

# THE METHOD IN NORTH KOREA'S MADNESS



ONE OF THE MORE IMPROBABLE GEOSTRATEGIC SURPRISES of recent years has been the revival of the North Korean economy under the direction of Kim Jong Un. Just to be clear, that economy remains pitifully decrepit, horribly distorted, and desperately dependent on outside support. Recent estimates suggest that its annual merchandise exports do not reach even 1 percent of the level generated by its nemesis, South Korea. Even so, the economic comeback on Kim Jong Un's watch has been sufficiently strong to permit a dramatic ramp-up in the tempo of his nation's race to amass a credible nuclear arsenal and develop functional intercontinental ballistic missiles capable of striking the U.S. mainland. That is, of course, the express and stated objective of the program. Pyongyang today appears to be perilously close to achieving its aim—much closer now, indeed, than complacent Western intelligence assessments had presumed would be possible by this juncture. But then, North Korea is full of surprises for foreign observers.

The difficulty with analyzing the country's weaknesses and

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# A MONSTROUS REGIME'S RATIONAL STATECRAFT

BY NICHOLAS  
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strengths comes from the fact that the North Korean system—which is made up of the Kim dynasty, the North Korean state, and the economy constructed to maintain them both—is unlike any other on earth. By now, its brand of totalitarianism (“our own style of Socialism,” as Pyongyang calls it) is sufficiently distinctive that children of the Soviet or Maoist tradition also commonly find themselves at a loss to apprehend its logic and rhythms.

North Korea is no longer even a Communist state, if that term is to have any meaning. The once-prominent statues of Marx and Lenin in Kim Il Sung Square were removed some years ago. Mention of Marxism-Leninism has reportedly been excised from the updated but still currently unpublished Charter of the Korean Workers’ Party. The 2016 version of its constitution excises all references to Communism, extolling instead only the goal of “socialism”—and its two “geniuses of ideology and theory,” Kim Il Sung and Kim Jong Il (the grandfather and father of the current dictator). Small wonder that the world routinely misjudges—and very often, underestimates—

the North Korean state and its capabilities.\*

Despite its suffocating ideology, for example, North Korea is capable of highly pragmatic adaptation and economic innovation. Notwithstanding its proclaimed “self-reliance” and its seeming isolation, it is constantly finding new sources of foreign cash through ingenious and often remarkably entrepreneurial schemes overseas. And despite all the international sanctions, Kim Jong Un really has overseen a North Korean economic upswing of sorts since assuming power in 2011, the signal fact that best helps explain the acceleration in Pyongyang’s push for a credible nuclear and ballistic arsenal. Thanks to these and other apparent paradoxes, an economy seemingly always on the knife edge of disaster somehow manages to stay on course, methodically amassing the military

\* Full disclosure: I am one of those who seriously underestimated North Korea’s resilience in the 1990s. Twenty years ago, I would have thought it almost unimaginable for the North Korean state to survive to this day. Needless to say, subsequent events have proved otherwise, and studying my own mistakes has led to the analysis under way here.

might for what it promises will be an eventual nuclear face-off with the world's sole superpower.

Though the hour is late, given all the progress that North Korea has been permitted over the past generation, it nevertheless looks as if there may still be time left to prevent Pyongyang from completing and perfecting its nuke and missile projects through “non-kinetic means”—that is to say, through international economic pressure as opposed to military action. For such an approach to work, however, we will need an informed and robust strategy—not the feckless, episodic, and intellectually shoddy interventions we have mainly witnessed up to now.

Indispensable to such a strategy must be an understanding of the North Korean economy—the instrument that makes the North Korean threat possible. In particular, we need to understand 1) how that economy functions, and to what ends; 2) how the “Dear Respected Comrade” Kim Jong Un brought to it a limited but critical measure of economic revival; and 3) how America and others might use the considerable financial and commercial options at their disposal to impair the North Korean regime’s designs, before Pyongyang wins what is now a race against time.

Despite the information blackout that North Korean leadership has striven to enforce for generations, we already know much more about all these things today than the Kim family regime could possibly want—more than enough to begin purposely defanging the North Korean menace.

## ONE: THE ECONOMY OF COMMAND

GIVEN ITS LONGSTANDING REPUTATION AS a basket case, it may startle readers to learn that there was actually a time when North Korea was regarded as a dynamic and rapidly advancing economy. Back in 1965, the eminent British economist Joan Robinson wrote that North Korea’s achievements put “all the economic miracles of postwar development...in the shade.”

In those days, if Western intellectuals happened to talk about the “Korean miracle,” they weren’t discussing anything going on in the South. And it wasn’t just dreamy academics and well-hosted foreign visitors who seemed to hold North Korea’s economic prospects in high esteem. Between the late 1950s and the early 1960s, Japan witnessed an exodus of ethnic Korean residents—in all, roughly 80,000 people—who packed up and steamed off under their own free will

to the North, voting with their feet to join the Korean state they deemed to offer the greater promise.

Despite the devastation North Korea suffered during the war it launched against the South in 1950, and despite the blazing economic takeoff in South Korea that commenced in the early 1960s under the Park Chung-Hee junta, North Korea may have been ahead of South Korea in per capita output for two full decades after the 1953 armistice. A CIA study in the late 1970s, for example, concluded that South Korea did not catch up with North Korea until 1975. Contemporaries at South Korea’s Korean Central Intelligence Agency (KCIA) concurred that the North was well ahead of the South on a per capita basis throughout the 1950s and 1960s, though they argued that the South caught up with the North a few years earlier than the CIA believed.

In retrospect, the wonder is that North Korea’s economy worked as well as it did for as long as it did. For from its 1948 founding onward, North Korea was not just another Cold War Soviet-type economy: It was a Stalin-style war economy on steroids.

As fate had it, the Japanese colonial overlords who controlled Korea from 1910 until 1945 constructed a heavy industrial base in its northern half—a forward supply zone to support their own greater Asian war efforts. Unlike the South, the North had major deposits of coal, iron, and other minerals, along with plenty of natural hydropower. “Great Leader” Kim Il Sung—the onetime guerrilla fighter and later Red Army officer who started North Korea’s Kim family dynasty—inherited this infrastructure when he took over the northern part of the divided peninsula in 1945 and used it as a base camp from which he directed an upward climb toward the summit to which he aspired: an economy set on permanent total-war footing.

