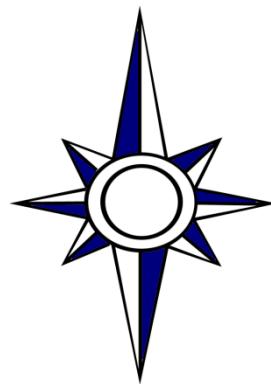


Comparative Connections

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China-Korea Relations:

Seeking Alignment on North Korean Policy

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South Korea and China both welcomed new leaders as Park Geun-hye marked her inauguration on Feb. 25 and Xi Jinping began his presidential term on March 14. Both leaders sent signals prior to assuming power that they wanted to repair relations that had frayed under their predecessors. They also faced an early challenge from Kim Jong Un as North Korea defiantly responded to two UN Security Council (UNSC) resolutions passed in the first two months of the year, condemning Pyongyang's December 2012 rocket launch and third nuclear test. Escalating tensions in Korea provided an urgent rationale for Park and Xi to redouble efforts to establish a stable relationship and to respond to North Korean provocations. China and South Korea must establish a productive relationship and coordinate policies toward North Korea in the context of an increasingly challenging regional political and strategic environment.

Korean Peninsula tensions dominate the political agenda

By announcing and conducting a satellite launch immediately following a meeting with a Chinese special envoy dispatched after Xi Jinping's formal selection as the successor to Hu Jintao, Kim Jong Un made his country Xi's first major foreign policy challenge. China's initial response to the December 2012 rocket launch took the measure of international dismay and Beijing went along with a UN Security Council Resolution rather than simply a UNSC President's Statement that had followed North Korea's previous launches in April 2009 and 2012. After North Korea's Feb. 12 nuclear test, the PRC Foreign Ministry spokesman immediately issued a statement opposing the test while Foreign Minister Yang Jiechi summoned DPRK Ambassador Ji Jae Ryong in Beijing. The nuclear test led to a series of telephone talks between Yang Jiechi and US, South Korean, and Russian counterparts in mid-February. China's chief negotiator for the Six-Party Talks Wu Dawei held meetings in Beijing with Japanese counterpart Sugiyama Shinsuke on Feb. 20 and with ROK counterpart Lim Sung-nam on Feb. 27. North Korea's nuclear test and the escalation of military tensions on the peninsula in March drew a seemingly tough Chinese reaction, with China even joining the US in drafting UNSC Resolution 2094. But this Chinese approach, at least in its early stages, has primarily consisted of tactical efforts to respond to international pressures very similar to its handling of UNSC Resolution 1874 in May 2009.

Contrary to Beijing's desires, North Korea's threats sharply escalated from late January through early April, sparking an open debate among Chinese analysts over whether China should leave its erstwhile allies in Pyongyang out to dry. The editorial debate in the *Global Times* provided one window onto Chinese efforts to balance its frustration with North Korea with its geostrategic interests on the Korean Peninsula. Following the passage of UNSC Resolution 2087 on Jan. 23

and North Korea's strong response, a *Global Times* editorial stated that "If North Korea engages in further nuclear tests, China will not hesitate to reduce its assistance to North Korea. If the US, Japan and South Korea promote extreme UN sanctions on North Korea, China will resolutely stop them and force them to amend these draft resolutions." The *Global Times* editorial staff essentially adhered to the same line following North Korea's third nuclear test on Feb. 12, but the debate within China seemed to turn as many Chinese analysts offered unprecedented public criticism of the DPRK and China's North Korea policy. Emblematic of these views, Chinese Party School scholar Deng Yuwen published an opinion piece in the *Financial Times* on Feb. 27 arguing that China should abandon its support for North Korea. This column fed speculation that China might undertake a major shift in its policy of support toward the North, but within weeks Deng had been suspended from his duties at the party school, underscoring that although his recommendations might be representative of a growing number of Chinese who are critical of China's support for the North, they did not prevail in China's internal debate on policy toward the North.

