



# SPECIAL REPORT

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## ABOUT THE REPORT

This report draws on discussions at two international conferences in China, "Breaking the Stalemate on the Korean Peninsula," hosted by the Beijing-based Foundation of International and Strategic Studies, February 9–10, 2006, and "North Korean Nuclear Issues and China-U.S.-South Korea Relations," sponsored by the Shanghai Academy of Social Sciences, October 18, 2006. Scott Snyder is a senior associate at the Asia Foundation and the Pacific Forum of the Center for Strategic and International Studies. He was a program officer at the United States Institute of Peace from 1994 to 1999. Joel Wit is a senior associate at the Center for Strategic and International Studies.

**The views expressed in this report do not necessarily reflect the views of the United States Institute of Peace, which does not advocate specific policy positions.**

*Scott Snyder and Joel Wit*

## Chinese Views

### Breaking the Stalemate on the Korean Peninsula

#### Summary

- The second North Korean nuclear crisis, which climaxed with the test of a nuclear device on October 9, 2006, has influenced the views of Chinese specialists. By revealing the status of North Korean nuclear development, Pyongyang's nuclear test was a poke in the eye of Chinese leaders, who had tried privately and publicly to dissuade North Korean leaders from conducting a test.
- As a result, China has taken stronger measures to get Pyongyang's attention, including a temporary crackdown on North Korea's illicit financial activities. These changes spotlight an ongoing debate within the Chinese academic community over whether North Korea (DPRK) could become a strategic liability rather than a strategic asset.
- This debate centers on whether it is necessary to set aside China's loyalty to the current North Korean regime in order to maintain good U.S.-China relations and achieve China's objectives of developing its economy and consolidating its regional and global economic and political influence. Or is maintaining North Korea as a strategic buffer still critical to preserving China's influence on the Korean peninsula? An increasingly vocal minority of Chinese specialists is urging starkly tougher measures in response to North Korea's "brazen" act, including reining in the Kim Jong Il regime or promoting alternative leadership in Pyongyang.
- Although their sympathy and ideological identification with North Korea has waned, many Chinese policy analysts clearly prefer North Korea's peaceful reform to a U.S.-endorsed path of confrontation or regime change. China's policymakers have sought to forestall North Korean nuclear weapons development, but they continue to blame U.S. inflexibility for contributing to heightened regional tensions over North Korea's nuclear program.
- Chinese analysts fret that economic and political instability inside North Korea could negatively affect China itself. They have shown more concern about the North Korean regime's stability in recent months than at any time since the food crisis in the late 1990s. Chinese policymakers ask how to encourage North Korea's leaders to embark

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on economic reform without increasing political instability. Discussions with Chinese experts reveal considerable uncertainty about the future of North Korean reform.

- The possibilities of military confrontation on the Korean peninsula, involving the United States and either a violent regime change or destabilization through North Korea's failure to maintain political control, are equally threatening to China's fundamental objective of promoting regional stability. These prospects have increased following North Korea's nuclear test and the strong reaction from the international community, as shown by UN Security Council Resolution 1718.
- China's economic rise has given it new financial tools for promoting stability of weak states on its periphery. Expanded financial capacity to provide aid or new investment in North Korea might help it achieve political and economic stabilization. The Chinese might prefer to use the resumption of benefits temporarily withheld as a way of enhancing their leverage by reminding the North of its dependence on Beijing's largesse.
- Managing the ongoing six-party talks will pose an increasingly difficult diplomatic challenge for China. Chinese diplomats take credit for mediation and shuttle diplomacy, but their accomplishments thus far have been modest. Talks have been fairly useful in stabilizing the situation, but they have also revealed the limits of China's diplomatic influence on both the United States and North Korea. U.S. intransigence is as much an object of frustration to the Chinese as North Korean stubbornness.
- Chinese analysts clearly have given thought to potential consequences of regime instability. For example, the Chinese military's contingency plans for preventing the spillover of chaos into China and for seizing loose nukes and fissile material imply that Chinese forces would move into North Korean territory.
- Without effective coordination, simultaneous interventions in the event of unforeseen crisis inside North Korea could lead to direct military conflict among U.S., Chinese, and South Korean military forces. Rather than accept South Korean intervention backed by the United States as a prelude to reunification, Chinese analysts repeatedly emphasize that "the will of the North Korean people must be considered" in the event of instability. If intervention were necessary, China clearly would prefer insertion of an international peacekeeping force under UN auspices. Such a force would establish a representative government, which would then decide whether to negotiate reunification with South Korea.