Kim Il Sung came perilously close to consummating his vision. By the mid-1970s, the Great Leader would observe that “of all the Socialist countries, ours bears the heaviest military burden.” Even by comparison with places like the Soviet Union and East Germany, his North Korea was a garrison state. By the late 1980s, this country of barely 20 million was fielding an army of more than 1.2 million—a ratio comparable to America’s in the middle of World War II. Those military-manpower estimates, by the way, are derived not from U.S. or South Korean intelligence, but rather from unpublished population figures Pyongyang transmitted to the UN in 1989 (data that inadvertently revealed the size of the country’s non-civilian male population).

**PEOPLE WALK  
BY PORTRAITS  
OF KIM IL SUNG  
(L) AND KIM  
JONG IL (R),  
AT KIM IL SUNG  
SQUARE IN  
PYONGYANG.**



Photo: Xinhua News Agency

Today, two Kims later, the International Institute for Strategic Studies reports that North Korea currently maintains the world's fourth-largest standing army in terms of sheer manpower—ahead of Russia and behind only the globe's demographic giants (China, India, the United States). For more than half a century—since 1962, the year Kim Il Sung decreed the “all-fortress-ization” of the nation—North Korea has been the most exceptionally and unwaveringly militarized country on the face of the planet.

But why? What possessed North Korean leadership to commit their country, decade after decade, to such an extraordinarily expensive and irrational economic posture? There was a method to this seeming madness. Kim Il Sung's grand design for unending super-mobilization served many logical purposes, given the first premises of his North Korean state.

Enforcing permanent war-economy discipline comported nicely with perfecting the domestic totalitarian order the Great Leader desired. Further, given

the unhappy realities of geography and 20th-century Korean history, having the might to stand up to any and all foreign powers—including his nominal Communist allies in Moscow and Beijing—may also have seemed an imperative. But above all else, North Korea's immense military economy reflected Kim's overarching obsession with unifying the divided Korea, and doing so unconditionally—that is to say, to finishing up that Korean War he had started in 1950, and finishing it up on his own terms this time.

In the eyes of North Korea's rulers, the South Korean state was (and still is) a corrupt, illegitimate, and inherently unstable monstrosity, surviving only because of the American bayonets propping it up. The Great Leader wanted to be able (when the right opening presented itself) to strike a knockout punch against the regime in Seoul and wipe it off the face of the earth—"independent reunification," in North Korean code language. This he could not do without overwhelming military force—and without an economic system straining constantly to provide that muscle.

As early as 1970, the Great Leader was warning that "the increase in our national defense capability has been obtained at a very great price." And by the late 1980s, Kim Il Sung's "economic miracle" was all but dead in the water. Decades of crushing military burden and systemic suppression of consumer demand had taken their predictable toll. And North Korean planners had compounded these difficulties with additional unforced errors of their own.

Their idiosyncratic application of the Great Leader's *Juche* ("self-reliance") ideology, for example, included a general injunction against importing new foreign machinery and equipment. This ensured that the country would have to maintain a high-cost, low-productivity industrial infrastructure. *Juche* also apparently meant never having to pay your foreign debts, whether to fraternal socialist states or to "imperialist" creditors in Western countries foolish enough to lend money to Pyongyang. By the 1980s, global financial markets had caught on to the game, and North Korea found itself almost completely cut off from international capital. And the longstanding "statistical blackout" North Korean leadership enforced to facilitate international strategic deception also inadvertently impaired economic performance by blinding domestic decisionmakers and requiring them to "plan without facts."

But it was the ending of the Cold War that pushed the North Korean economy out of stagnation, and into disaster. *Juche* ideology notwithstanding, North Korea had never been self-reliant; sustaining its severely deformed economy required constant inflows of concessionary resources from abroad. Pyong-

yang was (and remains) consummately imaginative in devising schemes for extracting aid and tribute from overseas. In the 1960s, 1970s, and 1980s, Kim Il Sung procured the equivalent of tens of billions of dollars in support from Beijing, Moscow, and the Kremlin's Warsaw Pact satellites, expertly playing the Kremlin off against China, gaming aid out of each while aligning with neither.

In 1984, Kim Il Sung made a fateful error: He leaned decisively toward Moscow, a tilt signaled by his unprecedented six-week state visit to the USSR and Eastern Europe that same year. The gamble paid off initially: Between 1985 and 1989, the Kremlin transferred around \$7 billion to Pyongyang, twice as much as the amount transferred over the entire previous 25 years, much of it in military matériel. In 1988, North Korea relied on the Soviet bloc not only for almost all its net concessionary foreign-resources transfers, but also for roughly two-thirds of its international trade, most of it arranged on political, highly subsidized, terms.

Then there came the Soviet bloc's collapse. By 1992—the year after the collapse of the USSR—both trade and aid from the erstwhile Soviet bloc had plummeted by nearly 90 percent. North Korea's worldwide overall supplies of merchandise from all foreign sources consequently plunged by more than half over those same years.

These sudden devastating shocks sent North Korea's economy into a catastrophic free fall from which it would not manage to recover for decades. The socialist planning system essentially collapsed. Famine was just around the corner.

## TWO: A MAN-MADE HORROR AND ITS SURPRISING AFTERMATH

THE NORTH KOREAN FAMINE OF THE 1990S was a catastrophe of historic proportions. No one outside North Korea's leadership knows just how many people died in that completely avoidable man-made tragedy, but the toll was certainly in the hundreds of thousands and could possibly have exceeded a million. It arguably qualifies as the single worst economic failure of the 20th century. It was the only time in history that people have starved en masse in an urbanized, literate society during peacetime.

It is noteworthy that the famine—usually dated from 1995 to 1998—did not commence until after the death of the Great Leader and the ascension of his son and heir, “Dear Leader” Kim Jong Il. This was no coincidence. Economic failure was the Dear Leader’s stock-in-trade. His political rise almost perfectly corresponds to the decline and fall of the North Korean economy. It happens that the Dear Leader did succeed

fervor at home through propaganda and terror while financing his war-economy state through military extortion abroad. He called this approach “military-first politics.”

Unwilling as he was to address the country’s newly dire economic circumstances with reforms—in his view, there was nothing to reform—Kim Jong Il’s North Korea was trapped in deepening depression for most of the 1990s. We will know how close the place came to total economic collapse—to the sort of breakdown of the national division of labor that Germany and Japan suffered at the very end of World War II—only when the archives in Pyongyang are finally opened. Throughout the 1990s, in any case, heavy industry was largely shut down, with inescapable consequences for conventional military forces. The death spiral for the war-making sector redoubled the importance to the regime of the nuke and mis-

**THOUGH BOTH GREAT LEADER AND DEAR LEADER WERE TYRANTS ENTHUSED WITH THEIR HEREDITARY TOTAL-WAR MACHINE, THE DIFFERENCES IN THEIR ECONOMIC INCLINATIONS AND IMPULSES WERE NONETHELESS STRIKING.**

in what was arguably his primary political objective: to die of natural causes, still safely and securely in power. But economic progress worthy of the name would not be possible in North Korea so long as he was its supreme ruler.

