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02

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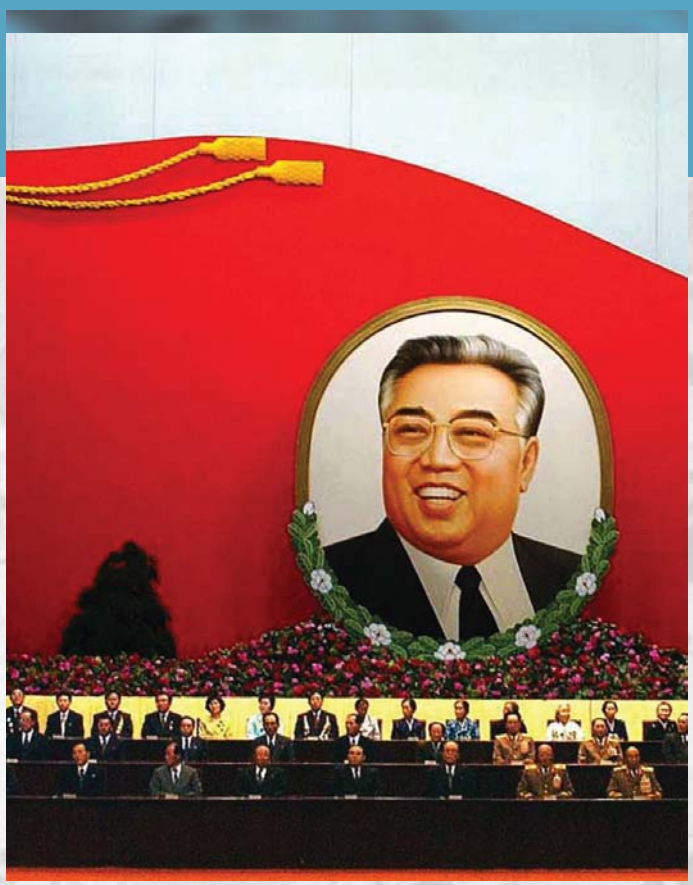
# Danger and Opportunity

## Australia and the North Korea Crisis



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National meeting to commemorate the 91st birth anniversary of late-president Kim Il-Sung, April 2003. AFP/AAP/KCNA; © 2003 AFP

North Korea's spent nuclear fuel rods at nuclear facilities in Yongbyon. AP via AAP/YONHAP; © 1996 The Associated Press

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## Australia and the North Korea Crisis

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Cartography by Keith Mitchell

# Director's introduction

Fifty years ago this month, on 27 July 1953, the Armistice which bought to a halt three years of fighting was signed at Panmunjom. But an armistice is not a final peace settlement; only a temporary lull in hostilities. In a real sense the Korean War has never been finished, and we are living today with its legacy.

The Korean War, and the strange, tense peace which has followed, have done much to shape the Asia–Pacific region, and Australia's own security environment. It was the crucible in which our ANZUS alliance with the US was fused, and it set the pattern for US–Australia strategic cooperation throughout the Cold War. Australia still remains a member of the Military Armistice Commission and we are committed to support the terms of the Armistice.

Now we face a new threat of war on the Peninsula, and a clear likelihood that such a war would involve the use of nuclear weapons. The immediate cause of this tension is the revelation that North Korea has broken international agreements by maintaining a covert nuclear program, and its subsequent withdrawal from its earlier undertakings.

But more deeply, the current Korean crisis has drawn together many threads in the complex affairs of Northeast Asia: the future of the Korean peninsula and the US position there, Japan's strategic role, the dynamics of the US–China relationship, and the evolution of America's military posture in the Western Pacific.

And, of course, alongside these long-term factors the development of the current crisis has been moulded by the compelling drama of the war on terror, and the ways in which the US global response to events everywhere since September 11, 2001 has been influenced by the resulting transformation in US strategic policy.

The crisis is of compelling importance to Australia. A war on the Korean Peninsula would be enormously significant for all Australians; our defence

forces would be heavily involved, and our economy would be deeply affected. But even a peaceful resolution is likely to shape our region and our future security environment in profound ways.

This ASPI Policy Briefing aims to help Australians understand the crisis and what it means for Australia. In such a complex and fast-moving situation we have not sought to predict events; our aim has been to clarify the issues by explaining what is at stake for Australia, how the current situation developed, what the aims of the key players might be, and how a range of scenarios could play out. We have not aimed to provide detailed and specific policy proposals, but we do sketch some imperatives and opportunities.

Like all ASPI's products, this paper is a team effort. I would like especially to thank Dr Graham Kearns for his very valuable contribution, and Dr Kenneth Boutin of VERTIC, the Verification Research, Training & Information Centre in London, for his assistance on the question of the denuclearisation of the North Korean regime. Many others, both inside and outside government, have contributed insights and ideas. All these inputs have been managed and brought to fruition in her usual, wonderful way by Dr Elsina Wainwright, Program Director for the Strategic and International Program here at ASPI. My thanks to her, and of course to the rest of the ASPI team who all contribute in material ways to our product.

Of course, as always, the views expressed in this document do not represent a consensus among all those who have contributed, nor are they to be taken as expressing the views of ASPI as an institution. Responsibility for these views lies with Dr Wainwright, and with myself as Director.

**Hugh White**
*Director*

# Executive summary

North Korea is one of the points at which the great global security challenges of the day—terrorism, weapons of mass destruction (WMD) proliferation, and state failure—intersect directly with Australia's long-term regional strategic interests.

## A nuclear-armed North Korea matters to Australia.

- **Proliferation.** We have a strong direct interest in preventing the proliferation of WMD. North Korea's nuclear weapons and ballistic missile programs are a serious threat to this interest.
- **War in Northeast Asia.** North Korea's policies raise the risk of a very destructive war on the Korean Peninsula. As a US ally, Australia may become heavily engaged in such a war.
- **The strategic future of the Asia–Pacific region.** The North Korean issue has become the mould upon which the future of Northeast Asian security is being shaped. That makes it very important in determining the future security of the wider Asia–Pacific region, and hence Australia's future strategic environment.

## There are a lot of players involved, and all of them have stakes that go beyond the immediate crisis.

- **North Korea.** Pyongyang sees two threats: military attack by the US, and economic collapse. Nuclear weapons may seem to address both threats: they can deter a US attack, and provide an incentive or bargaining chip for economic aid. But are the North Koreans genuinely willing to abandon their nuclear program if their security and economic concerns can be addressed in other ways? There at least seems a hope that they are.
- **The United States.** War on the peninsula would be too costly for Washington to risk another Iraq-style invasion. But there are several concerns about a negotiated end to North Korea's nuclear program: how such a deal would be verified, whether it would breach the principle

of not negotiating under threats, and whether a deal would prolong Kim Jong Il's regime. To help meet these concerns, Washington needs to put economic pressure on the North. It can only do this through cooperation with China. In the longer term Washington may calculate that a deal which promoted economic reform and more openness to the world in North Korea would undermine and eventually destroy the regime.

- **China.** For Beijing, North Korea poses both risks and opportunities. The risks are many, but working with the US to fix the Korean Peninsula can serve both China's short-term diplomatic interest in cooperation and improve its position in the long-term strategic competition with America. And Beijing probably assesses that, in the long run, a unified Korea would be better for China than the status quo. So China probably will help reach a deal.
- **Japan.** Tokyo is eager for an effective action to curtail North Korea's nuclear program, but also acutely nervous about any action that raises the risk of war. And in the longer term a unified Korea would pose some significant security anxieties for Japan.
- **South Korea.** Seoul is more concerned than any other party to avoid war. There is a considerable depth of anxiety among South Koreans about the possibility that the US might adopt an aggressive military approach to North Korea. But there are good grounds to think that Seoul's objectives and Washington's are now pretty closely aligned in the management of the present crisis, and in the longer term development of the US–Korea relationship.

