

China and the Korean Peninsula: A Chinese View on the North Korean Nuclear Issue

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Abstract

History and geography have combined to make the Korean peninsula important to China's security. This importance lies not only in the fact that the peninsula shares a long border with China's industrial heartland in the northeastern part of China, but it also stems from the convergence- and often the clash-of the interests of Russia, Japan, and the United States in Korea. For the last century, Korea has served as an object, or an area of conflict and an invasion corridor for these three powerful states. The Chinese were involved in the Korean War from 1950-1953, supporting North Korea after the United States intervened on behalf of South Korea. This, together with the close ties between the leadership of the Chinese Communist Party and the Korean Workers Party, led by Kim Il Sung and his son Kim Jong Il (links which can be traced back to the 1930s), has reinforced the importance of Korea in China's policy calculations. The recent development of a North Korean nuclear program has introduced elements of unpredictability and somewhat of a dilemma into the foreign policy concerns of the Beijing leadership. Uncomfortable with Pyongyang's nuclear program, China joined the

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United States and other neighboring countries in their efforts to stop the North Korean nuclear weapons program. Yet, the detonation of a North Korean nuclear device on October 9, 2006 has put the relationship between China and North Korea to a serious test, as Beijing publicly registered its opposition to North Korean actions. At the time, people became pessimistic about the future denuclearization of the Korean peninsula. This pessimism was somewhat dissipated when the United States and North Korea suddenly hammered out an agreement to freeze Pyongyang's nuclear program on February 13, 2007 in Beijing. According to this agreement, North Korea will receive fuel oil, economic assistance, and humanitarian aid in return for shutting down and sealing its nuclear facilities within 60 days. However, when no action was taken by the North Korean authorities by the time the April 14 deadline passed, people began to question the sincerity of North Korea in implementing their side of the agreement. What then, are the prospects for the denuclearization of the peninsula? What are China's interests in this issue and in the region in general? How much can Beijing do to push for a nonproliferation of North Korean nuclear technology? The purpose of this essay is to answer these questions by examining the development of the North Korean nuclear issue and the implications of this issue for Chinese interests, as well as to review Chinese policy towards the Korean peninsula more generally. This paper argues that although there are many uncertainties on the path towards denuclearizing the peninsula, there is still hope because the recent pact signed on February 13 represents an important step towards realizing that goal.

Keywords: Chinese foreign policy, China-North Korean relations, North Korea's nuclear issue, February 13 Pact, Northeast Asian security

Background

In order to better understand the issues surrounding the deal reached on February 13, 2007, as well as the prospect for implementing it, we need to conduct a brief review of the historical development of the issue.¹

¹ For a useful review of the North Korean nuclear issue, please see Disarmament Diplomacy with North Korea, and IISS Strategic Dossier.

Efforts to deal with North Korea's programs to acquire nuclear weapons and to develop its ballistic missile capabilities can be traced back to 27 years ago. In 1980, US intelligence agencies detected the construction of a new research reactor at Yongbyon Nuclear Research Center, located about 60 miles north of Pyongyang, which US experts believed could be designed to produce plutonium for a nuclear weapon. With the help of the former Soviet Union, United States successfully pressured Pyongyang into acceding to the Non-Proliferation Treaty (NPT) on December 12, 1985 and allowing the IAEA to inspect its facilities. In return, Moscow promised to sell North Korea four light water reactors (LWR) for the generation of nuclear energy. However, Pyongyang advanced a number of reasons to delay implementing the agreement and later even requested the reduction of tensions in the US-North Korean relationship as a prerequisite to "facilitate" its completion of a safeguards agreement.

Meanwhile, North Korea accelerated the development of its nuclear program with the operation of a 5MW graphite-moderated reactor in 1986 and the construction of a 50MW graphite-moderated reactor at the end of the 1980s. George H. Bush adopted a balanced approach of inducement and pressure, announcing that all land and sea-based US tactical nuclear weapons would be removed from overseas locations including South Korea. In the wake of Bush's initiative, North and South Koreans announced the North-South Denuclearization Declaration (NSDD) in December 1991, which banned the development and possession of nuclear weapons as well as enrichment and reprocessing facilities, and called for a North-South inspection regime to verify this agreement. Washington subsequently suspended its annual team spirit military exercises with South Korean troops as an acknowledgement of the more relaxed situation in the peninsula. Soon after this, North Korea also signed a comprehensive safeguard agreement with the IAEA which came into force on April 10, 1992.

