

China and the Korean Peninsula

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Abstract

Beijing has been losing influence in Pyongyang since Kim Jong-un took power. Why is this occurring? Chinese authorities do not control cash flowing to the North, the U.S. is bypassing China in its dealings with North Korea, rising Korean nationalism is diminishing foreigners' influence, Pyongyang is beginning to play the Russia and Japan cards, and instability in the Kim regime prevents outsiders from influencing events in Pyongyang. Moreover, despite China's warming ties with Seoul, pro-North Korea elements still influence policy in Beijing and will prevent a reversal of its fundamental approach to the Korean Peninsula. So China's new Korea policy, which would ordinarily give it increased leverage in Pyongyang, may ultimately not have that effect, especially if the Chinese initiative toward South Korea falters.

Keywords: China, North Korea, South Korea, United States, Japan, Korean People's Army, People's Liberation Army, Rason, Kim Jong-un, Jang Sung-taek, Xi Jinping, Park Geun-hye, Shinzo Abe, Sunshine Policy, nuclear weapons, ballistic missiles

Xi Jinping, China's ruler, visited Seoul in early July 2014, breaking precedent and changing relationships in North Asia, perhaps for decades. For the first time, a leader of the People's Republic of China visited the South Korean capital before stepping foot in the Democratic People's Republic of Korea.

China's Foreign Ministry cautioned others not to "over-read"¹ the significance of Xi's visit, but observers quickly saw a Chinese snub of their long-time ally, a "cold shoulder"² in the words of the *New York Times*. Said John Delury of Seoul's Yonsei University, "The message is that if North Korea continues to keep Beijing at a distance and not work harder to make China happy, then China will tilt towards South Korea."³

The “tilt” that Delury then saw coming had already occurred, however. Xi Jinping had hosted South Korea’s president, Park Geun-hye, in Beijing in June 2013, and even a year later, he had not extended an invitation to his North Korean counterpart, Kim Jong-un, to visit.⁴

Kim’s assumption of power following the unexpected death of his father in December 2011 appears to have intensified infighting among regime elements in Pyongyang. That infighting proved fatal for some, including Jang Sung-taek, executed in December 2013. Jang was, from all accounts, corrupt, lecherous, and brutal, “a traitor to the nation for all ages” as the official *Korean Central News Agency* called him.⁵ When he died – probably by large-caliber rounds – China not only lost its most influential contact in Pyongyang, but it was also demonized by the Kim Family Regime as it explained why it had put Jang to death.

Jang’s fall from power was foreseeable, preordained even. Kim Jong-il, the second member of his family to rule the North, picked his sister, Kim Kyong-hui, and her husband, Jang, to be regents for his youngest acknowledged son and designated successor, Kim Jong-un. Jang and his wife, in that role, were to teach, guide, and protect the younger Kim, eventually stepping aside when he was able to rule on his own.

Yet Kim Jong-un dispatched his uncle from power much earlier, and in a far more final manner, than any observer had expected. And the regime, contrary to past practice, boasted about the purge. Since the 1950s, North Korean state media has not publicly announced the execution of a high-ranking Party member who was a Kim family insider.⁶

Analysts can only guess why young Kim took the highly unusual step of publicizing the death, but the crucial point for Chinese policymakers is that Pyongyang justified this severe act by referencing, among other things, Jang’s relations with Beijing. In detailing Jang’s crimes, the official *Korean Central News Agency* on December 13 made two references to the People’s Republic of China: his selling of “coal and other precious underground resources at random” and his “selling off the land of the Rason economic and trade zone to a foreign country for a period of five decades.” And the charge of Jang being “bribed by enemies”⁷ is probably a reference to the Chinese as well.

Beijing genuinely appeared surprised by Jang's purge,⁸ and that is an indication of how much access and influence it has lost in Pyongyang in recent years. When Kim Il-sung and Mao Zedong both ruled, the two states professed to be – and sometimes were – lips-and-teeth close. Then, both leaders spoke the same language, literally and figuratively. No wonder diplomacy was conducted on a leader-to-leader basis.