## Introduction

North Korea's nuclear test marked the culmination of more than four decades' work by its nuclear scientists, as well as the failure of U.S. policy under both Republican and Democratic administrations over at least two decades. The October 9, 2006, nuclear test sparked a surprisingly rapid, unanimous UN Security Council resolution condemning the test and placing sanctions on the supply of nuclear or missile components, conventional military equipment, and luxury goods to North Korea, under Article 41 of Chapter VII of the UN Charter. A UN committee will determine the items to be interdicted under the resolution. But its enforcement depends on voluntary implementation and reporting by member states, with no compulsory enforcement mechanism in place.

Many analysts expected the test to cause a significant shift toward harsher South Korean and Chinese attitudes and policies toward North Korea. Despite protestations from U.S. officials that "North Korea could have nuclear weapons or it could have a future" and Secretary Rice's efforts on a trip to the region immediately following passage of Resolution 1718, it was not clear that all states were committed to requiring North Korea to abandon its nuclear weapons program—especially if that objective might risk creating

regional instability. Nor did it seem that the North Korean nuclear test was likely to trigger a domino effect in the region by inducing Japan, South Korea, and Taiwan to develop nuclear weapons.

Within three weeks of the test, Assistant Secretary of State Christopher Hill met with DPRK Vice Foreign Minister Kim Kye-gwan in Beijing and announced the resumption of six-party talks, but Kim Jong Il showed no sign of giving up nuclear weapons. North Korea seemed much closer to following the example of India and Pakistan rather than Libya. The former two nations tested nuclear weapons in 1998 and survived a brief period of global outrage and economic sanctions. In contrast, Libya voluntarily pledged to give up its pursuit of nuclear weapons and allowed international inspections and removal of nuclear components in return for economic benefits and normalization of relations with the United States. Despite predictions of a dramatic regional shift in policies in response to North Korea's nuclear test, surprisingly little appears to have changed.

Until the test, China's fundamental policy objective toward the Korean peninsula had been maintenance of stability on its periphery, not the denuclearization of North Korea, as the United States desires, or inter-Korean reconciliation and reunification, South Korea's top policy priority. Before the test, the Bush administration had argued that a nuclear North Korea would be inherently destabilizing, in hopes that China would apply greater pressure to keep North Korea from developing and testing nuclear weapons. As it applies sanctions to North Korea, China's objective is to ensure regional stability, avoiding the nightmare of having to deal with a destabilized, nuclear North Korea.

A second, long-term Chinese policy objective—now feasible to a greater extent than ever before in light of Beijing's increasingly central role—has been to enhance its influence and ability to shape events on the peninsula in ways favorable to Chinese interests. According to one retired Chinese military official, the result should be a Korean peninsula "peaceful, neutral, friendly, and open to China," possibly involving the eventual withdrawal of U.S. military forces from the peninsula.

In the 1990s China remained passive as tensions rose between North Korea and the international community over its nuclear development efforts. Now Chinese scholars have unprecedented freedom to advocate publicly a wide range of possible approaches and recommendations for dealing with the current crisis. But the internal debates at the highest leadership levels of the government regarding policies toward North Korea remain closely held. Despite Beijing's sharp response to North Korea's nuclear test and its surprising willingness to join the rest of the UN Security Council in condemning North Korea for conducting the test, the overall direction and priorities of Chinese strategic objectives toward the Korean peninsula appear focused on maintaining regional stability by restoring Beijing's influence with the North Korean leadership. This means temporarily withholding strategic goods that North Korea needs. Another important purpose is to prevent a rise in tensions that could lead to either a U.S.-led military attack against North Korea or steps by the North Koreans that could enhance instability. The tools available to China include diplomacy in the six-party talks, pursuit of regular high-level contacts with Kim Jong Il, and the management of trade, aid, and investment ties with Pyongyang.