However, the tension between IAEA and the North Korea government soon mounted as the IAEA indicated that it intended to inspect the other two underground sites that it suspected may contain waste from undeclared reprocessing. The North Koreans simply viewed these two sites as “military-related” facilities which were beyond the jurisdiction of the IAEA. In March 1993, North Korea suddenly announced its withdrawal from the NPT, justifying this move in terms of its national interests being jeopardized by American military threats as well as America’s efforts to manipulate the IAEA to gain access to its military sites.

Washington finally agreed to resolve the issue through direct meetings with Pyongyang. From June 1993, the United States and North Korea entered into a 17-month negotiation which eventually produced the October 1994 Agreed Framework. Under this agreement, North Korea would immediately freeze its reactors and related facilities and put them under IAEA monitoring. In return, the United States would organize an international consortium to finance and supply the LWR project and supply heavy fuel oil (HFO) to North Korea for energy use. As expected, the implementation proved to be complicated and difficult with the delay in the LWR project. In April 1996, the US initiated a proposal for four party talks—between the US, China, North Korea, and South Korea—to discuss the possibility of confidence-building measures on the peninsula and to conclude a treaty to replace the 1953 armistice which has been in operation since 1953. Nevertheless, little progress was made in several rounds of talks until North-South relations substantially improved after Kim Dae Jung was elected as South Korean President, advocating as he did, the “sunshine policy” which emphasized inducements when dealing with Pyongyang.

The historical summit in Pyongyang between Chairman Kim Jong Il and President Kim Dae Jung in June 2000 helped ameliorate the tension and gave North Korean leaders confidence to deal with the

missile proliferation issues raised by the United States. North Korea suggested that it would freeze the development, production, deployment, and the testing of missiles with a range of over 500km if the United States promised that other countries would launch a limited number of North Korean civilian satellites every year at no cost. Although some progress was made during these discussions between North Korea and the United States, there were some major differences over a number of key issues. Pyongyang even suggested that President Clinton visit North Korea to discuss these issues. However, American domestic politics prohibited Clinton from taking that step.

When George W. Bush came into office in January 2001, there were divergent views within the new American policy team on North Korea. Many incoming officials disliked the Agreed Framework, regarding it as paying blackmail to a rogue regime that could not be trusted to honor its commitment. The neo-conservatives within the administration argued that the US should adopt a strategy of containment and isolation, hoping in the process to remove the problem at its root by quickening the collapse of the Pyongyang regime.

Although no major policy changes were made at the beginning of the administration, September 11 helped shift Washington's North Korean policy. These terrorist attacks galvanized fears of a new threat posed by the combination of international terrorism and the proliferation of weapons of mass destruction. Although North Korea has not been associated with terrorism, Bush still included it in the "axis of evil." This has, to a large extent, deepened Pyongyang's suspicion of US intentions and led to the death of the Agreed Framework.

Soon America suspected that North Korea was constructing a plant that could produce enough weapon-grade uranium for two or more nuclear weapons. After a successful summit between Japanese Prime Minister Koizumi and Kim Jong Il in Pyongyang, America

decided to send Assistant Secretary Kelly to North Korea, making it clear that the US could not take steps to improve bilateral relations until North Korea dismantled its clandestine uranium enrichment program. To Kelly's surprise, his North Korean counterpart, Vice Minister Kang Sok Ju angrily acknowledged the enrichment program, justifying it as a response to the Bush administration's threats and hostility. Washington demanded that North Korea abandon its nuclear weapon program as a condition for any further bilateral discussion on improved relations. Pyongyang rejected America's demand and made three counter-demands as prerequisites for negotiation: firstly, that the US recognizes the Democratic People's Republic of Korea (DPRK) sovereignty; secondly, it reassures the DPRK that it will not be the target of US aggression; and thirdly it does not hinder the economic development of North Korea.²

Just as was done a decade earlier, North Korea ordered the IAEA to remove all surveillance cameras and seals on the 5MW reactors and the other reprocessing facilities in December 2002, and formally withdrew from the NPT on January 10, 2003. As a result, Washington reportedly deployed additional bombers and stealth aircraft to the region and put its long-range bombers on alert for possible deployment to the Korean peninsula.