Though both father and son were totalitarian tyrants enthused with their hereditary total-war machine, the differences in their economic inclinations and impulses were nonetheless striking. Dogmatic as he was, the Great Leader still possessed a peasant’s sense of practicality. Proof of his pragmatism is the singular fact that North Korea, alone among all Asian Communist states (and including Russia in this roster), avoided famine during its 1955–57 collectivization of agriculture.

On the other hand, the Dear Leader, from his sheltered Red Palace upbringing onward, was every bit the paranoid, secluded ideologue. He not only disapproved of any concessions to economic pragmatism but feared these as positively counterrevolutionary and potentially lethal to his rule. He likewise regarded ordinary commercial interactions with the world economy as “honey-coated poison” for the North Korean system. At home, he wanted total mobilization but without any material incentives; from abroad, he sought a steady inflow of funds unconstrained by any reciprocal obligations. Kim Jong Il’s preferred economic model, in short, was to enforce Stakhanovite

sile programs, both as an insurance policy for regime survival and as the last viable military instruments for forcing the South into capitulation in some future unconditional unification.

In retrospect, it is clear that Pyongyang had no intention of desisting from its quest for nuclear weapons and ballistic missiles, even as it played Washington and her allies for aid for years by pretending its nuclear program might be negotiable. Yet also in retrospect, the slow tempo of nuke and missile development under Kim Jong Il’s rule has to be considered a surprise. Any serious weapons program requires testing to advance—yet Pyongyang managed just one long-range missile launch in the 1990s and only three during his 17-year reign. The Dear Leader also oversaw two nuclear tests before his death in 2011—but only toward the end of his tenure, in the years 2006 and 2009.

Why this hesitant tempo if nukes and missiles were a central priority for the North Korean war economy? Although other possible explanations come to mind, the obvious one has to do with financial and economic constraints. Ironically, despite his vaunted “military-first politics,” North Korea’s nuke and missile programs may also have been inadvertent casualties of Kim Jong Il’s gift for stupendous economic mismanagement. (True, North Korea could undertake expensive nuclear projects internationally, such as the undeclared plutonium reactor in Syria that was nearing

completion when the Israelis leveled it in 2007—but that was apparently a cash-and-carry operation, bankrolled by the Dear Leader’s friendly customers in Iran.)

There is considerable evidence that the North Korean economy hit bottom around 1997 or 1998. That bottom was very low indeed: Rough estimates suggest that, by 1998, North Korea’s real per capita commercial merchandise exports were barely a third their level of just a decade earlier, while real per capita imports, including supplies indispensable to the performance of key sectors of the domestic economy, were down by about 75 percent.

North Korea appears to have turned the economic corner not on the strength of new or better domestic economic policies, but rather on breakthroughs in international aid procurement. Pyongyang figured out how to work the West’s international food-aid system: Between 1997 and 2005, the year before its first nuclear test, it was bringing in an average of over a million tons of free foreign cereal each year, ending the food crisis. It is tempting to regard this as “military-first politics” in action, for military menace played an important role in the international community’s solicitude. It is impossible to imagine a helpless and stricken sub-Saharan population obtaining “temporary emergency humanitarian aid” on such a scale, for such an extended duration and with so very few conditions attached.

South Korea’s then-president had hundreds of millions of dollars secretly wired to special North Korean accounts—thereby committing crimes under South Korean law (for which he later issued pardons).

In the event, the “sunshine”-aid influx that may have rescued North Korea at its darkest moment would wane after its clandestine uranium-processing project surfaced in 2002—but the nuclear crisis that revelation triggered also made possible the next big round of North Korean international aid-harvesting.

After the 2003 U.S. invasion of Iraq, Beijing—alarmed by the possibility that the U.S. might also engage in a similar military confrontation with neighboring North Korea—organized and convened a “six-party talks” diplomatic process, ostensibly for deliberations over North Korean denuclearization, to cool things down. While the subsequent years of talking quite predictably led nowhere, North Korea’s price of attendance was apparently a steep increase in economic support from China. Between 2002 and 2008, China’s annual net balance of shipments of goods to North Korea—its exports to Pyongyang minus corresponding imports—more than quintupled, rocketing upward from less than

\$300 million to more than \$1.5 billion. By then, North Korea had become just as economically dependent on Chinese largesse as Pyongyang had been on Soviet-bloc blandishments two decades earlier—but these inflows, and the politically subsidized trade they came with, were evidently sufficient to help at least partially revive the Dear Leader’s broken economy. From Chinese trade statistics, for example, we can infer that Chinese in-

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Central to this upswing in food aid and other freebies from abroad was the fact that North Korea got lucky with the alignment of governments in Seoul, Washington, and Tokyo. For a while, the leaders of this consortium of states were commonly willing to underwrite an exploratory policy of “sunshine” or “engagement” with the Dear Leader by offering him subventions and financial transfers. To secure his June 2000 Pyongyang Summit with the Dear Leader, for example,

investments were instrumental in a resuscitation of North Korea’s mining and metallurgy sectors in the last years of Kim Jong Il’s life. (We must rely on inference here since Beijing to this day remains almost totally opaque about its economic relation with Pyongyang.)

All in all, Kim Jong Il’s North Korea took in more than \$1 billion from its enemies in Washington, and nearly \$4 billion from the “puppet regime” in Seoul (not including the South’s additional expenditures on

**KIM JONG UN VISITING THE KUMSUSAN PALACE OF THE SUN ON THE 62ND ANNIVERSARY OF THE KOREAN WAR ARMISTICE. JULY 27.**





Photo: Kyodo News

“off-the-books” transfers and special economic or tourist zones in the North). And from China, North Korea scored more than \$12 billion of net merchandise inflows under the Dear Leader—a sum that would look even greater if valued in today’s dollars. All the while, North Korea was also earning invisible revenues from a whole network of highly enterprising if generally illicit overseas endeavors: its “nuke-and-missile homework club” with Iran; à la carte weapons sales and military services provided to a host of dictatorships and terror groups; counterfeiting of U.S. currency; drug racketeering; insurance frauds perpetrated against firms in London’s City; and more. The Dear Leader was extensively involved in the world economy, after all—just in a Bizarro World, Legion of Super-Villains sort of way.