## **An Evolution of Views?**

Chinese scholars and officials were highly dubious about North Korea's technical capabilities in the nuclear field at the start of the recent crisis, openly discounting allegations that the North Koreans could build an atomic bomb or had pursued covert uranium-enrichment efforts. However, Chinese officials have been forced by the test to recognize North Korea's capability to produce nuclear weapons using its slowly growing stockpile of plutonium. Moreover, they acknowledge that Pyongyang might have pursued uranium enrichment through the nuclear smuggling network led by Dr. A.Q. Khan, the Pakistani nuclear scientist, as Iran and Libya did.

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Likewise, the Chinese government initially seemed wary of trying to compel North Korea's cooperation with the international community; but more recently it has quietly pursued its own retaliatory measures, targeting North Korean financial accounts allegedly used in illegal counterfeiting and money-laundering activities. This increases the likelihood that North Korean counterfeiting activities involve not only the U.S. dollar but also the Chinese currency.

However, conservative hopes in Washington for even tougher Chinese measures, designed to force a North Korean "strategic decision" between cooperation with or isolation from the international community, have not yet been fulfilled, even following the North Korean nuclear test. One Chinese analyst describes North Korea as a wayward son who requires discipline from a parent. Any "punitive actions" do not change the fundamental relationship between parent and child.

Many Chinese specialists on Korean affairs continue to express skepticism that increased coercive measures against North Korea are likely to have the desired effect. Instead, they worry that such measures will further diminish Beijing's leverage, which they tend to see as limited despite North Korea's considerable economic dependence on China and in light of China's overarching objective of avoiding instability on the peninsula. At the same time, frustration has grown with North Korea's hesitancy to pursue bolder reform measures, its crisis escalation tactics, and its reluctance to participate in the six-party talks. But most Chinese analysts also maintain that the United States is the party with the greatest capacity to induce North Korea to pursue economic reform by allaying North Korea's concerns that the United States is pursuing a hostile policy toward the DPRK.

## China's North Korea Dilemma

Chinese scholars have focused during the past year on analyzing prospects for North Korea's regime stability. They take heart from North Korea's current experiences with agricultural reform (decreasing size of production units, changing methods of distribution), largely drawn from the Chinese reform experience. However, they do not view as an encouraging sign the fact that these reform efforts remain subordinated to North Korea's "military-first politics" (*songun ch'ongchi*), in which the military predominates over the Korean Workers Party and the government.

North Korea and China had expanded their economic and trade relations through early 2006, but Chinese customs figures show no growth since the North Korean nuclear test. To a considerable degree, China's economic policies toward North Korea have been designed to prevent instability through expanded economic assistance of the kind it provided in the mid-1990s. At that time Beijing sent substantial amounts of food aid to Pyongyang at the height of the famine as a way of keeping North Korean refugees from crossing the border. Since then the economic situation has stabilized and there is no immediate alarm regarding the possibility of renewed refugee flows. But the Chinese are deeply impressed by the severity of the policy dilemma that the North Korean leadership now faces.

Chinese analysts assert that it is increasingly clear (even to Kim Jong Il) that without economic reforms, the North's political leadership cannot survive. However, economic reform for a small country facing a hostile international environment may involve fatal political risks in opening to the outside world. Chinese reforms were based on Deng Xiaoping's judgment that China faced few external threats. In contrast, the context in which North Korean leaders are considering reforms is very problematic. Chinese analysts believe that so far the North has tried to pursue economic reforms without opening.

Chinese specialists who have worked most closely with the North Koreans in recent years argue that the two countries have shared cultural and ideological values for decades. These ties provide a foundation for China to build good relations with both Koreas. While not abandoning North Korea, China has also strengthened a comprehensive partnership with South Korea in recent years, drawing on converging cultural values, economic inter-

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ests, and mutual interest in expanding regional economic development. Chinese analysts insist that regional peace and stability are preconditions for resolving the North Korean nuclear issue. They repeatedly emphasize that North Korea's security concerns must be addressed as part of this process.