## Three scenarios

- **War.** The least likely scenario, but there is possibility of war starting by misadventure or misjudgment. The biggest risk is that North Korea will restart full-scale production at its plutonium reprocessing plant at Yongbyon, forcing a US military strike. With very large forces held at high readiness on both sides, fighting could escalate quickly.
- **A deal.** In the end a war works for nobody, whereas it seems likely that a deal could be done which would suit everybody. The essential shape of the deal is simple: North Korea gives up its nuclear program, chemical and biological weapons and ballistic missiles, stops all exports of such things, and scales back its conventional forces. In exchange, North Korea's security is guaranteed by its neighbours and the US, and it receives economic aid and help with economic reform. However, there are several potential showstoppers on the way to concluding such a deal: verification, the nature of any security guarantee, and the order in which each side makes concessions.
- **A stalemate.** There is a good chance that the current situation will remain as a kind of stalemate, at least for a while. That means North Korea keeps its nuclear program and presumably increases its stock of weapons, while at the same time its economic problems deepen. The international community would need to address the risk that North Korea will export fissile material or nuclear weapons to others, especially to terrorists.

## Australian policy—imperatives and opportunities

Australia has big interests in North Korea, but our capacity to shape outcomes is relatively modest. Nonetheless, there are some things we can do.

- **Creative diplomacy** in helping remove roadblocks to a deal on issues like verification.
- **Opening the windows** into North Korea by supporting economic reform and providing training.
- **Reducing tensions** through confidence-building contacts—for example, with North Korea's highly xenophobic military.
- **Preparing for the worst:** Australian forces would be involved in the event of war. We need to be prepared.
- **Reaping benefits:** If Washington and Beijing can learn to cooperate over North Korea, the whole region might end up safer. We should encourage them to work together.

CHAPTER 1

# The problem—and why it matters to Australia

There are two points at which the great global security challenges of the day—terrorism, weapons of mass destruction (WMD) proliferation, and state failure—intersect most directly with Australia's long-term regional strategic interests. One is in Indonesia, where the risk of extremist Islamic terrorism and the potential for political instability threaten our enduring interests in a peaceful, cohesive and cooperative neighbour. The other is North Korea.

North Korea is one of the poorest countries in the world. But it is also one of the most disruptive—since the fall of Saddam Hussein, perhaps *the* most disruptive—member of the international community. Its government is highly repressive, and its people are close to destitution. It maintains large armed forces, arrayed in a highly threatening posture against South Korean and American forces on its southern border. It has developed and deployed ballistic missiles which can target its neighbours, including Japan, and it has sold missiles to many countries of concern. It has large stocks of chemical weapons, and probably has some biological weapon capabilities as well. In the past it has conducted terrorist operations against South Korean targets. It allegedly produces and sells drugs on the international market. Worst of all, it claims to have nuclear weapons, and threatens to produce more.

## A global problem

It is North Korea's nuclear weapons program that has created the acute policy challenge now facing the international community. A nuclear-armed North Korea is a cause for intense international concern for three reasons. First, because a successful North Korean nuclear program would encourage other proliferators. There is a risk that North Korea's WMD development—especially its nuclear weapons program—may inspire others to follow its example. North Korea is the first country to withdraw

from the nuclear Non-Proliferation Treaty (NPT), and its defection from the global non-proliferation regime may, if allowed to stand, encourage others to go the same way.

Second, because North Korea would most likely sell nuclear weapons, materials and technology to others, including terrorist groups. North Korea has already shown itself willing to sell missiles to other countries; they are indeed one of its only exports. There is good reason to fear that it would sell nuclear capabilities to the highest bidder as well.

And third, because North Korea could use or threaten to use its nuclear weapons against South Korea, Japan, or US forces based in the region. North Korea's regime is reckless, unpredictable and perhaps potentially unstable, and its internal politics are opaque. No one could be sure that it would not at some stage launch a nuclear attack.

By far the best way to address all these problems would be for North Korea to abandon its nuclear weapons program. If that is not possible through peaceful negotiations, tougher measures may be considered, but those measures carry serious risks, including a risk of all-out war on the Korean Peninsula. If tougher measures are not practical, there may be no alternative but to learn to live with North Korea as a nuclear power. All these possibilities pose major policy challenges.

## An Australian problem

But why does all this matter to Australia? Our interests fall into three categories. The first relates to the proliferation of weapons of mass destruction. The second relates to the short-term risk of war in Northeast Asia. The third relates to the long-term strategic balance in the Western Pacific.

### Proliferation

Australia's most immediate interest in the North Korean issue lies in our shared concern about North Korea's nuclear program. Like other countries, we have a strong direct interest in preventing the proliferation of WMD, and so like others we should be concerned that North Korea's nuclear weapons and ballistic missile programs are a serious threat to this interest. We share concerns that nuclear weapons might be sold to terrorists. And we share concerns about North Korea's potential to use its weapons. North Korea is not far from developing missiles that could reach Northern Australia, carrying nuclear weapons. While Darwin would hardly be top of North Korea's target list, we cannot rule out the possibility that North Korea might in some situations consider Australia a target or a nuclear hostage.

## The North Korean issue has become the mould upon which the future of Northeast Asian security is being shaped.

### War in Northeast Asia

Other interests are more specific to Australia's geostrategic situation. North Korea's policies raise the risk of war on the Korean Peninsula. Such a war would certainly involve North and South Korea and the United States, and probably Japan and other US allies as well. It would most likely be very destructive, with huge loss of life on both sides. This would be a major humanitarian disaster. But it would also touch Australia's national interests more directly.

First, many Australian expatriates live in South Korea. They would be in grave danger. Second, and even more importantly, Australia would be likely to be heavily engaged in such a war ourselves. Substantial Australian military forces would almost certainly be despatched to contribute to the US-led coalition, probably on a scale far exceeding our contribution to the Iraq conflict. The US would rightly expect strong support from its closest ally in the Asia–Pacific region. Such a major war within our broader region is encompassed explicitly by the ANZUS Treaty, and we retain commitments dating back to our role in the UN-backed operations in the Korean War of the early 1950s. The likelihood of serious casualties would be high.

Third, war on the Korean Peninsula would devastate Australia's major export markets in Northeast Asia, with major economic implications for the whole country. Seven of Australia's top ten export markets are in Asia, with more than 40% of Australia's merchandise exports going to North Asia. Even without a major war, ongoing tension in Northeast Asia over North Korea's nuclear capabilities could depress regional economies and harm Australian markets.

### The strategic future of the Asia–Pacific region

Whatever the outcome of the current crisis, the Korean situation is likely to strongly shape relationships between key powers in Northeast Asia. The North Korean issue has become the mould upon which the future of Northeast Asian security is being shaped. That makes it very important in determining the future security of the wider Asia–Pacific region, and hence Australia's future strategic environment. At stake are not just the prospects for peace and unification on the Korean Peninsula, but also the future US strategic posture in Northeast Asia, Japan's strategic outlook and policies, and the US–China relationship. No issues are more important for Australia's future security than these.

CHAPTER 2

# The story so far

Today's problems have deep roots, but the current concerns can be dated from the early 1990s, when it became evident that North Korea was not complying with the obligations it had accepted when it acceded to the nuclear NPT in 1985. Inspections by the International Atomic Energy Agency (IAEA) in 1992 suggested that North Korea had been diverting plutonium from fuel rods taken from a reactor at Yongbyon in central North Korea, and had built a reprocessing facility there to extract the plutonium for use in nuclear weapons. Requests for further inspections were refused, and North Korea, while denying that it had a nuclear weapons program, threatened to withdraw from the NPT.

The United States, concerned that North Korea was on the threshold of developing nuclear weapons, explored the option of imposing sanctions on North Korea to compel it to allow IAEA inspections. Washington also made plans for air strikes against North Korea's plutonium reprocessing facility at Yongbyon if diplomacy failed. North Korea reacted aggressively, threatening to attack the South in retaliation for any economic sanctions or military action against it. The risk of a major war was quite real—more so than most people realised at the time.

## Jimmy Carter and the Agreed Framework

The crisis was defused in June 1994 when former US President Jimmy Carter visited the North Korean capital, Pyongyang, and opened the way for a deal. This deal, called the Agreed Framework, was based on a simple trade. North Korea would freeze and eventually dismantle its existing nuclear program which had the clear potential to lead to a nuclear weapons capability. It would resume its obligations under the NPT and to the IAEA, and the plutonium-bearing fuel rods would be sealed and stored under IAEA supervision. In return, a group of countries led by the US, Japan and South Korea, and including Australia, would provide two new nuclear reactors which would help meet North Korea's energy needs, but have very little

capacity to produce nuclear weapons material. In the meantime this group would provide substantial aid, including fuel oil to augment North Korea's energy supplies, and undertake to provide security assurances, and help work toward normalisation of relations.

