

UNITED STATES INSTITUTE OF PEACE WORKING PAPER

Keeping an Eye on an Unruly Neighbor

Chinese Views of Economic Reform and Stability in North Korea

A JOINT REPORT BY:

Center for Strategic and International Studies & U.S. Institute of Peace

CSIS | CENTER FOR STRATEGIC &
INTERNATIONAL STUDIES



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ABOUT THIS REPORT

This report is based on discussions with Chinese specialists on the Democratic People's Republic of Korea (DPRK) during a CSIS-USIP delegation visit to Beijing, Changchun, and Yanji, June 25-30, 2007. Topics discussed included trends in North Korea's economy and prospects for reform; current trends in Sino-DPRK economic relations; China's policy toward North Korea in the wake of the nuclear test; Chinese debates on North Korea; Chinese assessments of North Korea's political stability; and potential Chinese responses to instability.

This Working Paper was commissioned by the Korea Working Group (KWG) at the U.S. Institute of Peace. The KWG brings together the leading North Korea watchers from the government and think tank communities to discuss pressing policy issues in the political, security, social, and economic fields.

The Chair of the KWG is Ambassador Richard Solomon, President of the U.S. Institute of Peace. The Director is John S. Park, a Northeast Asia specialist in the Institute's Center for Conflict Analysis and Prevention.

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INTRODUCTION

This report is based on discussions with Chinese specialists on the Democratic People's Republic of Korea (DPRK) during a visit to Beijing, Changchun, and Yanji, June 25-30, 2007.¹ Discussions followed on a similar round of interviews conducted in April 2006. Several of our interlocutors recently returned from extended stays in Pyongyang and many others regularly visit the DPRK, commonly referred to as North Korea. Topics discussed included trends in North Korea's economy and prospects for reform; current trends in Sino-DPRK economic relations; China's policy toward North Korea in the wake of the nuclear test; Chinese debates on North Korea; Chinese assessments of North Korea's political stability; and potential Chinese responses to instability.

In analyzing North Korea, Chinese experts primarily rely on the following sources of information: 1) South Korean economic data; 2) personal visits to North Korea; 3) contacts with visiting North Korean delegations and North Korean students studying in China; and 4) interviews with North Korean refugees in China.

EXECUTIVE SUMMARY

- Beijing viewed North Korea's explosion of a nuclear device in October 2006 as not only an act of defiance to the international community and a threat to regional stability, but also an act of defiance toward China. Chinese officials admit that their toolbox for managing the North Korean nuclear weapons challenge must now include a combination of pressure and inducements.
- Three considerations underpin Beijing's aid policy toward North Korea: 1) protecting China's military-strategic environment; 2) maintaining security and stability along the Sino-DPRK border; and 3) sustaining economic development and political stability in the three Chinese northeastern provinces that border North Korea.
- There are intense debates among Chinese analysts over: 1) whether North Korea will give up its nuclear weapons; 2) the strategic value of the DPRK to China; 3) whether the Sino-DPRK treaty should be revised, abandoned,

¹ Delegation members included Bonnie Glaser, William Brown, Robert Carlin, John Park, and Scott Snyder. This project is also supported by the U.S. Institute of Peace.

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or retained and its ambiguity stressed to enhance deterrence; and 4) the likelihood of a rapid improvement in U.S.-DPRK relations and how such a development would affect Chinese interests.