Chinese trade with North Korea has grown on the basis of centrally planned coordination between the two governments. The exchange of visits between Chinese President Hu Jintao and Kim Jong Il in late 2005 and early 2006 was the most extensive ever between the two countries. Chinese analysts point out that during his trip to southern China in January 2006, Kim Jong Il showed interest in China's reforms, especially in the industrial, agricultural, and hydropower sectors. China also has suggested increasing commerce among both countries' private-sector enterprises. Chinese observers note that private-sector exchange on a market basis (not directed by the central government) is spontaneously developing. They point out that the old-style, centrally planned, state-to-state economic relations between China and North Korea are becoming increasingly impractical, and even impossible, for China to participate in. As China has pursued domestic economic reforms, it has become more difficult for the government to mobilize resources from the private sector on the basis of a centrally directed plan or bilateral government agreement.

Chinese analysts assert that market-based transactions are primary in fueling growth in bilateral trade with North Korea. Although they provide no empirical basis for this observation, anecdotal evidence does suggest an emerging "market demand" in North Korea through growing cross-border, barter trade. But this trade has also been beset by problems, including North Korean failure to pay on time, if at all. In response to growing South Korean anxieties about China's dominant economic role in North Korea, some Chinese analysts say Sino-DPRK cross-border barter trade is more market-oriented than inter-Korean trade through the Kaesong Industrial Zone. This is a South Korean government-subsidized industrial zone near North Korea's border with South Korea, where South Korean companies hire North Korean workers and North Koreans learn capitalist management practices.

There is evidence that larger Chinese companies, driven by China's ever-increasing energy needs, have made new investments in the North Korean energy and natural-resource sectors. But some "investment," such as the \$24 million glass factory built on the outskirts of Pyongyang, is actually direct, central government-provided assistance. Closer intergovernmental ties have resulted in a number of new international agreements on shipping, investment protection, and natural-resource exploration.

Still, according to Chinese analysts, although reform is under way in the North, it is distorted and incomplete. At least one Chinese expert has argued that fundamental changes are occurring in North Korea at three levels: the relationship between the state and the public, between the state and the enterprises, and between central and local government. Fundamental changes have occurred, but they have been imposed by circumstances rather than the state. The central government's failure to provide policy leadership, the increased exchange of information, and greater freedom for ordinary people to barter in the local market for the goods they need instead of relying on government-controlled rations are all increasing political disaffection inside North Korea. These factors are most worrisome to Chinese analysts, as they reveal the depth of the political risks the North Korean leadership now faces.

Many Chinese experts believe the military-first policy remains the immediate structural obstacle to more aggressive North Korean economic reforms. But they also emphasize that the military's dominant role will not be adjusted unless the United States acts to allay North Korean fears of a U.S. threat.

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## **Limits of Six-Party Talks and Chinese Diplomacy**

The first nuclear crisis of the 1990s led to U.S.-DPRK bilateral negotiations resulting in the 1994 Geneva agreed framework.<sup>1</sup> Continuing mutual mistrust between the DPRK and



***China is no longer on the periphery of nuclear diplomacy.***

the United States has dictated that all the regional stakeholders participate in a six-party diplomatic process. One Bush administration senior official has aptly referred to the six-party negotiations over the North Korean nuclear issue as like the Rubik's cube puzzle; all six parties must eventually align for the negotiations to yield a satisfactory outcome.

This regional formula for addressing the North Korean nuclear challenge has placed China at the center as host and mediator of the talks. As the party that has the closest relationship with and most influence over North Korea, China is no longer on the periphery of nuclear diplomacy but instead has gained influence over Korea-related diplomatic activity and the range of possible outcomes on the peninsula. Thus, China's fundamental priorities—and the extent to which those priorities coincide with those of the United States in South Korea—must be considered as part of the search for a solution.

The six-party talks represent China's first foray into the role of mediator on the international diplomatic scene, but it should not be surprising that Beijing would be ready to take a direct and active role. Previously Chinese leaders cited the principle of noninterference in other states' internal affairs as a pretext for remaining on the sidelines in efforts to mediate international disputes. But China's political and economic stakes in stability on its periphery make it impossible to ignore potential spillover effects from conflict there. China also has friendly economic and political relations with its neighbors that help ensure a stable environment for its own economic development.