Yet despite the apparent comradeship, the two republics were always uneasy allies. Kim Il-sung worked hard to minimize Chinese influence in Pyongyang, mostly by purging officials and military officers with close ties to Beijing, such as the so-called “Yan’an faction.” The Chinese, however, were always able to find new friends in the Kim regime. Kim's son, Kim Jong-il, worked even harder to remove Beijing's influence in the North Korean capital and had strained personal relationships with his Chinese counterparts, Jiang Zemin and Hu Jintao. Donald Kirk, the veteran North Korea watcher, has written that much of the factional strife in Pyongyang occurs without affecting the regime's relations with China.⁹ However, that assessment, which had been generally correct, has recently become inaccurate. Kim Jong-un had given his uncle Jang Sung-taek nearly free rein to handle relations with Beijing. Kim, therefore, risked his China ties when he ordered the execution of Jang, but it appears the young leader was confident he could repair relations with China afterwards. In fact, that is what he tried to do by sending China a message after Jang's death. “There will be no change of policy, either inside the country or in its foreign outlook,” Kim, in the words of a “New York-based diplomat,” signaled.¹⁰

If Kim had stopped the killing with the execution of his uncle, relations with Beijing would have been largely unaffected, but he continued his “reign of terror”¹¹ and systematically rooted out Jang's nationwide patronage network. As he did so, he eliminated underlings who had handled China matters for Uncle Jang. In short, Kim, presumably knowing the consequences, deliberately cut most contacts with his most important benefactor.

At least for a time, young Kim tried rebuilding his lifeline to the Chinese capital. For instance, he sent Kim Ki-sok to Beijing and Shenzhen in February 2014 looking for Chinese money. The mission proved to be unsuccessful, as the envoy returned home, according to the *Chosun Ilbo*, “empty-handed.”¹² Kim even rehabilitated some of Jang's allies because of their China expertise or knowledge. There are reports that he reinstated two such officials, in what the *Voice of America* called

“a sign the regime may try to repair its economic relations with its powerful neighbor.”¹³ For instance, the cloud over Ji Jae Ryong, considered a “linking pin” between Jang and China,¹⁴ was lifted, apparently because he was needed in Beijing.

Yet it is clear that rebuilding ties to Beijing was not Kim Jong-un’s main priority. After all, in May 2014 he demoted Choe Ryong-hae, then considered to be North Korea’s No. 2 official. Choe’s removal meant that one more figure with China experience had exited the top ranks of the Pyongyang leadership. Charles Burton of Brock University has called the demotion “another signal that cannot be pleasing” to the Chinese.¹⁵

The Chinese, despite everything, have tried to build bridges from their end, for instance by sending two Foreign Ministry delegations to Pyongyang in the beginning of 2014. Xing Haiming traveled there in late January, and his delegation was followed in February by one headed by Deputy Foreign Minister Liu Zhenmin, who spent four days in the North. It is unusual that the two Chinese missions were separated by only weeks.

Yet the Chinese delegations were not successful. Since they traveled to Pyongyang, the North has, according to one account, “virtually suspended official exchanges with China.”¹⁶ Moreover, Pyongyang has reportedly summoned, for the second time after the execution of Jang Sung-taek, all trade officials in the People’s Republic. “On the surface, they were recalled for ideological study, but in fact it’s a kind of silent protest against China,” a source told the *Chosun Ilbo*.¹⁷

China has also been protesting, prolonging a cutoff of oil flowing to the North. The stoppage, which lasted virtually the entire first half of 2014, seems to have crippled the operations of the North Korean military.¹⁸ Despite its severe effect, Kim Jogn-un has showed no signs of buckling, and, if anything, is now even more defiant of Beijing.

Chinese officials have to be asking themselves why their policies have apparently failed, despite everything, to command the obedience and respect of their destitute neighbor. Since the death of Kim Jong-il, the balance of power has been tipping in favor of the weaker party in this relationship. As Cai Jian of Fudan University in Shanghai told the *South China Morning Post*, there is concern in Beijing that the North Koreans now do not place a high value on their ties with China.¹⁹

The Chinese have every right to be worried. Not only did Kim purge China-friendly officials with his regime-wide purge, but before that he undertook actions – long-range missile tests, a third nuclear detonation, an abrogation of the Korean War armistice, to name just a few of them – that appeared to have genuinely upset his Beijing benefactor.