- Chinese analysts are generally less concerned with North Korea's immediate economic prospects than they were last year, reporting severe but stable conditions. Inflation has subsided and market mechanisms have largely replaced government rations as the primary means for securing a livelihood.
- In contrast to last year, when Chinese analysts were consumed by the seeming zero-sum choice between stability and reform facing the North Korean leadership, North Korea's slightly improved economic situation seems to have allayed the immediacy of Chinese concerns about North Korea's economic stability.
- Chinese experts report no fundamental change in North Korea's economic policies following the 2002 reforms. Chinese analysts provide conflicting assessments of whether government attempts to prohibit selling of grain in markets are succeeding and the extent to which the grain rationing system is working.
- Chinese DPRK specialists are encouraged that the DPRK has haltingly adopted some agricultural and market reforms and allowed greater autonomy to individual factories and enterprises. But they acknowledge that North Korea has not yet allowed farmers to act independently of their work teams, a step China took as early as the late 1970s that raised productivity sharply. Chinese analysts anticipate that reforms will continue as long as they do not threaten central government control.
- Chinese analysts widely assert that the North Korean system remains stable and they are confident that it will remain so for at least several years absent the sudden death of Kim Jong Il or external interference aimed at destabilizing the regime. In the long run, however, sustainable development through economic reform remains an essential prerequisite for stability, and North Korea's ability to move down that path is not yet assured.
- There are numerous indicators that the Chinese examine to assess stability trends in North Korea. These indicators are grouped in the following manner: 1) factionalism in the regime and potential challenges to Kim Jong Il's leadership; 2) political controls and ideological education; 3) influences from the outside; 4) the general public's loyalty to the Kim family; 5) crimes and illicit activities; 6) the economy, food supply, and economic reform; and 7) Kim Jong Il's health and the leadership succession. Chinese analysts see few signs of immediate instability in any of these areas at present, but they worry that the potential for instability may grow.
- In the event of instability in North Korea, China's priority will be to prevent refugees from flooding across the border. If deemed necessary, PLA troops would be dispatched into North Korea. China's strong preference is

to receive formal authorization and coordinate closely with the United Nations (UN) in such an endeavor. However, if the international community did not react in a timely manner as internal order in North Korea deteriorated rapidly, China would seek to take the initiative in restoring stability. Contingency plans are in place for the PLA to perform at least three possible missions in the DPRK: 1) humanitarian missions such as assisting refugees or providing help after a natural disaster; 2) peacekeeping or “order keeping” missions such as serving as civil police; and 3) “environmental control” missions to clean up nuclear contamination resulting from a strike on North Korean nuclear facilities near the Sino-DPRK border and secure “loose nukes” and fissile material.

- There is apparent new willingness among Chinese institute analysts and PLA researchers to discuss the warning signs of instability in North Korea and how China might respond if the situation gets out of control and threatens Chinese security. Some Chinese experts say explicitly that they favor holding a discussion on stability in North Korea in official channels with the United States, including possible joint responses in support of common objectives such as securing nuclear weapons and fissile material. Other analysts maintain that such discussions are premature.

China's Policy Toward North Korea in the Aftermath of the Nuclear Test

Beijing viewed North Korea's explosion of a nuclear device in October 2006 as not only an act of defiance to the international community and a threat to regional stability, but also an act of defiance toward China. The decision by China's leadership to quickly condemn North Korea's test using the harsh term "flagrantly"—which had previously been selectively employed to criticize such offensive actions as former Japanese Prime Minister Junichiro Koizumi's visit to the Yasukuni Shrine and the U.S. bombing of the Chinese embassy in Belgrade—is frequently cited by Chinese experts to underscore the severity of China's response. Moreover, Beijing's willingness to support UN Security Council Resolution (UNSCR) 1718, which imposed sanctions under Chapter VII of the UN Charter, was unprecedented, Chinese analysts and officials note. "Our reaction to the nuclear test shows that we must speak out. We can't continue to appease whatever the DPRK does," stated a PLA officer who formerly served in China's embassy in Pyongyang.

Prior to North Korea's nuclear test, China applied little pressure on Pyongyang, opting instead to rely primarily on positive inducements and privately conveyed expectations that its policies would be conducive to the further development of Sino-DPRK ties and stability in Northeast Asia. The priority of Chinese policy was to promote dialogue among the members of the Six-Party Talks, especially between the United States and North Korea, and to nudge the parties in the direction of resolution of their differences. In the wake of the test, however, Chinese foreign ministry officials admit that their toolbox for managing the DPRK nuclear weapons challenge needs to be expanded to include both pressure and inducements. Moreover, they candidly admit that China and North Korea have both shared and divergent "strategic interests."

Beijing's harsh response to North Korea's nuclear test was intended to be a wake-up call to Kim Jong Il that disregarding and harming Chinese interests carries a cost. China's goal, however, was not to aggravate Sino-DPRK relations, but rather to strengthen them, albeit on Chinese terms. Through the issuance of a tough statement condemning the DPRK's actions and China's speedy support for UNSCR 1718, Beijing hoped that Kim

would recognize the risks of alienating China and acquire a better appreciation for the value of China's friendship. Chinese officials claim that their strategy worked.

