

American Hostility: US Financial Sanctions against North Korea and the Nuclear Issue

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A few weeks ago I was invited to comment on what I felt the change in China's government and the Communist Party leadership will mean for the future of China and for the UN. (1) I am not an expert on China, but I have by now had the experience of observing China's activity at the UN and particularly in the Security Council for almost seven years.

What I have observed recently, is that in some areas, like the Syrian conflict, China continues to insist on its long standing principle to support negotiations and to work toward a political settlement of the conflict. But in other areas, particularly the situation with the Democratic People's Republic of Korea (DPRK) China has seemed to be subordinating its emphasis on the peaceful settlement of conflicts to go along with the coercive actions proposed by the US government against the DPRK. (2)

One recent example occurred when the DPRK launched a satellite in December 2012. Some members of the Security Council complained that this was a violation of a resolution forbidding the DPRK from launching a ballistic missile. Though both a satellite launch and a ballistic missile launch use a rocket to do the launch, these forms of launches are not the same.

As Professor Bruce Cumings, the noted historian on the subject of the Korean Peninsula, explained in a talk he gave at Columbia University on March 2, 2013 (3):

1. A ballistic missile needs a reentry shield
2. A ballistic missile has to have targeting on reentry
3. A ballistic missile has to have a warhead.

The satellite launch by the DPRK did not have these three characteristics. As such, the satellite launch was significantly different from a ballistic missile launch.

The DPRK submitted statements to the Security Council and to General Assembly meetings explaining that there is an international treaty recognizing all nations right to the peaceful use of space. (4) The DPRK is a signatory of that treaty. The DPRK notes that there have been many satellite launches but only their satellite launch is classified as that of the launch of a ballistic missile. This is an indication, they explain, of the hostility of the US toward the DPRK.

In this situation neither China nor any other member of the Security Council asked that the DPRK be invited to present its view of this conflict to the Security Council members as

provided for in Article 31 of the UN Charter. Instead the Security Council expanded the sanctions it has imposed on the DPRK by issuing a new resolution against the DPRK, Resolution 2087(S/RES/2087(2013)), on January 22.

Instead of the members of the Security Council providing a process to engage the DPRK in negotiations, as China and other members of the Security Council had done in a few instances in the past, (5) all the members of the Security Council went along with the US government program of coercion and punishment of the DPRK.

The DPRK has explained that in response to hostile actions by the US and the use of the Security Council to support hostile action by the US, the DPRK needs to develop its nuclear defense capability. On February 12, 2013, the DPRK conducted its third nuclear test. The Security Council then issued Resolution 2094(S/Res/2094(2013)) on March 7 imposing additional sanctions on the DPRK, including a set of financial sanctions which are intended to reimpose substantial financial hardship on the DPRK. These financial sanctions are part of the focus of Resolution 2094.

These sanctions, journalists were told, were negotiated by the US and China and then accepted by the other 13 members of the Security Council. This is a process similar to that which was used in creating Resolution 2087 punishing the DPRK for launching a satellite.

There is prior experience with what the US puts forward as its use of financial sanctions against the DPRK, which has been called coercive diplomacy. It is significant to recognize that the imposition of such US financial sanctions against the DPRK preceded the first nuclear test undertaken by the DPRK. In September 2005, the US government used a little known provision of the US Patriot Act, Section 311 to blacklist a bank, the Banco Delta Asia, because the DPRK had \$25 million of its funds in the bank. This resulted in the funds of this bank being frozen and the DPRK losing access to the funds in its account for two years. These financial sanctions were imposed in a such a manner that they represented a threat that any bank doing business with the DPRK would be vulnerable to similar sanctions, effectively denying the DPRK access to the international banking system. (6)

Prior to the imposition of these financial sanctions against the DPRK by the US, the DPRK had not tested any nuclear device. And it was only after the DPRK carried out a nuclear test that the US State Department became willing to negotiate about ending these financial sanctions.