Implementation of the Agreed Framework was never easy. Work on the new reactors has been slow, due in part to obstructive conditions and demands imposed by the North Koreans themselves. And Pyongyang has shown little willingness to complete the full accounting of its previous nuclear activities which it was committed to provide under the agreement. But the Agreed Framework provided some measure of assurance that North Korea's nuclear program was at least on hold.

## Missiles and Bill Perry

Other sources of anxiety soon emerged. A series of ballistic missile tests in the late 1990s showed that North Korea was trying to develop a capacity to target Japan and even the continental United States. In 1998 a Taepo-Dong rocket test overflew Japan and landed well out into the Pacific. This caused major concern in Japan, and energised the development of limited ballistic missile defences in the United States as well. A major policy initiative was undertaken by Washington, led by former Secretary of Defense Bill Perry in consultation with South Korea, Japan, and other allies including Australia. The aim was to provide a broader road map for the development of better relations between North Korea and the rest of the world.

Perry's plan, delivered in October 1999, offered both carrots and sticks. If North Korea was prepared to maintain the Agreed Framework on its nuclear program, abandon the development of ballistic missiles, and cooperate in the reduction of tensions on the border with South Korea, the US and its partners would be willing to reciprocate with aid and the

normalisation of relations. If not, the Perry plan foreshadowed robust measures of containment.

## Sunshine and famine

For a while there seemed to be positive progress. North Korea undertook a moratorium on ballistic missile testing. Relations between North and South Korea warmed significantly. South Korean President Kim Dae Jung promoted his Sunshine policy of warmth towards the North; on 15 June 2000 North and South Korean leaders met for the first time since the Korean War; and North and South Korean athletes marched together as a single team at the Sydney Olympics. In the last weeks of the Clinton Administration, Secretary of State Madelaine Albright visited Pyongyang, and there was serious consideration given to a visit by President Clinton himself.

These broadly positive developments took place against a background of deep economic crisis in North Korea. The economy, long crippled by huge levels of defence spending, never recovered from the withdrawal of Soviet aid in the early 1990s. Crop failures in the mid-1990s caused a major famine in which many North Koreans died. North Korea has continued to rely on major volumes of food aid from the US, South Korea, Japan and Australia to avoid starvation for much of its population, and for energy and other support from China.

Of course, there were always doubts about whether the North was really abiding by its agreement to forgo the nuclear option.

## Doubts and suspicions

Of course, there were always doubts about whether the North was really abiding by its agreement to forgo the nuclear option. In 1996 the US grew suspicious about huge underground excavations in North Korea which might have held covert nuclear facilities. Pyongyang eventually allowed inspections which showed nothing incriminating, but the US remained uneasy. US officials also revised their assessments of the progress made by the North before the nuclear program was stopped under the Agreed Framework. The revised assessments concluded it was likely that Pyongyang had produced enough plutonium for one or two weapons, and that it had bought or developed a workable weapon design. That meant North Korea probably already had one or two nuclear weapons. Then in the late 1990s Washington began to suspect that North Korea was continuing a covert nuclear program.

Suspicions focused on the possibility that North Korea was importing the technology to produce highly enriched uranium (HEU), which is the principal alternative to plutonium as the fissile material from which to make nuclear weapons. Uranium enrichment is a complex and costly process, but it does not require such large facilities as plutonium production, and is more easily hidden. The evidence for a covert North Korean HEU program remained fragmentary, but it has accumulated over the past few years.

## The 'Axis of Evil'

The Bush Administration came into office deeply suspicious of the Agreed Framework and sceptical of the wisdom of dealing with Pyongyang. It froze the contacts which had built up in the last months of the Clinton Administration, and undertook its own review of the North Korean problem and what should be done about it. Before that process was finished, September 11 changed the landscape. North Korea was temporarily eclipsed by the war on terror reemerging in President Bush's 2002 State of the Union address as one of the 'Axis of Evil'.

At first this seemed to have a positive effect in Pyongyang. In the first half of last year Kim Jong Il's government made what appeared to be radical attempts at economic reform, introducing market mechanisms and trying to set up new free market industrial enclaves. Diplomatic relations were established with a number of countries including Australia, and North Korea reopened an embassy in Canberra. From the middle of the year Pyongyang restarted some of the North–South initiatives which had stalled in recent years, and invited Japan's Prime Minister Koizumi for an historic visit. There was a sense that the North Koreans had decided it was time to come out of their cave.

## October surprise

The good news came to a halt in October 2002, when the US Assistant Secretary of State for East Asian and Pacific Affairs James Kelly made the first visit to Pyongyang by a senior official of the Bush Administration. He told the North Koreans that America suspected them of conducting a covert HEU program. At first he got the routine denials, but the next day—probably to Kelly's great surprise—the North Koreans confirmed American suspicions and admitted that they had been developing the capability to produce HEU. This is, of course, a flagrant violation of the Agreed Framework.

It has been downhill from there. In the light of North Korea's violations of its Agreed Framework, the US and its partners suspended heavy fuel oil deliveries. The North Koreans have responded by withdrawing from the IAEA and resuming some of the activity at the Yongbyon facility, which had been frozen under the Agreed Framework. The nuclear reactor at Yongbyon has been reactivated, the spent fuel rods containing plutonium have been

removed from storage, and preparations have been made to restart the plutonium reprocessing plant. Military tensions have also risen; in March North Korean fighters closely shadowed a US surveillance aircraft in international airspace, and the US has deployed bombers to its base in Guam.

## Threats and restraint

Beneath this worrying pattern of confrontation, there has been what could be interpreted as a reassuring degree of restraint. Either for technical or political reasons, the North Koreans have so far apparently refrained from crossing either of the two 'red lines' which would significantly escalate the crisis further. One is the restarting of full-scale production of plutonium at the reprocessing plant. This would provide the North Koreans with a supply of new plutonium to turn into new weapons or to sell to terrorists. The other would be the resumption of longer range ballistic missile tests that were halted in September 1999 with a self-imposed moratorium.

The US has worked to bring the issue to the UN Security Council, and has placed clear emphasis on seeking a negotiated solution to the crisis. It has sought to cooperate with other countries, especially North Korea's neighbours, and has emphasised the importance of a multilateral approach. There is little evidence that the US has any desire for a military solution, though understandably it has refused to rule out any options.

Both the US and the North Koreans have indicated that they want to solve the standoff through negotiation.

## Diplomacy and deals

Both the US and the North Koreans have indicated that they want to solve the standoff through negotiation. The basic shape of a deal is pretty clear. The US demands North Korea completely and unconditionally abandon its nuclear program; the North Koreans in return would seek a guarantee of North Korea's security and help with its economy. For the first few months of 2003, while attention was riveted on Iraq, a diplomatic gavotte was danced about the format for negotiations. Pyongyang wanted bilateral negotiations with the US, while the US wanted multilateral talks involving at least Japan, South Korea, China and Russia as well. In April the Chinese swung a compromise, in which the US and North Korea agreed to sit down with China in trilateral talks, at least at first.

These trilateral talks convened in Beijing in late April. First reports of their outcome were alarming; the North Koreans had confirmed that they already had nuclear weapons, and threatened to use them.

Later reports were more promising, with suggestions that both the US and North Korea addressed the elements of a deal that might resolve the crisis. The two sides are still a long way apart, especially over the sequencing of events; both sides want the other to move first. But there is cause for guarded optimism that the process can be continued, perhaps with other interested parties being drawn in. On the other hand, there is a continuous risk that North Korea will do something provocative, or interpret US actions as provocative, and raise the risk of war. So the road to a durable settlement still looks long, hard and uncertain.

CHAPTER 3

# Motives and objectives

The best way to understand how things might pan out on the Peninsula is to look at the objectives and options available to each of the key parties to the issue. One reason why the problem is so complex is that there are a lot of players involved, and all of them have stakes that go beyond the immediate crisis. Each party will be looking to those long-term interests as it determines its approach to the current problems.