From China's perspective, North Korea's nuclear test has hastened a policy transition in Sino-DPRK relations that has already been underway for some time from a fraternal to a "normal state-to-state relationship." As one leading Chinese Korea specialist observed, "Under the Cold War, the relationship between China and the DPRK was simpler. Now it is more and more complicated. We are now seeking shared interests. Sometimes the relationship is good and other times it is bad, but it is increasingly normal."

Chinese Debates on North Korea

In recent years, issues pertaining to North Korea have been hotly debated by Chinese institute researchers. The publication of conflicting views in authoritative media suggests that the Chinese leadership sanctioned these debates. At critical junctures in the six party negotiations, Chinese leaders may see value in the publication of an article advocating greater pressure on Pyongyang or urging the United States to show greater flexibility. It is also possible that the publication of differing views by Chinese scholars reflects differences at higher levels regarding assessments of North Korea or Chinese policy toward Pyongyang. Tracking debates in China on North Korea is therefore important to identify potential fissures at the top and impending shifts in Chinese policy.

Chinese researchers highlighted four issues currently being intensely debated in Chinese academic circles.

1. Prospects for North Korean Nuclear Disarmament

The first issue is whether the DPRK will give up its nuclear weapons. One school of thought holds that the right combination of pressure and inducements can persuade North Korea to abandon its production facilities and give up its nuclear weapons. The precondition for doing so, experts say, is that the regime feels secure and perceives that the benefits obtained from denuclearization exceed the risks of retaining some nuclear capability. Coordination among the other members of the Six-Party Talks process is

imperative to convince North Korea that the best option is to dismantle its nuclear facilities and give up its nuclear weapons, say Chinese officials. While proponents of this view state that the possibility exists that North Korea will give up its nuclear weapons, no one expects that the process will be smooth or the outcome certain.

In contrast to this view, members of a second school of thought are extremely skeptical that North Korea's nuclear status can be reversed. One respected expert on North Korea and the Six-Party Talks bluntly predicted that the attempts to convince Kim Jong Il to give up the nuclear weapons will fail: "We can have a nuclear-free peninsula or the continuation of Kim Jong Il's regime and stability on the peninsula. China hopes that Kim can sustain his regime, preserve stability and give up his nuclear weapons, but they can't all be achieved and China will have to choose."

2. Strategic Value of North Korea to China

The second issue being debated is the strategic value of the DPRK to China. A growing number of experts, particularly specialists on the United States and international relations, argue that North Korea is a strategic liability. The detonation of a nuclear device strengthened those voices that favor imposing sanctions on North Korea, including a temporary or permanent reduction of oil shipments. Arguments in support of retaining close ties with North Korea include China's long-standing friendship with the DPRK, sealed in blood during the Korean War; the need to maintain stability in the region and along the border regardless of Pyongyang's policies; the importance of retaining and expanding Chinese influence in both North and South Korea so China will be well-positioned to protect its interests in the event of reunification; and the need to preserve a buffer zone along China's border.

The contention that China must keep a buffer zone is challenged by a growing number of experts, however, regardless of whether they view North Korea as a strategic asset or a burden. A senior PLA researcher from the Academy of Military Sciences maintained, for example, that keeping a buffer zone declined in importance with the end of the Cold War and "won't be important unless there is a new Cold War." He also asserted that, "the Chinese military doesn't have special interests in preserving a buffer zone."

3. Status of the Sino-DPRK Treaty

Related to the question of whether North Korea is a strategic asset or a strategic liability is the issue of whether to keep the 1961 Sino-DPRK Treaty of Friendship, Cooperation, and Mutual Assistance intact, revise it, or even abandon it. Only a small minority advocates that China nullify the treaty because the alliance no longer serves Chinese interests. A second minority group proposes that the clause that assures military assistance in the case of aggression by a third party against China or North Korea be excised. “If an ally doesn’t act like an ally, then the other side might not want to do its part,” asserted one Chinese analyst.

The majority favors retaining the treaty, but even those who adopt this position say that the Chinese government welcomes its ambiguity, which leaves both Pyongyang and Washington uncertain about the extent of China’s support in a conflict. According to a Chinese scholar, this ambiguity strengthens deterrence.