China's approach to mediation thus far has been that of a self-characterized "honest broker," trying to bring respective parties together and facilitate dialogue but not claiming ownership of or taking responsibility for the result. China's active hosting and mediating roles also ensure it a seat at the table, but Beijing has not yet publicly advocated concrete proposals for how to move forward in addressing the North Korean nuclear issue. Some Chinese analysts have expressed concern that China's support for UN Security Council resolutions condemning North Korea's missile and nuclear tests might cause the DPRK to think that China is no longer a neutral mediator. This perception could reduce China's leverage over both the DPRK and the United States. Mistrust between the United States and North Korea is at its highest since the nuclear test, but talks are the only available diplomatic mechanism available to address this issue.

The Chinese increasingly question whether the United States really wants to resolve the North Korean nuclear issue. They suggest that until Washington demonstrates that a diplomatic solution is a top priority for the administration, China can do little to facilitate further negotiations.

Perhaps because of this recognition that the six-party talks are a limited tool, Chinese analysts also believe that establishment of a permanent institution to promote dialogue will ultimately be necessary to manage regional relations. They still believe that U.S.-Asian alliances are based on the Cold War premise of an opposing threat from China. Therefore these alliances conflict with a cooperative approach to managing regional security. The Chinese ask how the alliances might be adjusted to accommodate a permanent institution to resolve regional security problems. Aside from raising questions and suggesting that alliances and cooperative security mechanisms may be incompatible, however, Chinese analysts are waiting for the United States (and North Korea) to make strategic decisions about how to approach the nuclear issue and build the foundations for peace and prosperity in Northeast Asia.

## **Possible Instability in North Korea**

Chinese analysts agree that every effort should be made now to prevent instability on the peninsula. Indeed, that is the main thrust of Beijing's diplomatic strategy and its stepped-up bilateral relations with Pyongyang. But it may not be possible for any party to prevent political instability in North Korea. Whether triggered by diplomatic failure at the six-party

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talks or an internal political event, such as an aborted succession or the failure of reform, sudden change on the Korean peninsula remains a distinct possibility.

With the prospect of political instability or collapse, one last-ditch option might be for China to intervene to promote an orderly political succession in North Korea. Clearly, Beijing has invested significant economic resources in enhancing its potential leverage and range of contacts inside North Korea, but there is little evidence that China wishes to induce political change there by any means at its disposal. Chinese analysts know that change in North Korea is inevitable, but they claim that there is no alternative to Kim Jong Il's leadership, in which they have made a significant political investment. Instead of trying to promote a political succession (which would entail significant costs if such efforts were uncovered), Chinese policymakers may rest assured that any successor North Korean regime will continue to depend economically on China.

Certainly, the Chinese military has given serious consideration to the ramifications of North Korea as a failed state and admits that in certain circumstances military intervention might be necessary. It is no accident that Chinese forces have moved closer to the North Korean border in recent years. Military analysts assert that Chinese contingency plans are in place to intervene for "environmental control," to secure nuclear weapons and fissile materials in the event of regime instability. But the immediate concern is to keep illegal North Korean border-crossers or organized marauders from raiding Chinese territory, as well as to manage refugee flows that could result from a collapse of political control.

Just as threatening as violent regime change or the destabilization of North Korea through a loss of political control is the possibility of military conflict on the peninsula. Chinese analysts are particularly sensitive to the fact that instability in North Korea might create an "irresistible temptation" for South Korea, with U.S. support, to reunify the peninsula. Chinese analysts repeatedly emphasized that "the will of the North Korean people must be considered" in the event of instability inside that country. Although some Chinese analysts disavow the possibility that Beijing would attempt to exert direct political and military control over North Korea, one asserted that "China will not accept control of the peninsula by a hostile force." A key factor in this context will be the level of strategic trust between China and the United States and perceptions of how far each side will go to secure its own interests. There is a clear concern that the United States would intervene militarily regardless of the views of the international community (or China), as it did in Iraq.

