The Void in North Korea’s Economic Relationship with Japan: Is Kim Wasting His Abductions Card?

William Brown
Much is made in Western circles of North Korea’s economic dependence on China amid questions of whether and how much leverage this gives Beijing. In an end game, however, Pyongyang may think it has other cards to play, and Beijing, knowing this, leans toward caution. One important card long held by the North Koreans, and perhaps a trump card, is the relatively easy ways that Pyongyang could repair or at least improve relations with Japan, and from that gain great economic benefit. This may seem surprising and unlikely given the frosty, if not frozen, current relations between Pyongyang and Tokyo, and the virtual absence of bilateral economic activity, but it is this void in relations, and the possibility that it could be filled quickly to the benefit of both sides, that provides Pyongyang some room to maneuver should it run into real trouble. A few years ago, simply accepting a little more blame for Japanese-Koreans abducted two generations ago, and providing more data on that ill-advised Kim Il-sung project, might have led to normalization of political relations and ten billions dollars or so in Japanese colonial-era reparations, enough to rebuild a great deal of the country’s dilapidated infrastructure. The amount of money would certainly be large enough to give new credibility to Kim Jong-un’s desire to build an economically prosperous country.

Tokyo’s move to restore tough sanctions in February 2016, in the wake of the North Korean nuclear and missile tests earlier in the year, the tough new UN sanctions, and Pyongyang’s immediate response of shutting down a promised internal investigation of the abductions, makes chances of separating the abductions issue from the nuclear issue more difficult. Kim may have just lost his easiest path to the Japanese economy and to badly needed aid and investment. Still, after this dust is settled, one can imagine the young North Korean leader showing or even playing the abductee card, and, thus, tossing Japanese politics into a row by conceding just a few more points on the abductees. This he could hope would achieve movement toward normalization and the big pot of reparations money and, perhaps, blur the nuclear weapons issue so important to the Americans. This, by extension, would throw Beijing, Seoul and Washington all into policy confusion. Japan, after all, for the last ten years has been the most steadfast of countries in employing economic sanctions against Pyongyang. A breakthrough on abductions is just the kind of surprise Kim would seem to like to employ. No doubt he understands that Japanese investigations could implicate his grandfather but as economic and political pressures on his regime rise, it will be well worth watching Pyongyang-Tokyo maneuvering to see if there are signs of a deal and how Japan is responding.

For most of the past 100 years, North or northern Korea has had strong economic ties with Japan, in most ways stronger than with neighboring China or Russia. Ten years ago, and after a long slide, these ties were severed in a largely emotional reaction in both capitals to the abductions issue, compounded and reinforced since then by Pyongyang’s series of nuclear and long-range missile tests and by a not unrelated shift to the right in Japanese politics. This paper analyzes the facts of the unusual void in trade, investment, and tourism relations and speculates on the implications for North Korea should it, at some point, decide it needs an accommodation with Tokyo and Tokyo chooses to reciprocate.
JAPAN AN INDISPENSABLE PARTNER, UNTIL IT WASN’T

As trade barriers go, the Sea of Japan or, from the Korean perspective, the East Sea, has become as impenetrable as the DMZ that splits the Korean Peninsula. Relations between Japan and North Korea are frozen solid as Tokyo reacts to Pyongyang’s January nuclear test and February space launch, and perhaps more important, a two-year disappointment in promised North Korean reports on Japanese citizens abducted to North Korea in the 1970s and early 1980s. Pyongyang has now abandoned that project and Japanese are now prohibited by their government from trading, traveling, or transferring money to North Korea, and no North Korean ships, or foreign ships coming from North Korea, can visit Japan, altogether as tough as any set of national sanctions imposed on North Korea. Even the United States allows limited trade with North Korea, but only with prior governmental approval, and Americans are free to travel to North Korea at their own risk. Historically speaking, this break with Japan is a big, almost shocking, change. Japan has long been more than a little different in its relationship with North Korea from the United States and its other allies and until recent years had cultivated trade and investment ties with Pyongyang, a result of the unusual role North Korea and its citizen’s organizations in Japan plays in Japanese domestic politics, itself the result of extensive and long-standing business and personal interactions between the two countries.

