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# Kim Jong-un's nuclear ambition and the importance of the economic sanctions

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The nuclear test carried out by Pyongyang on September 3rd, the sixth led by the regime over the last decade, has exacerbated international concern over possible atomic proliferation in the Pacific. With an estimated power of 120 kilotons, the experiment seems to have allowed the North Korean government to test a thermonuclear device, five times higher than the one tested last year.<sup>1</sup> Although the claims of the regime of developing an hydrogen bomb, that is superior for explosive potential to traditional atomic weapons, has not been confirmed yet, the apparent development of thermonuclear technology and double-stage<sup>2</sup> atomic weapons has put in highlight the rapid progress made by Pyongyang's research program.

Since 2010, after the withdrawal from the international negotiations on nuclear power called "Six Party Talks", the North Korean government has restarted and upgraded the infrastructure within the Yongbyon research site, so that the quantity and quality of the atomic arsenal available can be increased. The reactivation of the 5MWe (electric megawatt) reactor for plutonium production (shut down in 2007 and re-ignited in 2013); the construction of a 25-30 MWe Light

Water Experimental Reactor (LWR); the alleged installation of new centrifuge plants for uranium enrichment; the installation of a facility<sup>3</sup> for the enrichment of the radioisotope Lithium-6, (essential for the production of thermonuclear weapons) are just the most obvious activities of the systemic effort perpetuated by Pyongyang to be able to make a real qualitative leap in the production of nuclear power for military purposes.

Helped by the availability of mineral resources in the area, the North Korean government has been able to diversify the production of nuclear fuel to work on a wider range of possibilities. The interest in the development of thermonuclear technology, which makes it possible to obtain the same power as a conventional atomic system using less fuel, seems to be tied not to the ability to fabricate a device that is more powerful but to the desire of optimizing efficiency and miniaturizing the warheads. Indeed, the miniaturization would let the regime to fabricate weapons that can be deployed towards an external target but North Korea has not achieve such a technology yet. Furthermore, achieving greater sophistication in its research program went hand in hand with the expansion of the ballistic arsenal through the construction of intercontinental ballistic missiles (ICBM), ideal carriers of any atomic charges. Despite there being about only seventeen launches in 2017, the test of two ICBMs Hwasong-14 conducted between

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<sup>1</sup> In 2016, North Korea conducted two nuclear tests: on January 6, with an estimated power of between 7 and 10 kilotons and on September 9th, with an estimated power of 20-30 kilotons.

<sup>2</sup> The hydrogen bomb (or H bomb or thermonuclear bomb) is based on two linked phases: a first nuclear fission (powered by uranium or plutonium), which triggers a second nuclear fusion reaction (of hydrogen isotopes). The simplest model is formed by a device enclosing the fission bomb next to the combustion fuel.

<sup>3</sup> It would be located in the Hungnam Chemical Complex, near Hamhung, on the eastern coast of the country.

July and August seemed to have marked a turning point in the ballistic capacity of the regime. With a potential range of more than 10,000 kilometers, the new missile would allow the regime to target beyond North-East Asia and reach the US coast.

The upgrading of the nuclear and missile program is the flagship of the current North Korean leader, Kim Jong-un, who has focused on acquiring an atomic arsenal since the beginning of his regime. As etched in 2013 in the *byungjin* strategy ("parallel development"), for Kim the long-term solidity of the country can only be guaranteed through the simultaneous achievement of military atomic capacity and the development of the domestic economy. Compared to his predecessors, Kim seems to have given a more nationalistic interpretation of *Juche's* doctrine ("self-sufficiency"), the ideological foundation upon which the regime and the ruling party (Korean Workers' Party) are based since the 1950s. If in the past, Pyongyang's interest was strengthening the state through economy and Defense, ultimately to achieve a perfect socialism, the regime now seems to want to soften socialist aspirations to devote the system's efforts to achieving power politics that makes the country free from any external constraint. The economic and military pillar thus became two sides of the same coin that would consecrate a North Korea truly autonomous and immune to any external influence and interference. Though he inherited from Kim Jong-il the interest in the strengthening of the military

sector, the current Leader seems to have reinterpreted his father's *Songun* ("the First Armed Forces") policy by channeling economic efforts not to the Armed Forces but to speed up the research program to provide the regime an atomic arsenal. In fact, the development of a deployable atomic military capacity is considered by Kim as the acquisition of a political more than a military instrument that can mark a decisive turning point for Pyongyang's future.