The Six-Party Talks

It was in the midst of these rising tensions and the obvious death of the Agreed Framework that Beijing decided to step in. Having a major interest in regional stability, China called for three-party talks in Beijing to solve the issue. The talks were held on April 24-25, 2003 but went badly as North Korea asked for a series of undertakings from

²Disarmament Diplomacy with North Korea, and IISS Strategic Dossier, p, 18.

the United States, including the resumption of oil shipments, a nonaggression pact, and normalization of the relations between Pyongyang and Washington and Tokyo as preconditions. The Americans viewed these demands as totally unacceptable.

In July 2003, China, together with Russia, blocked action by the UN Security Council against North Korea. At the same time, Beijing tried to find a formula for multilateral talks concerning the North Korean, nuclear issue. Finally, China persuaded North Korea to agree to a series of Six-Party Talks (involving the US, China, Russia, Japan, North Korea, and South Korea) with the inducement of extra food and oil supplies.

The first round of these Six-Party Talks was held in Beijing in August 2003 and the other two rounds of talks were held in February 2004 and June 2004, respectively. Only in the June 2004 talks were there any signs of positive moves to reducing the large gaps in terms of perceptions and policy positions between the United States and North Korea. However, before the fourth round of talks resumed in July 2005, the North Koreans suddenly declared that “the DPRK has become a full-fledged nuclear weapon state, the Six-Party Talks should be disarmament talks where the participating countries negotiate the issue on an equal footing.”³ After a fruitless fifth round of talks in November 2005, Pyongyang finally boycotted the talks.

In July 2006, Pyongyang tested its ballistic missiles, including one Taepodong 2 missile. On October 9, 2006, the DPRK undertook its first ever test of a nuclear device in open defiance of repeated warnings by the five other parties and the international community. This move arguably reflected a purposeful, long-term commitment and the dedication of substantial resources toward such a goal by a small, isolated, economically vulnerable and self-referential regime

³Ralph C. Hassig and Kongdan Oh, “Prospects for Ending North Korea’s Nuclear Weapons Program,” October 17, 2006, FPRI, E-Notes.

to obtain a nuclear weapon.⁴ It pushed China and Russia into agreeing to a UN Security Council Resolution condemning the tests and threatening sanctions.

Even though the quantitative and qualitative characteristics of North Korea's capabilities remain to be determined, its possession of nuclear weapons has become a fact. When most international observers believed North Korea would not dismantle its entire nuclear inventory and weapon potential, Pyongyang indicated its willingness to "trade," or to limit some of its nuclear activities in return for guarantees and commitments from external powers. Then on February 13, 2007, Pyongyang suddenly agreed to sign a pact with the United States, indicating a willingness to shut down and seal its nuclear facilities in Yongbyon within 60 days. The world reacted with surprise at this news, and there followed a great deal of speculation. When the deadline of April 14, 2007 for North Korea to take action passed, there was widespread pessimism in the international community, with many observers believing this action to possibly be another stalling tactic by North Korea.

China's Interests

What are Chinese regional objectives and interests? How will China pursue its interests in the context of these recent developments? Chinese policy towards the Korean peninsula is largely a function of its overall foreign policy concerns, which at present are based on the following premises:

- As the only superpower in the world, the US is potentially a major security concern to China. Although direct military confrontation with the United States is unlikely in the near future, the issue of

⁴ Jonathan Pollack, "North Korea's Nuclear Weapons Program to 2015: Three Scenarios," *Asia Policy*, Number 3 (January 2007) pp. 105-123.

Taiwan, with the historical involvement of the US and the current independent-minded leaders in Taiwan, imposes a major challenge to bilateral relations and to PRC security interests.

- China needs a relatively long period of peace in order to develop its economy, solve its surging domestic social problems, upgrade its industrial and defense capacity and become strong enough in the long run to defend itself in the face of external threats. For these purposes, Beijing needs to maintain political stability and harmony internally and a peaceful environment externally.
- Russia is not a threat to China. On the contrary, it is potentially a strategic partner in the face of American military and political pressure; therefore, maintaining good relations with Russia is important to China's national interests.
- Having a positive and healthy relationship with Japan is important for the stability of East Asia; particularly at a time when Japan is readjusting the rise of China and is seeking political influence in the world. At the same time, China would not want to see the Japanese rearm themselves too quickly. A militarily strong Japan is not in China's interests.
- To have a good neighbor policy for its surrounding regions so as to allow neighboring countries to make adjustments to an ascendant China is desirable. At the same time, to explore economic opportunities with all neighbors benefiting China's economic development is also a policy of interest to China.

