

US hits China, Russia with punitive sanctions over North Korea

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The Trump administration yesterday unilaterally imposed sanctions on Chinese and Russian entities and individuals over their alleged trading activities with North Korea. The US Treasury's announcement is a deliberate slap in the face to Beijing and Moscow after both voted earlier this month in the UN Security Council for tough new UN penalties on Pyongyang over its long-range missile tests in July.

The sanctions target six Chinese-owned companies, one Russian, one North Korean and two based in Singapore. Six individuals—four Russians, one Chinese and one North Korean—have also been hit. As a result, all of the individuals and entities will have any property and funds in the US frozen and will not be able to do business with US corporations, banks or citizens.

US Treasury Secretary Steven Mnuchin declared that it was “unacceptable” for Chinese and Russian individuals and companies “to enable North Korea to generate income” for its weapons programs. While nominally acting to reinforce UN sanctions, Mnuchin's sweeping statement effectively precludes any company from doing business with North Korea—well beyond the scope of UN resolutions.

Moreover, the US Treasury has not substantiated any of its allegations. Among those targeted are three Chinese companies accused by the US of breaching UN sanctions by importing nearly \$500 million worth of coal from North Korea between 2013 and 2016. The purchase of North Korean coal was subject to an annual limit, not a complete ban until this month's UN sanctions. Earlier this year China suspended further coal imports.

Coal sales are worth more than \$1 billion a year for North Korea and represent a significant portion of total exports of around \$3 billion. By targeting coal and other minerals, the US is seeking to cripple the North

Korean economy and undermine the Pyongyang leadership.

Other entities hit by sanctions include Dandong Rich Earth Trading, a Chinese company accused of importing vanadium; Gefest-M, a Russian company alleged to have bought procuring metals for a North Korean company involved in weapons development; and Mingzheng International Trading, a China- and Hong Kong-based bank that allegedly provides financial services for North Korea's Foreign Trade Bank.

In addition, the US Justice Department has filed suit against two of the companies, Velmur Management of Singapore and China's Dandong Zhicheng Metallic Material Company, demanding more than \$11 million over alleged money-laundered for North Korea.

The imposition of so-called secondary sanctions, that is, unilateral US penalties, has been under discussion in the US for some time. The US imposed similar sanctions in June on the Bank of Dangong, a Chinese financial institution, which it accused of helping Pyongyang engage in money laundering, and several other individual and entities.

The US targeting of Chinese and also Russian companies makes clear that Washington is exploiting the tense situation with North Korea as part of its wider confrontation with Beijing in particular. The supposed threat posed by North Korea's limited nuclear arsenal provides a convenient pretext for the Pentagon's military expansion in the Asia Pacific that began as part of the Obama administration's “pivot to Asia” aimed against China.

China has reacted angrily to the latest round of US sanctions. Its embassy in Washington stated that China opposed any unilateral sanctions outside the UN framework, “especially the ‘long-arm jurisdiction’

over Chinese entities and individuals exercised by any country in accordance with its domestic laws.” A spokesman called on the US to “immediately correct its mistake” and hinted at retaliation by adding, “so as not to impact bilateral cooperation on relevant issues.”

The US sanctions, which are aimed at forcing Beijing and Moscow to force Pyongyang to abandon its nuclear program, will only heighten tensions in the Asian region. They follow a series of reckless statements by President Trump menacing North Korea with “fire and fury like the world has never seen” if it threatened the United States.

Pyongyang responded by announcing plans to test fire missiles into waters close to the American territory of Guam but North Korean leader Kim Jong-un backed off last week saying he would watch what the US did before acting.

US Secretary of State Rex Tillerson yesterday hinted at a possible path to talks with the Pyongyang regime. Speaking to the media in Washington, he said that North Korea had “demonstrated some level of restraint that we have not seen in the past” by not conducting missile launches since the latest round of UN sanctions.

“We hope that this is the beginning of this signal that we have been looking for,” Tillerson said, adding that “perhaps we are seeing our pathway to sometime in the near future having some dialogue.” He concluded, however, that “we need to see more on their part.”

Tillerson has previously made clear that any talks must be premised on North Korea’s complete abandonment of its nuclear and ballistic missile programs and existing arsenals. Pyongyang, however, insists that it will not give up its nuclear weapons while confronted with the continuing threat of US attack.

While Tillerson and other Trump officials have suggested that a diplomatic solution to the confrontation with North Korea could be found, the US military threat remains. The Pentagon is proceeding this week with major joint war games in South Korea involving tens of thousands of US and South Korean military personnel.

Moreover, in the wake of a fatal collision between a US guided-missile destroyer and a tanker near Singapore on Monday, the top US commander in the Asia-Pacific warned against any attempt to take advantage of apparent weaknesses in US military operational capacity. Following the collision, the

Pentagon ordered a suspension of all US fleet operations around the world to assess procedures and training.

Admiral Harry Harris, the head of US Pacific Command (PACOM), yesterday warned that it would be “foolhardy” for anyone to test the US militarily. His remarks, made at the Osan Air Base in South Korea, were clearly aimed against North Korea. Harris said that the collision did not affect the US military’s ability “to defend the [Korean] peninsula and our interests in the region.”



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