Thanks to highly skilled aid-wheedling, international shakedown, and financial gangsterism, Kim Jong Il’s North Korea clawed its way back from famine to a low but acceptable new economic normal—all the while forswearing domestic economic reforms or genuinely commercial contacts with the outside world. North Korea did not completely avoid potentially fraught economic changes under Kim Jong Il, of course—that was beyond the powers even of the Dear Leader. Domestic cellphone use began during the Dear Leader’s reign, for example, as did a tentative marketization of private consumption (about which more in

a moment). But these and other analogous economic changes during the Kim Jong Il era are best understood as “transition without reform,” to borrow an apt term from North Korea watcher Justin Hastings.

The economy’s “new normal” in the Dear Leader’s final days was still at a miserable level. Although North Korean scientists could launch long-range missiles and test atomic weapons, and although North Korea’s population had reportedly achieved a fairly high level of educational attainment (higher than China’s, if North Korean figures are believed), the country’s international economic profile was Fourth World. According to the World Trade Organization, North Korea’s per capita merchandise trade levels in 2010 approximated Mali’s. Its share of world merchandise trade that same year was roughly the same as that of Zimbabwe, a country with half of North Korea’s population—and despite its measure of recovery after 1998, North Korea’s global trade share fell by more than two-thirds between 1990 and 2010, even more than Zimbabwe’s under Mugabe’s misrule in that same period.

The world is a moving target and, generally, an improving one—so national stagnation also means continuing relative decline. Although the Dear Leader bequeathed his son Kim Jong Un a system that had avoided total collapse, there was little else that could be said to commend his economic legacy.

## THREE: THE ECONOMIC UPTURN

DEAR RESPECTED COMRADE KIM JONG UN FACED formidable odds when he took over in late 2011. The twentysomething was a novice manager at the time of his father's demise. Unlike the Great Leader, who had groomed his son to rule from an early age, Kim Jong Il himself put off the whole business of naming a successor for as long as he possibly could, designating the child of one of his mistresses as the next Supreme Leader only after an incapacitating stroke made the naming of an heir an unavoidable matter of state.

As Kim Jong Un took office, the planned economy was no longer functioning, and to make matters worse, North Korea's limited market sector was beset by galloping and seemingly unstoppable inflation. His father had experimented with a limited monetization of North Korea's tiny consumer sector in 2002 but botched it—and only made matters worse with a surprise 2009 “currency reform” that effectively confiscated private holdings above \$100, drastically degrading the already low credibility of the *won*.

From this unpromising beginning, Kim Jong Un has proved a relative success in delivering economic results in North Korea. There is evidence that the North Korean economy has enjoyed some measure of growth, macroeconomic stabilization, and even development under his aegis.

Pyongyang, “the shrine of *Juche*,” may be a Potemkin showpiece—but is showpiece-ier today than in the past. Construction cranes are whirring, and whole new sections of the city have risen up. Traffic jams now sometimes clog “Pyonghattan's” vast, previously empty boulevards. Expensive restaurants and shops purveying luxury goods increasingly dot the capital, and their customers are mainly locals, not foreigners. The upsurge in prosperity and living standards evident in Pyongyang is reportedly reflected, albeit to a more modest degree, in other urban centers as well.

Furthermore, in sharp contrast to previous North Korean trends, or other earlier Soviet-type economies, the country today not only displays considerable marketization but also market stability. This much is demonstrated by cereal prices and foreign-exchange rates in informal markets across North Korea. Over the decade between mid-2002 and mid-2012, North Korea's *won* depreciated against the U.S. dollar in such markets by a factor of more than 5,000 (no, that is not a typo). But that depreciation abruptly stopped

a little over five years ago, and since then the *won* has traded around 8,000 to the dollar (fluctuating within a band around that average). In other words, North Korea now has a stable currency that is convertible into hard currencies. Likewise, the domestic price of rice in North Korean markets suddenly stopped soaring five years ago and has been in the vicinity of 5,000 *won* per kilogram ever since. Whatever else one may say of these new domestic price signals from Kim Jong Un's North Korea, they are not what one would expect to see from an economy in mounting crisis and disarray.

Finally and by no means least important: In the military realm, nuke and missile testing has accelerated. In the 13 years between Kim Jong Il's first Taepo Dong test and his death, North Korea launched three long-range rockets and detonated two atomic devices. Kim Jong Un has been in power just over six years; his regime has already set off four nuclear tests and shot off more than a dozen long-range missiles. Some of the speed-up could reflect long-term strategic choices and might in part be affected by improvements in efficiency (cost reduction) within the WMD industrial sector. All other things being equal, though, this sharp acceleration would seem to betoken a major new infusion of resources into programs already long accorded a top priority by the North Korean state. Without a bigger economic pie and substantially greater funding sources, it is hard to see how Pyongyang could have pulled this off.

All this said, North Korea is still shockingly unproductive, still punching far below its weight, still nowhere near self-sustaining growth. Kim Jong Un's boundless self-indulgence is manifest in costly vanity projects like a spanking-new “ski lift to nowhere” resort, Masikryong, a venture otherwise inexplicable save perhaps for the memories of childhood days in Switzerland that it might elicit.

But by distancing himself from his father's most economically destructive policies and practices, and navigating into previously uncharted waters of economic pragmatism, Kim Jong Un has opened up heretofore ungraspable opportunities for raising living standards and building military power at one and the same time. Thus the name of his signature policy: *byungjin*, or “simultaneous pursuit.”

In short order after his ascension, Kim Jong Un demoted—or killed—most of the Dear Leader's closest cadres and confidants. And less than five months after assuming power—at a ceremony commemorating his grandfather's 100th birthday in April 2012—he made an astounding declaration, coming as it did from North Korea's supreme ruler: “It is our party's resolute determination to let our people...not tighten their belts

again.” Translation: This is no longer your father’s dictatorship; aspiration for personal betterment is no longer a counterrevolutionary act of treason.

Dear Respected has deliberately and steadily reshaped the economy under his command. The fundamental strategic difference between Kim 2 and Kim 3 was this: Whereas the Dear Leader saw “reform” and “opening” as deadly “ideological and cultural poison” pure and simple, Dear Respected believes that North Korea could withstand a bit of that poison—actually, quite a bit—and even end up stronger for taking it.

