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The Possibility of North Korea-China-Russia Economic Bloc and Violating Sanctions against North Korea amid the U.S-China Supply Chain Competition

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With the U.S.-China supply chain competition rapidly growing and the ROK-US-Japan joint line, which encompasses security, economic, and technological realms, newly formed, some argue there is the possibility the three countries-North Korea, China, and Russia-would expand their military security cooperation to form an economic bloc. The economic bloc of the three countries operates as follows: China is the economic and technological leader; Russia is a close coordinator; and North Korea maintains its regime by receiving assistance from China and making trade with China and Russia. Economic cooperation between North Korea and China and Russia could nullify the effect of resolutions against North Korea. Korea's economic security responses to the move by the three countries are countering China and Russia's efforts to erode the effect of North Korea sanctions through the value alliance between the ROK, the U.S., and Japan; preventing North Korea from participating in the economic bloc; and making China lose interest in economic cooperation with North Korea and Russia through economic security cooperation between the ROK-China-Japan, with pragmatism at the core. Last but not least, the value alliance between the ROK, the U.S., and Japan should hasten to reach an agreement on core norms in global supply chains, which are in the process of being reorganized, such as labor (issues surrounding human rights and forced labor), environment (carbon-free and carbon neutrality), and digital areas (data sovereignty) to undermine the economic bloc between North Korea, China, and Russia whose values and norms are in stark contrast to those of the value alliance between the ROK, the U.S. and Japan.

China initiated export controls on gallium and germanium, materials for the next generation semiconductors, in August 2023 and President Biden, in return, signed an executive order banning the U.S. investment in Chinese semiconductor and quantum computing sectors. In May 2023, China announced sanctions against Micron, a U.S. semiconductor company, pointing out security concerns over Micron products and placing a ban on purchasing any products manufactured by Micron in accordance with Cybersecurity Law of the People's Republic of China. In response to the sanctions imposed by the U.S. on China, it has decided to take a 'tit-for-tat' approach, which creates an increasingly fierce supply chain competition between the two countries. In the wake of President Biden's announcement of banning outbound investment to China through the executive order, China's Ministry of Commerce published a report titled *U.S.'s fulfillment of the WTO rules*, which contains 85 pages and was written both in English and in Chinese. In the report, China criticized the U.S. as a disruptor of global supply chains and a rule-breaker of market economy principles, intentionally emphasizing that the U.S. is undermining the authority, stability, and effectiveness of multilateral trading system, with a view to weakening U.S. global leadership and justifying multilateralism in China's Global Security Initiative as a grand strategy.

Amid rising tensions in the U.S.-China supply chain competition, some say North Korea, China, and Russia could form an economic bloc as a reaction or as offset strategy to the rivalry. In this bloc, China is the economic and technological leader; Russia is a close coordinator; and North Korea maintains its regime by receiving assistance from China and making transactions with China and with Russia.¹⁾ In particular, military security cooperation between North Korea, China, and Russia is being enhanced: in the face of provocations by North Korea, both China and Russia vetoed a UNSC additional resolution on North Korea; and the two countries have regularized joint military exercises. Russia amended its constitution in 2020 and included a principle that puts domestic law over international law, a condition that has made Russia argue it has no obligation to perform international law, such as a UN resolution, when it is in conflict with domestic law. North Korea boasted its solidarity with China and Russia by inviting Defense Minister Sergei Shoigu and Chinese Communist Party Politburo member Li Hongzhong to the military parade commemorating the 70th anniversary of the armistice between the two Koreas. There is also a growing suspicion that North

¹⁾ The kind of the economic bloc we are talking about is not a closed one born out of the geographical blocs we witnessed during the Cold War: we are here talking about partially open, geoeconomic bloc based on the solidarity of anti-Americanism and anti-Westernism, as well as mutual preferential conditions within members of a bloc. In this sense, the recent economic bloc unfolding as we speak can be interpreted as "retreat of global economic integration" found in an IMF report, one of the subordinate concepts of the fragmentation of the world economy. Shekhar Aiyar *et al*, *Geo-economic fragmentation and the future of multilateralism* (Washington, DC: International Monetary Fund, 2023).