## North Korea

Let's start with North Korea itself—the toughest of the bunch, and the hardest to understand. Its decision-making is probably more opaque than any other country in the world. Pyongyang's conduct can appear erratic, and it is often uninformed about the outside world and the way its actions are read. There is a possibility that its policies could become subject to a tug-of-war between different factions in the government, which makes it even harder to predict.

These uncertainties notwithstanding, the best place to start is with the working hypothesis that the Pyongyang's highest priority is regime survival. North Korea probably perceives two acute and imminent threats to its survival. The first is the collapse of its Stalinist economy, which has driven its people to starvation, and is slowly but surely corroding its military capability. North Korea's economy has been in disastrous shape for years, but it appears to have taken an even sharper turn for the worse in recent months.

The second perceived threat is military attack by the US, which Pyongyang appears to believe is a serious possibility whether they have nuclear weapons or not. Their acute anxiety on this account dates back long before the current Bush Administration. It probably began when the Cold War protection provided by the Soviet Union disappeared in the late 1980s, and would have been further amplified by American success in the Gulf War of

1991. North Korea's rulers no doubt have a distorted view of US strategic policy, and imagine it to be much more aggressive than it really is. But President Bush's talk of pre-emption, his identification of North Korea as a node on the 'Axis of Evil', and their mention in the leaked US Nuclear Posture Review all tended to confirm Pyongyang's sense of paranoia.

To North Korea, the development of nuclear weapons and longer range ballistic missiles probably appears to address both its economic and security anxieties. On the one hand, nuclear weapons might be seen to provide Pyongyang with its best, or only, defence against US military aggression; the ability to threaten the US or its allies like Japan with nuclear attack provides the best deterrent against America's overwhelming and growing conventional military superiority.

On the other hand, Pyongyang seems to think that nuclear weapons can help its economy. First, they can provide an incentive or bargaining chip for other countries—South Korea, Japan and China, as well as the US—to provide North Korea with aid and help economic reform and investment. The successful negotiation of the Agreed Framework showed how this could work. Secondly, North Korea has recently suggested—perhaps implausibly—that its nuclear weapons program is intended to allow a cut in conventional military spending, thus easing the strain on its economy.

The key question is whether or not North Korea still thinks this way; whether the leaders in Pyongyang still believe that nuclear weapons are the best or only way to achieve security and prosperity. If they do still think that, there is little reason to expect them to surrender their nuclear weapons. If they do not, there is a chance of a deal.

The plain answer is that we simply do not know. But there is some evidence that Pyongyang might now understand that there are limits to how useful nuclear weapons will be for its future security and prosperity. The relatively open and outgoing approach that North Korea adopted in the months

leading up to the revelation of its covert nuclear program in October 2002 suggested that the regime now realises that deep economic reforms and a lot of outside help are needed if North Korea's economy is to recover. North Korea may also have realised that under President Bush, and especially after September 11 2001, the US was going to be a tough and uncompromising adversary to any country proliferating WMD or threatening America itself. They might have genuinely come round to the view that a multilateral security guarantee involving not just the US but other big neighbours would be a better foundation for their security than nuclear weapons.

Of course, this raises the question of why North Korea has maintained a covert nuclear program and undertaken the series of provocative actions that have escalated tension since October last year. Two factors need to be borne in mind. First, North Korea's decision to start a covert HEU program in contravention of the Agreed Framework was probably made in the mid to late 1990s. That decision was not a response to the Bush Administration's policy, or September 11, or any other recent event. We do not know why they made that choice to restart a nuclear program, nor do we know whether they would have made the same decision today.

Second, the North Koreans did not initiate the current crisis by flaunting its nuclear weapons program; they revealed it only in response to American accusations in October 2002. The fact that they *did* reveal the program in response to American accusations is intriguing; Pyongyang would have had the option to simply deny the reports, and had it done so, the US would have found it much harder to build Chinese, Japanese and South Korean support for tough action. The choice they made suggests that Pyongyang may have realised this was an issue which, under the new situation post September 11, would not go away and needed to be dealt with one way or another. They may also have calculated that the lead up to war in Iraq was a good time to get the issue on the table with a Washington that was preoccupied with pressing concerns elsewhere. Much of North Korea's conduct since then, including the withdrawal from the IAEA and the resumption of activity at Yongbyon, has been highly provocative. But the North Koreans have held back from taking the most provocative steps—restarting the reprocessing plant or testing ballistic missiles. So their behaviour is not entirely inconsistent with a willingness to do a deal.

And developments since the start of the crisis in October last year have strengthened the arguments for a deal. Over the past nine months things have only got worse from Pyongyang's point of view. It appears that North Korea's economy has taken a major downturn because of the failure of last year's attempted economic reforms and the loss of oil supplies which had been provided under the Agreed Framework. And US military success in Iraq may encourage North Korea to conclude that even nuclear weapons do not provide long-term security against the global hyperpower—though admittedly the argument could also run the other way.

One last factor may be weighing more and more on North Korea's calculations—the attitude of China. Until recently Pyongyang could be

confident of a degree of support from China which has given it confidence in its ability to resist pressure, economic or military, from the US and its allies. That confidence is now probably starting to wane, as China re-evaluates its interests and objectives in ways discussed in a following section. Without assurances of Chinese support, North Korea has a lot fewer options.

So it is reasonable to conclude that North Korea—or at least some of its elite—genuinely wants to do a deal. That sounds like good news, and it is. But there remains a lot of danger and uncertainty. First, Pyongyang's expectations of what it can achieve in a negotiation may be unrealistic. It may overplay its hand and hold out for conditions which the US and its partners are simply not prepared to accept. Second, it may miscalculate the application of pressure on the US and do something so provocative that the US has no choice but to respond militarily. A ballistic missile test, plutonium reprocessing, apparent sales of nuclear material to terrorists, or military action against US forces—any of these could push the US too far and lead to war. And third, dissent within the regime in Pyongyang could cause North Korean policy to veer unpredictably.

One thing seems pretty certain. As long as its leaders remain rational North Korea will not initiate war from choice. But it may respond provocatively and escalate a crisis if it is attacked, and it may unintentionally provoke a war by actions that it takes to increase tension and put pressure on its adversaries. One would expect Pyongyang to realise that war, once begun, could only end in the complete annihilation of the regime. But there is a risk that Kim Jong Il may think like Saddam, and hope that by living to fight another day he can outlast the Americans and stage a comeback.

## The United States

Since September 11 2001 America's strategic policy agenda has operated at high pressure, and we can expect US objectives in relation to North Korea to be pursued in a vigorous and focused fashion. But it is worth noting that despite its nomination on the 'Axis of Evil', North Korea has not received the kind of political profile that the Bush Administration gave Iraq, and it seems unlikely that North Korea will become the focus of the kind of supercharged policy debate that has characterised the Iraq issue in recent months.

One key difference is America's consistent and no doubt deep-seated commitment to finding a multilateral approach to the North Korea crisis. Washington does not see Pyongyang's nuclear capability as a problem for America alone; nor does it appear to believe that it can fix the problem unaided. The reasons for this become clearer as we look more closely at US objectives and options.

America's aims in relation to North Korea are not hard to formulate. It probably has four strategic objectives, which if arranged in priority order would probably look like this. First, the eradication of North Korea's nuclear capabilities; second the limitation or elimination of North Korea's ballistic missile and chemical and biological weapon programs; third, the

reduction of North Korea's conventional military threat to South Korea; and fourth the removal of Kim Jong Il's regime and its replacement by a more congenial form of government.

The interesting thing about this set of objectives is that only the last one—regime change—is flatly incompatible with the objectives of Pyongyang as we have set them out in the previous section. That gives grounds for cautious optimism that a deal might be reached that could work for both Washington and Pyongyang. But does Washington really want a deal? There are several clear constraints. First, there is the question of whether any deal with North Korea would be complied with by Pyongyang, and whether it could be verified. After North Korea's flagrant violations of the Agreed Framework, America is not going to trust any agreement that is not fully verified, and nor should it. But negotiating and establishing adequate verification looks dauntingly hard—hard enough to make many in Washington wonder whether a deal is possible at all.