North Korea is often treated by Western media and specialists as a “hermit kingdom,” especially in its foreign economic relations. Given the nuclear and long-range missile tests, and the predictable up-tick in economic sanctions imposed by the UN Security Council, Pyongyang may be rapidly on its way to hermit status, but at least up to now this has not been an adequate description of its economy. Much more so than Japan, for example, Korea traded fairly extensively with China through the 19th century, and late in that century it developed trade relations with the United States and a few other Western countries. Japan’s interest in Korea during the colonial period (1910-1945), especially in mineral rich northern Korea, focused on exploitation of agricultural, mineral and metal resources, and abundant cheap labor; and a complex, integrated, imperial type economy was formed with extensive links to both Japanese held Manchuria and the Japanese islands. Electric power, railroads, and ports were constructed to enable trade with Japan, and these remain the core infrastructure of the country today. As a result of the 1945 division, the following war, and the creation of Pyongyang’s socialist command economy system, North Korean trade with the West almost entirely ceased, constrained by barriers on both sides since its new command economy system could not tolerate trade with capitalist countries and since it was excluded from U.S. trade by the 1950 Trading with the Enemy Act (TWEA) and other American sanctions. But in the place of Western trade, Pyongyang built extensive linkages to the Soviet-bloc countries, never formally joining the bloc economic system but coordinating economic five-year plans. Under them a large amount of industrial equipment from Eastern Europe and the Soviet Union was bartered for North Korean mineral and metal products. North Korean factories, thus, created extensive linkages, especially with East European factories, and trade flourished. Trade with China developed more slowly but expanded sharply after oil was discovered in Northeast China with it gradually replacing Soviet oil as North Korea’s main source of transportation energy. By the 1960s, North Korea was, thus, much better integrated into its sphere of world trade than was South Korea.
North Korea since the 1970s has emphasized an ideology of self-reliance, what it calls “juche,” adding to the notion of it being a “hermit kingdom,” but this is probably because it senses, in my view correctly, that it has suffered from the opposite, a high level of dependence that the Japanese imperial system and Soviet central planning built into its economy. Even Western aid since the collapse of its command system in the 1990s has had a negative impact by destroying natural incentives to build an export industry. Pyongyang may now wish to be self-reliant, but it is, in fact, one of the most dependent countries in the world, unable to even feed itself or supply its people and factories with adequate volumes of energy. Perhaps, the best example of dependency today is the degree to which enemy currency, U.S. dollars, flows freely within the economy, substituting for the local won.

**PERSONAL TIES IMPORTANT TO RELATIONSHIP**

Despite the break in North Korea’s economic relationship with most market economies after the Korean War, trade and investment relations with Japan were largely maintained, reflecting the strong people-to-people linkages that had developed during the colonial period. Hundreds of thousands of Japanese had lived in the Korean colony and had managed many, if not most, aspects of Korean industry, most of which was in the north. With Korean liberation they left for Japan but did not disappear overnight, retaining knowledge and interest in Korean industry. Meanwhile, several million Korean workers had been moved to Japan during the colonial period, especially during World War II, and about 640,000 remained in Japan after the war. Some 90,000 of these Japanese-Koreans were voluntarily repatriated to North Korea in the late 1950s, and they and their descendants also have maintained some links with their compatriots in Japan through strong Japanese political organization run largely by the North Korean government and Worker’s Party. This organ, the *Chosen Soren*, as pronounced in Japanese, Chongryon in Korean, has acted as a virtual North Korean embassy and community association in Japan, generally serving about a half to a third of the 640,000 Japanese-Korean population. The other half has affiliated with a similar but more South Korea-oriented group. Strains with North Korea in recent years, and severe financial problems caused in large part by bad business deals with North Korea, have shrunk *Chosen Soren*’s membership from 290,000 in 1975 to about 200,000 or less today.