So the US blacklisting of the Banco Delta Asia, an action taken by the US Treasury Department against the DPRK, was the Godfather of the DPRK's determination to develop its nuclear capability. There are present and past US government officials, however, who erroneously claim that the Banco Delta Asia sanctions were effective in stopping the DPRK's nuclear program.(7) The opposite is the reality. The US financial sanctions against the DPRK were one of the significant factors which the DPRK cites which convinced them of the need for a nuclear weapon as a defense against such US hostility.

Hence the financial sanctions wielded by powerful nations are the thrust to spread nuclear proliferation not a means to contain proliferation. The focus on the form of financial sanctions in Resolution 2094 demonstrates the failure of the UN Security Council to learn from past experience. The DPRK has documented how it has been the victim of a hostile policy on the part of the US since its origin as a result of the US imposed division of Korea

after WWII.(8)

Over 60 years ago, the US artificially divided Korea, a nation which prior to this division had a history of over 1000 years as a single nation. After WWII, Korea was divided into two states using a US manipulated UN General Assembly process in 1948 to consolidate the division.(9) That division continues until today .

Under the Patriot Act Section 311 provision used to justify the blacklisting of the Banco Delta Asia bank, a bank in Macao, China, the US government had no obligation to present evidence to back up its claims. But in documents submitted to the US government, Stanley Au, the chief stockholder of the Banco Delta Asia, effectively demonstrated that the claims presented by the US government against his bank were fallacious.(10)

Furthermore, it is important to recognize that the action taken against the Banco Delta Asia has been described in testimony presented at US government hearings, as a politically motivated action targeting China. According to one of the former government officials who helped to plan this action, the Banco Delta Asia was intended as a “symbolic target.” Describing this action at one of several hearings discussing the blacklisting of Banco Delta Asia, David Asher said (11):

“(T)here’s an old saying in Chinese, ‘You kill the chicken to scare the monkeys’. We didn’t go out and cite a multitude a Chinese financial institutions that have been publicly identified as working with North Korea over the years....We did need to designate one small one though, and that one small one sent a message to all the other ones....”

Asher explained that the purpose of the action by the US government against the Banco Delta Asia was to target North Korea and its access to the international banking system. An even more important purpose for the US government officials planning this action, he clarifies, was to issue a threat to the Chinese banking system.

The imposition of similar financial sanctions by the UN Security Council in Resolution 2094 demonstrates its surrender to US pressure to create a resolution based on illegitimate processes previously undertaken by the US government. The US government action against the Banco Delta Asia in 2005 was an early foray into creating a system of punishment that its advocates falsely claim was effective to stem proliferation. But in reality, the opposite is the case. The blacklisting of the Banco Delta Asia represented an abusive use of the international finance system against a victim nation.

Financial sanctions as imposed on nations like the DPRK not only harm that nation and its people, but they also end up creating havoc in the international financial system. The international financial system was being used as a political weapon, rather than being protected so that its integrity could be maintained.

With the US Treasury Department blacklisting the Banco Delta Asia, it was not only the DPRK that lost access to its funds, but also private bank account holders at the bank had their funds frozen.

After the US Treasury Department actions against the DPRK in 2005, only one mainstream US media organization, the McClatchy Newspapers carried stories investigating the actions by the US Treasury Department against the Banco Delta Asia. Also a blog called China Matters and several other online publications like OhmyNews International, then an English

edition of the Korean online publication OhmyNews, carried articles which helped to expose the US Treasury Department's false claims and the support of these US government actions by the mainstream US media.

The acquiescence by UN Security Council members to sanctions designed by the US against a smaller nation like the DPRK, both in 2006 when the Security Council passed Resolution 1718 condemning the DPRK, and more recently when the Security Council passed Resolution 2094 supporting similar sanctions, demonstrates the need for a vibrant watchdog media and for netizens who will monitor what is being done by the Security Council. It is important to have a netizen media that will probe what is behind the actions taken by the Security Council and what the real effects of such actions are on the peoples and nations that such sanctions target.

The example of the US blacklisting of Banco Delta Asia demonstrates that the use of financial sanctions by nuclear powers like the US against small nations like the DPRK will not stop nuclear proliferation. Instead, it will serve to convince small nations that they need a means to protect themselves against abuse by powerful countries like the US and UN Security Council actions supporting such abuse. It will also hasten efforts by other nations to create an alternative architecture to the current US dominance of the international financial and banking systems.