These foreign policy calculations require China's regional policy toward the Korean peninsula to be aimed at three basic objectives: to maintain regional peace and stability; to denuclearize the Peninsula to avoid a chain reaction of other powers deciding to "go-nuclear" in the region; and to maintain the historically shaped "special strategic relationship" with the DPRK.

It is China's principal interest to maintain a peaceful environment

along its border whilst China is concentrating on its economic development and modernization program. Chinese leaders believe that China's future lies in sustained economic growth, and social and political improvements. In his carefully prepared speech at the Bo'ao Forum in April 2004, President Hu Jintao stated that China's goal for the first 20 years of this century is to "quadruple the 2000 GDP to US\$4 trillion with a per capita GDP of US\$3,000" and to "further develop the economy, improve democracy, advance science and education, enrich culture, foster greater social harmony, and upgrade the texture of life for the people."⁵

For these purposes, China is attempting to cultivate good relations with the outside world, particularly at a time of China's increasing economic and military capabilities arousing much apprehension. Indeed, within the span of a single generation, China has moved from near isolation to a hub of the globalized economy, from an obsolete military to a much more professional force with high-tech weapons and capabilities, and from hostility to global institutions to active participation in multilateral organizations. As China's economic and military power grows, China has expanded its influence not only within Asia but in other regions of the world as well. People all over the world are beginning to wonder what kind of international behavior an increasingly powerful China will have in the foreseeable future.

According to President Hu Jintao, "China will promote the steady growth of relations with major countries, stick to the principles of building friendships and partnerships as well as security and prosperity with her neighbors while combining bilateral friendship with regional cooperation."⁶ Since the United States has a great influence on China's external environment, China attaches great

⁵"Full Text of Hu Jintao's Speech at BFA Annual Conference 2004," *Bo'ao*, April 24, 2004, <http://www.china.org.cn/english/features/93897.htm>.

⁶Ibid.

importance to its relations with the US and has sought at every opportunity to develop a cooperative relationship with Washington.

In terms of the Northeast Asian region, fulfilling these goals will require a peaceful relationship between the United States and DPRK even though it may be a cold peace fraught with occasional problems. China would prefer not want to see any trouble between the US and the DPRK that may undermine the relationship between China and the United States. Any development in and around the Korean peninsula that can lead to instability will be regarded as adverse to China's interests. The reasons for China to desire stability on the Korean peninsula are obvious. A military conflict would impose upon China an extremely serious dilemma that Beijing neither is willing to nor ready to face. Bound by its traditional relationship with North Korea, China may find it hard to handle the issue of whether to assist the DPRK if a conflict occurs without a provocation by Pyongyang. If China chooses to assist North Korea, it will inevitably damage China's cooperative relations with the United States and Japan, and could compromise China's economic modernization program. Therefore, the primary objective of China's regional policy is to maintain the status quo and to reduce the tension on the peninsula.

China believes the best way to maintain regional stability is through inter-Korean dialogue and multilateral talks. China sees the improvement of inter-Korean relations as essential to increasing regional stability and eventually to create a relaxed environment for resolving the North Korean nuclear crisis. The top priority of China in Northeast Asia is to actively engage in and indeed seek to lead the regional security dialogue so as to ensure that the Six-Party Talks become a security mechanism for maintaining regional peace and stability.

The second concern of China is the potential spread of nuclear weapons to Japan, South Korea and ultimately, to Taiwan. China regards these possible developments with the utmost seriousness.

North Korea's first nuclear test on October 9, 2006 sent security shockwave across Northeast Asia. Regional powers such as Japan and South Korea began to scramble to find a response, coming up eventually in the form of sanctions. China is particularly worried that an unstoppable North Korean nuclear program may push Japan into develop its own nuclear program. It is widely believed that Japan has nuclear weapon technology and has stockpiles of uranium, enough for hundreds of nuclear weapons. Tokyo prefers not to go nuclear simply for political reasons.

What is of concern to China is that among the current non-nuclear weapon states in Northeast Asia, some "reversal" or "threshold" states may be provoked by North Korea into embarking upon their own nuclear weapon programs. Japan may be the first to reconsider its nuclear options, closely followed by South Korea reacting to the change of stance by both North Korea and Japan. All these may give Taiwan a new interest in nuclear weapons capacity.⁷ Although President Bush has noted his concern and has expressed confidence that Japan would not go nuclear, there is a degree of willingness in the United States to exploit again the so-called "Japan Card" to encourage Japan's breaching of its non-nuclear stance as a means of punishing China for its failure in pressuring North Korea on the nuclear program.⁸ If Japan took that step, it would force China to reconsider upgrading its nuclear capabilities and doctrine in reaction to a nuclearized Japan and a nuclearized Korean peninsula. This will trigger an arm race in East Asia which would be a nightmare for China's national security. Therefore, dismantling North Korea nuclear program is in China's best interests.