Even a shrunken *Chosen Soren* role is still central to the Japan-North Korea relationship, however. Owing to poor treatment of Korean-Japanese, beginning with the fact they are not Japanese citizens and, thus, do not have passports, *Chosen Soren* provides them valid travel documents, much as a North Korean consulate would. It maintains a Korean language school system, a credit union network, and a host of social services. It is supervised in part by North Korean officials and even has membership in North Korea’s national legislature. Pyongyang pretends to give aid to the group, providing a few million dollars of donated money a year, but the flow of funds is hugely in the opposite direction. Taking advantage of being something of an outcast group, and through an affiliated underworld member of Japan’s *Yakuza*, *Chosen Soren* has had oversized roles in Japan’s gambling, prostitution, and illegal drug businesses, and through these connections to Japanese politicians. Members have remained loyal to North Korea and have provided several billion dollars in hard currency remittances to Pyongyang over the years, a significant share of North Korea’s hard currency earnings. Estimates of these remittances vary greatly, but probably amounted to about $100
million a year in the 1980s and 1990s. Additionally, Japanese Koreans travelled extensively to North Korea on a ship owned by Chosen Soren and provided more hard currency earnings. These connections became particularly important to North Korea following its default on credits provided by Western Europe and Japan in the mid-1970s, a result of the failure of Pyongyang’s attempt to open up its economy to market driven foreign trade and investment. With no credit, trade with Europe quickly dried up, but trade with Japan held up reasonably well since Pyongyang found a ready export market among Japanese Koreans, and because their remittances continued to pour in, giving North Korea a significant current account surplus with Japan, avoiding the need for credit. This allowed for selective imports of technology not available in the Soviet or Chinese economies but little in the way of capital equipment. Then, following the collapse of the Soviet Union in 1989, and the end of the Chinese planned economy, North Korea was suddenly bereft of its usual barter-oriented trade partners and badly needed hard currency. Thus by the mid-1990s, as the debt problem continued to fester, Japan emerged as probably North Korea’s most important economic partner and certainly its largest source of foreign exchange.

Without access to credit, and weakly developed export industries, Pyongyang relied heavily on foreign aid and in Japan, the Chosen Soren, for essential imports. Japanese official aid was sporadic and at times large—500,000 tons of rice priced at an exaggerated one billion dollars was provided in 2001 —, but more important were the remittances provided through Chosen Soren and the large flow of Japanese tourists. As with others who have tried to deal on a friendly basis with Pyongyang, its poor business practices eventually got many of the Chosen Soren firms into financial trouble. It had borrowed heavily from its system of credit unions and sent the funds to North Korea, but continued North Korean defaults, combined with the 1990 Japan stock market crash, forced many of these into foreclosure, forcing a Japanese government bailout that cost Japanese taxpayers about $3-4 billion. By now Chosen Soren’s only significant asset is its Tokyo headquarters building, which is in the midst of a never-ending foreclosure process.
ABDUCTIONS & NUCLEAR ISSUES
PLAGUE RELATIONS

The abductions and nuclear weapons issues that have caused the break in economic relations are well covered elsewhere. Suffice it to say that Prime Minister Koizumi’s trips to Pyongyang in 2002 and 2004—bold attempts to resolve an issue in which Japan had long claimed that North Korean spies had abducted Japanese citizens and taken them to North Korea for use in training spies—backfired and caused recriminations in Tokyo and Pyongyang. Then Kim Jong-il, in what he probably thought would resolve the issue and allow normalization talks to begin, admitted to Koizumi that under the regime of his father, Kim Il-sung, such abductions had taken place. He released five of the abductees; another eight he said had died but remains returned to Japan failed to prove that. Japan’s public reacted as one might expect, demanding a full investigation of the North Korean activity amid accusations that some of the abductees were still alive and were not being returned, and that many other suspected abductees remained to investigate. Kim Jong-il may have realized he had overstepped in acknowledging criminal activity by his father’s regime and, faced with demands for formal investigations from Japanese lawyers, pulled back. Japan’s government reacted by imposing its most severe economic sanctions on North Korea, essentially ending all trade, investment, and tourism relations and cut back on the ability of Japanese North Koreans to send remittances to their home country.

These sanctions, more severe than subsequent UN sanctions imposed after North Korea’s succession of nuclear and missile tests beginning in 2006, prevented almost all economic transactions for nearly a decade. Shinzo Abe, an official involved in the 2002 Koizumi visit to Pyongyang who had used the abductions issue to rise in political prominence, when selected prime minister, focused on resurrecting the Koizumi deal. Talks were held with Pyongyang in 2014 and seemed to make progress. Tokyo relaxed some travel and remittance restrictions in anticipation of a North Korean investigative report on the abductions that was expected within a year, and a roadmap for much further progress toward normalization was outlined. After two years, however, nothing has been seen of the promised investigative reports. In mid-February in the aftermath of the January nuclear test and the February missile test, Japan restored the sanctions to the previous high level, consistent with the new UN sanctions. Pyongyang immediately reacted, saying that the 2014 deal was over and its investigation of the abductee issue would stop. This leaves North Korean relations with Japan, arguably, at a new low in post-Korean War history.