4. Impact of Rapid Improvement in U.S.-DPRK Relations on China

A fourth issue being debated, though only acknowledged by a small number of Chinese experts, concerns the likelihood of a rapid improvement in U.S.-DPRK relations and how such a development would affect Chinese interests. If asked, most officials and institute researchers insist that increased bilateral U.S.-DPRK contacts are beneficial to the denuclearization process and not contrary to Chinese interests. However, probing questions from Chinese scholars about how far and how fast U.S.-DPRK relations will develop reveal their concerns. In the near-term, the Chinese worry that their role in the Six-Party Talks will be circumscribed. However, their deeper and long-term concern is strategic—that the United States and North Korea will forge a closer relationship that will adversely affect Chinese interests.

Some Chinese experts even worry that Washington and Pyongyang will cut a deal that will permit North Korea to keep its nuclear weapons in exchange for concessions by the DPRK. A leading Chinese analyst suggested, for example, that the DPRK could pledge to not proliferate and give up long-range nuclear missiles in return for U.S. acceptance of the

country as a nuclear weapons state. In the event that the United States strikes a separate deal with North Korea that is not embedded in the six party process, Beijing would be isolated in its insistence that Pyongyang give up its nuclear weapons and Sino-DPRK relations would be severely impaired. Chinese analysts vividly recall that Washington pressed Beijing to impose great pressure on India after its nuclear test in 1998, but then reversed its position and condoned India's nuclear program, leaving China hanging out to dry. China subsequently devoted two years to mending its ties with India.

Sino-DPRK Economic Relations

According to the PRC Embassy in Pyongyang, bilateral trade relations have grown 11.8 percent in the first four months of 2007,² and Chinese investment in North Korea in 2006 topped \$135 million, reflecting stable and gradually expanding economic ties between the two countries. Sino-DPRK bilateral trade in 2006 reached \$1.69 billion, an increase of almost seven percent [in nominal dollar terms] over the \$1.58 billion in bilateral trade during 2005. China's trade deficit with North Korea is reported to have declined from about \$200-400 million per year in 2002 to less than \$100 million last year, while DPRK exports to China have reportedly increased.

Chinese analysts monitor three types of Sino-DPRK cross-border exchange: legal trade, barter trade, and illegal smuggling trade. Some analysts suggest that illegal smuggling could equal the amount of recorded legal cross-border trade. However, as the two governments strengthen their border control capacities, legal trade is reportedly on the rise and illegal trade is declining. While Sino-DPRK trading relationships no longer require permission from the central government, the reality is that backing from central government officials remains necessary in order to have a successful business relationship with North Korea.

The growth in Sino-DPRK economic ties does not appear to have been affected significantly by political developments, despite the assertion by Chinese officials that the

² Yonhap News Agency, "Trade Between N. Korea, China Increases Despite Nuclear Impasse," June 24, 2007.

relationship with North Korea is no longer a “special,” but instead a “normal” relationship. In the economic sphere, this implies that China hopes to reduce and eventually eliminate special subsidies to the DPRK in favor of an economic relationship that develops on its own, absent special considerations. Although there is frustration among some Chinese analysts about the imbalanced nature of China’s economic relations with the DPRK, there is also broad understanding that promoting economic stability in North Korea is a means to stabilize China’s periphery.

Jilin provincial officials continue to hope that not only stability but also regional prosperity might be achieved through multilateral cooperation under the auspices of the Tumen River Area Development Administration (TRADA). Following 12 years of UN-led discussions under the Tumen River Area Development Programme framework, the process has finally moved “from feasibility to implementation.” Local economic cooperation contacts have been realized, infrastructure has been developed, and overall living standards have been increased. Specific projects such as cross-border tourism are rapidly being developed. However, differences among regional countries’ economic and political systems, a scarcity of private investment, and a lack of sustained support from international organizations have hampered further development of the Tumen River area development project.

Chinese Aid to North Korea

Although the specifics of China’s external aid relationship with North Korea remain classified, Chinese specialists indicate that North Korea’s share of China’s rapidly growing global development assistance budget has continued to expand, from an estimated one-third of China’s foreign assistance five years ago to approximately 40 percent of China’s foreign assistance, according to current estimates. Given that China’s assistance to Africa and other Asian countries on China’s periphery has grown substantially, raising the total amount of China’s aid, this proportion likely reflects a considerable jump in Chinese foreign assistance to the DPRK. Chinese analysts affirm that the PRC continues to supply 50,000 tons of oil per month to the DPRK on a concessional basis, and that the Chinese-built glass factory near Pyongyang is categorized as development assistance.