There are several reasons for the recent loss of China's influence. Chinese authorities do not control cash flowing to the North, the U.S. is bypassing China in its dealings with North Korea, rising Korean nationalism is diminishing foreigners' influence, Pyongyang is beginning to play the Russia and Japan cards, and instability in the Kim regime prevents outsiders from influencing events in Pyongyang. Moreover, despite China's warming ties with Seoul, pro-North Korea elements still influence policy in Beijing and will prevent a reversal of its fundamental approach to the Korean peninsula. So China's new Korea policy, which would ordinarily give it increased leverage in Pyongyang, may ultimately not have that effect, especially if the Chinese initiative toward South Korea falters. This article analyzes these reasons.

China Is Losing Control of Cash Flowing to North Korea

It is no secret why the North Koreans need China. They depend on the flow of Chinese cash, both in the form of outright grants as well as the proceeds of trade and investment. Due to, among other things, excessive spending on the Korean People's Army – a country of 24.9 million people supports the world's fourth-largest military – and gross economic mismanagement, the North Korean economy has been generally stagnant since its initial recovery from the 1990s famine. Beijing has provided a lifeline since then.

China's dominance of the North Korean economy is growing. Take North Korea's major legitimate export item: minerals. The Chinese are about the only buyers of the DPRK's anthracite – they purchased \$1.37 billion of such coal in 2013 – and they bought \$294.1 million of the North's iron ore that year.²⁰ Largely as a result of mineral purchases, trade between China and North Korea jumped 10.4% in 2013, reaching a record \$6.5 billion. North Korea's exports to China soared by 17.2%, and imports from China increased by 5.4%.²¹

The People's Republic has traditionally been the North's largest trading partner, and it appears that the Chinese substantially increased their share of trade with the North in 2013. In 2012, China accounted for 68.4% of North Korea's total foreign trade.²² Last year, that high

percentage increased to almost 90%,²³ because North Korea's commerce with the South, its other large trading partner, plummeted when Pyongyang closed the Kaesong Industrial Complex for five months to show its displeasure. As a result of the long interruption in production, inter-Korean trade dropped 42.4% in 2013, to \$1.1 billion, from \$2.0 billion the year before.²⁴

As goes trade, so goes investment. Although there are few reliable figures quantifying inward capital flows in recent years, China appears to have retained its role as the main supplier of investment cash.²⁵

And Chinese money is changing the DPRK. For one thing, the flood of China's cash has created, or at least contributed to, a mini-boom, at least by North Korean standards. According to the authoritative Bank of Korea, the South Korean central bank, the North's economy expanded by 1.1% in 2013, 1.3% in 2012, and 0.8% in 2011.²⁶

Most analysts say that increased Chinese trade and investment is resulting in increased dependence on Beijing. That sounds logical, and in the modern restatement of the Golden Rule, it is the party holding the gold that makes the rules. In the reverse-reality world of North Korea, however, the non-gold holder is in fact doing so. This anomalous situation is attributable to two principal factors.

First, Beijing wants to make investments more than Pyongyang wants to receive them. Apart from mining ventures, Beijing has concentrated its large-scale projects near China's border, especially in the port of Rason in the east, where the Tumen River empties into the Sea of Japan, or East Sea, and in the west near the Chinese city of Dandong, where the Yalu flows into the Yellow Sea, or West Sea.

The North Koreans know that Beijing must have what they possess: China controls the mouth of neither river. In these circumstances, Pyongyang exercises a high degree of control over China's riverine investments. These investments are large-scale and need formal approval from Pyongyang, which has set the rules and administers the game, much the same way the Chinese did three decades ago when foreigners wanted to invest in their then-closed country. Robert Potter, who spent time in the DPRK on an exchange program, correctly notes that big Chinese investors are at a disadvantage because they come up against the North Korean state where it is at its strongest.²⁷ That state, therefore, makes the most of home field advantage, directing how China invests its money.