Some Chinese argued that any internally driven regime change in North Korea would naturally work itself out to maintain the integrity, identity, and national pride of the North Koreans themselves. Thus, the prospect of international intervention not tied to opportunistic motives would be quite limited. But if there is a need for external intervention, Chinese analysts appear to favor a multilateral response authorized by the UN Security Council. One analyst believed that China would be willing to join such a response but would bitterly oppose a "coalition of the willing" that would intervene militarily on the Korean peninsula without taking into account broader international interests, including China's. The preferred Chinese approach would seem to be to send in an international peacekeeping force under UN auspices to establish a legitimate government. The new regime then would choose whether or not to negotiate with South Korea on reunification.

Because of its growing political and economic influence, as well as the regional geopolitical and security situation in Northeast Asia, China may be better equipped than any other party to secure preferred outcomes regarding the future disposition and orientation of the Korean peninsula. Some of these outcomes might directly conflict with those of the United States and South Korea. For instance, China clearly would prefer future Korean governments to have a friendly relationship with China but would like to see a diminished role for U.S. military and political influence on the peninsula. It is increasingly necessary to take into account China's rising influence and fundamental interests as part of any solution to the second North Korean nuclear crisis.

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***China would like to see a diminished role for U.S. military and political influence on the peninsula.***

## Implications for Policy

Given the fact that U.S. reliance on China to rein in North Korea has steadily increased under the Bush administration, Beijing's views on how to cope with North Korea obviously have profound policy implications. The current debate in Beijing is over the extent to which China's longstanding relationship with North Korea is an asset or a liability. That assessment is influenced by China's view of how its relationship with Pyongyang fits into the broader issue of its relations with the United States.

***Beijing has successfully navigated between the United States and North Korea.***

China has long seen the North as a potential asset and is trying to coax Pyongyang down the path of economic reform. Moreover, it has managed to keep the North Korea issue from adversely affecting bilateral ties with Washington. Beijing has successfully navigated between the United States and North Korea, at various times coaxing the two to moderate their positions, more often than not refusing to provide full support to either. Although it has successfully resisted constant U.S. requests to put more pressure on Pyongyang, Beijing has also quietly supported selected U.S. initiatives.

For example, while not formally joining the Proliferation Security Initiative (PSI), China has cooperated on an ad hoc basis to improve export controls, including the interdiction of some shipments of items that might be used in North Korea's nuclear or missile program. Beijing was even willing to participate in an exercise that simulated interdiction of a ship alleged to be carrying suspect goods this past summer, as long as it was not publicized. China withdrew only after the exercise was reported in the press. Such cooperation has become more overt as North Korea has defied Chinese private and public warnings not to escalate tensions further.

North Korea's nuclear test has dramatically reduced the likelihood that regime transformation can be resolved peacefully. The danger is growing that Pyongyang, Washington, or both will take steps to increase tensions. Because the recent tests and the resulting Security Council sanctions have only widened the chasm between the United States and the DPRK, Washington is likely to continue its sanctions drive against the North and press others to do the same. It is quite possible that Pyongyang will conduct more missile tests in the future and take other steps, such as unloading more spent fuel from its operating nuclear reactor to extract more plutonium to build nuclear weapons.

Does the surprising Chinese support of Security Council action after Pyongyang's nuclear and missile tests signal a fundamental change in Beijing's overall perspective on North Korea as a strategic asset? The balance of evidence suggests that China is frustrated with Pyongyang, and that frustration may be growing. In the past China was content, for the most part, to put subtle pressure on the North. Its support for the UN resolutions therefore represents a clear public signal that China's patience is being tried. It may also be the beginning of a more active Chinese effort to restrain Pyongyang. But as of this writing, Beijing has not fully embraced the U.S. push for sanctions to implement the UN resolution, a sign that it remains unwilling to abandon North Korea. It is certainly possible to envision increased discord between the United States and China over policies toward the Korean peninsula if the situation deteriorates.