Pyongyang’s new policy directives have been informed by this insight. In agriculture, Kim Jong Un promulgated the “June 28 Instructions” (2012), which permitted family-level work units and allowed farmers to keep 30 percent of their surplus—a bonanza compared with all previous official rules. For enterprises and industry, there were the “May 30 Measures” (2014), which allowed managers to hire and fire workers, pay them according to their productivity, and keep a portion of any profits they earned. People were, increasingly, paid with money for their work—and it was real money, as in, money that could buy things people

their economy than any modern polity this side of the Khmer Rouge. Most goods, services, and supplies that North Korean families consumed were provisioned to them directly by the state, with no “interference” by actual consumer preferences. North Korean planners wished to cede as little control over their command economy as humanly possible.

Pyongyang’s near-total control of the consumption basket, however, presupposed that the state would be supplying its subjects with their daily necessities in the first place. That collapsed in the mid-1990s when the Public Distribution System simply stopped providing the full promised daily food rations to most of the population—and stopped supplying any food at all to some of the population. A terrible number of those who trusted the government to take care of them ended up perishing. To survive the famine, North Koreans had to learn to buy and sell in informal markets that began to spring up—even though such activity was against the law, and some “economic crimes” were punishable by death. The Kim Jong Il government loathed these new private markets, but it needed them to forestall wholesale calamity. Thus commenced the

two-steps-forward-one-step-back dialectic of marketization that lasted the rest of the Dear Leader’s life—and after his death, marketization and monetization of the civilian economy gained further steam.

Today it is all but impossible to get by in North Korea on state-supplied provisions alone—and a wide array of goods and services, both foreign and domestic, are available for money in North Korean markets. Although formally prohibited, even real estate is for sale throughout the country,

with a vibrant market for private flats in Pyongyang. And a wealthy marketeering caste has arisen: *donju*, or “money masters,” stereotypically a well-connected official and his enterprising wife, who use political influence as well as entrepreneurial savvy to enter this nouveau riche North Korean elite.

In case you were wondering: Yes, corruption is rife in North Korean markets. It is the necessary lubricant for all North Korean private commerce. In addition, the government expects a big cut, and such funds have been integral to the recovery of the North Korean state.

The marketization and monetization of its consumer economy, in conjunction with new agricultural

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wanted. The gradual marketization and monetization of North Korea’s civilian economy over the past two decades is a major transformation, and one critical to understanding the country today.

By the late 1980s, North Korean leadership had fashioned a consumer sector that would have turned Stalin green with envy. No country on the planet had so tiny a share of total national output flowing to personal consumption as late Cold War North Korea—and no country had so low a fraction of its personal consumption accruing to citizens on the basis of their own market choices. By the late 1980s, North Korean planners had come closer to completely demonetizing

and commercial incentives and a more tolerant official attitude toward informal activity, laid the groundwork for a domestic-production upswing in North Korea (and a veritable boom in private consumption, although from a very low starting point).

Unlike Asia's "reform socialism" states, China and Vietnam, North Korea has never made a serious effort to attract private investment from abroad from real live capitalists. Pyongyang prefers large-scale foreign projects that are political in nature. Such projects are bankrolled by governments indifferent to profit, which is to say by the foreign taxpayers who can ultimately be left holding the bag. Examples include the ill-fated Kaesong Industrial Complex paid for by South Korea, as well as its doomed Kungang Tourist Resort. For international trade and finance, the overwhelming bulk of North Korean activity still falls into two categories: 1) politically predetermined, highly subsidized economic relationships, or 2) what we might call "guerrilla warfare" or "outlaw" finance.

## FOUR: NORTH KOREA'S FRIENDS

PREFERENTIAL TRADE TIES WITH CHINA ARE pretty much the only game in town for Pyongyang these days. With the virtual shutdown of South Korea's politically subsidized inter-Korean trade in 2016 following accusations that money from the Kaesong project was being used to fund the North's missile program, China may now account for close to 90 percent of North Korea's international commercial-merchandise trade turnover. And North Korea always receives much more than it gives in its arrangement with China, year after year.

There is, to be sure, an element of harsh capitalist bargaining within this overall relationship—but most of that is in the "people to people" bartering and petty trading at the border, largely for consumer goods. At the national level, judging by Chinese customs statistics, North Korea raked in well over a billion dollars a year in net merchandise shipments from China from 2008 through 2014—with no transparency on Beijing's part about the mechanisms by which this ongoing transfer is financed, much less about the Chinese government's objectives and intentions in extending this lavish lifeline.

Since 2015, official Chinese numbers suggest that Beijing's de facto aid is down—but these look like figures deliberately fudged in the face of mounting in-

ternational demands for sanctions against North Korea. It is at the very least possible that important aspects of Chinese support for the North Korean economy or its defense industries have not yet come to light. Given what is already known, though, it is indisputable that deals with China under the two latest Kims have been key to reviving North Korea's heavy industrial sector. (For the year 2016, China reported shipping over three-quarters of a billion dollars of machinery and transport equipment to North Korea, 10 times the volume in 2003, when the six-party talks commenced.)

Vital as Chinese support may be to North Korea's survival and economic revival, North Korea evidences no gratitude for Beijing's largesse. Pyongyang does not "do" gratitude. Moreover, leadership in Pyongyang knows very well a bitter truth about Chinese aid that they can never utter: namely, that capricious cutbacks in free food from China in the year 1994 were the trigger for the Great North Korean Famine, which became impossible to conceal by 1995.

Apart from its Chinese lifeline, North Korea's other main sources of international support come from "outlaw" forays into the world economy—including activities tantamount to state-sponsored organized-crime operations. These shady dealings typically attempt to generate revenues for the state that avoid international detection, often relying on the special protections and prerogatives of a sovereign state for cover.

One cannot help but be struck by the industry, ingenuity, and sophistication that have generally kept such schemes one step ahead of international authorities. Koreans in the North can be world-class innovators, too—it's just that their chosen fields of excellence happen to be in smuggling, drug-running, money-laundering, and the like.

Some of these inventive schemes have been in the news. In recent years, for example, Pyongyang has made unknown millions abroad from what we might call its own style of human trafficking: profiting off the tens of thousands of workers in labor gangs it has sent to China, Russia, the Middle East, and even parts of Europe. No less inventive has been Pyongyang's apparent monetization of its growing capacity for cyberwarfare through international bank robbery. In 2016, "unknown" hackers relieved the Central Bank of Bangladesh of \$81 million in a spectacular heist; in late 2017, similar cyber-finger-



**A SATELLITE PHOTO OF NORTH KOREA AT NIGHT SHOWS A PITCH-BLACK COUNTRY IN A REGION GLOWING WITH LIGHT.**

prints were detected in a theft of \$60 million from a bank in Taiwan. These are just two of many “hit and runs” orchestrated under the Kim Jong Un crime family. And as the WannaCry ransomware attack last year demonstrated by infecting hundreds of thousands of computers the world over, vastly greater dividends from cybercrime may lie just over the horizon.

