

## China-Korea Relations: Regime Change and Another Nuclear Crisis

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“Regime change” has been the order of the day not only in Iraq, but also (in more orderly form) in China and South Korea this quarter. “Axis of evil” charter member Kim Jong-il appears as intransigent and entrenched as ever, however. This is the case despite North Korea’s withdrawal from the Nuclear Non-Proliferation Treaty (NPT) and escalation by Pyongyang of an apparent nuclear “breakout” strategy. The Chinese “fourth generation” leadership under new President Hu Jintao is committed to perpetuating a stable atmosphere for economic development, and should welcome the vision of economic regional cooperation in Northeast Asia espoused by their counterparts in South Korea under newly-elected President Roh Moo-hyun. Burgeoning bilateral trade and investment anchors the China-South Korea economic relationship and underscores mutual interests in a diplomatic approach to North Korea that peacefully bounds North Korean nuclear threats and introduces gradual economic reforms to the North.

North Korea remains an economic and political drag on Beijing, but Pyongyang’s nuclear escalation means that China can no longer afford to ignore this problem. U.S. President George W. Bush himself has made numerous calls in the past three months to China’s leadership to discuss North Korea’s escalatory maneuvers on the nuclear front. Dealing with Pyongyang’s rapid steps toward an unambiguous nuclear weapons capacity was one of the first issues that Bush raised in his congratulatory call to China’s new president, Hu Jintao. Those calls are placing pressure on China to use its leverage to bound North Korea’s nuclear efforts, creating an unprecedented new dilemma (and opportunity?) for Beijing: should it lean toward Washington or Seoul in shaping its policies toward Pyongyang? This quarter we focus primarily on recent developments in the China-North Korea relationship, and whether the People’s Republic of China can use its leverage to effectively check North Korea’s nuclear weapons.

### **North Korea Goes Back to the Brink**

Despite its prior experience and generally constructive role behind the scenes in helping to bring North Korea to heel in the 1993-1994 nuclear crisis, policymakers in Beijing have been least eager to see a reprise of that face-off. The return of North Korea’s nuclear development efforts has thrown into sharp relief dilemmas and apparent conflicts in the PRC’s policy toward the Korean Peninsula and the global nonproliferation regime.

During the past decade, Beijing's influence with Pyongyang has lessened considerably and the development of a specialized nonproliferation cadre in the Chinese bureaucracy in Beijing has created choices for China's fourth generation leadership as it tries to build its influence as a regional leader in Asia. The stakes attached to these choices are underscored by the logic of a chain of potential nuclear proliferators in Northeast Asia: the hypothesis is that the emergence of an unchallenged nuclear North Korea would lead to overt steps toward nuclear weapons development in Japan, South Korea, and even Taiwan. Such a development would be a disaster for the nonproliferation regime and would diminish China's security and status as East Asia's only nuclear power.

While Pyongyang's escalatory path thus far has been virtually identical to the steps that it took a decade ago during the first nuclear crisis, there have been many changes in Beijing, Seoul, and the United States that are shaping a potentially very different response to Pyongyang's challenge. Most strikingly, South Korea's President Roh Moo-hyun seems firmly committed to peace with Pyongyang despite his assertion that a North Korean nuclear weapons program is intolerable, compared to the frosty inter-Korean relationship under former ROK President Kim Young-sam. President Bush's post-Sept. 11 policies of preemption imply zero tolerance for a North Korea with capacity to produce and export plutonium or other weapons of mass destruction (WMD) components to nonstate terrorist actors, despite zero leverage short of the threat of military conflict for compelling Pyongyang to take such a course. This dilemma has led President Bush, for the moment, to downplay the North Korean challenge and to deflect its bid for bilateral negotiations while characterizing North Korea's nuclear pursuits as a "regional problem," challenging Beijing and others to share ownership and responsibility for bounding North Korean nuclear pursuits.

### **Forcing Hard Choices on China**

For Beijing and others in the region, the rapid escalation of North Korea's nuclear weapons program has posed some very hard questions and exposed underlying dilemmas about China's role and responsibilities as part of the future regional security order in East Asia. It also highlights the extent to which China's own economic transformation has changed expectations for China's role in regional politics and security. The luxury of China's rhetorical attachment to the principles of peaceful co-existence and noninterference in the internal affairs of others is not sustainable as China takes on greater regional security roles and responsibilities: will China's fourth generation be up to handling the increased responsibilities and burdens of political leadership in a way that enhances and extends its own security and inspires confidence among its neighbors? The hardest current scenario for China is undoubtedly that which has been posed in recent months by North Korea.