UNSC Resolution 2094 against Pyongyang's nuclear test was passed on March 7 and the US and South Korea began regularly scheduled joint exercises on the week of March 12. In response, China voiced its concerns over a rise in military tensions on the peninsula. North Korean threats included "preemptive nuclear strikes" on the US, and US-ROK military exercises that included an unusually public US show of force that included a B-2 bomber over flight of South Korea, Pyongyang's nullification of the Korean Armistice Agreement, and a historic impasse in inter-Korean relations. The *Global Times* response on March 13 lamented China's relative lack of influence with the US and the two Koreas and argued for Beijing to stay the course and adapt to new developments on the peninsula, asserting that "China's North Korea policies should be based on current geopolitics and the country's national interests."

By early April, the situation continued to escalate as North Korea announced that it would restart its Yongbyon reactor, prompting the *Global Times* to state on April 3 that "China's strategic aim should be to prevent a major war from breaking out on the Korean Peninsula." In telephone talks with UN Secretary General Ban Ki-moon on April 6, Foreign Minister Wang Yi expressed China's "severe concern" over peninsula tensions and opposition to any "troublemaking" in the region. Chinese frustrations surfaced within the first few weeks of Xi Jinping's inauguration when he criticized provocateurs that would needlessly raise regional tensions in remarks at the China-hosted Boao Forum on April 7. Xi's comments may have been directed at North Korea, but could also have been directed at US efforts to signal resolve to deter North Korean aggression. Following the US show of force, Chinese criticism of North Korea eased considerably and the discussion shifted back to an emphasis on the idea that China would never abandon North Korea. These moves also coincided with South Korean speculation over another missile launch and Pyongyang's announced reopening of its Yongbyon nuclear facility. On April 8, the PRC Foreign Ministry spokesman affirmed China's "consistent" position on the Korean Peninsula: "peace over war, alleviation over tension, dialogue over confrontation." An April 11 *Global Times* editorial emphasized that China respects North Korea, but urged its leadership not to abandon opportunities for reform while criticizing the US, Japan, and South Korea for creating an environment that made North Korea's reform options more difficult.

Secretary of State John Kerry's visit to Beijing seemed to help change the tone surrounding discussion of North Korea, publicly emphasizing a willingness to engage in dialogue with North Korea while indicating resolve to defend South Korea and its allies. Kerry made North Korea a top priority for a Sino-US dialogue process that continued during subsequent visits to Beijing by Joint Chiefs of Staff Chairman Gen. Martin Dempsey and Deputy Secretary of State William Burns. Kerry's appeal to China for closer diplomatic coordination toward North Korea coincided with an apparent abeyance of North Korean provocations, including the delay of an anticipated North Korean missile test.

China-ROK coordination on North Korea under Xi Jinping and Park Geun-hye

China's and South Korea's simultaneous leadership transitions were characterized by early efforts to put the China-South Korea relationship on the right track following a period of mutual frustration. Xi Jinping dispatched PRC Special Envoy Zhang Zhijun to meet South Korea's President-elect Park Geun-hye and convey a personal letter from Xi. Park reciprocated by sending a return delegation weeks later to Beijing led by Special Envoy Kim Moo-sung. Kim met Xi Jinping, State Councilor Dai Binguo, and Foreign Minister Yang Jiechi. During the visit, Xi showed his concern for the long-term situation on the peninsula by emphasizing China's support for the "independent and peaceful" reunification of Korea according to the Chinese state media. The exchange provided Park with an opportunity to introduce her Northeast Asia Peace and Cooperation Initiative, including a proposed trilateral China-South Korea-US dialogue.

PRC State Councilor Liu Yandong attended Park's presidential inauguration ceremony in Seoul a month later, holding talks with Park that emphasized joint efforts to strengthen the bilateral relationship. Xi's formal assumption of office as president on March 14 was followed by telephone talks between Xi and Park and Foreign Ministers Wang Yi and Yun Byung-se reaffirming bilateral and regional priorities amid rising security concerns on the peninsula. Wang stressed inter-Korean peace as a prerequisite for alleviating the peninsula situation during his conversation with Yun. The foreign ministers also agreed to open a new hotline for consultations on North Korea during their April 24 meeting in Beijing, demonstrating both sides' renewed commitment to coordinating DPRK policy and Beijing's effort to repair damage to the relationship that occurred following North Korean provocations in 2010.