Then there is North Korea’s signature global service industry: WMD proliferation. For obvious reasons, most of this work never makes the news. No one outside Kim Jong Un’s court probably knows just how much this nefarious business is bringing in these days. These unobservable flows, however, may be consequential. Consider this: Barely weeks after Tehran inked its September 2012 Scientific Cooperation Agreement with Pyongyang, the *won* suddenly ended its decade-long freefall and finally achieved exchange-rate stability. North Korea may have had additional,

still concealed, operations that were also paying off at the same time as that Iranian deal, of course. But either way, the deal clearly marked a turning point in North Korea’s macroeconomic fortunes, and the stabilization of exchange rates and domestic cereal prices probably could not have occurred without an open spigot of foreign cash.

In sum, the hallmarks of Jong-Un-omics economics would appear to be new revenues from foreign sources, along with the new flows of funds derived from privatization and growth at home. These monies have apparently sufficed not only to stabilize North Korea’s previously toxic currency, and to bring an end to runaway inflation in North Korean key private markets, but also to abet Pyongyang’s nuclear and ballistic ambitions. This, at least, would seem to be the most plausible reconstruction of the limited but meaningful evidence from the jigsaw puzzle that is the North Korean economy today.

To repeat: While we should recognize the existence of this economic upswing we should also keep its scale in perspective. All one need do is consider the sad, stunning space photos of North Korea at night—the satellite shots revealing a territory almost pitch-black, while the rest of Northeast Asia is glowing with light. They attest better than any available statistics to the limits of economic recovery under Kim Jong Un.

Among the other implications of that space imagery, the North simply does not have the pocketbook for a wholesale modernization of its conventional army *and* a nuke-missile program. For now at least, most of the military’s equipment, apart from critical nuclear-related pockets like submarine production, remains outdated and ill-suited for the tasks originally assigned. Today, Kim Jong Un cannot credibly threaten to roll in and occupy South Korea. But Kim Jong Un *is* on track to manufacture enough nuclear matches to burn the place down, with Tokyo and Washington thrown in for good measure, in the foreseeable future.

## Commentary

## FIVE: HOW TO PUT PRESSURE ON PYONGYANG

GIVEN WHAT WE KNOW ABOUT THE NORTH Korean economy, can America and the world community keep Pyongyang from reaching its ultimate nuclear objectives through a real economic-pressure campaign?

We do not know just how close North Korea is to perfecting its weaponization of ballistic missiles, or how many nuclear weapons the North currently possesses. We also do not know as much as we need to about North Korea's strategic inventories and reserves. If Pyongyang were stopped in its tracks today, its nuclear and missile work would require unwavering vigilance and far-reaching containment for the remaining life of the regime. That said, a serious international campaign of trade and financial sanctions—led by America, ruthlessly executed, and starting immediately—could very significantly slow the pace of Pyongyang's ongoing nuclear-ballistic march. And if we are in it for the long haul, a serious sanctions campaign could eventually promise the effective suffocation of the entire North Korean military economy.

An international economic campaign of this sort won't be easy (though America has many more cards in her hand than many now appreciate). It probably won't be pretty, either. But in any case, it is the world's last chance to thwart North Korea's nuclear ambitions by nonmilitary means.

Let's start with the unpleasant truths. We must recognize that economic pressure will not alter the intentions of the Kim family regime—ever. We must dispense with the fantasy, still inexplicably maintained in various esteemed diplomatic circles and Western universities, that Pyongyang can somehow be pressured—or bribed—at this late stage into changing its mind about its multi-decade march to a credible nuke and missile arsenal. There is no “bringing North Korea back to the table” that ends with CVID—comprehensive, verifiable, irreversible denuclearization. Period.

So much for the bad news. The rest of the news about the outlook for sanctions against North Korea, fortunately, is better than we usually hear.

Many authoritative voices seem to think sanctions have little chance of influencing North Korea's nuclear trajectory. Economic historians note that the record for coercive economic diplomacy is poor and has been for centuries. Policy wonks and foreign-affairs experts add that successive rounds of UN and international economic sanctions seem to have had no real bite so far against North Korea. These pessimistic assessments, however, misread the prospects for international economic pressure against North Korea on two important counts.

As poor as the general record of coercive economic diplomacy may be, North Korea is not exactly a typical economy. It is an outlier—it's world-class dysfunctional, recent changes under Dear Respected notwithstanding. The economy is incapable of growth (or for that matter, even stagnation) without steady inflows of financial support from abroad to keep it on its feet. Remember: When net aid from abroad sharply dropped (but did not end) in the 1990s, that was enough to send North Korea spiraling downward into paralysis and mass famine. The North Korean regime in short, is a poster child for a successful international campaign of economic strangulation. Despite Pyongyang's nonsense about “self-reliance,” it is uniquely vulnerable to the cut-

**IF PYONGYANG WERE STOPPED IN ITS TRACKS TODAY, ITS NUCLEAR AND MISSILE WORK WOULD REQUIRE UNWAVERING VIGILANCE AND FAR-REACHING CONTAINMENT FOR THE REMAINING LIFE OF THE REGIME.**

off of foreign money and subvention.

Kim Jong Un has not yet faced anything even remotely resembling an international campaign of “maximum economic pressure.” The continuing stability of North Korea's foreign exchange rate and domestic food prices pointedly suggest international sanctions have not yet greatly impacted North Korea. But few foreign-policy experts, and even fewer general

readers, seem aware of how flimsy were the array of sanctions imposed on North Korea by the UN and U.S. during the George W. Bush and Obama years.

Consider first the successive rounds of UN Security Council sanctions lodged against the regime since its first atomic test in 2006. China and Russia flagrantly and routinely violate the very sanctions their own Security Council representatives voted to impose. Most countries around the world still ignore them, too. In early 2017, the UN's Panel of Experts on the sanctions reported that 116 of the UN's 193 members had not yet bothered even to file implementation reports on the then-latest round (UNSC 2270, levied in response to Pyongyang's fifth nuclear blast). The previous year, the Panel noted that 90 countries had *never* reported on *any* of the sanction resolutions against North Korea (eight at that time, the first of them ratified a decade before that report). And filing a report on these sanctions resolutions is not the same thing as enforcing them. Several countries with whom Washington enjoys ostensibly friendly relations have turned a blind eye to illicit North Korean activities on their soil for many years (Malaysia, Singapore, and some of the Gulf States being among the more egregious examples).