EXTRAORDINARY ECONOMIC POTENTIAL, ON HOLD FOR NOW

With economic relations at a total standstill, it is difficult to conceive of how relations might develop, and even harder to consider what Kim Jong-un might do to try to take advantage of the huge potential for economic gain. Gains that could accrue to North Korea as a result of settling the abductions issue and moving toward normalization of diplomatic relations can be separated into four categories: colonial era reparations (which Japan would call by another name), trade complementarities, travel and tourism earnings, and Japanese direct investment. Taken in sum, they would resolve, temporarily, most of Pyongyang’s current economic difficulties. If combined with economic reforms along the lines pursued by Seoul
when it made similar accommodations with Tokyo in 1964, North Korea could jump onto a growth track to enable it to start catching up economically with its South Korean rival, presumably high on the list of Kim Jong-un’s wish list.

**Colonial Era “Reparations”**

The strongest incentive for Pyongyang to work out a political settlement with Tokyo is the promise of ten billion dollars in Japanese colonial era reparations, or a large aid package as Tokyo prefers to have such a deal called. This has been on the table for a long time, however, and Pyongyang has never tried hard to get it, a matter of considerable curiosity. The closest they have come was during the 2002 Koizumi visit when Kim Jong-il appeared to back down on several previous demands. The subsequent fallout, and North Korea’s overt moves toward creating a nuclear weapons program since then have stymied progress. Pyongyang does raise the issue occasionally, as in a 2010 KCNA remark about Japanese colonial-era apologies to South Korea, but it is not specific in terms of amounts or procedures for moving towards a settlement. Tokyo does not deny that it owes Pyongyang a large, but as yet underdetermined, amount of money but naturally will not make such a transfer until an overall political settlement can be found, including normalization of diplomatic relations, and in recent years Tokyo has included resolving the abductions issue as part of such a settlement.

When it is finally adjudicated, the amount of such an indemnity is likely to be linked to the procedure used in Japan-South Korean normalization in 1965, early in President Park’s father’s government. That deal provided Seoul $300 million in grants and about $500 million in public and private low interest loans. Seoul, aided by changed U.S. official aid policies that focused on balance of payments support and export development instead of commodity aid, managed to use these funds exceedingly well, bolstering the then failing South Korean economy and jump starting its historic economic growth process. One can imagine a similar set of grants and loans doing the same for North Korea should Pyongyang combine the money with major reform measures.

Rough estimates have been made as to how much money North Korea might expect to receive. Mark Manyin, with the Congressional Research Service, for example, published estimates in 2002, just prior to Koizumi’s trip to Pyongyang. His document puts the value of the 1964 Seoul reparations within a wide range of $3.4 to $20 billion, adjusted for the smaller North Korean population. Reports at the time suggested Tokyo was thinking in terms of a payment to Pyongyang of somewhat between $5 and $10 billion; other reports indicated Tokyo would try to subtract $2 billion from this for North Korean debts owed to the KEDO nuclear facility and to pay off bad North Korean debt held by Japan’s Export Import Bank. Today’s prices, accounting for U.S. dollar inflation, but not the proposed deductions, would raise these levels by a factor of about 1.30. An alternative measure is to assume the funds had been invested in 2002 in 20-year U.S. Treasury bonds at the then rate of about five percent, effectively doubling the value of the aid package by 2016. This would put the range between $6.8 billion and $40 billion and the considered Japanese response between $10 and $20 billion.

These figures are just illustrative since Manyin and others emphasize that South Korea was given a complex mixture of grants, public low interest loans, and private loans, and these would be hard to replicate in today’s terms. South Korea’s population was, and is, about two times that of North Korea so on a per capita basis Pyongyang should expect
only half as much as South Korea. Yet, Japan is a much richer country today than it was in 1965, returns on investment have been high in East Asia, and many South Koreans now say their compensation should have been greater. The agreement did not, for example, include payment against “comfort women” claims.\textsuperscript{12}

Without question the amount of aid, even at the lower end of these ranges, would be a huge boost to the North Korean economy. Last year, for example, all of its imports from China were worth only about $5 billion, plus free crude oil deliveries worth probably around $600 million. Estimates of North Korean GDP vary widely but at the higher end, the Japanese aid could be the equivalent of an entire year of aggregate production. If used similarly to the way South Korea used its funds, Pyongyang could restore stability to what is now a “dollarized” monetary system, bring solid value to the North Korean \textit{won}, and restore international credit worthiness. And it could rebuild significant industries.\textsuperscript{13} In 1965, for example, Seoul spent about $130 million of the Japanese money to construct the POSCO integrated iron and steel plant, now one of the world’s largest steel producers and a major competitor to Japan’s industry. With a stable monetary system and improved industry and infrastructure, economic reforms as undertaken then by South Korea, and later by China, would be much easier and more effective.