## **South Korea Between “Lips and Teeth”**

There is no question that the “lips and teeth” relationship between Pyongyang and Beijing has been obscured by the dynamic double-digit growth in China-South Korea trade and investment over the past decade. South Korea is now the key partner on the Peninsula for Beijing as it pursues its own security and economic interests. The \$38 billion China-South Korea relationship in 2002 outpaced the \$728 million worth of China-North Korea trade by a factor over 50, yet China was North Korea’s largest trading partner, with over 30 percent of North Korea’s \$2.23 billion in recorded trade. China has consistently provided one-quarter to one-third of its foreign assistance budget to North Korea, and is by far the single most important provider of fuel and food to North Korea in recent years. About one-quarter of China’s exports to North Korea consists of crude oil. Despite annual visits to China in 2000 and 2001, Kim Jong-il turned toward Russian President Vladimir Putin in recent years, perhaps as a way of lessening North Korea’s overwhelming dependence on China. (Likewise, the growth of inter-Korean trade has somewhat lessened the North’s dependence on China.)

## **Bush Pushes Beijing**

Beijing’s focus on North Korea has been driven primarily by the urging of the United States, and has been sharpened by U.S. concerns with North Korea’s WMD in the post-Sept. 11 context of U.S.-PRC cooperation in the war on terror. The Crawford, Texas summit last October was initially intended to be primarily a ceremonial nod and capstone visit marking the end of Jiang Zemin’s term as the PRC’s president, but an early October confrontation in Pyongyang over North Korea’s covert highly enriched uranium (HEU) program put North Korean nuclear weapons pursuits on the summit agenda. Jiang achieved a long-sought visit to Pyongyang only days prior to Sept. 11, 2001, but whatever results might have come from that visit were derailed by the global response to Sept. 11. Despite several personal meetings with Kim Jong-il, Jiang himself was unable to provide reassurance either about Kim Jong-il’s intentions or the PRC’s capacity to keep North Korea under control. When asked by President Bush whether Kim Jong-il is a “peaceful man,” Jiang replied, “Honestly, I don’t know.” Proliferation on the Korean Peninsula has become a litmus test and opportunity for closer cooperation in China-U.S. relations.

President Bush has actively sought coordination with and assistance from Beijing as North Korea escalated its nuclear pursuits. Following a mid-December decision by the Korean Peninsula Energy Development Organization to halt shipments of heavy fuel oil (HFO) in response to the discovery of North Korea’s HEU program, North Korea rapidly took escalatory actions by moving to restart its nuclear reactor and other facilities at Yongbyon. Presidents Jiang and Bush consulted in late December regarding PRC attempts to halt North Korea’s nuclear brinkmanship through a message delivered by Foreign Minister Tang Jiaxuan to the DPRK Embassy; however, North Korea flouted this Chinese diplomatic initiative and embarrassed Beijing by announcing that it would withdraw from the Nuclear Non-Proliferation Treaty (NPT) on Jan. 10.

North Korea's NPT withdrawal announcement precipitated another telephone consultation between the two leaders. *Xinhua* publicly reported that Jiang "disagreed" in his conversation with President Bush with North Korea's decision to leave the NPT, a clear expression of the PRC's frustration with North Korea's continued escalatory tactics. A Feb. 7 telephone conversation between the two leaders focused primarily on Iraq, but included discussion of North Korea. Subsequently, China voted on Feb. 12 for an IAEA resolution to refer North Korea's nuclear noncompliance for discussion at the UN Security Council. Secretary Powell's visit two weeks later offered further opportunities for discussion, but made little public progress in winning China over to a tougher stance with the United States. Rather, the PRC press spokesman reiterated the importance of U.S.-DPRK bilateral dialogue following Powell's visit. President Bush followed up with another call to Jiang Zemin on March 10 to discuss Iraq and North Korea, and North Korea was one of three key issues that President Bush discussed once again in a congratulatory call to Hu Jintao as he succeeded Jiang in the presidency one week later.

### **Subterranean Diplomatic Blues**

PRC diplomacy with North Korea is obviously less visible, but there have been some tantalizing hints regarding what may lie below the surface now that the PRC has taken an active role on this issue. The flow of oil from the PRC to North Korea was reportedly halted in February for a few days for "technical" reasons, but has since restarted, a pointed message from China designed to remind North Korea of its economic dependence on Beijing. The PRC also appears to have taken an active role in indirect diplomacy between the United States and North Korea, according to reports that the Chinese have passed over 50 messages back and forth between Pyongyang and Washington. The offer in early January to host any dialogue designed to resolve nuclear issues with North Korea has now been backed up by diplomatic action – not through special envoys, but rather through the timely delivery of messages warning top North Koreans who have passed through Beijing in recent weeks, including DPRK Foreign Minister Paik Nam-sun and President Kim Yong-nam, not to push too hard.