Korea and Russia are involved in arms deals after North Korea bluntly supported Russia's invasion of Ukraine and held an arms exhibition for Russia's Defense Minister. On the eve of the trilateral leaders' summit between the ROK, the U.S., and Japan, the Chinese Ambassador and Russian Ambassador to South Korea and their counterparts to North Korea held bilateral talks respectively in Seoul and in Pyongyang on August 10 and on August 11. In addition, Kim Jong-un and Russian President Vladimir Putin exchanged letters on August 15, Korea's Liberation Day. As there are signs of resuming people-to-people exchanges between North Korea and China, which have been suspended due to the pandemic, with the reopen of the land routes between North Korea-China borders, there is a mounting concern that security cooperation between North Korea, China, and Russia could be expanded into an economic bloc.

The Possibility of the Economic Bloc between North Korea, China, and Russia and Its Limits

Since Russia's invasion of Ukraine in late February 2022, China-Russia trade reached USD 190.3 billion in 2022, a 30% increase compared to the prior year. In the wake of the war, China has used a situation to its own advantage, in which European Union banned imports of Russian oil and Russian banks were removed from Society for Worldwide Interbank financial Telecommunications (SWIFT), by increasing imports of Russian oil and switching from dollar to RMB to pay for commodities trade with Russia. The Chinese company Huawei has also constructed 5G network in Russia ditching the U.S. sanctions against it and a score of Chinese companies are now replacing business districts in Russia which used be filled with western companies. Chinese President Xi Jinping and Russian President Vladimir Putin announced in March 2023 the joint statement on Pre-2030 Development Plan on Priorities in China-Russia Economic Cooperation, vowing to strengthen their cooperation on a range of areas including trade, finance, and energy, as well as jointly improving quality of innovative technology. The move by China and Russia implies that the two countries are not just enhancing trade cooperation; they are actively responding to the U.S.-led attempts to reorganize global supply chains in the cutting-edge industries by boldly announcing their intention to form an innovative technology-related supply chain. Meanwhile, as more than 90% of North Korea's trade come from China, it aims to receive more support from China and Russia for the survival of its regime while maintaining an environment of acquiescence, where the two countries blink at the possession of nuclear weapons by North Korea, and distracting the U.S. from taking its containment strategy toward China and toward Russia. In the trilateral cooperation of North Korea, China, and Russia, there is the possibility that China and Russia formulates a geoeconomic bloc, but not only the role of North Korea in the triangle is insignificant, its

presence in global supply chains as well as the world economy is little, which is to say that the return of the “northern triangle” is unlikely and North Korea will heavily count on an economic bloc between China and Russia, should such network be formed.

As such, there are three limitations that might emerge if the three countries materialize the economic bloc. First, despite the fact they are like-minded countries, they have different opinions on how to become carbon-free and realize a sustainable environment, which are core norms in global supply chains being reorganized. China has made efforts to abide by environmental norms through its carbon-free and carbon neutrality policies, and it is not necessarily against strengthening joint response to climate change with the U.S. Russia is less interested in global carbon neutrality moves since its major exports are fossil fuels, along with Saudi Arabia and other similar countries. Although North Korea is calling on the international community to provide financial and other assistance for climate change response and adaptation, carbon neutrality is on the back burner due to its emphasis on regime survival and economic development. The reality that they are not on the same page when it comes to how to implement carbon neutrality will inevitably have a negative impact on the possibility of the emergence of the “northern triangle.”

Second, China and Russia are at the center of the triangle in terms of economic size and technological advancement, but China may not bear much fruit from this possible economic bloc and the so-called China-Russia’s “no limits” partnership may face fundamental limitations. China would continue to import Russian oil temporarily and sell its semiconductors, electronic products, and light industry goods to Russia as the U.S.’s containment policy toward China lingers and the odds of a recession in China is increasing. It has provided support to North Korea, including food, dairy products, essentials, and even workplaces for North Korean workers, and promoted trade with it, with a view to supporting North Korea for maintaining its regime, which is in favor of China, and deterring the influence of the ROK-U.S. alliance on the Korean Peninsula. However, China is well aware of the fact that the economic benefits arising from trade and supply chain cooperation with the U.S., European countries, South Korea, and Japan, who play a critical role in global supply chains, are much bigger than the economic benefits deriving from the economic bloc with Russia. This does not necessarily match the China-Russia rhetoric of limitless cooperation. China does not want to be viewed as a country that overtly support Russia for its invasion of Ukraine, a move that would probably undermine supply chain cooperation with European countries. Russia, too, is concerned about the possibility that China would expand its influence with the Belt and Road Initiative in the Far East and Central Asia. Furthermore, the kind of multipolar system China aspires to achieve is different from that of Russia. While China looks to establish its hegemony and replace the U.S. leadership through multipolarism, Russia seeks to create a global governance guided by

multiple, powerful countries including itself and China.