Second, doing a deal with Pyongyang raises the unpleasant prospect of negotiating under the pressure of threats. America naturally does not want to be seen to be giving in to blackmail. Third, and perhaps most importantly, many in the Administration, including probably the President himself, would be reluctant to see an outcome on the Peninsula which consolidated the rule of Kim Jong Il. Even without nuclear weapons and ballistic missiles, this last bastion of Stalinism will always be deeply distasteful to US values, and hence—at least in the view of this Administration—inimical to American interests.

These all sound like good reasons not to seek a deal with Pyongyang. And a simplistic application of Bush's strategic doctrines as they have developed since September 11 2001 would lead one to expect that there might be strong interest in the Administration in extending the policy of regime change applied in Iraq to North Korea, especially since the success in Iraq has affirmed US military preeminence.

But in fact the situations are very different—and are seen to be very different in Washington. Even the most sanguine figures in the Pentagon believe that a war on the Korean Peninsula would be a ghastly affair with huge casualties to Koreans on both sides, and perhaps to American forces as well. There is a high risk that the North would use WMD, including possibly nuclear weapons, and that risk extends to ballistic missile attacks on Japan. All war is a gamble, but the risks in Operation Iraqi Freedom were low enough to make the deliberate initiation of war a practical policy option. No one thinks that would be true of a war with North Korea: military action might be forced on Washington, but the Administration will not initiate it from choice.

Of course, America may have other, non-military options to bring about regime change. North Korea is very weak economically, and hence potentially vulnerable to economic pressure. So the best option for America appears to be to seek regime change through economic sanctions. That is something the North obviously fears, and explains why Pyongyang has

consistently threatened to regard economic sanctions as an act of war. That is almost certainly a bluff, though North Korea's long record of erratic conduct gives the threat just enough credibility to give it traction. But this is not the most immediate reason that economic sanctions are problematic as a policy option for the US. The most immediate reason is China.

China is Pyongyang's last friend in the world, and the source of most of its energy and much other economic aid and support. China keeps North Korea going. China's cooperation is therefore necessary for any effective campaign of sanctions against North Korea. If China is prepared to keep up the flow of aid across the Yalu River, North Korea can stay afloat. If China stops that flow of aid, North Korea is probably done for. That means Chinese support for sanctions is not only necessary but probably sufficient for them to work.

Beijing has long claimed that North Korea's dependence does not translate into Chinese influence over Pyongyang's policies. That has probably been true as long as it was clear that Beijing would always, in its own interests, do what was necessary to keep North Korea viable. If China's commitment to North Korea's survival were to waver, the situation would change sharply. Herein lies America's best chance.

America needs China's help, because China has a greater capacity than anyone else to engineer regime change in North Korea—or even put pressure on the regime to compromise—without risking war. Much therefore depends on China's approach to the whole issue. We will look at this in more detail in the next section; here it is sufficient to observe that China probably now wants the problem posed by North Korea's nuclear capability fixed, and it is less committed to the survival of the Pyongyang regime than it has ever been before. Nonetheless, China will be unwilling to embrace an American policy agenda aimed directly at the imminent overthrow of North Korea's regime—the kind of approach Secretary of Defense Donald Rumsfeld foreshadowed when he said recently that the US and China could work together to apply economic pressure to bring about regime change in North Korea.

In these circumstances, America's objectives are best served by a two-stage strategy. The first stage is to cooperate with China to put pressure on North Korea to trade off its nuclear program for security guarantees, normalisation of relations between North and South Korea, and economic assistance. The second is to hope that once North Korea's economy starts to modernise, internal contradictions will result in an implosion of the Pyongyang regime, allowing eventual unification on South Korea's terms. There is a fair chance this is exactly what America is now doing. It offers the best combination of outcomes: the means to drive a hard bargain with North Korea's regime in the short term, and the hope of getting rid of them in the longer term. It is not a surprise therefore that Bush Administration spokespeople in recent weeks have spoken more warmly than they ever have before about the desirability of a deal with the current North Korean regime.

Of course, such an outcome would have many implications beyond the immediate North Korean nuclear crisis. It would influence the future of US strategic deployments in Northeast Asia and elsewhere in the Western Pacific, the nature of the US–China relationship, the future regional balance of power between the US and China, and the alignment of a future unified Korea. At present these issues are not at the forefront of American thinking. They are evidently very much in China's thoughts.

## China

In the last week of February 2003, China is rumoured to have cut off the supply of oil to North Korea for three days for what were described as technical reasons. Over the same period there were reports of unusually high levels of senior visits between Beijing and Pyongyang. A few weeks later, North Korea abandoned its insistence on bilateral talks with the US, and agreed to China's request to sit down instead with the US and China.

China lost close to a million men defending North Korea from the US in the Korean War. Now it seems to be working with the US to bring the North Koreans into line. Why? For China, North Korea poses both risks and opportunities. The risks are many. North Korea could provoke war on the Peninsula, resulting in a major US military operation and ending up with huge US forces on China's border. North Korea could collapse and release a flood of refugees into China's impoverished Northeastern provinces. Pyongyang's nuclear program could provoke Japan or South Korea to develop nuclear weapons of their own. And its ballistic missile program has already encouraged the development of American and Japanese missile defence which will erode China's deterrent capability. China must worry that it might even be a target of North Korean nuclear blackmail itself in some future crisis. And it could be concerned that nuclear materials sold by Pyongyang could eventually end up in the hands of its own Islamic extremists, or even in Taiwan.

All these present strong reasons for the pragmatic men in Beijing to lay aside half a century of ideology and help the US bring its communist comrade to heel. But they are only half the story. It seems likely that China also senses opportunities in the North Korean situation to promote its long-term interests vis-a-vis Washington. China's approach to the US combines short-term cooperation and long-term competition. China's natural long-term strategic objective is to maximise its influence over the strategic affairs of the Asia–Pacific region without courting direct confrontation with the US. Working with the US to fix the Korean Peninsula can serve both China's short-term diplomatic interest in cooperation and improve its position in the long-term strategic competition with America. It can do this by working at two levels.

First, at the diplomatic level, Beijing probably hopes that by working with the US to address the North Korean problem, it can undercut those in Washington who are apt to see China as an inevitable adversary, and

strengthen the hand of those who believe that a constructive relationship with China is possible. It might also gain leverage and secure concessions from Washington over the one issue it will not compromise with Washington on—Taiwan. If China is to prosper in an American-dominated world, it needs to take all the opportunities it can to build the relationship with Washington where this can be done without compromising vital Chinese interests. So these are gains worth working for.

But at a deeper level China probably also believes that normalisation of relations between North and South Korea and eventual reunification of the Korean Peninsula will work to China's interests—and against America's—in the long-term zero-sum game of political and strategic ascendency in the Western Pacific. Helping to normalise the Korean Peninsula serves China's long-term interests because a normalised and eventually unified Korean Peninsula is more likely to be a Chinese than an American strategic asset.

First, if the military threat from North Korea can be eliminated, US military deployments in Korea are certain to be sharply reduced, and may well disappear completely over time. The South Koreans, already deeply ambivalent about the US military presence, are unlikely to want them to stay after the immediate threat to their security along the Demilitarised Zone (DMZ) has passed. And America is unlikely to want to leave them there; the Pentagon has foreshadowed a desire to restructure and reduce their footprint in South Korea, and indeed throughout Northeast Asia. Without a strong threat from the North, there would be a much less clear rationale for sustained permanent basing of substantial US forces.

Second, the removal of the North Korean threat would erode the rationale for some important elements of current US deployments in Japan, especially the division of marines based on Okinawa, and some US Airforce deployments. These deployments are politically sensitive in Japan, and remain expensive for America despite generous Japanese financial support. Of course there would be countervailing pressures: many Japanese would welcome continued strong US engagement in Japan's defence, both as a shield against China, and against the threat that they might perceive from a strong and unified Korea. And Washington will undoubtedly remain committed to sustained and substantial military deployments in Northeast Asia. But from China's perspective it must be clear that if the Korean tensions can be resolved, America will be free to reduce its permanent forces significantly, and is likely to do so. That is probably attractive to China.