In this context, therefore, the spasmodic interest in the successful conclusion of its research program does not correspond to a mere military narcissism of North Korean leadership but more as a clear strategy that looks at the atomic weapon as a deterrence to any aggression from the outside and additionally as a tool for increasing its status within the International Community. For a regime like North Korea that is increasingly isolated within the region and the International Community, the achievement of a nuclear arsenal becomes the ultimate means of securing its survival in the long run. If, in the past, Pyongyang's leadership used the proliferation bugbear as a card to play in the context of relations with other countries, nowadays, Kim Jong-un is much more interested in transforming the threat into fact to redefine the contours of relationships with the outside from a position of substantial inviolability. It does not seem that the increase in experimental activity casually coincides with the consolidation of the power of the young leader, who prefers absolute freedom of action to the



preservation of diplomatic relations and therefore seems willing to exacerbate the tense of confrontation with neighbors to successfully complete their nuclear capacity. The belief that atomic deterrence should be the filter through which to appear on the outside inevitably leads the current leadership to reject any dialogue proposed by international interlocutors that has assumed the freezing of its research program. Remembering the Iraqi and even more Libyan experience, Kim Jong-un looks very suspicious at the International Community's request to proceed with the dismantling of technology and nuclear capacity in return for the normalization of diplomatic relations. In fact, this claim is interpreted in Pyongyang not as a serious resumption of negotiations aimed at putting an end to the pluriennial political and security crisis in place in the region, instead as an extreme attempt to weaken the regime, even overthrowing of the current government.

The nuclear umbrella thus becomes a deterrent for Kim, which guarantees, if not the total immunity from any external attacks, at least the possibility of raising considerably the human and political cost of such a choice. This would also suggest that North Korean atomic ambition is a kind of regime's ultimate protection. Apparently unpredictable, Kim Jong-un, in fact, has so far appeared to be a fairly rational actor able to ponder a deliberately aggressive rhetoric with the assessment of the consequences that the actual provocations could generate for the regime. Furthermore, when the new

ballistic test was carried out on September 15<sup>th</sup>, the government preferred to launch the missile to Japan and not to Guam Island, the base of the US Forces in the Pacific, which had been indicated by the regime as the next goal. Having covered a distance of 3,700 kilometers, the missile could have reached the US outpost, located just over 3,000 kilometers from North Korea. Once again, therefore, the provocation of the North Korean leader was a demonstration of strength to the International Community as a form of retaliation for the new sanctions imposed on the country by the United Nations Security Council a few days before (September 11<sup>th</sup>). The test is just the last episode in which the young leader has shown the awareness of not being able to overcome a tacit but well-defined threshold beyond which the direct confrontation with Washington and its allies in the region would be inevitable.

The interest in avoiding the direct confrontation with still militarily stronger actors, as well as the desire to consecrate North Korea's prestige and to make it a nuclear power, represents for Kim Jong-un a priority also within the regime's internal equilibrium. The clamor which the ballistic and nuclear tests are announced with and the exasperatedly aggressive rhetoric used to respond to criticism from outside fall within that propaganda machine used by Kim to give a signal of strength to his public opinion.