Last but not least, the asymmetry between the ROK-U.S.-Japan economic bloc and the North Korea-China-Russia economic bloc, as well as imbalance within the latter bloc, is another constraint. To begin with, the ROK, the U.S. and Japan are at the vanguard of global supply chains while, except China, North Korea and Russia are on the fringes. It is unlikely that there will be a fundamental shift in global supply chains in mid-to-long term. It is not just the U.S. and China at the heart of cutting-edge industries such as chips, secondary batteries, biotechnology, quantum computing, 5G, and AI; the ROK is getting ahead in memory chips while Japan excels at materials, parts, and equipment in the semiconductor industry. In contrast, other than North Korea and Russia will depend on China's appropriate technology by circumventing sanctions, it is next to impossible to get access to make-it-or-break-it technologies in the high-end industries developed by the U.S. and western countries. And the fact that China imports Russia's military weapons and fossil fuels while purchasing wigs, false lashes, and electric energy from North Korea has nothing to do with technological innovation. It is, therefore, fair to say that given the asymmetry between the ROK-U.S.-Japan economic bloc and the North Korea-China-Russia economic bloc, as well as imbalance within the latter bloc, the economic bloc of North Korea, China, Russia lacks sustainability.

Korea's Response: Strengthening Economic Security Cooperation of the Value Alliance between the ROK, the U.S., and Japan and Coordination between the ROK, China, and Japan with Pragmatism

There are three possible responses that South Korea can make against joint attempts by China and Russia to erode the effects of sanctions. First, economic security cooperation between the ROK, the U.S., and Japan should be strengthened. There should be diplomatic efforts by the three countries such as imposing secondary boycott against Chinese and Russian companies, which have violated UN resolutions concerning North Korea. The economic bloc between North Korea, China, and Russia could become a go-to means to evade sanctions, which will in turn serve as a critical hindrance to the denuclearization of North Korea. This possible scenario means ways to improve the effectiveness of sanctions on North Korea need to be included in the ROK-U.S.-Japan supply chain cooperation. Put differently, the ROK-U.S.-Japan supply chain cooperation has to devise airtight sanctions, especially in choke point areas such as cyber security and financial order to thwart gradual and insidious attempts by the other bloc to nullify the effect of sanctions against North Korea.

Second, the ROK-U.S.-Japan economic security cooperation needs to be connected to new norms. The reorganization of global supply chains is centered around labor (human rights and forced labor), environment (carbon-free and carbon neutrality), and digital evolution (data sovereignty). The value alliance between the ROK, the U.S. and Japan should rush to reach a consensus with preemptive steps on the aforementioned areas to have the upper hand in the value/norm competition over the economic bloc between North Korea, China, and Russia. China firmly opposes forced labor accusations in Xinjiang and a subsequent move to use them as a ground for supply chain sanctions. It, then, comes as no surprise that North Korea and Russia express their strong support for China. In the digital realm, North Korea, China, and Russia puts data sovereignty over free flow of data portability. Attempts to estrange North Korea, China, and Russia can be made through strengthened economic security cooperation between the ROK, the U.S., and Japan, particularly in carbon-free and carbon neutrality areas since the three countries have different opinions on these areas.

Third, South Korea and Japan have to convince China to stay away from North Korea and from Russia through the ROK-China-Japan economic security cooperation. If China becomes less passionate about the trilateral economic bloc, North Korea and Russia are much less likely to participate in activities through the “northern triangle.” China has to communicate and coordinate with South Korea and Japan when it comes to semiconductor cooperation, and the two countries also need to be in coordination with China for key materials for secondary batteries and general-purpose products, such as urea solution.

All of this could add up to a practical and critical solution: economic security cooperation led by the value alliance between the ROK, the U.S. and Japan and practical economic security cooperation between the ROK, China, and Japan are the two pillars in deterring North Korea, China, and Russia from forming and possibly expanding their own economic bloc. To be specific, the trilateral value alliance between the ROK, the U.S., and Japan should effectively block China or Russia’s attempts to violate sanctions against North Korea while practical, economic security cooperation between the ROK, China, and Japan should make China grow apart from North Korea and from Russia.

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