A central question for the two leaderships on North Korea policy is how to balance efforts to pursue dialogue while strengthening sanctions. In April, South Korean officials began to positively assess China's commitment to sanctions as Chinese counterparts pledged compliance with new international obligations. But after the passing of UNSC Resolution 2087 on Jan. 22, PRC Permanent Representative to the UN Li Baodong noted the removal of elements in the original draft that would undermine trade with North Korea, stating that "sanctions and resolutions alone do not work ... Resolutions must be complemented and supplemented by diplomatic efforts." In response to Resolution 2094 and US unilateral sanctions against Pyongyang, the PRC Foreign Ministry spokesperson similarly asserted on March 12 that "sanctions shall not be the objective." But China subsequently advertised its sanctions implementation efforts in late April and early May, releasing a public advisory to relevant agencies to implement UN Sanctions on North Korea and announcing a ban on banking relations with the DPRK's Foreign Trade Bank. These measures signaled China's displeasure with North

Korea, but it is doubtful that the announcements signaled China's abandonment of North Korea given its traditional prioritization of North Korean stability as China's primary policy objective toward the Korean Peninsula.

China's approach to sanctions and the China-DPRK economic relationship

International sanctions and the closure of the Kaesong Industrial Complex are likely to result in heightened North Korean economic reliance on China. But China-DPRK trade declined by 7 percent in first quarter of 2013, following a dramatic increase in previous years from \$3.4 billion in 2010 to \$5.9 billion in 2012. South Korean sources pointed to North Korea's recent trade diversification efforts as a move to reduce economic dependency on China. But the 13.8 percent decline in Chinese exports to North Korea in the first quarter will likely be interpreted as evidence of declining Chinese economic support to the North as well as strain in the bilateral relationship. In fact, Chinese analysts such as Shen Dingli have publicly stated that China cannot provide North Korea with all the aid it has requested given that North Korea has been moving contrary to China's security interests. The PRC Foreign Ministry spokesperson on Jan. 23 reaffirmed Beijing's commitment to UNSC resolutions in response to the Security Council's reported blacklisting of a Hong Kong-based company for exporting arms to North Korea. But according to the Korea Rural Economic Institute, North Korea's fertilizer imports from China increased more than three-fold in the first quarter compared to the same period last year. Chinese Customs data show that the total volume of Chinese crude oil exports to North Korea during the first quarter amounted to 159,000 tons, a 6.7 percent increase year-on-year.

China-DPRK economic exchanges continue to raise questions about how to interpret Chinese pledges to play an active role in implementing sanctions. China and North Korea signed an economic and technological cooperation agreement during PRC Vice Minister of Commerce Li Jinzao's visit to North Korea for the seventh meeting of the China-DPRK Committee for Cooperation on Economy, Trade, Science and Technology on Jan. 9, attended by DPRK Vice Foreign Trade Minister Ku Pon Thae, Vice Chairman of the DPRK Commission for Joint Venture and Investment Ri Chol Sok, and PRC Ambassador Liu Hongcai. Liaoning provincial officials in early January announced that construction on the Yalu River Bridge would be completed this year. Worth an investment of \$356 million, the bridge is expected to significantly boost bilateral trade flows as part of an agreement secured under Kim Jong Il in February 2010. Chinese analysts hinted that China's reduction in trade during the first quarter of 2013 was meant to send a message to North Korea, but it should properly be seen as part of China's efforts to strengthen its leverage on North Korea without cutting off supplies that might contribute to the DPRK's destabilization.

According to Chinese statistics, the number of North Korean visitors to China in January-March this year increased by 14 percent compared to the same period last year, to about 45,800. Most traveled to China for work and business, with only 1.5 percent of the North Korean visitors traveling for tourism. According to tourism authorities in Yanbian, two travel agencies have been authorized to run charter flights between Yanji and Pyongyang since July 2012 in an effort to promote tourism. ROK Unification Ministry reports in January indicated that the number of North Korean defectors entering South Korea almost halved in 2012 to 1,508 compared to 2,706 in 2011, possibly as a result of tightened security on the China-DPRK border. At the same time,

the PRC Defense Ministry spokesperson refuted international reports of a People's Liberation Army (PLA) buildup on the border amid the escalation of military threats from Pyongyang.