Handling a picture of prestige and power is a major tool for the power consolidation strategy adopted by the current leader following his appointment as Kim Jong-il's successor. Despite its appearance as a monolithic block, in fact, the North Korean state apparatus is governed by personal and trusting relationships that inevitably need time to be consolidated. Set up by Kim Jong-il to ensure direct control over the day-to-day management of state affairs, this structure is apparently crystallized in a rigid hierarchy, animated by informal interconnections that, at least ideally, refer to the Leader and should provide a balancing mechanism power within the Party and military hierarchies. In such a system, delicate to be managed and fundamentally based on the personality of the leadership, the passage of deliveries between the Leader and its successor creates, in fact, an internal imbalance that, if not compensated, could create dangerous cracks for the unity of the regime. Aware of this criticism, Kim Jong-il has immediately attempted to build an administrative network around his son, which would allow him to gradually deepen the mechanism of managing the apparatus and get acquainted with its top hierarchies. In comparison with his predecessors, the current leader was a somewhat marginal member within the Kim family until his designation as a possible successor. Although the information on his biography is rather dull, Kim Jong-un seems to have spent most of his adolescence abroad (probably in Switzerland) and returned to

North Korea only in the early 2000s. At the time of his designation as future Suryong, the current leader was not held in great consideration by the North Korean leadership.

In order to remedy the initial lack of knowledge and charisma of his son, Kim Jong-il revived those Party institutions that during the years of his government had been partially emptied of power in favor of military components, Politburo (KWP Summit Political Organ) and the Central Military Commission (in charge of formulating security and defense policy), both chaired by the Leader. The institutional prestige enjoyed by these organs within the system allowed Kim Jong-un to take advantage of formal mechanisms for issuing and executing his policies, as well as for conferring legitimacy on his own status of Supreme Leader. As a further form of support, Kim Jong-il created a structure of the so-called regents,<sup>4</sup> such as people of trust and political experience who would closely follow his son's progress in learning "art of government".

These steps have allowed Kim Jong-un to lay the foundations of his own power system and rely on figures of proven experience to identify the ideal people with whom to build their own reference circle. The absolute priority for the current leader was the consolidation of consensus and its power

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<sup>4</sup> The three regents appointed were Kim Kyong-hui, Vice Marshal Choe Ryong-hae and Jang Song-taek. Aside from Jang, executed in 2013, Kim and Choe are now part of the Party's Secretariat.



base within the system. This was mainly through the use of two tools: the systematic purges of those who were suspected of carrying on a personal or subversive agenda with respect to the disposition of the leader (as happened to Kim Jong-un's uncle, Jang Song-taek<sup>5</sup>) and the use of family economic resources, both to fund propaganda activities related to the cult of personality and to give gifts with which to assure the favors of senior officials and hierarchs.

Since the second half of the 1970s and on the initiative of the founder of the Korean People's Republic, North Korean leadership has begun to think about the need to create an ad hoc fund dedicated to maintaining the Kim family and consolidating its power within the country. Initially launched with Kim Jong-il, Royal Economy was originally based on four pillars, which sanctioned the total exclusivity and independence from state administration: the creation of an economic sector that was not under the control of the Cabinet; the planning of an ad hoc management system with respect to the National Planning Committee, responsible for traditional business activities; the bestowal of control of this sector to the Kim family; the establishment of an ad hoc banking institution for the management of hard currency flows linked to this sector,

different to the Foreign Trade Bank.<sup>6</sup> The supporting structure was made up of a series of offices derived from assuming specific sections from ministries or party apparatus and led under the leadership of the Supreme Leader. Among them, the Office 39, derived from a section of the Central Finance and Accounting Department, whose revenue was devoted to covering the daily expenses of the Central Committee's top cadres, to fueling propaganda and to creating a treasury at leader's personal disposal; the Office 38, created with the purpose of rationalizing incoming hard currency flows and in charge of providing the Leader with goods from abroad.<sup>7</sup> Based on the few information available, it would seem that during Kim Jong-il's government the value of this kind of family economy was worth 20 billion, coming from international aid (about \$5.1 billion), oil trade and coal with China (\$4.8 billion), trade with South Korea (\$4 billion), revenue from the domestic services sector (\$3.9 billion) or from trade and employment of labor abroad (\$1.3 billion), as well as illegal transactions such as arms trading (\$2.8 billion).