Third, Beijing probably assesses that a unified Korea would quite likely have strong relations with China—that it would indeed be a Chinese strategic asset. China's relations with South Korea have grown closer over the past decade. South Koreans seem less anxious than other Asians about the prospect of living in the shadow of a powerful China. They remain deeply ambivalent about Japan. And despite the long years of American support against the threat from the north, there often seems to be little warmth in the US–Korean relationship.

Taken together, these considerations probably lead China to conclude that its long-term strategic interests are better served by normalisation of relations on the Korean Peninsula and a sharp reduction of tension there, leading eventually to reunification on South Korea's terms. Such a trajectory would offer Beijing the prospect of a Korea hosting few if any US forces, and broadly aligned with China's interests against both Japan and the US.

The bottom line is that China probably now thinks its interests are no longer best served by preserving the status quo on the Korean Peninsula. It would be reluctant to see regime change in North Korea as a direct result of a US initiative, but it wants the North Korea problem fixed, and would not be unhappy to see that lead to normalisation and reunification in the longer term. What all this means for the long-term future of the Asia–Pacific is hard to say, but in the short term it is good news for US–China cooperation on the North Korean nuclear issue.

## Japan

Japan has much to fear from a nuclear-armed North Korea, and much to fear from war on the Peninsula. Tokyo is therefore eager for an effective action to curtail North Korea's nuclear program, but acutely nervous about any action that raises the risk of war. North Korea is the focus of intense anxiety in Japan, especially since the Taepo-Dong test that overflew Japan in 1998 brought home to the Japanese that they could be subject to North Korean nuclear attack. These anxieties are fused in the thinking of many Japanese with less weighty but nonetheless very emotive issues like the fate of 11 Japanese citizens kidnapped by North Korea in the 1970s and 1980s.

These anxieties mean Japan has much to gain from a reduction in tensions on the Korean Peninsula, and the curtailment of North Korea's nuclear weapons and ballistic missile programs. Japanese business may also be keen on economic opportunities provided by North Korea if it opens its borders to foreign investment. With the right policies, North Korea could offer Japan's manufacturers a highly disciplined and quite well-educated workforce at very low costs.

But many Japanese are probably more ambivalent about the prospect of the full-scale reunification of North and South Korea. A unified Korea would pose some significant security anxieties for Japan. There is no reason to expect outright hostility between Japan and Korea in future, but it is likely that the relationship would be characterised by endemic distrust and occasional bursts of tension. Japan would also worry that if, as seems likely, the US–Korean defence alliance dwindled after reunification, Koreans would be less constrained in giving vent to their traditional animosity towards Japan. And Tokyo would expect a unified Korea to side with China against Japan in any disagreements between the two Northeast Asian giants, which would amplify Japan's anxiety about its future relations with China.

Finally, many in Japan have mixed feelings about the implications of reunification for the US military footprint in Northeast Asia. Japanese attitudes to their alliance with the US are complex and ambivalent—

strongly supportive but persistently resentful. A reduction in US forces based in Japan would be welcome to many, but this would be counter-balanced by anxieties about what that would mean for the longer term health of the US–Japan security relationship.

However, the concern that North Korea's nuclear program might impel Japan to develop its own nuclear weapons seems overdrawn. Japan is undoubtedly anxious about North Korea's nuclear capability, and in today's Japan voters appear to welcome more robust expressions of willingness to use Japan's own military capabilities to respond if threatened. But as long as Japan can remain confident that the US threatens Pyongyang with certain and massive retaliation for nuclear attack by North Korea on its neighbours, it makes no sense for Japan to develop a nuclear capability of its own. Indeed it would be counter-productive; a Japanese nuclear program would do very little directly to reduce the threat from North Korea, and would fatally damage the US–Japan alliance itself. What might erode Japan's confidence in US-extended deterrence, and thus encourage Japan to consider nuclear options? Perhaps the most challenging situation would be the development of a North Korean Inter-Continental Ballistic Missile (ICBM) capable of delivering nuclear warheads on US cities, raising the possibility that the US might be deterred from retaliating against a North Korean strike on Japan by fears of a North Korean strike on the US. But that remains a distant prospect.

## South Korea

South Korea has the biggest stake—next to the North itself—in the outcome of the present crisis. But its objectives and interests are complex. The new South Korean Government of President Roh has maintained his predecessor's commitment to rapprochement and normalisation of relations with the North, with a long-term goal of eventual reunification. South Korea is of course anxious about North Korea's nuclear capability, but is perhaps less anxious than the US or Japan, in part because the North already has the capability to devastate Seoul even without using nuclear weapons.

And the South is more concerned than any other party to avoid war, or confrontations that might risk an escalation to war. It was uncomfortable with the Bush Administration's tough early approach to Pyongyang, and regarded the inclusion of the North among the 'Axis of Evil' as very unfortunate.

The depth of anxiety among South Koreans about the possibility that the US might adopt an aggressive military approach to North Korea was reflected in strong anti-US demonstrations late last year, and in support for President Roh's relatively unfriendly approach to the US in his early days in office. Cooler heads are now prevailing, helped by a more moderate tone from Washington, and perhaps also by broad hints from the Pentagon that America's strategic commitment to the Korean Peninsula is not to be taken for granted.

There are good grounds to think that Seoul's and Washington's objectives are now pretty closely aligned in the management of the present crisis, and in the longer term development of the US–Korea relationship.

CHAPTER 4

# Three scenarios

No one can say where the North Korea crisis goes from here, but we can help to organise our thoughts and prioritise our actions by looking at three broad scenarios: a war, a deal and something in between—a muddle through.

## War

### How war might start

War is the least likely scenario, but it is far from impossible and, if it happened, it would be very serious indeed. It is most unlikely that any party to the crisis would initiate full-scale hostilities deliberately. North Korea's leaders probably realise that the inevitable outcome of a second Korean war would be their total defeat; American leaders certainly understand that their inevitable victory would most likely come at a huge cost in casualties—Korean, American and allied.

Pyongyang's calculations of the risks of war are—we hope—informed by two considerations. The first is a clear understanding that any substantial use of force by the North against South Korea or Japan would certainly invoke an overwhelming American military response. The second is the recognition that American military capability today—demonstrated yet again in Iraq—makes the outcome of any major engagement with American forces as certain as anything in warfare can be.

America's calculations are more complex. Of course, America can expect to win a war against North Korea. But as we outlined in the earlier discussion of America's objectives and options, the military balance on the Korean Peninsula makes the chances of a low-cost victory dishearteningly slight. North Korea has a lot of artillery and short-range missiles well emplaced within range of Seoul. Before being destroyed by American airpower they would cause many thousands of casualties. And there is a possibility that the North would use chemical, biological and perhaps even nuclear weapons against US forces or Japan. North Korea's WMD capabilities are too well-hidden and dispersed to be destroyed in pre-emptive air strikes.

All this means the deliberate resort to full-scale war by either party is very unlikely. The possibility of war starting by misadventure or misjudgment is rather less unlikely. The biggest risk is that North Korea will restart full-scale production at its plutonium reprocessing plant at Yongbyon. That would present the US with an acute dilemma. With extra plutonium North Korea could start making more nuclear weapons, either for their own use or for export. For a long time this has been regarded as a 'red line' for the US—a step so serious that the US would have to respond by force. The reprocessing plant is an easy bombing target, and it seems possible that the US would seriously consider destroying it if it is put back in production.

## The military balance on the Korean Peninsula makes the chances of a low-cost victory dishearteningly slight.

The risk, of course, is that North Korea would respond by escalating to full-scale war. An American decision to strike Yongbyon would need to take account of the likelihood that the North would respond in this way. Washington would of course work to minimise this risk—requiring a complex combination of deterrence and reassurance—but the chances of miscalculation are high. Indeed it seems that because of these risks in recent weeks the US may have moved away from the view that a resumption of reprocessing would automatically require a military response.