⁷ Christopher W. Hughes, "North Korea's Nuclear Weapons: Implications for the Nuclear Ambitions of Japan, South Korea and Taiwan," *Asia Policy*, Number 3, January 2007, pp .75-104.

⁸ Jim Lobe, "US Neo-Conservatives Call for Japanese Nuke, Regime Change in North Korea," *Japan Focus*, October 17, 2006.

Beijing's overriding security interests in Korea cannot be fully protected without a good relationship with Pyongyang. Even if regional stability is maintained, if North Korea, like Vietnam in the late 1970s, turns hostile towards China, the consequences would be as adverse to China's interests as any other form of instability in Korea. In addition, such instability in North Korea might increase the possibility of large number of impoverished people pouring into the northeast regions of China which will be equally adverse to China's national interest and domestic stability.

Among China's objectives, the most difficult is to maintain its relations with North Korea in such a way that Sino-America and Sino-ROK relations will not be strictly circumscribed. 20 years ago, the cornerstone of China's regional policy was its relationship with the DPRK.⁹ Today, regional policy has been gradually changed as the strategic importance of North Korea has declined. Beijing has also lost much of its leverage over Pyongyang due to its policies towards the United States and South Korea. No matter how much importance the Chinese leadership attaches to bilateral relations, North Korean leaders have always cast a wary eye on Beijing's dealings with Washington, Seoul, and Japan. Fortunately, Pyongyang has no Soviet card to play as it did some 20 years ago when dealing with China. Yet the nuclear program seems to give its leaders some bargaining power in their current dealing with China.

Therefore, Chinese national interests require Beijing to be actively involved in the North Korean nuclear crisis. China does not want to see nuclear weapons on the Korean peninsula, and at the same time China does not want to see any kind of destabilizing change in North Korea. China would like to maintain the "brotherly friendship" relationship with Pyongyang, and for this reason alone, China insists

⁹Yufan Hao, "China and Korean peninsula," *Asian Survey*, Vol. xxvii, No. 8, August 1987, pp. 862-884.

that the North Korean nuclear issue be resolved in a peaceful manner which will not undermine the stability of the region.

China's basic objectives on the Korean peninsula are likely to mesh well with those of Washington, Moscow, Tokyo, and Seoul. All these countries desire regional stability and have no interest in allowing tensions to escalate or radical changes to occur in the status quo on the peninsula. However, Beijing and Washington differ on how to achieve this stability. Before 2002, Beijing's position was to support a nuclear free Korean peninsula achieved through peaceful dialogues. China opposed any US policies that could bring down communist control in North Korea. Privately Chinese officials urged Washington to resolve the dispute directly with North Korea and complained that US policy towards North Korea was too harsh and counterproductive. At the request of US Secretary of State Powell, during his visit to Beijing in February 2003, Beijing advocated three-party talks in April 2003, in which the US and North Korea would in fact talk to each other in Beijing and China only playing the role of host.

China has always advocated resolution of international problems through multilateral cooperation and international organizations. As former Vice Premier Qian Qichen put it in 2004, "we should opt for multilateralism and give full play to the important role of the UN. Our world is one big family. Naturally, family affairs should be handled by all its members through consultations." The United Nations, Qian said, is "the core of the collective security mechanism and the best venue for multilateral interchanges." It therefore "should continue to play its important role in international affairs."¹⁰

It is widely believed that China has more leverage over North Korea than any other country in the world. Indeed, North Korea has

¹⁰"Multilateralism, the Way to Respond to Threats and Challenges: Statement by H.E. Mr. Qian Qichen, Former Vice Premier of China, at the New Delhi Conference," July 2, 2004, <http://www.fmprc.gov.cn/eng/wjdt/zyjh/t142393.htm>.