Launched by Kim Jong-il, Royal Economy was a precious financial source available to the current leader to properly grease the internal system gears in such a delicate

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<sup>5</sup> For a closer look at the motives and the story, refer to Pyongyang's resilience and the prospects for dialogue between China and the United States, <https://www.cesi-italia.org/articoli/695/la-resilienza-di-pyongyang-e-le-prospettive-di-dialogo-tra-cina-e-stati-uniti>

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<sup>6</sup> Institute which manages the hard currency flows generated by the national economy of North Korea

<sup>7</sup> In order to handle the import of goods from abroad (especially food, raw materials, high-tech and biotechnology), Office 38 used a facade company, the Kwangmyongsong General Corporation. Transactions were managed by Koryo Bank, dedicated exclusively to the activities of the Office 38.

moment as the succession of Pyongyang's leadership. Especially in the early years of the mandate, Kim Jong-un had been trying to intensify both the provision of gifts and favors to the high bureaucratic spheres and the funding dedicated to the idolatry campaign of the Kim family, to create a direct continuity between his mandate and that of his predecessors, which made him right into the cult dedicated to the Supreme Leader. Since his ascent to power, Kim Jong-un would have allocated \$650 million and \$330 million respectively for gifts and the celebration campaign of the myth. The quite spasmodic need to gain public consensus would be confirmed by the young leader's strategy of financing through the personal treasury the construction of infrastructures or mega-projects of urbanization and presenting these activities as a gift from the Party or the Leader to the Population. The financial viability guaranteed by Royal Economy, therefore, continues to be of strategic importance for current leadership, looking at this private treasury as a sure method to offset the lack of esteem or trust by government cadres. Although the structure has not been substantially changed, in the last few years the private economy of North Korean leadership would be fueled by three main sources, which would provide the additional cash flow regime with Kim Jong-Il's testament to legacy. First of all, the so-called revolutionary funds, controlled and managed by the Supreme Leader's entourage, which are derived from contributions paid by civil

organizations, contributions paid by Party members (known as the Fund 2.16), fees paid by state bodies and from the Party, from the proceeds of illegal transactions, bank transactions (both in local currency and in hard currency), contributions from foreign embassies, and funds transferred from the Secondary Economy Committee (Defense Industry Manager) and the companies associated with it. Beyond these, there are the so-called "funds of loyalty", that are the quotas paid by all the offices involved in the production of hard currency. Lastly, the national economy contributes to the enrichment of the treasury of the Kim family as well, from which it is withdrawn about 1% per year. This implies that indirectly any business carried out by North Korea, any taxation imposed on inflows of foreign currency exceeding ten thousand dollars, a part of the remittances of workers abroad, the tourist sector and the sale of mobile phones managed by the regime, tend to replenish Royal Economy.

The plurality of financial sources leveraged by leadership to ensure a continuous flow within family finances would seem to respond to the will of the regime to seek the security of the treasury from the changing conditions of the domestic economy. For nearly fifteen years, since the Nuclear Non-Proliferation Treaty was denounced, North Korea is subject to a UN economic sanctions system in response to the Pyongyang research program. Although in the past the sanction provisions have not had great direct effects on state funds, in



the last year they seem to be an increasingly useful tool available to the International Community to manage relations with the regime. First of all, because the sanctions promoted by the United Nations Security Council are now also supported by China, which has always been the main trading partner for Pyongyang, who in the past had preferred to disregard international provisions and to pursue exchanges with North Korean leadership to guarantee it stability. However, from the nuclear test carried out by North Korea in January 2016, the Chinese government seems to have forsaken its support of the problematic neighbor. The lack of a direct link with the current leadership and the resentment toward the regional consequences of Kim Jong-un's provocative attitude have led Beijing to consider North Korea as no longer a possible ally as an uncomfortable but necessary cushion to keep the US forces stationed in South Korea beyond the 38th parallel.