**Highly Complimentary Potential Trade Relationship**

Profitable trade is driven by differences in comparative advantages and it would be hard to find two economies as close together as Japan and North Korea with larger differences, or complementarities. Japan provides an ideal market for almost everything Pyongyang has to offer, in terms of minerals and metals, coal, labor-intensive manufactured products, seafood, and particular Korean products aimed at the Korean-Japanese population. Japan, for its part, has the capital goods needed to restore North Korean industry and infrastructure. Since Japanese firms built North Korea’s original rail transportation, ports, mines, and electric power systems, systems still in service but in very poor condition, it has a natural advantage in competing for new work rebuilding them. Nonferrous metals mines, now virtually closed, for example, were developed with Japanese industry in mind and could easily be restored with Japanese funds and the Japanese market a short 400 miles away. And North Korea has a large but underperforming fishing industry that easily can find customers in Japan.

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<tr>
<th>Table 1. North Korea Exports ($ million)</th>
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<thead>
<tr>
<th></th>
<th>JAPAN</th>
<th>2015</th>
<th>CHINA</th>
<th>2015</th>
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<tr>
<td>Total</td>
<td>338</td>
<td>0</td>
<td>64</td>
<td>2,438</td>
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<tr>
<td>Textiles</td>
<td>116</td>
<td>0</td>
<td>1</td>
<td>63</td>
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<tr>
<td>Fish</td>
<td>63</td>
<td>0</td>
<td>11</td>
<td>108</td>
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<tr>
<td>Veg</td>
<td>42</td>
<td>0</td>
<td>.1</td>
<td>12</td>
</tr>
<tr>
<td>Coal</td>
<td>17</td>
<td>0</td>
<td>7</td>
<td>1,057</td>
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<tr>
<td>Iron/Steel</td>
<td>13</td>
<td>0</td>
<td>19</td>
<td>53</td>
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<tr>
<td>Zinc</td>
<td>11</td>
<td>0</td>
<td>.3</td>
<td>6</td>
</tr>
<tr>
<td>Apparel</td>
<td>11</td>
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<td>.2</td>
<td>166</td>
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<tr>
<td>Grain</td>
<td>.5</td>
<td>0</td>
<td>.5</td>
<td>15</td>
</tr>
<tr>
<td>Iron Ore</td>
<td>7.4</td>
<td>0</td>
<td>7</td>
<td>204</td>
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Source: Global Trade Atlas, February 2015.
To illustrate this potential see North Korean trade with Japan and China in 1995 and 2015 (Table 1) which includes selective products as ranked by 1995 Japan-North Korea trade. Japan was a far better export market for North Korea in 1995 than was China, with Japan accepting many agricultural and small-scale manufacturing products that North Korea had to offer. Imports were important but smaller than imports from China, consisting mostly of machinery and equipment and inputs for the textile industry. The result was a North Korean current account surplus with Japan. China in 1995 was a weak export market for North Korea, and Pyongyang, thus, ran a large trade deficit, although China also provided a significant amount of aid that covered the costs of the crude oil and some other commodities.

The situation by 2015, 20 years later, is dramatically different. Trade with Japan had fallen to zero and trade with China had shot up about ten times. China’s economic growth and especially its foreign trade is exceptional by all accounts and one would not have expected Japan-North Korean trade to grow as rapidly. Still there is no reason to think that with improved political conditions, much of the gap between North Korea’s China and Japan trade could be made up. Very important to North Korea is the reasonable chance that Japan would again become the country’s top export market or at least that it would have found a useful competitor to China.

