

SECTION 3: CHINA'S INVOLVEMENT IN RESOLVING THE NORTH KOREAN NUCLEAR CRISIS

Key Findings

- The extent of Chinese cooperation in the Six-Party Talks to achieve a complete, verifiable, and irreversible dismantling of North Korea's nuclear weapons and nuclear weapons programs is a critical test of the U.S.-China relationship.¹²²
- China is North Korea's principal patron and has very substantial economic leverage with that country. It is important for China to use its considerable influence with North Korea, including economic and energy assistance, as leverage to press Pyongyang to dismantle its nuclear weapons, nuclear weapons programs and long-range delivery systems. China's recent efforts to bring North Korea back to the Six-Party Talks and its circulation of a now agreed-upon set of principles that the parties signed in September 2005 are new and commendable steps. However, the effort to get North Korea to abandon its nuclear weapons programs, nuclear weapons, and nuclear weapons material has a considerable distance yet to go, and it is imperative that China, with its leverage over North Korea, take substantial responsibility for the ultimate success of this effort.

Overview

With the terrorist attacks on 9/11 in the United States and, more recently, in Madrid and London, dramatizing the boldness with which terrorists are willing to strike, the international community must redouble its efforts to prevent the transfer of nuclear and other WMD and related delivery systems from terrorist-sponsoring states to terrorists willing to use them to inflict harm. Moreover, the international community must not permit a rogue nation to produce a nuclear arsenal that also could lead to a regional arms race or, threaten the United States or its allies. In particular it is of great importance to halt North Korea's nuclear and other WMD-related activities. China, with its close relationship with North Korea, has significant leverage that it can use to curb North Korea's disturbing behavior, and therefore its role in achieving a successful outcome to the Six-Party Talks is critical.

China's Relationship with North Korea

China exerts significant leverage over North Korea as its largest trading partner and as a principal source of financial and other assistance. A Treaty of Friendship, Cooperation, and Mutual Assistance between the two countries has been in place since 1961. It is difficult to imagine how a regime in North Korea could remain in power without Chinese support.

In 2004 the two countries reached a new high for bilateral trade—\$1.2 billion—up 35 percent from the previous year.¹²³ Historically China has provided North Korea with extensive foreign aid; Beijing consistently has allocated 25 to 33 percent of its foreign assistance budget to North Korea in recent years.¹²⁴ It also exports significant amounts of fuel and food to North Korea, presumably at below market prices. For example, it is reported that roughly 70 to

90 percent of North Korea's energy supplies come from China.¹²⁵ After the collapse of the North Korean farming system and the fall of the Soviet Union which had been North Korea's principal patron, China became what is widely believed to be North Korea's largest provider of food, though it is difficult to measure how much is actually provided.¹²⁶ Moreover, Chinese petroleum and coal are thought to be significant factors in bolstering the fragile North Korean economy.¹²⁷ Chinese fuel exports to North Korea are estimated to have been over \$100 million a year, some of which likely has been provided at 'friendship prices.'¹²⁸ One estimate holds that the North Korean economy would be paralyzed within a period of six months should Chinese energy assistance be halted.¹²⁹

Given the level of Chinese assistance to and trade with North Korea, China has significant power in shaping Pyongyang's behavior. Probably out of fear of destabilizing its neighbor, China currently appears unwilling to impose economic and other sanctions in order to gain traction concerning North Korea's nuclear weapons activities.¹³⁰ According to Christopher Hill, Assistant Secretary of State for East Asian and Pacific Affairs, "the Chinese have a very strong relationship with North Korea, a very strong economic relationship, [and] political relationship. In fact, there are a lot of personal relationships that go between China and North Korea."¹³¹

Beyond general economic assistance to North Korea, there is evidence that Chinese companies continue to transfer key WMD- and/or missile-related technologies to North Korea.¹³² Questions also remain with regard to China's possible role in permitting North Korean ships and planes involved in proliferation activities to use Chinese ports and airspace.¹³³ For example, Spanish warships, acting in conjunction with the U.S. government, intercepted a freighter bound for Yemen in late 2002 that contained 15 complete North Korean Scud missiles and spare parts; its previous port of call, according to Spain's Defense Minister, was in China.¹³⁴ But China's performance on stopping problematic shipments is mixed; in fall 2003, Chinese authorities, in cooperation with the U.S. government, interdicted a shipment of chemicals transiting China and bound for Pyongyang's nuclear program.¹³⁵

Additionally, the U.S. Treasury Department has identified a Chinese bank alleged to be involved in money laundering-related activities that could be financing North Korea's nuclear weapons programs, and, according to press reports, is also investigating the Bank of China and another Chinese bank because of similar alleged activities.¹³⁶ For more on this issue see Chapter 1, Section 3 of this report.

