

A grand bargain between Trump and Xi will be needed on North Korea

by Geoff Raby

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In the grounds of the big North Korean embassy in central Beijing workers are busily erecting an impressive new wing. Across Beijing, restaurants owned by Pyongyang and staffed exclusively by North Koreans serve delicious but expensive *chao xian* food and repatriate the profits home. North Korea's state-owned airline, Koryo Air, flies four times a week to Beijing. As the DPRK's expanding missile and nuclear capabilities are causing alarm in major capitals, in Beijing, on the surface at least, it is business as usual.

When viewed from Beijing, regional security concerns look rather different than when viewed from Washington or Canberra. Nothing is more important for Beijing than Taiwan. With the return of the DPP to power, Beijing sees risks returning to levels of the mid 2000s, where fears of conflict were widely held.

Next, Beijing worries about a more assertive Japan and the Abe government's determination to change its Self-defence Force into a normal military that could be deployed for activities beyond the country's defence. Beijing also frets about its territorial integrity over Xinjiang, Tibet and more recently Hong Kong. It is also convinced the United States intends to provoke it in the South China Sea as India is doing on its Himalayan borders.

DPRK is troublesome, but is hardly a first-order issue for Beijing. The status quo is not ideal for Beijing, but is better than the alternative of regime collapse. China's preferred position would be the status quo ante, that is the pre Kim Jong-Un situation where the DPRK's missile and nuclear programs were more limited and the Six Party Talks met many of the objectives of the Kim regime – girding domestic political support, keeping the army on side, and as bargaining chips to be used sparingly when concessions were sought from other states.

Pyongyang's strategy was well rewarded.

Security policy vacuum

The sensible abandonment of the Six Party Talks in late 2009 by the US in the face of the DPRK's intransigence, followed by the death of Kim Jong-Il in 2011, left a foreign and security policy vacuum for the new leader to fill. In 2012 and again in 2014 their resumption was flagged but did not occur. Since then, Kim has substantially expanded the missile development program to an extent that has surprised observers. The two most recent ICBM tests have raised the stakes to unprecedented levels.

In recent years, Washington, supported by its allies, has moved to make North Korea China's problem and has resisted China's attempts to again internationalise responsibility for restraining Pyongyang by returning to the Six Party Talks. This is the correct approach and may now have some chance of success because of two recent developments.

One has been the election of Trump. He has demonstrated an offensive realist approach bombing Syria, publicly testing the mega bomb MOAB, adding an additional carrier fleet in the Sea of Japan, and continuing with the deployment of the THAAD anti-missile system in South Korea. Although the potential costs are grave, the White House has not ruled out use of military force to stop the missile program.

Trump would seem to understand that he couldn't be the President on whose watch North Korea develops a capacity to attack the US with nuclear weapons. Even if the probability of that ever happening is extremely remote, importantly, the Chinese must now understand that Trump will not allow this to happen.

China can and must do more, but until recently it had no incentive to act. From Beijing's perspective the costs of a collapse in the North far outweighed concerns over DPRK's missile program or international pressure.

Direct pressure

No amount of beseeching China to do more by foreign governments will move China if it does not see that its own interests are directly harmed by inaction. The US can and will apply more direct pressure on China. Financial sanctions are an important point of leverage. The US has just moved against the Bank of Dadong, from the eponymous Chinese city bordering DPRK. This is small beer, but Beijing will feel it has been put on notice. A more significant Chinese bank could be next.

More important than external pressure on China, however, is the fact that Kim's actions are now undermining China's own security by legitimising actions by the US, such as deploying THAAD, which Beijing sees primarily as altering the

strategic balance on its borders. So the status quo that China so much wished to preserve is being changed by Kim. The costs for China of not acting are now rising. Its strategic calculus must also now change.

Although military action against DPRK is the least best option available to the US, it is the worst outcome for China if the DPRK collapses as a result. Herein lies the possibility of a strategic "Grand Bargain" between Trump and Xi.

This would involve the US and ROK agreeing not to send troops north of the 38th parallel, some curtailment of US/ROK military exercises and eventual reduction of US military presence in ROK and Sea of Japan, and removal of THAAD, and the existing armistice agreement becoming a peace treaty which formally divides the Korean Peninsula. In return, China would effect the decapitation of the regime, most likely through a Beijing-engineered military coup.

Whether China could or would do this is not known. Young Kim has done away with people such as his uncle who were seen to be too close to Beijing and his half brother who may have provided a somewhat legitimate alternative leader with Beijing's support.

China will deny its capacity to do this, but its links must be very deep with elites and with some senior level figures in the military. It is instructive that China's relations with DPRK are still led after nearly two decades by the chain smoking, Korean speaking, septuagenarian Wu Dawei. His links and access to the inner circles of the political system would be unparalleled. There would be similar links between the militaries.

Unpalatable result

For the US and its allies, it would involve the unpalatable result that, for some time at least, DPRK would be a client state of China. The US would worry about regional allies and whether the US can be relied on for ensuring their security. For Japan and South Korea, however, it would remove the imminent nuclear threat.

South Korea would be dismayed at the formal division of the Peninsula, but South Korea is itself ambivalent about a German-style reunification with all the costs and disruption that would involve. The alternative to a nuclear-capable and aggressive DPRK would be one which under China's influence could be reasonably expected to begin a process of market-oriented reforms, with more open borders and accepting reunification of families and foreign investment.

Thanks to Kim Jong-Un's recklessness, the choices are now quite stark. Whatever the chances are of reaching a Grand Bargain between China and the US, it offers a reliable and lasting solution without risking major and potentially devastating conflict. Its biggest obstacle is whether, when viewed from Beijing, China could trust US assurances. That is why trust is one of the most important assets in foreign policy, but one which is increasingly in short supply.

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