There are other provocative actions by North Korea that could also result in a slide to full-scale military action. They include a resumption of longer range ballistic missile tests, special forces raids or naval action against South Korean forces, clashes with US forces on or around the Korean Peninsula, or an escalatory response by North Korea to any US-led

campaign of sanctions, blockade or quarantine of WMD-related exports. None of these can be ruled out; lower level military clashes are in fact quite possible over the coming months. But the risk of any of them escalating to a full-scale war is relatively low.

Finally, the North could be pushed to what it might see as a preemptive war if the US began reinforcing its forces in and around South Korea in what the North could see as preparations for an attack on them. The US is clearly aware of this danger, and would be careful to limit the chances that any fresh deployments were misread by Pyongyang. Nonetheless, if tensions rise over coming months the US could face tough choices, with no alternative but to deploy more forces in order to deter a North Korean attack, and in the process run some risk of provoking one.

The military balance presents particular dangers in times of crisis, particularly if North Korea raised the readiness levels of its armed forces. The close proximity of forces and opaque decision-making in Pyongyang means the US would have little warning time, or basis upon which to assess whether North Korea was bluffing or preparing to take military action. The lack of robust diplomatic mechanisms—timely and reliable arrangements for senior level communication—means that it might be difficult to de-escalate a crisis. Such communications were important, for example, in preventing the further deterioration of the Cuban missile crisis.

### How a war might run

The shape of a full-scale war on the Korean Peninsula is determined primarily by the very large forces that North Korea holds ready for operations at short notice. The true state of North Korea's forces is hard to assess. Their capabilities have obviously been affected by a decade of economic collapse, and there is no doubt that the North's military capabilities are not what they were. But it is also clear that the military have continued to have first call on whatever resources are available to Pyongyang, so it is probably prudent to assume that the huge North Korean Army at least could use their equipment effectively and would fight tenaciously.

North Korea's standing army is almost one million strong. Its equipment is outdated—1960s and 1970s era—but plentiful, with 11,500 artillery pieces, for example. These forces are believed to be held at very high levels of readiness. North Korean war planning has apparently envisaged major special forces, artillery and missile assaults on US and South Korean forces and staging areas, and on Seoul, accompanied by swift thrusts into the South by armoured forces moving down from central North Korea.

Such attacks would meet smaller—but still substantial and much better armed—South Korean forces, and the US Army's Second Infantry Division. A US Marine Division is only a few hours away on Okinawa, and substantial US air and naval forces are on hand in Korea and in Japan. Nonetheless, until reinforcements arrived from the US and elsewhere,

the early days of a second Korean war might see some temporary North Korean successes, and would very likely involve heavy casualties. Current US plans to move its forces in South Korea further back from the border with the North are in part intended to limit the risks in this early phase of a war.

Of course, if the US did decide to deploy additional forces to Korea before war broke out, the opening stages could be rather different. Either way, as US forces built up, the tide of war would certainly turn. It may well be that, like the Iraqi forces in April 2003, the North Korean forces would fade away. But if they stand and fight, the sheer size of North Korea's forces, and the extent of protection provided for them in underground emplacements, mean that even with the capabilities of US airpower it could take some time to break them up.

**Australia's role**

For Australia there would be two urgent questions. The first would be the protection of Australians living in South Korea, and especially in Seoul. There would be an urgent clamour to help Australians leave. Foreign nationals from many other counties would be in the same position, and there would also be a lot of nervousness among expatriates in Japan. Right on the front line of a full-scale war, an assisted evacuation would be very hard to organise, especially as US priorities would focus on bringing new forces in, not helping expats to leave.

The second major question for Australia would be the nature of an Australian military contribution to the US-led coalition. It is very likely that the US would request, and expect, a much larger contribution of forces than we have made to recent conflicts in the Gulf or Afghanistan. It would be strongly in Australia's interests to agree. Not only would a major contribution meet Australia's great interest in stability in Northeast Asia, it would also be important to the long-term health of our US alliance and through that to the sustainment of US strategic engagement in the Western Pacific.

So if war breaks out Canberra might find itself looking at deploying substantial proportions of ADF capabilities across a wide range of force elements. This would probably be the biggest demand placed on the ADF since East Timor, and it could be a lot bigger than that. Most obviously the US might seek F-18 and F-111 aircraft with air-to-air refuellers, P3C maritime surveillance aircraft, ships and submarines, special forces and perhaps even some light land forces. One key question would be how quickly we could deploy; another would be finding space for Australian forces on the crowded facilities in South Korea which would already be jammed with incoming US forces.

After Iraq it seems unnecessarily gloomy to warn about the risk of serious casualties in coalition operations. But for all the reasons spelt out in here, a Korean war might be very different. Such a war could be our costliest commitment in decades.

## A deal

In the end a war works for nobody, whereas it seems likely that a deal could be done which would suit everybody. That does not mean a deal is a foregone conclusion, but it does make it a serious possibility. The US, which is the party most uncomfortable about the idea of a deal, has reaffirmed that it is willing to reach an agreement with the current government in Pyongyang. That makes it a realistic hope.

The essential shape of the deal is simple: North Korea gives up its nuclear program, chemical and biological weapons and ballistic missiles, stops all exports of such things, and scales back its conventional forces. In exchange, North Korea's security is guaranteed by its neighbours and the US, and it receives economic aid and help with economic reform. Some old unfinished business, like a formal end to the Korean War—technically still only subject to a temporary armistice—might also be dealt with.

A war works for nobody, whereas it seems likely that a deal could be done which would suit everybody.

### After you...

There are three potential showstoppers on the way to concluding such a deal. The first is the order of events. The US and North Korea tabled two diametrically opposed positions at the late April 2003 talks in Beijing. Predictably, Pyongyang suggested it might abandon its nuclear capabilities once it had received all the benefits it is after, while America suggested that the nuclear program must be dismantled first, before serious discussion of any benefits for the North could begin. If the other problems can be solved, it seems likely that some creative negotiating can find a way around this problem. For example, the security guarantee could be developed and agreed with the proviso that it only came into force once North Korea's nuclear capabilities were dismantled, and economic help could be phased in step by step as North Korea complied with disarmament milestones.

### Reassurance for the paranoid

The second potential showstopper is the development of the security guarantee itself. This is probably a more important issue for Pyongyang than many outside the country would expect. But if the North really does believe that the US has ambitions to invade them, and that nuclear weapons are their only defence, one can see how the issue might weigh heavily in their thinking about any deal.

Negotiating such a multilateral security guarantee might be quite difficult—there are no prominent recent examples to copy. But the

principle is fairly straightforward; North Korea's big neighbours, and the US, would need to undertake to refrain from attacking them, and to promise to act together in support of Pyongyang if any of them broke the guarantee. This sounds a little like the Treaty of London of 1830 which established the neutrality of Belgium on the basis of guarantees by Europe's major powers. It caused trouble later, in 1914.

The guarantee would need to include not just the US but probably also China, Russia and South Korea. Japan would probably not be a full party, but might be associated in some way. There is an interesting question whether Australia should seek to be involved in such an undertaking. Obviously we would not be a critical player, but Australia's participation might be seen to be helpful by some of those more directly involved—including perhaps by Pyongyang. And the scale of our interests in the stability of Northeast Asia would certainly warrant some level of involvement.

One last complex issue in the security guarantee would be agreement on what kinds of behaviour by North Korea would nullify the guarantees. Clearly there can be no question that North Korea could get a blanket immunity from military attack no matter what it does, but agreeing on a formulation that defines the boundaries could be very difficult.

**No trust, must verify…**

The third potential showstopper—and by far the most problematic—is the problem of how to verify that North Korea is sticking to its side of any deal. After their flagrant and acknowledged violation of the Agreed Framework, there is no basis of trust on which to build. Washington and other interested parties will accept nothing less than the most intrusive and comprehensive verification arrangements to ensure that North Korea really has abandoned its nuclear and other WMD programs and proscribed activities.

A verification regime adequate to meet US concerns would need to be as tough as anything now in force under international arms control and non-proliferation agreements, and probably more so. American thinking may be that it would need to have powers comparable to those given to the UN Monitoring, Verification and Inspection Commission (UNMOVIC) for inspections in Iraq under Resolution 1441. This allowed an independent international monitoring agency to inspect any site at any time without notice. This would be very hard for North Korea to accept, as it would be a major intrusion on its sovereignty. So it is not clear that a compromise could be reached that would satisfy both sides. If negotiations over a deal fail, this is the most likely stumbling block.