This dynamic is evident in Rason. China, with no direct access to the Sea of Japan, craves control of that port to give its provinces of Jilin and Heilongjiang a path to international water. Russia – not China – has sovereignty over the northern bank of the Tumen, so Beijing is accelerating plans to control the south bank, which is North Korean territory, by planning to dump about \$3 billion of investment into it.²⁸

Yet Kim's bureaucrats have been able to continually frustrate the Chinese with restrictions that have inhibited the growth of the port. It may be true that "the place looks like a giant Chinatown,"²⁹ but Chinese investments there are not doing well. China's "five star" hotel in Rason is "empty" and the port area is "quiet,"³⁰ although the city by now should have developed into a bustling commercial hub. The Chinese four-lane expressway leading to the city has "thin traffic," and Beijing's plans to build a high-speed rail line to there look "misplaced." A Jilin government official, *Reuters* reports, says Chinese businesses are losing confidence in Rason.³¹ In fact, the North Koreans are making it tougher and tougher for their northern neighbor to do business. As one Chinese trade association official recently said of DPRK officials, "Their demands are higher and higher."³²

The spiraling up of demands is a reflection that North Korean officials are ambivalent about accepting Chinese investment, and so have surprisingly little concern about losing it. In sum, Beijing does not have much leverage because its desire to invest is stronger than Pyongyang's desire to accept.

Chinese leaders may think they can flood North Korea with cash and corrupt its officials, as John Park of MIT and Harvard's Kennedy School says,³³ but that does not necessarily give them power. The North Koreans know the Chinese will keep the taps open whatever they do, so they can afford to offend their benefactors.

The Chinese, despite what they may think or say, have apparently made a decision to support the Kimist state with trade and investment, whatever it does or doesn't do to displease them. Despite Pyongyang's especially provocative behavior in 2013, for example, the Chinese continued with their economic relations, and the Kim regime certainly took notice, realizing that Beijing had essentially delinked economic relations from diplomacy. China's patience – what some may call an indulgent attitude – works against Chinese influence.

Second, Beijing has lost control of many of the investment flows into the North because now much of the Chinese money is small-scale and so

leaves China under the noses of its regulators. Over the last decade, China's entrepreneurs have invested into North Korean restaurants, shops, and factories, and in the aggregate these businesses are substantial.

In many respects, today's North Korea resembles China at the beginning of its reform era, so it should come as no surprise that plucky Chinese entrepreneurs, who outwitted Chinese officials long ago, are now sneaking under the nose of China's border regulators as they build profitable niche businesses in the North. "This place is just like China in the 1980s," says Hao Ze, a successful Chinese investor, who owns a North Korean car parts factory, restaurant, and spa and who is now putting the finishing touches on a deal to mine rutile, an ingredient in paints and plastics. "It's highly risky, but it's also highly profitable if you seize the opportunity."³⁴

Chinese investors, absolutely determined to seize opportunities, are remaking the North. Pyongyang knows that Beijing can no more shut off this small-scale investment than it can stop the Chinese traders who carry their goods into North Korea in the morning and return home in the evening, pockets stuffed with cash. China, consequently, gets no credit – or leverage – in Pyongyang for much of this Chinese money flowing south.

If anything, this flow of capital, not under the control of Chinese central government officials, is making Kim less dependent on China's government. For decades, Beijing had hectored the first two Kim rulers to attract investment and open up their economy. Now, as Chinese investment is finally transforming the North, as past Beijing leaders wanted, the process of transformation is giving Kim Jong-un the means to resist Beijing's wishes.

A Frustrated Washington Is Taking China Out of the Game

At the beginning of this century, Beijing was becoming the center of peninsular diplomacy. The administration of George W. Bush, reasoning that the Chinese had the most influence in Pyongyang, decided that Beijing should be the focus of efforts to disarm the Kim regime.

Then, it seemed to hopeful American policymakers that China had already begun a fundamental shift in its foreign policy and that it might complete the process of shedding its self-image as an outsider and ending its traditional role as an adversary of the existing global order. As a result, it seemed to make perfect sense for China to lead efforts to

“denuclearize” North Korea. Washington, therefore, had arranged for negotiating sessions to be held in the Chinese capital. Three-party talks – between China, North Korea, and the U.S. – in April 2003 led to the start of the six-party discussions in August of that year, with the addition of South Korea, Japan, and Russia.

