

Issue Brief, The Summaries

Vol.72, No.45, 2022

Economic Sanctions and North Korea's Resilience

Soo-Ho Lim (Senior Research Fellow, INSS)

INSS

INSTITUTE FOR NATIONAL SECURITY STRATEGY

국가안보전략연구원

Economic Sanctions and North Korea's Resilience

Soo-Ho Lim (Senior Research Fellow, INSS)

The international community has imposed severe economic sanctions against North Korea for the past five years with the aim to pressure it towards denuclearization. The sanctions have exacted a heavy toll on the economy causing North Korea's trade volume and GDP to plummet. North Korean exports in 2018 and thereafter have stood at virtually zero, while its import volume has also remained close to zero for a consecutive three years following the COVID-19 pandemic in 2020. According to the Bank of Korea estimates, North Korea's GDP has fallen by 12% during 2017~2021, with key industries and leading sectors represented by the mining industry and heavy chemical industry shrinking by 51% and 30%, respectively. The financial sanctions have mainly contributed to the country's economic contraction, with COVID-19 border closures playing a partial role.

Sanctions are not solely aimed to cause economic distress, but to ultimately induce behavioral changes from the target country. North Korea, however, remains defiant against foreign pressure, and rather than succumbing to

sanctions it has declared a head-on breakthrough with its self-reliance campaign. Furthermore, Pyongyang has ramped up its nuclear advancement, countering the intended effects of the economic sanctions to curb the country's nuclear weapons proliferation. In this regard, the sanctions levied against North Korea seem to have failed to achieve the desired outcome of the country's denuclearization.

North Korea continues to show strong resilience albeit its small economy, due to reasons including its relatively low foreign dependency, moderate rates of import substitution, and the existence of supporting countries such as China and Russia. However, the key factor to Pyongyang's resilience appears to lie in its regime, which contrasts starkly with typical authoritarian regimes, let alone democracies. The regime is insensitive to the social impacts or damages caused by sanctions and arbitrarily diverts the costs to the public, but nevertheless continues to maintain internal cohesion. This is possible because North Korea is a totalitarian dictatorship, an extremely repressive authoritarian regime, in terms of its pervasive and total surveillance of society, and cohesive ruling coalition. Hence, the regime's totalitarian resilience seems to be the key factor that enables North Korea to withstand harsh economic sanctions.

In summary, factors such as import substitutes, and external assistance from China and potentially from Russia, all clearly contribute to Pyongyang's resilience. However, a more critical internal factor seems to exist, namely the North Korean regime. Thus, imposing tougher sanctions and closing Chinese and Russian loopholes may not be enough to achieve the aimed effects and fall short of expectations. In other words, sanctions should be better designed with a thorough consideration of not only economic and diplomatic factors, but also the North Korean regime factor.

Keywords: Economic Sanctions, Foreign Dependency, Import Substitution, External Assistance, Totalitarian Resilience