Beyond these specific items, relatively little is known about the amounts or types of assistance the PRC is currently providing to the DPRK.

Chinese experts outlined three considerations that underpin Beijing's policy of providing relatively steady amounts of oil and food, and additional emergency shipments when needed. The first consideration is protecting China's military-strategic environment, which refers to preserving stability in Northeast Asia and maintaining good relations with a neighbor along its border. For this reason, "strategic aid" to North Korea is not decided by the Ministry of Commerce, but rather by China's top leadership. The second consideration in China's aid policy to the DPRK is maintaining security and stability along the border, which includes preventing the spillover of problems such as smuggling and refugees from North Korea into China. According to one Chinese analyst, "A collapsing country in chaos and turmoil won't serve Chinese interests. So from that perspective, we won't reduce our assistance to the DPRK."

The third consideration is sustaining economic development and political stability in the three northeastern provinces that border North Korea. Since the reform and opening up policy was adopted by China in 1979, China's northeastern "rustbelt" region has experienced problems, including unemployment and ethnic minority tensions. In addition, this region is psychologically sensitive to Chinese leaders because successful challenges to Chinese dynasties have historically emanated from this region. Some Chinese experts emphasized Beijing's long-term objective of ending free assistance to Pyongyang and putting the trade and economic relationship on a "normal track." One analyst stated that, "It is not impossible that one day the DPRK will make its own blood and be self-sufficient."

North Korea's Current Economic Situation and Prospects

There has been little substantial change in North Korea's overall economic situation during the past year, but the expansion of consumer markets at the grassroots level appears to have eased any urgent sense of crisis within the North Korean system. According to one Chinese analyst, economic recovery in North Korea has been made possible due to: 1) foreign aid; 2) ad hoc measures taken by the DPRK to deal with

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economic problems that turned out to be effective; and 3) comparatively good natural conditions in the DPRK, although there were some natural disasters. But each of these factors is temporary and reversible, suggesting that the North Korean economy remains extremely vulnerable to factors beyond the government's control.

With respect to food supplies, Chinese analysts report a slight decline in grain production in 2006, estimated at 4.3 to 4.4 million tons compared to a harvest of 4.5 million tons the previous year. This means that the shortfall between production and need remains about the same as in previous years. Given the slight reduction in production and limited external assistance, one Chinese analyst noted the DPRK adoption of a "reduced rationing system" in light of anticipated shortfalls. One scholar reported that North Korean economists have estimated the DPRK's minimum demand at four million tons of rice equivalent, or 10,000 tons per day.

Heavy industrial production remains hobbled by a lack of equipment and raw materials. But "the DPRK is eager to obtain foreign investment so it can begin normal supply of raw materials," a Chinese analyst notes. Light industry has been emphasized as a North Korean leadership priority that has resulted in some improvements. Agricultural sector adaptations have been greater than in the industrial sector. The expansion of markets, a development driven more by choices at the individual level than changes facilitated by state-led policy reforms, is the most significant ongoing change in North Korea's economic landscape.

Chinese analysts who have recently made extended tours in North Korea give impressionistic accounts of increased dynamism in North Korean markets, but do not characterize those markets as "prosperous." For instance, Chinese visitors report improved electricity supply, more newborn babies visible in public, improved clothing and morale among the general public, and greater independence in obtaining extra food. The expansion of the markets as the primary means by which citizens meet their own daily needs is apparently a dominant factor accounting for these improvements. In addition, Chinese analysts report greater "disorder" driven by efforts to exchange goods at the markets, but also a much greater interest and intensity of effort surrounding the

procurement of goods for sale in North Korean markets, especially among North Koreans with access to opportunities to purchase goods in China for transport and sale inside North Korea.

North Korean Policies Toward Economic Reform

Some Chinese analysts argued that North Korean reforms are continuing to move forward, observing that, “The DPRK has increased propaganda about economic work in the party and the military organs. Kim’s personal inspections of economic departments have increased compared to previous years. It is obvious that the DPRK is increasing its emphasis on economic work.” Other Chinese scholars cautioned that, “The DPRK is at a crossroads and must decide whether to push ahead with reforms. The government wants to try some economic reforms. We can sense this from some of Kim Jong II’s speeches. However, during the reform attempt, they have already encountered some difficulties... Challenges or threats are being faced from a political perspective.”