The Chinese at first assumed that prominent role with gusto, mediating, cajoling, and at times threatening the five other parties to the talks, especially North Korea and the United States. That, of course, gave China’s diplomats great leverage in their dealings with, among others, their North Korean counterparts.

The special role for the Chinese did not last, however. For many reasons, Beijing proved unwilling or unable to fulfill the outsized hopes of Washington and other capitals. Representatives of the six parties have not met since December 2008, and North Korea announced its abandonment of the talks in April 2009. Among other consequences, the breakdown in the six-party process lessened Beijing’s role at the center of Korean Peninsula diplomacy.

The Obama foreign policy team, faced with the failure of China to broker an enduring solution, essentially cut out the Chinese from the diplomatic process. The sudden ascension of Kim Jong-un after the death of his father gave Washington an opportunity to ditch unproductive multilateral efforts and employ direct diplomacy with Pyongyang. In early 2012, Glyn Davies, Obama’s North Korea envoy, had even reached an interim arrangement, announced on February 29 and therefore termed the Leap Day Deal. Pyongyang, in return for 240,000 tons of food aid, promised to stop work on a uranium-enrichment facility in Yongbyon, suspend nuclear and missile tests, and permit International Atomic Energy Agency inspectors to enter its facilities.

The arrangement did not survive two months. Young Kim fired off what looked like a ballistic missile in April – his regime instead claimed its Unha-3 “rocket” was carrying a satellite – and recriminations left relations worse than at the beginning of that year.

The failure of the direct effort did not mean that China regained its position at the center of global efforts to deal with Pyongyang. The White House, obviously fearful of failure, does not now look like it will try another diplomatic push, and given current challenges, it may not have the time to devote to the Korean Peninsula in any event. This has had the side effect of preventing China from assuming its former central role.

It is true that American diplomats still troop to Beijing to talk about North Korea, as Secretary of State John Kerry did in February 2014, but those efforts seem perfunctory, a check-the-box exercise at best. For instance, while Secretary of State John Kerry did his best to show that China was a partner of the U.S. in its effort to disarm the DPRK, there was no joint statement to that effect during the February meeting, a sure sign that the secretary of state knew he did not have Chinese support for American initiatives.

Chinese diplomats, pursuing a policy that cannot be abandoned, continually try to revive the dormant six-party talks. As Foreign Minister Wang Yi, voicing his government's hopes for denuclearizing the Korean Peninsula, said in March 2014, "Some dialogue is better than none, and better early than late."³⁵ As Wang Yi's comments indicate, China has never given up trying to put dialogue back on track.

It is natural for Beijing to try to restart the discussions that would restore its prominence – and its leverage over Pyongyang – but after a half-decade it has not been able to come up with the formula to do so. China's current efforts look half-hearted, perhaps because Chinese diplomats understand that they have missed the moment to put their stamp on the peninsula. Their lack of enthusiasm may also be the result of the realization that, as a practical matter, they can't put more pressure on the North Koreans. And in a larger sense, the dormancy of the six-party talks looks like the result of a perception in Washington and elsewhere that Beijing policymakers no longer command the respect and attention of their North Korean counterparts.

In China's case, repeated failure to move the Kim regime toward disarmament has led to a general loss of influence.

Rise of Korean Nationalism Diminishes Outsiders' Influence

The otherwise inexplicable Sunshine Policy of Kim Dae Jung and the Peace and Prosperity Policy of his successor, the hapless Roh Moo-hyun, can perhaps best be explained not by a naïve desire to engage the Kim regime but as an expression of Korean nationalism. In short, the most important goal of South Korean policy is the survival of Korea.

Korean nationalism has a rarely discussed byproduct: the minimization of foreigners' influence in Pyongyang. And in many ways, Kim and Roh, during their tenures in the Blue House, succeeded in pushing a foreigner, China, to the sidelines in the North Korean capital.