### Travel and Tourism Potential

Since taking power in 2013, Kim Jong-un has focused attention on the country’s tiny tourism industry, pushing a goal of receiving one million foreign tourists by some undetermined date. This would be an increase from only about 100,000 visitors received in 2015, according to informal estimates by industry experts, most of whom came from China, but still would be a small number compared to the ten million received by South Korea. Tourism might seem an odd industry for North Korea to target, given its tight security apparatus and concern for foreign influence, but it is a relatively easy way to earn foreign exchange and is a standard economic development practice.
What seems to be missing in its tourism approach, however, is the ubiquitous Japanese traveler, ready for short week-end visits. Japanese travel and money restrictions have stymied such visits, and potentially lucrative tourist destinations on North Korea’s long and scenic east coast are barely visited by Chinese and other travelers. A small change in policy and acceptance of Japanese investments could easily bring in hundreds of thousands of Japanese tourists, each spending a thousand dollars or so a visit. South Korea received about 1.8 million Japanese tourists last year; a third of that for North Korea would not seem out of the question, helping achieve Kim’s goal and bringing in several hundred million dollars a year.

**Potential for FDI into North Korea**

Foreign-invested industrial facilities are strewn across North Korea, the result of Japan’s colonization and industrialization of the country (1910-45), Soviet and East European attempts to build what by now are long obsolete factories and power plants, and misguided West European investments in cement, petrochemicals, mines, power plants and nonferrous metals that never worked well enough to pay off the debts. Then there is the U.S. organized KEDO skeleton, a would-be 2,000 MW nuclear power plant that will never be finished. The newest such failed investment projects are South Korean: the Kumgangsan tourist resort and now the Kaesong Industrial Zone.16 These failures cast a gloom on North Korea’s economy and make it unlikely new foreign investment will come. Most had problems related to the command economy system in which they were placed—a system that does not encourage exports needed to repay the loans and which denied direct payment to workers, making productivity problematic. Pyongyang claims it is open to foreign investment and has set up a large number of special zones with liberalized regulations aiming to induce projects; however, no real successes can be shown to date. It is clear that major reforms to the economic system will be required for foreign investment to again play a large role in the economy.

Coupled with reform and large-scale Japanese reparation funds, however, North Korea could be an ideal place for FDI, going back to the reasons Japan was so interested in the country in the first place. Japanese investment in North Korea’s largest industrial establishment, the Kimchaek steelworks in the large industrial city of Chongjin might be appropriate. When it was built by Mitsubishi for Nippon Steel in 1938, Kimchaek was one of Asia’s largest steel mills and conveniently tapped Asia’s largest iron ore mine at Musan, on the Chinese border. Its port facility easily exported iron and steel to Japan. The plant currently employs about 33,000 workers, but has fallen into disrepair, leaving a large well-trained work force with little to do. Massive rebuilding costing billions of dollars is needed but, arguably, would pay off very well both for the foreign investor and the North Korean economy given the ideal location and nearby resources.

Many more such potential projects are easily apparent, especially in the minerals and metals area. North Korea has some of the world’s largest zinc reserves and high volumes of many other metals, including large deposits of rare earths and some gold. Less apparent but possibly more profitable and helpful to the North Korean economy would be investments in skilled labor industries, such as textiles, that could find ready markets in Japan. South Korea, despite being a relatively weak host for FDI—it prefers to have its own independent firms borrow funds from banks rather than accept foreign equity investments—has an accumulated total of about $32 billion in Japanese FDI. A North Korea seeking to catch up with the South could easily bring in much more than that from Japan.
CONCLUSION

The void in the current economic relationship with Japan is very costly to North Korea, but it offers potential for economic progress should Pyongyang be pushed into a situation that causes it to reach out in desperation, perhaps with parallels with South Korea in 1965 in mind. The opportunity cost of maintaining isolation and an unreformed economy is growing as sanctions bite, and, conversely, the benefits of reaching an accommodation with Tokyo are looming large, even lifesaving. Kim Jong-un probably thinks he is in the driver’s seat and can opt for rapprochement at any time with little cost and plenty to gain. However, as Japanese sanctions rise in response to the nuclear issue and not the abductions issue, Kim may be losing some of his leverage. Japanese politicians, and Abe himself, may feel they would gain by getting only the abductions issue settled so the question for them would become how much would they be willing to give Pyongyang if it gave in on abductions without resolving the nuclear problem. One suspects Tokyo, at some point, could find ways to rationalize solving one to help solve the other. But if not carefully communicated and discussed with the United States and the other Six-Party Talks players, this could drive a wedge that would dramatically weaken the international sanctions effort. Kim, no doubt, understands this well.

ENDNOTES

16. China, despite being North Korea’s largest trade partner, is not a big industrial investor in North Korea. A few aid projects have been built, and there are privately managed Chinese retail outlets and other service sector projects in Pyongyang.