***Much will depend on the future of diplomacy to resolve the nuclear crisis.***

Of course, much will depend on the future of diplomacy to resolve the nuclear crisis. Efforts to restart the six-party talks seem to have succeeded. Washington's willingness to accept a bilateral working group to discuss financial sanctions slapped on North Korea in 2005 reportedly led Pyongyang to agree to rejoin the talks. But whether renewed discussions will result in any real progress toward resolving the current crisis remains unclear. At least four scenarios are possible. The first is that the six-party talks could gather momentum and make real progress toward resolving the nuclear issue. Second, the talks may make limited progress at the margins without settling differences over North Korea's nuclear program. Third, talks may take place sporadically with no progress but with both sides managing to keep tensions from spiraling out of control. Or tensions may escalate as the six-party talks make no progress, North Korea periodically takes steps to build its



nuclear deterrent, and Washington seeks further sanctions, either through the United Nations or “coalitions of the willing.”

## Conclusion and Recommendations

While managing the six-party talks is likely to pose a continuing challenge, Washington and Beijing should also be prepared for other stressful contingencies, including the demise of North Korea. Clearly the collapse of North Korea’s current leadership, accompanied by internal factional fighting for political control, would present the greatest challenge in East Asia since reconstruction after World War II and the Korean War. The task of picking up the political, security, economic, and humanitarian pieces and creating a new reality acceptable to all on the Korean peninsula would be incredibly complex and costly. Part of that equation is the distinct possibility that instability in North Korea might trigger a dangerous confrontation between Washington, Seoul, and Beijing.

Effectively dealing with North Korea’s regime failure if it should occur will require close consultation and detailed planning in advance to avoid miscalculation and confrontation. Granted, it would be difficult to carry out delicate negotiations predicated on reassuring the North that its security is not threatened by others while conducting discussions on how to handle possible ramifications of regime change. But it may be possible to start laying the groundwork for cooperation.

First, the United States and South Korea should ensure that in the context of their own contingency planning, they take China’s views fully into account. For example, there is already widespread recognition of Chinese concern about the possibility of U.S. combat troops entering North Korea to help deal with collapse and reunification. Presumably U.S. and South Korean planning already takes this concern into account. A less-recognized concern is China’s apparent wish for the UN Security Council to be an integral part of any political transition in the North that might open the door to eventual reunification of the Korean peninsula. This position is not surprising given Beijing’s role on the Security Council, but some in Seoul would probably advocate moving forward with only minimal if any involvement by the international organization.

Since there are likely to be other areas of potential friction with China that are not yet apparent, the United States and China should build a quiet dialogue on how to respond to various North Korean contingencies. As a first step, it would be valuable to enhance exchange of information on the current political and economic situation in North Korea, maybe in track two discussions or via secure intelligence channels. In addition, it might be useful to initiate a general effort to enhance U.S.-Chinese discussion of planning and coordination for greater cooperation in dealing with failed states on a global basis.

Countries likely to be most affected by possible internal instability in the North—China, Japan, and South Korea—should quietly seek both to create and take advantage of opportunities to improve their capabilities to cope with failed states. For example, the United States should invite South Korea and Japan to play a more active role in examining the post-conflict reconstruction experiences in Iraq and Afghanistan, to draw lessons that might be useful in the future. Such an examination would take into account the presence of South Korean and Japanese forces in Iraq, as well as their participation in the overall reconstruction effort in that country.

Another possibility might be for China, Japan, and South Korea to work together, and in concert with the United States and others, on improving their capabilities to assist in reconstructing failed states. In fact, at least China and Japan have global interests in regions outside Asia, such as Africa, which might at some point require the provision of such assistance. Those same capabilities might prove useful in the event North Korea is unable to successfully pursue economic reform and simultaneously maintain regime stability.

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## Notes

1. The DPRK agreed in 1994 to freeze its nuclear program in return for provision of two light-water reactors by a U.S.-led international consortium. The framework fell apart after an October 2002 visit to Pyongyang by Assistant Secretary of State James Kelly, who confronted the North Koreans regarding intelligence that they were pursuing a uranium-based nuclear program in violation of the agreement. The United States then refused to authorize additional shipments of heavy fuel oil under the terms of the agreement. North Korea withdrew from the Nonproliferation Treaty and expelled International Atomic Energy Agency inspectors from the country.



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