Despite North Korean protestations, Chinese analysts expect that eventually, the DPRK will have no choice but to borrow from China’s reform experience. One senior Chinese analyst asserted that, “The DPRK doesn’t want interference, so the Chinese government has to let it take voluntary actions. They don’t want to pursue the Chinese path. They want their own way. No matter what they do, they are actually copying someone else.” An analyst based in Northeastern China observed that, “In the DPRK, there is no reform mentality yet. Kim Jong II’s regime lacks the political and economic basis for reform. There is a lack of ideological theory—that is the political context. And there is a lack of capital—that is the economic context... The DPRK is facing a very different international environment than China faced 30 years ago.”

Chinese Assessments of North Korea’s Political Stability

The preservation of stability on the Korean Peninsula is unquestionably China’s top consideration in its policy toward North Korea. The Chinese fear that instability could lead to chaos and even a collapse of political control that could result in a flood of refugees across the border into China. Beyond Chinese worries about instability in North Korea

spilling over into China are deeper concerns that political chaos might invite the involvement of foreign powers and even result in war. There is concern that South Korea would seize the opportunity to reunify the peninsula, with U.S. support. Chinese military experts worry about the danger of nuclear contamination if nuclear production facilities in the North or nuclear power plants in the South were attacked. They also warn of the risks posed by nuclear weapons or fissile material falling in the hands of dangerous elements.

Chinese analysts widely assert that the North Korean system remains stable and are confident that it will remain so for at least several years absent the sudden death of Kim Jong Il or external interference aimed at destabilizing the regime. In the long run, however, sustainable development through economic reform remains an essential prerequisite for stability, and North Korea's ability to move down that path is not yet assured. The implementation of economic reform is almost unanimously identified as vital for North Korea to increase food production and achieve food security.

There are numerous indicators that the Chinese examine to assess stability trends in North Korea. These indicators are grouped in the following manner: 1) factionalism in the regime and potential challenges to Kim Jong Il's leadership; 2) political controls and ideological education; 3) influences from the outside; 4) the general public's loyalty to the Kim family; 5) crimes and illicit activities; 6) the economy, food supply, and economic reform; and 7) Kim Jong Il's health and the leadership succession. Chinese analysts see few signs of immediate instability in any of these areas at present, but they worry that the potential for instability may grow.

1. Factionalism, Potential Regime Challenges

Chinese researchers who study North Korea maintain that although there are no forces challenging Kim Jong Il at present, there are nevertheless signs of potential challenges from various interest groups in the party, army, cabinet, security, and law enforcement organizations. A leading scholar on Korean affairs ascribed the regime's ability to preserve stability to Kim Jong Il's "unique governing skills" as well as the tight domestic control system, successful ideological education, and effective means of "fooling the people" by promoting disinformation about the outside world.

2. Political Controls, Ideological Education

Chinese experts emphasize that the North Korean political control system remains effective, despite an admitted increase in information from the outside. Many Chinese analysts cite the expansion in cross-border traffic with China as the most important source of word-of-mouth information and the most difficult to control. Nevertheless, ideological education that “promotes morals and gratitude toward the leaders” and disinformation about the outside world are regarded as successful in countering the effects of greater information inflow. Experts view the hierarchy of access to external information—in which levels of access to information are correlated to the extent to which cadres have a stake in preserving the current system—as an important tool for maintaining control. They note that North Koreans who are permitted to leave the country have special status and that the general public’s knowledge of the outside world, though greater than in the past, remains limited.

3. Outside Influences

According to Chinese experts, influence from South Korea and China are the most worrisome destabilizing factors for North Korea’s leadership. There is fear that the infiltration of non-socialist influences from abroad will cause the people to question Kim Jong Il’s god-like status. As one researcher put it: “There is worry about the two winds: the wind from the west and the wind from the south. The greatest vigilance is toward the wind from the south... The west wind may also include concern about China.”