The PRC's public position throughout has been that the U.S. and DPRK need to initiate a bilateral dialogue, although the PRC came to understand by mid-February that the Bush administration would not consider a bilateral dialogue and may well consider preemptive measures if North Korea were to go too far. Privately, the PRC now appears to recognize that multilateral dialogue will truly be the only diplomatic option acceptable to the Bush administration. In order to forestall a destabilizing U.S.-DPRK confrontation, the PRC is actively engaged in exchanging ideas on the issues, agenda, and participants in a multilateral dialogue setting. Such a dialogue might build on China's experience of Four Party Talks (albeit hopefully with far more success than those negotiations), but with a different agenda and an even more intractable set of challenges. This switch parallels a change in position by South Korea to endorse a multilateral dialogue as a way of addressing the North Korean nuclear issue. With the Chinese now on board as an indirect interlocutor between Pyongyang and Washington, Beijing will face some very challenging and interesting dilemmas as it considers how to effectively handle the relationships with Pyongyang, Seoul, and Washington.

## **Playing the Refugee Card?**

As Beijing manages its relationship with North Korea in ways designed to limit North Korea's nuclear program, it must also manage the sensitive issue of refugees from North Korea. There is a rumor that Kim Jong-il threatened to unleash increased refugee flows in response to Chinese efforts to pressure Pyongyang, and it is not hard to imagine Kim taking a Castro-style approach and deliberately using refugees as political pawns. China's internal security efforts to stem the flow of North Korean refugees have driven those who can come to China further underground and have deterred all but the most desperate North Koreans. China stepped up its repatriation efforts last summer following high-profile cases through which North Korean refugees sought asylum in foreign embassies and consulates, and has detained humanitarian workers from Korea and Japan who have sought to assist North Korean refugees.

Most recently in January, a high-profile case in which refugee assistance groups tried to launch a boat passage to South Korea was scuttled, resulting in the detention of scores of refugees and several refugee assistance workers. Increased public security efforts in Chinese border areas have proved an effective deterrent to North Korean border crossings, but at a very high cost in human terms, as China's denial even of what Beijing terms "economic refugees" from North Korea contradicts the PRC government's long-held arguments that place a higher priority on economic and social rights than political rights.

## **Epilogue: Highlights in Sino-ROK Economic Relations**

As China-Korea trade and investment relations continue to expand at double-digit rates, Chinese exports in higher-end products are gradually closing the competitive gap with South Korea, prompting concern as China takes South Korean market share in third country markets. China was the largest destination for Korean overseas direct investment, receiving \$1.72 billion in 2002. POSCO and Union Steel continue to aggressively invest in new steel plants in China, including plants located at Shunde, Qingdao, Dalian, and Zhangjiagang. Samsung and LG Electronics are moving production of plasma display panel (PDP) TV sets to China and Mexico this year.

The Korea Semiconductor Industry Association (KSIA) and the Korea Industrial Technology Foundation (KOTEF) warned that China is closing the quality and service gap in the semiconductor industry, projecting that the gap would be completely erased by 2010. A study by the Federation of Korean Industries projects that China will surpass Korea in almost all industrial fields within five years, with the exception of shipbuilding and construction. The share of Chinese imports into South Korea broke into double-digits for the first time at 11.3 percent of overall imports, and the share of transit cargo handled by South Korean ports continued to grow to over one-third of overall shipments on the strength of Chinese demand. Likewise, Incheon airport was fourth in the world in international cargo management strength of 30-plus percent growth in cargo flights to

China. Korean economic growth is increasingly becoming intertwined with and dependent on China's economic future.

### **China's Emergence and Influence on Peninsular Politics and Security**

Washington has opened the door and motivated the leadership in Beijing to once again weigh in decisively on North Korea's nuclear weapons challenge. But the situation and China's orientation toward the two Koreas are drastically different from a decade ago, when China also was given credit for constructive efforts to curtail North Korea's nuclear adventurism. China is much closer in every way to Seoul than Pyongyang, and appears to be closer to Seoul even than South Korea's erstwhile allies in Washington. China currently appears to stand as an unofficial silent partner in the US-ROK alliance and seems to be gaining unprecedented leverage to shape the future influence and durability of the US-ROK alliance.