When it comes to Washington's own economic measures, furthermore, North Korea is still far from being "sanctioned out," no matter the received wisdom. In the final year of the Obama administration, according to Anthony Ruggiero of the Defense of Freedom Foundation, fewer entities and individuals from North Korea were under U.S. Treasury Department sanction than those from seven other countries, including Zimbabwe and Sudan. While the Trump administration has been much more serious about sanctioning North Korea, Ruggiero testified that as of late summer 2017, North Korea nonetheless remained less sanctioned than either Syria or Iran. For some mystifying reason, moreover, North Korea was not put back on the State Department's list of strictured "state sponsors of terrorism" until the end of 2017, after enjoying a nearly decade-long holiday off that roster.

As 2018 commences, three big changes augur well for the prospect of devastating "shock and awe" sanctions against the North Korean system. First: At the end of 2017, the Security Council endorsed a broad new writ and scope for sanctions against North Korea, dispensing with the earlier "marksman" approach of picking off particular military-related firms or individuals and embracing instead the "blockbuster" approach of crippling North Korea's entire military-industrial complex. The new sanctions, among other things, ban *all* industrial imports by North Korea, se-

verely cut permitted energy imports, and *require* UN member governments to "seize, inspect, and freeze" vessels violating some of the new restrictions.

Second: In late 2017, the U.S. Treasury announced new and much more sweeping authority for North Korea sanctions, granting U.S. officials wide discretion to impose what are known as "secondary sanctions." Henceforth any business or person engaging in *any kind* of commercial or financial transactions with North Korea could be severely penalized, with punishments including fines, seizure or forfeiture of assets, prohibition against any commerce in or with the U.S., and being cut off from the worldwide clearing system for dollar-based financial settlements.

Finally, and by no means unrelated to these other changes, is the third change: the advent of the Trump administration. Under President Trump and his team, there appears to be a qualitative change in America's North Korea policy—one that accords the North Korean threat a higher priority, and more unblinking attention, than it has been granted by any of Trump's predecessors. The White House calls this new approach to North Korea a policy of "maximum pressure."

## SIX: THE AMERICAN ROLE

TRUMP'S ADDRESS BEFORE SOUTH KOREA'S National Assembly last November on the North Korea problem was the most incisive, and moving, statement on the topic ever delivered by an American president. Whatever else may be said of him, Trump is keenly aware that the North Korean threat he inherited was allowed to fester and worsen under each of the four men in the Oval Office immediately before him. He appears to have no intention of continuing that tradition.

The Achilles' heel of the North Korean economy—and thus, of Pyongyang's nuclear and missile programs—is its existential dependence on foreign aid and outside money. The fortress-prison country is an operation that cannot be sustained on its own. To date, North Korea has skillfully extracted wherewithal and extorted financial concessions out of a largely unfriendly world. To jam the gears of the North Korean war machine, the international community must recognize, and finally begin systematically exploiting, Pyongyang's unique economic weakness. This will require a campaign of economic pressure worthy of the name—and the pieces for such a campaign are already falling into place.

## SEVEN: THE RUSSIANS AND THE CHINESE

In broad strokes, what would this “maximum economic pressure” campaign look like? It must be Washington-led, since it will not coalesce spontaneously. To carry it out most effectively, diplomacy will be crucial: Alliance coordination and the building and maintenance of motivated coalitions are obvious force multipliers for this exercise. But the U.S. has unique international strengths that allow us to act unilaterally and with great consequence when necessary.

For starters, now that we ourselves have relisted North Korea as a state sponsor of terrorism, we have a stronger case for pressing governments around the world to shut down the regime’s embassies, trade missions, and other facilities located on their soil. Not necessarily to sever diplomatic ties, much less end all communication, with Pyongyang: just to deprive North Korea of safe havens for their illegal rackets on foreign shores. Given North Korea’s standard operating procedure overseas, affording Pyongyang an embassy in one’s country is like offering diplomatic immunity to the Mafia. The Trump administration has begun some of this advocacy already and has some initial results to show for its troubles. In conjunction with a consortium of like-minded states (including Japan), a full-court press could gain true international momentum. At the very least, this would disrupt some of North Korea’s illegal rackets and reduce the take from them.

Washington can also take the lead in lobbying governments to shut down the North Korean work crews operating within their own countries—these are too close to slave labor for comfort. This need not be quiet diplomacy. The complicit governments in question, including Beijing and Putin’s Kremlin, deserve to be called out publicly if they are intransigent. (The wording of the latest round of Security Council sanctions calls for shutting down such arrangements within 24 months, an amendment Moscow negotiated for—but there is no reason that the U.S. or independent human-rights groups should not try to speed up that timetable.) The U.S. also has options for penalizing trading partners who violate internationally recognized labor standards, which is to say we can affect the cost-benefit calculus for governments that tolerate North Korea’s odious practices in their own backyards.

This brings us to a rather larger diplomatic task: confronting China and Russia about their continuing financial malfeasance on North Korea. The scope and scale of China’s furtive support for North Korea dwarfs Russia’s, of course—but that is no reason to give the Kremlin a pass. These two states have long been playing a double game—one that must come to an end starting now.

CONTRARY TO SOME HAND-WRINGING IN Washington and elsewhere, the U.S. is by no means devoid of options in facing down China and Russia for their economic enablement of the Kim family regime. As already noted, Washington possesses an extraordinarily powerful tool for inducing their compliance: the U.S. dollar—the most important reserve currency in the world economic order. America gets to decide who can, and who cannot, engage in the dollar-denominated financial transactions with the myriad of correspondent banks serving the globe, for which the Federal Reserve Bank is the clearing house. Existing legislation and executive orders already provide the U.S. government with a panoply of instruments for inflicting nuanced and escalating economic penalties and losses on financial institutions, corporations, and private individuals who rely upon U.S. correspondent banks but engage in illegal or forbidden commerce with North Korea.

So far, the United States government has used only minor pinpoint-pinprick secondary sanctions against Chinese and Russian parties that violate restrictions on dealings with North Korea. Both nations face potentially major economic costs if they do not address and control such violations, should we choose to impose them.

It is no secret, for example, that the Chinese banking system is highly leveraged and that some of China’s largest banks are in what we might call a financially delicate situation. Does Beijing really want to find out whether one of these major concerns can survive a Treasury Department-Justice Department inquiry for North Korea infringements, much less the weight of actual secondary sanctions—or to find out what happens at home and in international financial markets if it looks as if a major Chinese bank might fail on that account?