4. Loyalty to the Kim Family

Many Chinese experts cite loyalty to the Kim family by the military and the ordinary people as a critical indicator of stability. At present, the Chinese see no substantial evidence of opposition to the regime from the military or the elite. As for the allegiance of the common people, Chinese assessments differ. Some experts maintain that the general population still worships Kim. Others portray the fidelity of the masses as less than in the past, but not manifested in a way that poses a threat to the regime, primarily due to people’s fear of recrimination.

One expert argued that North Korea's missile and nuclear tests helped the leadership to increase nationalism and strengthen "the sense of cohesiveness in the general public and the military." Another maintained, however, that enthusiasm for the regime has waned and that overuse of slogans has resulted in diminished effectiveness.

5. Crimes and Illicit Activities

Several Chinese experts noted instances of defiance of police orders or pursuit of illegal activities in North Korea, suggesting a diminished capacity by the state to crack down on certain behavior. But examples cited involved defiance of state economic restrictions, not direct or indirect challenges to political authority. A researcher who lived in Pyongyang in 2006 described cases of North Korean dealers selling unapproved commodities on the street. Enforcement of regulations banning such activity is apparently lax and, if caught, punishment is light. Some analysts voiced concern that such illegal activities could have destabilizing effects. One expert noted the rise of "economically-driven phenomena" in remote areas that may already be spawning social instability. As an example, he cited gangs organized by children to rob people.

6. The Economy, Food Supply, and Economic Reform

Chinese experts are sharply divided over whether the state of North Korea's economy and the food security situation is an indicator of the stability of the country. Analysts who have studied the DPRK for decades—some of whom lived in Pyongyang during the famine in the mid-1990s—dismiss the relevance of food supply and general economic conditions to political stability. Other experts with less personal experience in North Korea who study the country from the perspective of regional stability emphasize the importance of food supply. Many underscore that an improvement in the economy is essential for sustaining stability in the long run. "Development must be solved or there will be social turmoil and tougher control," maintained a PLA researcher. Chinese experts and officials remain uncertain, however, about whether the DPRK is ready to reform. One official from the CCP International Department declared that, "The readiness is not evident in the party, army, or government at all levels, or among the people."

7. Kim Jong II's Health and the Leadership Succession

Chinese analysts judge a smooth succession to be imperative for the preservation of political stability in North Korea. If Kim Jong II were to die suddenly without making full preparations for the transition of political power to a trusted individual or group, many Chinese experts predict that instability and even a possible political collapse could ensue. There is little evidence of anxiety, however, that this scenario will occur. Although they aver that Kim is not in good health—referring to reports that he suffers from diabetes and a heart condition—the majority of Chinese analysts expects that Kim will live for many years and thus will have ample time to make necessary arrangements for the succession.

Chinese scholars and officials we interviewed were evenly divided between those who forecast that Kim Jong II would eventually choose one of his sons to succeed him and those who envisaged that Kim would create a collective group to rule after his death. Kim's concern for ensuring the safety of his family members was cited as a reason that he would favor one of his sons over an outsider as his successor. Those who believe that Kim will pass power to one of his offspring maintain that due to the strong sense of nationalism and persisting worship of the Kim family, the general public will unquestioningly accept the passage of rule from father to son.

The eldest son, Kim Jong Nam, has been virtually ruled out by the Chinese as a successor. Scholars note that he has a “bad international reputation” and that he is not in his father's favor. The two other sons are deemed as presently too young to begin to be groomed to inherit Kim's mantle. According to one expert, neither of the two younger sons has the ambition to rule the country.

Chinese experts who say it is more likely that a collective leadership will succeed Kim Jong II portray such a collective as taking various possible forms. One scenario places one of Kim's younger sons at the core of the collective decision-making body. In another scenario, if relations with the United States are normalized and the economic situation improves, an official responsible for economic affairs would head the collective group. In

the event that tensions with the United States and South Korea remain high, a military officer would lead the collective leadership.

A few Chinese experts emphasized that in choosing a successor, Kim Jong Il's main criterion would be the capability to rule, not bloodline or concern for his family's safety. One Chinese official posited that, "If one of the sons has outstanding capability, then he will be chosen," but "if none of the sons are capable, then Kim will choose someone else."

