: there are numerous UN sanctions that now have "teeth" that have been implemented and adjusted through the 1718 Sanctions Committee. The Panel of Experts continuously monitors and reports on violations of these sanctions. Additionally, there are now U.S. laws and executive orders in place that authorize the targeting of financial entities outside the U.S. that support North Korea's illicit activities. There are reassuring signs that Washington and the international community are collaborating closely to implement sanctions using these tools.

International organizations like SWIFT and the FATF should continue to implement UN Security Council sanctions to disrupt North Korea's illicit financing activities and prevent Pyongyang from opening up new channels to conduct its illicit pursuits. Additionally, the coalition supporting expanded PSI operations in the Pacific should be maintained or broadened as necessary to counter North Korea's illicit maritime practices. In the end, successfully denuclearizing North Korea will be a matter of effectively enforcing the sanctions that already exist.

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