China's Role in the Six-Party Talks

In October 2002, North Korea stated that it secretly had resumed its nuclear weapons program, in violation of its commitments under the 1994 Agreed Framework as well as the Nuclear Nonproliferation Treaty, its International Atomic Energy Agency safeguards agreement, and the Joint North-South Declaration on the Denuclearization of the Korean Peninsula. The North Korean government acknowledged to a U.S. delegation that it had a program to enrich uranium for nuclear weapons, which it later denied.

In August 2003, the U.S., China, Japan, Russia and South Korea engaged with North Korea in what became known as the Six-Party Talks. At the first session, all parties agreed that the goal was a denuclearized Korean Peninsula. The U.S. goal for the talks has been to achieve a complete, verifiable, and irreversible dismantling of all North Korean nuclear programs. As the host of the Six-Party Talks, and given its close relationship with North Korea, China has a special role to play in shaping the course of these discussions and achieving their goals.

Two subsequent Six-Party meetings took place and at the third meeting (June 23, 2004), the U.S. delegation tabled a comprehensive proposal that called for a step-by-step dismantlement of North Korea's nuclear programs, which would be rewarded after certain steps with aid and other concessions to North Korea. Under this plan North Korea would be required to make a declaration stating that it would dismantle its nuclear programs which, if accepted, would be rewarded by provisional multilateral security assurances.¹³⁷ In the end, discussions about ending sanctions against North Korea could result.¹³⁸

But North Korea failed to take part in a working meeting prior to the fourth round of discussions scheduled for September 2004. It later issued a number of belligerent statements emphasizing its unwillingness to return to the negotiating table.

On February 10, 2005, North Korea announced that it was formally suspending its participation in the Six-Party Talks and declared it possessed nuclear weapons. Subsequent to its February 10 statement, North Korea launched a short-range missile into the Sea of Japan and announced it had extracted spent nuclear fuel from its Yongbyon reactor so it could "increase its nuclear arsenal."¹³⁹ During this period, Chinese diplomats met with North Korean officials to encourage their return to the negotiations but also called on the United States "to show more flexibility and sincerity [toward Pyongyang]," and suggested that the United States make concessions to lure North Korea back to the negotiating table.¹⁴⁰ During the impasse, the Chinese clearly sought to protect the North Koreans against sanctions. "We are of the view that we should not resort to sanctions or pressure in international relations ... [such moves] will not solve problems," China's Foreign Ministry spokesman, Kong Quan, noted.¹⁴¹ China has blocked all proliferation sanctions proposed at the United Nations Security Council and presumably would block any such sanctions aimed at Pyongyang in the future.¹⁴² For example, China reportedly blocked a U.S. attempt to condemn North Korea's nuclear-related behavior in April 2003.¹⁴³

During a July 2005 trip to the region by Secretary of State Condoleezza Rice, North Korea announced that it would return to the Six-Party Talks later that month. On July 26, 2005 the Six-Party Talks restarted in Beijing for what turned out to be a 13-day session. During the discussions, China circulated several draft documents aimed at resolving the nuclear crisis. But the talks recessed after North Korea expressed its desire to operate light water nuclear reactors.¹⁴⁴

During the September round of the Talks, China circulated a proposed set of principles in which Pyongyang would commit to

eliminate its nuclear weapons and nuclear weapons programs, rejoin the Nuclear Nonproliferation Treaty, and readmit nuclear inspectors.¹⁴⁵ On September 19, 2005 the six delegations signed the statement of principles. A copy of the joint statement following the meetings is attached as Appendix B of this chapter.

While this apparent progress toward the objective of dismantling North Korea's nuclear weapons programs and nuclear weapons is encouraging, there is a great distance to go before the agreed principles are reflected in reality. And the history of North Korea's action in abiding by and implementing agreements is abysmal. In the months ahead it will be critical for the other five parties to ensure realistic progress is made in achieving implementation of the agreed-upon principles. Because of China's unique leverage over North Korea, this effort will succeed only if China manifests true leadership and takes those steps that are necessary, while working with the other parties, to ensure North Korea's adherence to this latest agreement. The statement of U.S. Special Envoy for Six-Party Talks Joseph DeTrani at the Commission's March 2005 hearing is still applicable: "it is all the more imperative that China, as Chair of the Talks, use its influence and leverage . . . to achieve our shared goal of a nuclear-free Korean Peninsula."¹⁴⁶ According to another expert witness at the Commission's hearing, "[e]xtreme pressure must be applied to North Korea, and Pyongyang must understand that diplomatic, political and economic pressure will only increase if it continues its nuclear programs. China's active participation in such an effort is necessary to achieve any success."¹⁴⁷