Potential Chinese Responses to Instability

In the event of instability in North Korea, China's main priority will be to prevent a flood of refugees by assuring supplies of food and strengthening border controls. PLA officers maintain that they would attempt to close the border, but admit a lack of confidence that they could do so successfully, since the border extends 866 miles and can be easily penetrated. If deemed necessary, PLA troops would be dispatched into North Korea. China's strong preference is to receive formal authorization and coordinate closely with the UN in such an endeavor. However, if the international community did not react in a timely manner as the internal order in North Korea deteriorated rapidly, China would seek to take the initiative in restoring stability. According to PLA researchers, contingency plans are in place for the PLA to perform three possible missions in the DPRK. These include: 1) humanitarian missions such as assisting refugees or providing help after a natural disaster; 2) peacekeeping or "order keeping" missions such as serving as civil police; and 3) "environmental control" measures to clean up nuclear contamination resulting from a strike on North Korean nuclear facilities near the Sino-DPRK border and to secure nuclear weapons and fissile materials.

Chinese analysts deny that there are circumstances under which China might promote regime change in North Korea. "We don't care who is in power as long as stability is maintained," asserted one Chinese expert. These analysts caution that contrary to the belief of some Westerners, China would not seek to install a leader that is more obedient to Beijing, even if they judged that the DPRK's behavior posed an intolerable threat to

Chinese interests. At the same time, however, Chinese analysts insist that Beijing would not oppose a change of regime that took place as a result of domestic impetus.

PRC Analysts' Increasing Openness to DPRK-related Discussions with the United States

There is apparent new willingness among Chinese institute analysts and PLA researchers to discuss the warning signs of instability in North Korea and how China might respond if the situation gets out of control and threatens Chinese interests. It is difficult to determine whether this willingness only applies to “academic discussions” or extends to more formal venues between the U.S. and Chinese militaries or intelligence agencies. Some Chinese experts say explicitly that they favor holding a discussion of stability in North Korea in official channels with the United States, including possible joint responses in support of common objectives, such as securing nuclear weapons and fissile material. Other analysts maintain that such discussions are premature. For example, one senior PLA researcher supported initiating discussions between the United States and China on how the two countries might respond to instability in North Korea, including how responses might be coordinated. However, when pressed, the senior PLA researcher said that such talks should take place between China’s foreign ministry and the U.S. Department of State, not between the two militaries. “It is not that urgent yet,” he asserted. “It has not yet reached that point.”

CONCLUSION: TAKING STOCK

In the aftermath of the October 3 Six-Party Talks agreement on nuclear disablement and the October 4 inter-Korean summit declaration, China's unruly neighbor has been presented with roadmaps that could bolster regime stability and accelerate internal economic development. If Pyongyang completely denuclearizes, it could then enjoy the benefits of normalized relations with Washington, a peace regime on the Korean peninsula, and massive economic assistance from South Korea.

At present, of its three core interlocutors—China, South Korea, and the United States—North Korea has full diplomatic relations only with China. In its ongoing competition with Seoul, Pyongyang remains the most vigilant against “the wind from the south.” Despite the opportunity to rebuild a national economic system that remains broken since the trauma of the famine and “arduous march” of the mid-1990s, it is unlikely that North Korea would allow public exposure to the political contamination that would accompany large-scale economic development assistance from South Korea. Doing so would lead to awareness among North Koreans of the high effectiveness of the South's system.

With respect to the United States, North Korea's long-sought goal of establishing diplomatic relations now seems tangible, though the hurdles to achieving this objective remain daunting. Given ongoing doubts that it will be possible to muster and sustain the necessary political will in Washington, it is still difficult to predict success for multilateral efforts to bring North Korea in from the cold. As a result, South Korean policymakers worry that the window of opportunity to establish a peace regime may soon close.

Although there has been recent diplomatic progress, the record of substantive results from engaging North Korea is sparse. The biggest tangible impact on North Koreans on an every day basis comes from the growth of market activity in the Sino-DPRK border region. Though occurring on a small scale at the moment, the spillover activity from increasing economic growth in China's “rustbelt” will gradually spread to more regions of North Korea.

As Beijing, Seoul, and Washington continue to work with Pyongyang on denuclearization, local Chinese and North Korean traders who continue doing business with each other may be the most effective agents of social and economic change inside North Korea. The growth of this organic market activity is an important catalyst for reform and opening that may surpass the impact of South Korea's Kaesong Industrial Complex in the North. China's views of internal developments in its unruly neighbor will continue to provide unique insights into these under-examined trends.

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