Notes

1. A shortened and edited version of an article written in response to the request appeared in a Chinese translation in the Hong Kong Commercial Daily.

An html version: http://www.hkcd.com.hk/content/2013-03/11/content_3159378.htm

A pdf version: <http://www.hkcd.com.hk/pdf/201303/0311/HA05311CGCC.Pdf>

2. See Ronda Hauben, "US Proposed UN Security Council Resolution Against DPRK Can Only Increase Tension on the Korean Peninsula"

<http://blogs.taz.de/netizenblog/2013/03/06/us-proposed-unsc-resolution-against-dprk/>

3. See Bruce Cumings, "The Fruits of Engagement with North Korea, 1994—2008", University of Chicago, talk given at Unify Korea Common Ground Conference, Korea Art Forum, Columbia University, March 2, 2013.

4. See for example, the Statement by Kim Yong Song, on Agenda item "Report of the Special Committee on the Charter of the United Nations and on the Strengthening of the Role of the Organization", New York, February 19, 2013, p. 3.

5. Ronda Hauben, "Two Precedents for UN Security Council Action to Calm Tension in the Korean Peninsula."

<http://blogs.taz.de/netizenblog/2013/03/04/two-precedents-unsc-korean-peninsula>

6. Ronda Hauben, "North Korea's 25 Million and Banco Delta Asia"

http://english.ohmynews.com/ArticleView/article_view.asp?no=351525&rel_no=1

"Behind the Blacklisting of Banco Delta Asia: Is the policy aimed at targeting China as well as North

Korea?”

http://english.ohmynews.com/articleview/article_view.asp?no=362192&rel_no=1

7. Hearing, US House of Representatives, March 5, 2013, House Committee on Foreign Affairs. The testimony of the three witnesses, and the Chairman demonstrate that there are those making the false claim that the blacklisting of Banco Delta Asia was an effective way to stop proliferation.

<http://foreignaffairs.house.gov/hearing/hearing-north-korea%E2%80%99s-criminal-activities-financing-regime>

8. KCNA, “DPRK Terms U.S. Hostile Policy Main Obstacle in Resolving Nuclear Issue”, Memorandum by the Foreign Ministry of the Democratic People’s Republic of Korea, August. 31, 2012. Also submitted by the DPRK to the Security Council to be listed as an official UN document.

<http://www.kcna.co.jp/item/2012/201208/news31/20120831-21ee.html>

9. See the article by Jay Hauben, “People’s Republic of Jeju Island 1945-1946”

http://www.columbia.edu/~hauben/jeju/Jeju_Island_1945-1946.doc

A version of the article appears in PEAR, Yonsei Journal of International Studies, Volume 3, Issue 2, Fall/Winter 2011, pp. 277-284

http://sinonk.files.wordpress.com/2012/06/people_s-republic-of-jeju-island-1945-1946.pdf

10. China Hand, “Stanley Au Makes His Case for Banco Delta Asia, China Matters”, May 15, 2007

<http://chinamatters.blogspot.com/2007/05/stanley-au-makes-his-case-for-banco.html>

11. US Government, “China’s Proliferation to North Korea and Iran, and its role in addressing the nuclear and missile situations in both nations,” Hearing before the US-China Economic and Security Review Commission, 109th Congress, November 2006, p. 115-116.

http://www.uscc.gov/hearings/2006hearings/transcripts/sept_14/06_09_14_trans.pdf

See also China Matters, “David Asher’s Dead End”

<http://chinamatters.blogspot.com/2007/04/david-ashers-dead-end.html>

“Banco Delta was a symbolic target. We were trying to kill the chicken to scare the monkeys. And the monkeys were big Chinese banks doing business in North Korea...and we’re not talking about tens of millions, we’re talking hundreds of millions.” David Asher, oral testimony, April 18, 2007
Asher’s opening statement and subsequent responses taken from House Foreign Affairs Subcommittee on Terrorism, Nonproliferation, and Trade, April 18, 2007

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