The PRC must be involved in bounding North Korea's nuclear weapons pursuits. But by casting this as a "regional" problem, has the Bush administration inadvertently offered Beijing an unprecedented long-term opportunity to marginalize the U.S. on the Korean Peninsula? Has it implicitly accepted and endorsed a vision for cooperative security in Northeast Asia that ultimately will require the United States and China to play leading cooperative roles rather than placing the entire impetus for assuring stability in the region on the United States as a benevolent hegemon? Is the United States so confident in its power that it can rely on coalitions of the willing and the "aura of inevitability" instead of long-standing partners to press its claims and achieve its global objectives? Policymakers in Seoul, Beijing, Washington, and Pyongyang are no doubt likely to take their cues from CNN, while the outcome of the battle for Baghdad holds lessons for the next stage of the nuclear showdown with Pyongyang, and for China's relations with both the United States and the Korean Peninsula.

### **Chronology of China-Korea Relations January – March 2003**

**Jan. 2, 2003:** ROK Deputy FM Lee Tae-shik meets with Chinese Vice Minister of Foreign Affairs Wang Yi in Beijing to discuss diplomatic approaches to North Korea.

**Jan. 10, 2003:** KEPCO signs a Memorandum of Understanding with the Luoyang Shengsheng Power Company to build two thermal power plants.

**Jan. 14, 2003:** PRC and ROK immediately condemn Japanese PM Koizumi's visit to Yasukuni Shrine.

**Jan. 20, 2003:** Chinese police arrest 48 North Korean asylum-seekers and three aid workers in Shandong province.

**Jan. 29, 2003:** ROK Ministry of Construction and Transportation announces that it will positively consider forming a sea and air logistics link with China to promote the establishment of a tariff-free zone at Incheon International Airport.

**Feb. 3, 2003:** The Korea International Trade Association's "Trend and Outlook of China's Import Control Against Korean Exporters," reveals that China targets South Korea for import restrictions more than any other country.

**Feb. 8, 2003:** Kia Motors announces a month-to-month rise of 164 percent to almost 5,000 units in January on the strength of its new model for the Chinese market, the Qianlima.

**Feb. 10, 2003:** The Korea Small and Medium Business Institute announces the results of a survey of 178 small- to medium-sized enterprises, 72.2 percent of whom hope to invest in China within five years.

**Feb. 11, 2003:** China rejects U.S. calls for greater involvement in diplomacy to halt North Korea's nuclear weapons program stating, "the key to resolving this issue is the resumption of dialogue between the U.S. and North Korea."

**Feb. 12, 2003:** The Korea Automotive Research Institute announces that China has overtaken Korea as the sixth largest global producer of automobiles in 2002.

**Feb. 12, 2003:** Chinese Vice Premier Qian Qichen meets with members of ROK President-elect Roh Moo-hyun's team, and states importance of a stable Korean Peninsula.

**Feb. 25, 2003:** Vice Premier Qian leads Chinese delegation to Roh Moo-hyun's inauguration.

**Feb. 27, 2003:** Korea Trade-Investment Promotion Agency (KOTRA) officials meet in Beijing with Chinese and Japanese counterparts at the "Strategic Conference for Expanding Exports to Japan and China" as part of efforts to realize Korea's vision of becoming a regional hub in northeast Asia.

**March 4, 2003:** A 73-year-old Korean man by the name of Park who had been incarcerated in Harbin on drug trafficking charges was released and allowed to return to South Korea. Of 100 South Korean nationals held in Chinese jails at the end of 2002, 28 were being held on drug charges, and six have been sentenced to death.

**March 4, 2003:** Two of 10 refugees from North Korea arrived in Seoul, while the other eight were repatriated to North Korea from China, according to the Human Rights Coalition for North Korean Refugees.

**March 6, 2003:** Chinese Foreign Minister Tang Jiaxuan states that direct talks need to be held between the U.S. and North Korea in order to resolve the nuclear crisis, and that the PRC supports a denuclearized Korean Peninsula.

**March 6, 2003:** Korea Industrial Technology Foundation (KOTEF) and Shanghai Science and Technology Development and Exchange Center (STDEC) announce plans to hold an information-technology forum.

**March 14, 2003:** China's UN Ambassador Wang Yingfan states that efforts are being made to draw the U.S. and North Korea together for dialogue, and opposes Security Council involvement "at this stage."

**March 24, 2003:** KOTRA launches a special "China Business School" course designed to educate Korean businesses about specialized topics regarding trade and investment with China.

**March 26, 2003:** ROK PM Koh Gun meets with Chinese Ambassador Li Bin in Seoul to discuss strengthening bilateral cooperation vis-à-vis the North Korean nuclear issue.

**March 26, 2003:** North Korea's request for weapons to prepare for "the U.S. military threat," is turned down by China.

**March 30, 2003:** South Korea announces that it will send National Security Advisor Ra Jong-yil to China and Russia to gain support for peacefully solving North Korea's nuclear crisis.