**China's role**

America is right to insist on multilateral negotiations. This is not just a US–North Korea issue. The kind of negotiations that are needed and the kind of agreement that might be reached can only be concluded in a

multilateral setting. And Washington is also right to argue that many countries in the region have a strong interest in the outcome, and should be involved.

But of all the others involved, the most important is China. China alone has the capacity to threaten Pyongyang with measures short of war which would undermine the viability of the North Korean regime. Engaging China effectively in the process is critical to successful US diplomacy. It may also be important to the long-term stability of the Asia–Pacific region more broadly—reflecting the development of a more cooperative, less competitive relationship between the US and China.

America is right to insist on multilateral negotiations. This is not just a US–North Korea issue.

## A stalemate

A deal to remove North Korea's nuclear capabilities is far from certain, and serious though they are, no one seems to think that a full-scale war is an option to deal with them. So there is a good chance that the current situation will remain as a kind of stalemate, at least for a while. That means North Korea keeps its nuclear program and presumably increases its stock of weapons, while at the same time its economic problems deepen. The key task then is to limit the risks inherent in that situation, and find ways to improve the prospects for a peaceful resolution later on.

### Quarantine nuclear exports

First, the international community would need to address the most urgent danger from North Korea's nuclear program—the risk that it will export fissile material or nuclear weapons to others, especially to terrorists. The development and implementation of an international regime to curtail or prevent such exports is an important priority as a fall-back if negotiations with North Korea to end its nuclear program should fail.

Such a regime would benefit from a robust legal basis, preferably in the form of a UN Security Council resolution which declared such exports by North Korea to be a threat to international security and authorised member states to take effective measures to prevent them. Enforcement would be complex; suspect sea-borne shipments could be stopped and searched by a sustained multinational quarantine operation, but airborne shipments would be much harder to deal with. More creative thinking will be needed to solve this problem. Such thinking is now evidently underway with recent discussions among the G8 and a meeting of interested governments, including Australia, in Madrid.

### Ease paranoia

Second, the international community will need to find ways to reduce the risk that North Korea might use nuclear weapons or other WMD. One part of this may require confidence building measures to try to cut the risks that North Korea will feel threatened enough to lash out. This presents a sharp policy challenge—to try to ease North Korea's paranoia, without allowing the leaders in Pyongyang to think they have won themselves more scope for adventurism. The measures recently announced by the US to reposition their forces in South Korea further back from the DMZ might have a beneficial effect in this regard; both depriving the North Koreans of an attractive preemptive target, and perhaps also reassuring them that the US does not plan imminent invasion. Other confidence building measures might also be worth trying.

At the same time it will be important to develop the intelligence database needed to strike North Korea's nuclear and other WMD capabilities as swiftly as possible in the event of war. This will be very difficult, and there is very little chance that the North's WMD could be comprehensively destroyed in the early stages of a war. But there would be no excuse for not having done all that could be done to minimise the risk from the North's WMD arsenal in the event of war.

### Open the windows

Third, the international community may be able to help the gradual transformation of North Korea into a less dysfunctional society by nourishing the seedbed of economic reform. Australia has helped in recent years by running a small but important program bringing North Korean students to the Australian National University in Canberra to learn about how market economies work. More of that kind of thing can only help.

CHAPTER 5

# Australian policy—imperatives and opportunities

North Korea poses a tough policy challenge for Australia. We have big interests in the situation there, in the way it develops, and in the longer term implications for the balance of power in the Western Pacific. But our capacity to shape outcomes is relatively modest. This is no fault of the Australian Government; it is in the nature of our situation as a middle power somewhat distant from the main scene of events. Our interests attenuate less over distance than our influence does.

Nonetheless, there are some useful things we can do. Our assets include not only our strong relationships with the US, China, Japan and South Korea, but also our newly restored diplomatic relationship with Pyongyang.

## Creative diplomacy

Reaching a deal, or sustaining a reasonably safe status quo, would both require some creative diplomacy. Australia could help provide some fresh thinking that might help dismantle the key roadblocks on the way to a negotiated dismantling of North Korea's nuclear program. Two problems stand out; one is the design of a verification regime that would make North Korea's undertakings on its nuclear and other programs credible. Australia has a lot of experience and expertise in the development of multilateral arms control and disarmament instruments, so we are well placed to offer useful ideas.

The other area where creative diplomacy is needed is in the development of a form of collective security guarantee for North Korea. Again this is an issue in which Australia, as an interested outsider, might have a useful role to play, and in which creativity counts for more than size.

Another valuable contribution—evidently already in hand—is the development of ideas about how the risk of North Korean nuclear and other WMD exports could be minimised by an effective quarantine regime.

## Opening the windows

Whether there is a deal or a deadlock, long-term security on the Korean Peninsula will depend on the North opening up to economic reform. Australia has already played a modest but important role in providing education on market economics for North Korean officials. There would be real benefit in expanding this program, and broadening its scope to cover other areas of expertise that will be important if North Korea is to join the modern world.

Australia has a lot of experience and expertise in the development of multilateral arms control and disarmament instruments, so we are well placed to offer useful ideas.

## Reducing tensions

There is going to be a big requirement for confidence-building if the risk of conflict is to be reduced. Australia could have a useful role to play in this, including perhaps eventually the development of contacts with North Korea's highly xenophobic military.

## Preparing for the worst

Australia needs to be prepared to respond effectively in case things go wrong. One priority—no doubt already high on the government's agenda—is the development of plans to help evacuate Australians in South

Korea quickly if tensions rise. Another priority is the development of preliminary understandings with the US about the circumstances in which Australia might be willing to make a military contribution to operations against North Korea, both to enforce quarantine or sanctions measures, and for full-scale conflict.

Effective pre-planning would help ensure that we had maximum cooperation from US and South Korean authorities to help guarantee the safety of our own citizens, and that Australia's forces, if they are committed to operations on the Peninsula, are given time to prepare and deploy properly, and avoid a costly last-minute scramble which might increase risks and decrease effectiveness.

North Korea may provide a critical demonstration to both Washington and Beijing that they can cooperate effectively.

## Reaping benefits

It may be that the most important implications of the North Korea nuclear issue for Australia flow from the long-term consequences for US–China relations. Australia has a huge stake in these two powers learning to work well together. North Korea may provide a critical demonstration to both Washington and Beijing that they can cooperate effectively. At this stage each side's motives may be less than pure; as we have seen, China especially may hope to use the Korean situation to steal a march over the US. But cooperation, once experienced, could become a habit. It is strongly in Australia's interests to encourage such trends as best we can. Our Government has a respected voice both in Washington and in Beijing. Arguably our standing with the US has never been higher. While we should not overstate our influence with the US, which is never as much as we would like, we have a unique opportunity to be an effective voice in Washington, due in part to Australia's military involvement in Iraq. And there is a role for Australia to play. We should encourage the US and China to work together effectively over North Korea.

# Contributor

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# Acronyms and abbreviations

| | |
|---|---|
| ANZUS | Australia, New Zealand and the United States |
| DMZ | Demilitarised Zone |
| HEU | highly enriched uranium |
| IAEA | International Atomic Energy Agency |
| ICBM | Inter-Continental Ballistic Missile |
| NPT | Non-Proliferation Treaty (Nuclear weapons) |
| UN | United Nations |
| UNMOVIC | UN Monitoring, Verification and Inspection Commission |
| US | United States |
| WMD | weapons of mass destruction |


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# Danger and Opportunity
## Australia and the North Korea Crisis

North Korea's nuclear weapons program has created an acute policy challenge for the international community. Australia has big interests in the crisis in North Korea, in the way it develops, and in the longer-term implications for the balance of power in the Western Pacific.

This paper examines the crisis on the Korean Peninsula from an Australian perspective. It traces the history of the crisis, analyses the interests of the major regional players, and outlines three broad scenarios for how the crisis could unfold.

It also sets out the following possible ways in which Australia could play a part:

- Creative diplomacy
- Opening the windows
- Reducing tensions
- Preparing for the worst
- Reaping benefits