close economic ties with Beijing. From 2000 to 2005, North Korea's imports from China (including oil, pork, electronic gadget and machinery) rose to \$1.1 billion, more than double in five years, while its exports to China (fish, low-grade steel and minerals) rose more than tenfold from \$37 million to \$499 million, counting for more than half of the DPRK's total exports and imports in 2005. Japan used to be North Korea's largest trade partner in 2000. Yet it fell to third place in 2005 with a total trade of only \$200 million, far below North Korean-Chinese trade of 1.6 billion. China supplies about 80% of North Korea's energy and supplied more than 90% of the 576,582 tons of cross-border food aid to Pyongyang in 2005.¹¹

However, China's influence over North Korea is often slightly overstated. Although China holds a certain degree of economic leverage, Beijing has gradually lost its influence after it established diplomatic relations with Seoul without insisting upon the United States recognizing North Korea first as a precondition. In addition, Beijing has reduced its economic assistance to North Korea, forcing Pyongyang to appeal to the United Nations for emergency food aid.¹²

The Prospect of the February 13 Agreement

The Six-Party Talks stalled after Pyongyang refused to discuss the agreement to disable its nuclear facilities until the recovery of its \$25 million held in North Korean accounts at the Banco Delta Asia in Macau. Finally, the joint document was issued in Beijing on February 13, 2007 after President Bush decided to accept North Korea's longstanding offer. The DPRK agreed to take action to "shut down

¹¹ Jian Yang, "A Matter of Lips and Teeth: China and North Korea and the Prospect of the Six-Party Talks," in *Whither the Six-Party Talks?* Edited by Yongjin Zhang, NZAI Regional Analysis 2006/1, pp. 27-34.

¹² Antonaeta Bezlova, "Politics-China: Beijing's Influence over North Korea Overstated," Global Information Network (NY), January 10, 2003, p. 1.

and seal for the purpose of eventual abandonment the Yongbyon nuclear facility, including the reprocessing facility and invite the return of IAEA personnel to conduct all necessary monitoring and verifications.” In return, North Korea and the United States would resume bilateral talks aimed at resolving pending bilateral issues and moving towards full diplomatic relations. The US would begin the process of removing the designation of the DPRK as a state-sponsor of terrorism and advance the process of terminating the application of the Trading with the Enemy Act with respect to the DPRK.

In addition, North Korea and Japan would start bilateral talks aimed at taking steps to normalizing their relations in accordance with the Pyongyang Declaration, and the parties agreed to provide 50,000 tons of heavy fuel oil within 60 days as the initial phase of the agreed energy assistance package to North Korea.¹³

This would indeed be a significant step towards the denuclearization of the Korean peninsula if it could be implemented. However, the international community has a good reason to be suspicious of the real intentions of North Korea. Is the goal of denuclearization realistic or achievable in light of recent developments? Are North Korea’s promises mere stalling tactics or do they herald the beginning of a strategic adjustment?

As the April 14 deadline passed, a new complication arose. According to the terms of the agreement, North Korea would only take action after their \$25 million of funds deposited in the Delta Bank in Macau are unfrozen. However, no money has been withdrawn so far from those 52 accounts held by North Koreans. It became clear that the United States only agreed to allow the Macau Bank to release the \$25 million deposited by North Koreans but insists that the money be taken away in cash. However, North Korea insists that the money be transferred into other financial institutions so that it can be used

¹³<http://www.state.gov/r/pa/prs/ps/2007/february/80479.htm>.

internationally. Obviously, what North Korea wants is a lifting of financial sanctions imposed by the United States while Washington is only willing to release the \$25 million in frozen funds that belong to North Korea. Therefore, the transfer of the \$25 million has been delayed due to unexpected differences in perceptions, and has become a test for mutual trust. At the time of publication, North Korea has not taken any action to move the money, and has only expressed its willingness to have the money transferred either to a bank in Russia or Italy, or a bank in the United States. In that sense, Pyongyang did not really defy the February 13 Agreement as it only promised to take agreed actions after it receives the money. Meanwhile, Washington has indicated its willingness to give North Korea more time. Although Washington is reluctant to allow North Koreans to use American banks, it has extended the deadline to the end of the year for North Korea to implement the deal.

When reviewing the new agreement signed on February 13, 2007, it is important to keep in mind that the most important issue on the table is how to get Pyongyang to give up its nuclear weapon program at best; how to prevent it from proliferating nuclear weapons to other countries at the least, and how to develop the means to deliver upon such promises. The nature of the issue is that North Korea would like to keep a nuclear weapon program while the United States and the other countries including China would like to disable it.