Regional political frictions and the China-ROK economic partnership

China-South Korea trade also has begun to show a decline following many years of double-digit growth. The total bilateral trade volume reached \$215 billion at the end of 2012, a 2 percent decline from 2011. This decline contrasts with a 17 percent increase in trade from 2010 to 2011. The stagnation occurred primarily as a result of a drop in Chinese exports to the South and reflected sluggish growth of the South Korean economy since the global financial crisis. A South Korean report in April showed that almost half of South Korean firms in China faced a decrease in profits from 2011 to 2012.

Following the launch of formal free trade agreement (FTA) talks in May 2012, China and South Korea held their first round of bilateral negotiations under the new leaderships on April 26-28 in Harbin. Seoul hosted the first round of China-ROK-Japan FTA talks on March 26-28, which were formally launched in September 2012 despite escalating China-Japan territorial disputes that led to Chinese consumer boycotts of Japanese products. Although the trilateral FTA is projected to raise South Korea's annual growth rate by 0.44 percent during the first five years of implementation according to Korea Institute for International Economic Policy estimates, political tensions and domestic opposition in South Korea's auto and agricultural sectors remain major obstacles to the trilateral FTA.

The China-ROK bilateral FTA talks coincided with an April 26 announcement of Beijing's cancellation of the annual China-ROK-Japan Finance Ministers' Meeting originally planned for early May. The cancellation was a result of mounting political frictions over Japan's historical and territorial claims since Prime Minister Abe Shinzo's return to power. China's decision to cancel the talks followed a late April visit by about 180 Japanese Diet members to the Yasukuni Shrine, an occasion that also prompted Seoul's cancellation of Foreign Minister Yun Byung-se's planned trip to Tokyo. Prime Minister Koizumi's visits to the Yasukuni Shrine similarly led to the cancellation of the China-ROK-Japan Summit in 2005. ROK officials on April 17 announced that the annual China-ROK-Japan Summit had been postponed indefinitely given territorial disputes between China and Japan.

Conclusion: aligning DPRK policy

Both South Korean and US officials have pressed China to adjust its policy toward North Korea in response to recent North Korean escalation. The cooling of China-DPRK diplomatic contacts and decline in trade during the first few months of 2013 suggests that China is adopting a more conditional approach to relations. This approach, if it is sustained as a component of Xi Jinping's policy toward the North, would mark a significant shift from China's policy following North Korea's May 2009 nuclear test, when political and economic exchanges rapidly expanded despite Pyongyang's military provocations toward the South. Notably, no senior leadership visits have occurred between China and North Korea in 2013, following meetings with Kim Jong Un in July and November 2012. This suggests that the China-DPRK relationship has cooled, but it is not clear how and whether China will be able to use the cooling of economic relations to

restrain future North Korean provocations, or whether China was able to take bilateral measures in mid-April that might have contributed to the apparent cooling of North Korean rhetoric and actions.

North Korean threats under Kim Jong Un have prompted more serious expressions of concern from Chinese leaders, including PLA Chief of General Staff Fang Fenghui during his meeting with Chairman of the US Joint Chiefs of Staff Gen. Dempsey in late April. Another potential indication of realignment might be China's apparent willingness to hold trilateral consultations with South Korea and the US. Some South Korean officials in April claimed that Chinese counterparts have shown a relatively more open attitude toward new ROK Foreign Minister Yun Byung-se's proposals for Track 1.5 trilateral security talks to enhance North Korea policy coordination. Following her visit to Washington in early May, President Park's next international destination will be Beijing, a summit that will provide a further opportunity to test the potential for China and South Korea to establish a more cooperative relationship, especially on North Korea-related issues.

Although Pyongyang's provocations have made North Korea a priority for the new leaderships, China and South Korea's confrontations with Japan and the troubled inter-Korean relationship inhibit the realization of regional multilateral talks, including the "Asian paradox" noted in President Park's Northeast Asia Peace and Cooperation Initiative.