China's disagreement over Pyongyang and the resulting convergence on international positions is also allowing the UN to try to tighten the circle around the current leader and to finally use effective leverage to find a solution for the current security crisis within the region. The above-mentioned approval of Resolution 2375 last September 11<sup>th</sup> seems to be a first step in this direction. With the favorable vote of China and Russia, the resolution imposes new and stricter sanctions against economic activities and individuals related to the regime's ballistic

and nuclear development program. In particular:

- Extends the list of persons subject to the freezing of funds, accounts and economic resources held abroad, including among them the members of the Central Military Commission of the Party, the Department of the Guide and the members of the Party, Organization (OGD) and the Department of Propaganda;
- Extends the list of dual-use materials related to the production of weapons of mass destruction and materials, technology and war equipment, which is prohibited by the direct or indirect supply, sale and transfer to North Korea;
- Prohibits the entry into the ports of Member States of ships carrying nuclear material from North Korea. It also reinforces the control of ships suspected of transporting import or export material prohibited by sanctions by providing the possibility for Member States to conduct a search on the high seas (with the consent of the flag State) or within a port on the route of transit;
- Prohibits the direct or indirect supply, sale or transfer through member states' territory or by national or using their flag vessels of both condensed and natural gas liquids;
- Establishes a threshold for the export of refined petroleum products (500,000 barrels for the first three



- months, 2,000,000 barrels per year starting from 2018) for the benefit of those who are not connected to the ballistic or nuclear program
- Establishes a threshold for the export of refined petroleum products (500,000 barrels for the first three months, 2,000,000 barrels per year starting from 2018) exclusively for actors who are not connected to the ballistic or nuclear program;
  - Limits, for the first time, the export to North Korea of crude oil;
  - Bans North Korea's export of textile products;
  - Decides that Member States shall not provide work authorization for North Korean citizens;
  - Prohibits the establishment of joint ventures or cooperative realities between Member States and North Korea.

Such provisions reinforce the existing sanctions which prohibit, among other things, the sale of any luxury goods, the export of coal, iron, gold, titanium, vanadium and all kinds of precious metals, as well as export of fish resources. Moreover they sanction the block of any relationship with the North Korean banking system, requiring the closure of all North Korean bank branches in third countries.

The severe crackdown imposed by the resolution on the North Korean government and the effective implementation of the new provisions by all actors involved, including China, could make economic sanctions a

useful tool for pressure on Pyongyang. At a time when leadership appears to be in the pursuit of its nuclear ambitions, the International Community has the opportunity to act on that second pillar of the *byungjin* strategy (economic development) not only to weaken leadership but also to undermine its credibility in the eyes of internal opinion. The application of the UN sanctions seems to target not so much Kim Jong-un himself as the high spheres of military and bureaucratic hierarchies, which have consolidated their power and privileges on the management of hard currency flows and the illicit activities carried out in recent years by the regime. In addition, new sanctions could also have a direct effect on Royal Economy's financing flows, thus significantly reducing the resources at Leader's disposal to offer those gifts that have so far allowed him to maintain a level of approval among the state apparatus cadres.

However, as the actual effects of economic sanctions are generally visible in the medium term, the downsizing of financial capability of the leadership and personal enrichment opportunities for the North Korean hierarchies could begin to create significant cracks within the system. In a system like the one described above, in which the stiffness of the superstructure is animated by more informal and personal ties, the discontent created by the penalty imposed by sanctions could turn into a widespread mistrust, especially among those power circles belonging to old generation that have so far been linked to Kim Jong-un for mere



political opportunity rather than for recognition of the legitimacy of the role he covers. This would trigger some the window of opportunities for the international community, which might try to find out among these dissatisfied new interlocutors, interested in interrupting economic and political isolation in order to safeguard their interests, and thus find an unexpected pressure lever with to trigger a regime change from within.