The key to the current impasse is in the hands of Pyongyang and Washington. The North Korea's justification for its nuclear weapon program is the perceived American threat. It claims that the sole purpose of its nuclear program is to deter a US attack. Part of the reason for Pyongyang to pursue nuclear weapons program is its further lagging behind in conventional weapon systems compared with that of South Korea. Since an American attack would be likely to trigger a second Korean War, North Korea justifies its nuclear program as protecting all Koreans on the Peninsula. Kim Jong Il

argued that if the United States signed a nonaggression pact and a peace treaty and normalized its diplomatic relations with the DPRK, Pyongyang would have no need to pursue a nuclear deterrent.

It seems that the primary reason for North Korea's dramatic change from conducting tests of missiles and nuclear weapons to agreeing to reopen the Six-Party Talks and agreeing to the pact is that it has to overcome their economic predicament by seeking to end the financial sanctions imposed by America. In this sense, it may appear to be little more than a stalling tactic. However, there are a number of very practical reasons for Pyongyang seeking a strategic change.

It is well known that North Korea has wide ranging economic difficulties. Being suspicious about China's reform and opening-up policy, it missed a historical chance at the end of the Cold War to concentrate on economic reform. Instead, it focused on improving relations with the South and sought a path of peaceful reunification of the Peninsula. The nuclear issue raised by the United States slowed down the progress of Pyongyang-Seoul contact and forced Pyongyang to put security before economic development. Since Kim Jong Il took full control of power, North Korea seems to have pursued a policy of "military first" which speeded up the collapse of its economy.

Of course, Washington's policy toward Pyongyang is an important factor leading to North Korean's economic stagnation. At the beginning of the new century, there were signs that North Korean leaders were considering the option of changing their economic policies. Kim Jong Il visited China on an unofficial basis to study China's economic achievements. Pyongyang actively sought diplomatic relations with European countries, demonstrating its eagerness to look outward, and some reform policies were introduced. However, the Bush administration quickly developed a hostile attitude towards Pyongyang and made it impossible for North Korea to adjust its development strategy. Following this, a nuclear deterrent

seemed to become a primary concern for North Korea's survival.

Therefore, a final solution of the nuclear issue may offer a major opportunity for Pyongyang to bring positive changes in its internal and external environments. This is why Pyongyang's major objectives in the talks are to obtain a formal nonaggression guarantee from and to normalize its relations with the United States. To Kim Jong Il, trading its nuclear program for the normalization of US-North Korean relations may be a feasible strategic choice.

The question is now whether the United States is willing to give North Korea a chance. Having rejected Clinton's engagement policy, the Bush administration adopted a high-handed policy towards Pyongyang. However, such an attempt serves no good for the solution of the nuclear issue, as it makes North Korea more vigilant and forces it to take a continuously hostile stance toward the United States. It also places Beijing continuously in a difficult position in dealing with both countries.

There now seems to be an equally important need for the Bush administration to bring back the North Koreans to the negotiation table. Obviously Bush's war against terrorism has not entirely gone according to plan. The turmoil in Iraq led to the defeat of the Republicans in the midterm elections last November. The Democrat-controlled Congress has just passed a resolution calling for a timetable to withdraw US troops. With the rising tension over Iran, Bush would prefer an agreement with North Korea so as not to be confronted with two nuclear standoffs at the same time. That is why Bush needs some concrete result from North Korea over the nuclear issue. In this context, North Korea's initiatives have paved the way for a US policy change.

It is primarily domestic pressures from both North Korea and the United States for a possible change that have made the agreement, signed on February 13, 2007, so potentially promising. The major stumbling block in the talks so far is that both the United States

and North Korea have made extreme demands but have failed to demonstrate good faith in the negotiations by considering the possibility of making a compromise. Confidence building is essential for both sides at this moment. From the agreement itself, we have seen a beam of hope. We recognize the need for a settlement for both North Korea and the United States for domestic reasons. However, we also have to recognize that dismantling the North Korea nuclear program is a long and complex process.

What China can do is limited. So far, there are four commonly agreed instruments at China's disposal in dealing with the North Korean nuclear issue: bilateral diplomatic capital and the ability to persuade both North Korea and the United States of the need for a peaceful settlement of the denuclearization issue, multilateral talks exemplified in the Six-Party Talks, in which China's position as host and its effective working relations with all the other five concerned parties make it a unique and effective leader, leverage over North Korea as the most important supplier of energy and food to that country, and a model of economic reform to North Korea.