The Chinese and South Korean leaderships face a common challenge in stabilizing relations and opening effective dialogue with North Korea. The South Korean Foreign Ministry in late April toned down speculation over three-way talks between the US, South Korea, and Japan or the resumption of the long-stalled Six-Party Talks. For Beijing, provocative North Korean behavior since Kim Jong Un's rise to power has illustrated the limits of Chinese influence over Pyongyang. In Seoul, Park Geun-hye's "trustpolitik" concept remains intact, but seems unlikely to bring an early harvest in light of the closure of the Kaesong Industrial Complex. An even more complicated issue is Park's effort to find synergy between her regional initiatives and the US rebalance. Moreover, China will have to show that it takes Seoul seriously as a negotiating partner rather than treating the relationship with South Korea as conditional upon China's relationships with either North Korea or the US. But in light of the increasing tensions that beset the region, the China-South Korea relationship is one potential bright spot where both sides seem determined to improve their relationship. The coming months will tell us how far and how fast the new leaders in both countries are able to go toward that end.

Chronology of China-Korea Relations

January – April 2013

Jan. 4, 2013: PRC arson suspect Liu Qiang returns to China after being released from a Seoul prison.

Jan. 4, 2013: China's National Development and Reform Commission announces that it has fined South Korea's Samsung and LG a total of \$35 million for fixing prices of LCD panels supplied to Chinese TV makers between 2001 and 2006.

Jan. 9-11, 2013: PRC Vice Foreign Minister Zhang Zhijun visits South Korea and meets President-elect Park Geun-hye.

Jan. 9, 2013: Seventh meeting of the China-DPRK Committee for Cooperation on Economy, Trade, Science and Technology is held in Pyongyang. PRC Vice Minister of Commerce Li Jinzao, DPRK Vice Foreign Trade Minister Ku Pon Thae, Vice Chairman of the DPRK Commission for Joint Venture and Investment Ri Chol Sok, and PRC Ambassador Liu Hongcai attend the signing ceremony for an economic and technological cooperation agreement.

Jan. 21, 2013: The PRC Foreign Ministry spokesperson calls for a “prudent and moderate” UN Security Council response to North Korea’s December 2012 rocket launch.

Jan. 21-24, 2013: ROK Special Envoy Kim Moo-sung of President-elect Park Geun-hye meets PRC leaders in Beijing including Chinese Communist Party General Secretary Xi Jinping, State Councilor Dai Binguo, and Foreign Minister Yang Jiechi.

Jan. 22, 2013: UN Security Council adopts Resolution 2087 condemning North Korea’s Dec. 12. 2012 rocket launch. PRC Permanent Representative to the UN Li Baodong affirms China’s support for the resolution.

Jan. 24, 2013: PRC Foreign Ministry spokesperson urges restraint from concerned parties in response to Pyongyang’s pledge to conduct a nuclear test.

Feb. 6, 2013: PRC Foreign Ministry spokesperson calls for restraint on the Korean Peninsula.

Feb. 12, 2013: North Korea conducts a nuclear test. China denounces it in a Foreign Ministry statement. Foreign Minister Yang Jiechi summons DPRK Ambassador to China Ji Jae-ryong.

Feb. 12, 2013: PRC Foreign Minister Yang and US Secretary of State John Kerry hold telephone talks on North Korea’s nuclear test.

Feb. 13, 2013: PRC and ROK Foreign Ministers Yang Jiechi and Kim Sung-hwan hold telephone talks on North Korea’s nuclear test.

Feb. 14, 2013: PRC and Russian Foreign Ministers Yang Jiechi and Sergei Lavrov hold telephone talks on North Korea’s nuclear test.

Feb 20, 2013: PRC Special Representative for Korean Peninsula Affairs Wu Dawei meets Japan’s chief negotiator for the Six-Party Talks Sugiyama Shinsuke in Beijing.

Feb. 21, 2013: PRC Foreign Ministry spokesperson calls for dialogue on Korean nuclear issue.

Feb. 22, 2013: Foreign Minister Yang Jiechi after talks with Russian counterpart Sergei Lavrov in Moscow expresses China’s commitment to Korean Peninsula denuclearization.

Feb. 24, 2013: PRC State Councilor Liu Yandong meets President Lee Myung-bak in Seoul.

Feb. 25, 2013: State Councilor Liu meets ROK President Park Geun-hye and attends Park's inauguration ceremony in Seoul.

Feb. 27, 2013: PRC and ROK nuclear envoys Wu Dawei and Lim Sung-nam hold talks on the Korean Peninsula situation.