If the Kremlin and Beijing believe we mean business, they will have reason to suppress illicit deals with North Korea—but convincing them we mean business is our responsibility. Washington has been curiously hesitant here, possibly for fear that Beijing or the Kremlin, or both, would respond by sabotaging any further UN sanctions. But we now have pretty much what we need from UN resolutions for a campaign of “maximum economic pressure” on North Korea—so the time for horse-trading and slow-walking is over. And while we

are at it, these governments' official economic support for North Korea shouldn't be off the table. Isn't it time to spotlight and track those flows, too?

As we work to rein in China and Russia, we should not lose sight of the money that North Korea receives through arrangements with other governments—including states in Africa and the Middle East that receive U.S. foreign aid. Yet much of what Washington needs to do in this economic campaign, alas, is currently unknown. This is a failure of our intelligence community that must be immediately addressed if “maximum economic pressure” is to stand a chance of ending up as more than just a slogan.

By the very nature of intelligence activity, spy agencies cannot take credit for many of their successes. But the U.S. intelligence community doesn't deserve a slap on the back for its performance in this particular

derailed by bureaucratic infighting under the George W. Bush administration, provides an “existence proof” that such research can be done. North Korea's overseas financial networks have had more than a decade since the demise of IAI to evolve and hide their tracks—so a new IAI-style effort would have to play catch-up.

With the information we could gather from a well-funded and coordinated intelligence initiative, we can help shut down North Korea's worldwide criminal enterprises, arrest their international accomplices, freeze and seize violators' overseas assets (not just Kim Jong Un's assets: think Iran, Syria, Hezbollah, and the rest), and levy potentially devastating fines against commercial and financial concerns that willfully aid North Korea in violating the law. We can also improve the efficacy of existing proliferation-security efforts.

With better intelligence, better international coordination, and the will to get the job done, an enhanced “maximum economic pressure” policy could swiftly and severely cut both North Korea's international revenues and the vital flows of foreign supplies that sustain the economy. An enhanced Proliferation Security Initiative (PSI), indeed, could use interdiction not only to monitor the goods entering North Korea but also to regulate and, as necessary, suppress that level. (UN sanctions, by the way, make provisions for humanitarian imports into

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area. It should be something of an embarrassment, for example, that some of the best work mapping out the connections between Chinese front companies and the North Korean military these days should apparently come from a small think tank, C4ADS, that relies entirely on open sources. And that is just one small example of intelligence insufficiency. Our government also appears to know much less than it should about the financial relations between Pyongyang and its backers in Tehran, North Korea's money ties with terrorist groups, and its adventures in crypto-currencies and other harder-to-trace instruments of finance.

Much of what is currently unknown—by our government—about North Korea's covert international financial networks and overseas holdings is in fact knowable, given better legwork and intelligence. The story of the U.S. government's interagency Illicit Activities Initiative (2001–6), which methodically mapped out North Korea's money trails before being

North Korea a matter the U.S. and others must attend to faithfully.) Yes, this is economic warfare, and it can be conducted with much more sophisticated tools than were available in the 1940s. In fact, it should be possible through such a campaign to send the North Korean economy—and the North Korean military economy—into shock, possibly even in fairly short order.

## **EIGHT: SUCCESS AND ITS FAILURES**

IF COMPREHENSIVE SANCTIONS AND COUNTER-proliferation against North Korea fail, we enter into a new world with darker and much less pleasant options. But what if, by some measure of success, they turn out to succeed? What then?



In addition to their intended consequences, successful policies always have unintended ones. Three potential consequences of an effective economic-pressure campaign against the North Korean regime deserve special consideration in advance.

The first concerns the role of North Korea's *donju* elite in a future where North Korea is increasingly squeezed economically. These "money masters," who until now have enjoyed waxing wealth and have lived with rising expectations under Kim Jong Un, would stand to suffer very sharp financial loss. What would a serious reversal in the fortunes of this privileged element in North Korean society mean for elite cohesion and for regime dynamics? Even North Korea has domestic politics. Poorly as we may be able to apprise North Korean politics, it would behoove us to try to understand in advance how such a change would alter the realm of the possible within the country—and what new opportunities such internal developments might present.

Second is the all-too-likely possibility that North Korea would careen back into famine under an effective sanctions campaign—and *not* because Pyongyang would be incapable of purchasing or procuring sufficient food to feed its populace. The reason North Koreans starved last time was the government's dreadful *songbun* system, still very much in force today. *Songbun* is a unique North Korean instrument of social control that carefully subdivides the North Korean populace into "core," "wavering," and "hostile" classes, lavishing benefits and meting out penalties according to one's station. Life chances in North Korea—and no less important, death chances—turn on one's assigned class. Just as it is a safe bet that virtually no one outside the "core classes" has amassed great *donju* riches, so too death from starvation is almost entirely consigned to the state's designated enemies from the "hostile classes." Only "intrusive aid" (provided on site by impartial outsiders) and public diplomacy, including calling out Dear Respected on this vile practice, stand to mitigate the toll of the impending humanitarian-cum-hostage crisis should "maximum economic pressure" work.

Finally, there are the countermeasures Pyongyang will surely adopt if the economic-pressure campaign is attaining a measure of success. These will be intended to terrify and to break the will of the sanctioners. North Korean leaders are practiced masters of white-knuckle, bared-fang diplomacy—and they would naturally regard the stakes in this contest as particularly high. No national directorate is so expert in brinkmanship or so consummate at carefully gaming through seeming "outbursts" well in advance.

North Korea will test the stomach and the will of the pressure alliance, threatening what sees as the campaign's weakest and the most exposed elements and ranks. These probes and tests may be military in nature, with a range of options that could well include threats of nuclear war. Pyongyang will try to make Washington and the international community fear that they are facing a "Japan 1941 moment," with a cornered Kim family regime: a *déjà vu* of the drumroll that led to World War II in the Pacific, only this time against a nuclear-armed adversary.

This would be a point of incalculable danger. There are good reasons to think North Korea would not resort to first use of nuclear weapons, most compelling among them, its own state-enshrined doctrine known as "Ten Principles for the Establishment of a Monolithic Ideology." (The essence of this doctrine: The Hive must keep the Queen safe, and at all cost.) But there is no sugarcoating the terrible risks, including risks of miscalculation, inherent in North Korea's most likely countertactics.

Any way you look at it, North Korea's adversaries are in for a long and bumpy ride. The alternative to thwarting North Korea's war drive now is permitting Pyongyang to prepare to fight and win a limited nuclear war in the future, at a time and place of its own choosing, when the situation for America and her allies may be even more perilous.

Like it or not, Pyongyang plays for keeps, and we are in this with them for the long game. The next move is ours. ▶