China will continue to exert its influence to encourage Pyongyang to talk with the other four parties to the nuclear issue and to open its economy to the world as China has done. Beijing favorably noted the DPRK's recent plan to reform its economic system and to set up special economic zones. Even though Pyongyang is reluctant to give up its strategy of self-reliance in its development, Beijing leaders seem confident that they can influence North Korea's future economic orientation if China's own modernization program proves to be successful.

Conclusion

China opposes North Korea's pursuit of nuclear weapons, and it is likely that Beijing will remain active in finding a solution to the North Korean nuclear issue. That sense of urgency has been well reflected in Chinese initiatives since 2003. Although there is a strategic consensus among all six parties regarding the goal of a nuclear free Korean peninsula, most Chinese analysts believe that the key to the nuclear issue remains in the hand of the United States.

American hardliners have never trusted North Korea and have always believed that normal diplomatic give-and-take is actually simply rewarding bad behavior, arguing that Kim Jong Il duped President Clinton in halting its plutonium program while starting a covert uranium enrichment program. However, most Chinese observers believe that the United States bears more responsibility for the current impasse. It is the United States that first reneged on the 1994 Agreed Framework, failing to reward North Korea's good behavior. Washington managed to freeze Pyongyang's plutonium program, which if continued to operate would have generated enough plutonium for at least 50 bombs, yet Washington failed to live up to its end of the bargain. Since Republicans acquired control of the Congress after the accord was signed in the mid 1990s, Clinton did little to ease the sanctions until 2000. Although the United States had pledged to provide two nuclear power plants by a target date in 2003, the concrete for the first foundation was not poured until August 2002. In addition, the delivery of heavy oil was seldom on schedule. Above all, it did not live up to its promise to "move toward full normalization of political and economic relations."

In the mid 1990s, there was an illusion within Washington policy circles that the North Korean regime might not last much longer. Therefore, many people within the Washington Beltway preferred economic sanctions and a naval blockade when dealing with

Pyongyang. However, China, Russia, South Korea nor even Japan under Koizumi would go along, as they all knew pressure would only provoke the North to arm itself sooner rather than to simply collapse.¹⁴ Therefore, to change the course in Washington is the key to resolve this issue. Only the US's willingness to reconcile would alter North Korea's course.

However, there are some very valid reasons to look beyond what "should" have happened but instead at what is likely to happen in regards to the February 13 Agreement. Considering the domestic political climate in the United States, it is likely that, as a lame duck president, President Bush may have to make some difficult political concessions on the basis of a reasonable expectation on the North Korean nuclear issue, as it may be the only way out of its self-imposed policy corner *via-à-vis* North Korea. Obviously, President Bush has realized that a hard-line strategy was not working, and he is ready to engage in diplomatic give-and-take to shut down the nuclear facilities at Yongbyon as an initial step. Since Pyongyang insisted on the US taking a number of genuine steps to end the enmity, the lifting of the financial sanctions resulted from the possible solution of the \$25 million in the Macao bank would give Kim a sense that America may have indeed changed policy tack.

Kim Jong Il may also have an interest in changing his policy course, as the North Korean domestic situation continues to worsen. Nothing seems to be more important to Kim Jong Il than the regime's survivability in a highly fluid situation. Such a change of course may help him to ameliorate both internal and external threats. So far, North Korea remains committed to its promise but the road to its implementation may be complex and fraught with as yet unseen difficulties. The prospect of a successful denuclearization of the

¹⁴ Leon V. Sigal, "North Korea to Suspend Plutonium Production," <http://www.alternet.org/story/48617>.

Korean peninsula in a peaceful manner is still within our reach. The joint agreement signed on February 13 has provided the guiding principle for further negotiation and implementation.

Because of the strategic importance of North Korea, China cannot treat Pyongyang too harshly. North Korean leaders may not like some Chinese policies, but they also recognize that to a large extent they must depend on China economically and militarily and more importantly China is the principal counter to US pressure. This unavoidable dependence may breed frustration and resentment. However, China will continue to encourage North Korea to reaffirm, rather than to renege on its commitment to abandoning its nuclear program. However, due to the special nature of its relationship with Pyongyang, China may be very cautious in handling its policy towards the DPRK and may concentrate more on its own domestic economic development in order to ensure the success of China's modernization program. One reason for this is that, quite simply, the success of the PRC's modernization drive would not only increase its economic leverage on North Korea, but also would have a significant effect on North Korea's international economic orientation and its foreign relations.