Feb. 28, 2013: PRC Foreign Ministry spokesperson calls for the UN's "prudent and moderate" response to North Korea's nuclear test.

Feb. 28, 2013: PRC Defense Ministry spokesperson calls for easing Korean Peninsula tensions in response to media reports of South Korean military buildup plans.

March 5, 2013: PRC Foreign Ministry spokesperson calls for restraint on the Korean Peninsula in response to U.S.-ROK military exercises.

March 5, 2013: PRC delegation to the IAEA at a board meeting in Vienna calls for the resumption of Six-Party Talks.

March 6, 2013: PRC Foreign Ministry spokesperson calls for restraint on the Korean Peninsula after the DPRK military vows to nullify the Korean War Armistice Agreement.

March 7, 2013: PRC Foreign Ministry spokesperson expresses China's support of the UN Security Council's Resolution 2094 on North Korea's third nuclear test.

March 9, 2012: Foreign Minister Yang Jiechi on the sidelines of the annual session of the National People's Congress calls for a "balanced" approach to the Korean nuclear issue.

March 11, 2013: PRC Foreign Ministry spokesperson calls for peace and stability on the Korean Peninsula as annual US-ROK military exercises begin.

March 12, 2013: PRC Foreign Ministry spokesperson reaffirms China's opposition to North Korea's nuclear test.

March 14, 2013: ROK Foreign Ministry spokesperson congratulates Xi Jinping on his election as PRC president.

March 19, 2013: Foreign Ministers Wang Yi and Yun Byung-se hold telephone talks on bilateral and regional relations.

March 20, 2013: Presidents Xi and Park hold telephone talks on bilateral and regional relations.

March 26, 2013: President Xi in a letter to President Park expresses hopes to strengthen the China-ROK strategic cooperative partnership.

March 26-28, 2013: First round of China-ROK-Japan Free Trade Agreement talks held in Seoul.

April 2, 2013: PRC Foreign Ministry spokesperson expresses China's regret over North Korea's intentions to reopen its nuclear facilities.

April 2, 2012: Vice Foreign Minister Zhang Yesui in an interview with *Xinhua* affirms China's commitment to Korean Peninsula peace and stability.

April 3-4, 2013: A Kimilsungia-Kimjongilia exhibition is held in Dalian in commemoration of Kim Il Sung's 101st birthday.

April 3, 2013: Yanbian tourism authorities announce that 50 direct charter flights will soon operate between Yanji and Pyongyang.

April 6, 2013: Foreign Minister Wang Yi and UN Secretary General Ban Ki-moon hold telephone talks on Korean Peninsula tensions.

April 8, 2013: PRC Foreign Ministry spokesperson calls for dialogue on the Korean Peninsula amid reports of an expected missile launch.

April 12, 2013: PLA spokesperson denies reports of Chinese military buildup on the China-DPRK border.

April 15, 2013: Foreign Minister Yun Byung-se expresses support for China's commitment to UN sanctions against North Korea.

April 17, 2013: PRC Foreign Ministry spokesperson pledges that China will comply with UN resolutions against Pyongyang.

April 17, 2013: Jeju Air announces plans to add three more Chinese cities to its network.

April 17, 2013: DPRK arts exhibition opens in Beijing to commemorate the 101st anniversary of Kim Il Sung's birthday; the DPRK ambassador to China attends.

April 18, 2013: Lawmaker of South Korea's Democratic United Party Do Jong-hwan releases a Northeast Asian History Foundation report on Chinese textbook distortions of Korean history.

April 18, 2013: North Korea warns against the spread of bird flu from China.

April 18, 2013: PRC Foreign Ministry spokesperson calls for dialogue on the Korean Peninsula.

April 19, 2013: PRC Ambassador Zhang Xinsen and Foreign Minister Yun meet in Seoul.

April 24, 2013: PRC and ROK Foreign Ministers Wang and Yun hold talks in Beijing. They agree to open a new hotline for policy consultations on North Korea.

April 25, 2013: South Korea offers \$1 million in relief aid to China for the Sichuan earthquake.

April 26, 2013: Japanese officials report Beijing's cancellation of China-ROK-Japan finance ministers talks scheduled in May.

April 26-28, 2013: China-ROK free trade talks are held in Harbin, China.