Yet the goal of displacing China had a cost that was ultimately too high for successive administrations in Seoul. Lee Myung-bak, who followed Roh, and Park Geun-hye, the current occupant of the Blue House, moved South Korea back to its more traditional posture. That has meant, among other things, that cooperative projects between the two Koreas, such as the Mount Kumgang resort, have failed. Even in fiercely insular and proud Korea, nationalism wanes from time to time.

Yet even in fallow periods like the present, nationalism still guides Blue House policy. South Korea is still trying to build a strong Korea, and as part of that drive it is insecure about losing clout in Pyongyang, something evident in the way it handled – or perhaps mishandled – North Korea’s closure of the Kaesong Industrial Complex in April 2013. Pyongyang, for no reason relating to the project, forced the South Korean managers of the 123 businesses there to leave the North, making the complex, a symbol of inter-Korean cooperation, a ghost town. Seoul immediately began efforts to reopen the zone.

For many reasons, the zone is a misguided effort. For instance, South Korean businesses in Kaesong do not pay their workers. Instead, they transfer hard currency – about \$90 million a year at the time of the closure – to a state recruiting agency and the government pays workers in local currency.³⁶ In essence, South Korea, by trying to reopen the zone, was seeking to funnel cash to a regime that was using its resources to undermine South Korean society. Because money is fungible, Seoul has essentially financed Pyongyang’s attacks on South Korea, some of them murderous.

South Koreans have justified Kaesong as a project that would stabilize inter-Korean relations, but after the deadly incidents of 2010 – when the North killed 50 South Koreans in two incidents – and the disruptive events of early 2013, that rationale can no longer be maintained. As long as the Kaesong complex continues to operate, however, China is not the only foreign country maintaining significant economic relations with the regime.

Moreover, President Park has been subtly competing with Beijing for influence in Pyongyang, and has been more willing to engage the other Korea than Lee, her predecessor. So far, her signature “trustpolitik” policy has not yielded dividends, but it appears that the outreach to the North has, by itself, undermined Chinese influence in Kim family circles. For example, Park’s initiative is talked about as a replacement for the six-party talks, which, if revived, would give Beijing increased clout in

the North Korean capital.³⁷

Korean nationalism may not be as evident today as it was during the administrations of Kim Dae-jung and Roh Moo-hyun, but it is the dominant force on the peninsula, always present and always strong. And in a land colonized for four decades and then divided into two to this day, it remains on a general upward trend, something evident in the last two years. That is not good news for those in Beijing who want to control the Kim regime.

Pyongyang Is Beginning to Play the Russia and Japan Cards

In the Cold War, Kim Il-sung skillfully made Moscow and Beijing, his primary backers, compete against each other for his support. Whenever one of them threatened to pull away, he threatened to move closer to the other. This masterful balancing game meant that neither the Soviet Union nor China were able to dominate Pyongyang, at least not for long.

An exhausted Soviet Union dropped out of the rivalry, and Beijing's embrace of Seoul, which culminated in its recognition of South Korea in 1992, meant that the North Koreans had to work to keep China, then their sole supporter, happy. As much as Kim Jong-il detested his Chinese counterparts, he had little choice but to heed their advice because he absolutely needed their assistance.

Kim soon got a respite. The South Koreans, during the Sunshine Policy years, looked like they were about to step into the role of the Soviets, thereby giving the North Koreans two parties to play off against each other. Chinese influence, however, got a boost when Lee Myung-bak took over as president from Roh Moo-hyun and ended Seoul's broad outreach to the other Korea.

Will Putin's Russia now challenge China for influence in North Korea? The Duma just approved the write-off of about 90% of \$10 billion in Cold War-era debt held by North Korea, and the Kremlin is expanding dealings with Pyongyang, in particular planning a gas pipeline running the length of the country into South Korea and an extension of the Trans-Siberian Railroad to Rason. A high-profile Russian delegation, headed by Deputy Prime Minister Yuri Trutnev, visited Pyongyang for three days at the end of April 2014 and signed an economic cooperation agreement with the North.³⁸

It's not clear how much attention Putin will eventually devote to East Asia, but he is interested in the region at this moment. The pipeline will

tie the South Korean economy to Russia's, and the proposed rail extension to Rason could attract cargoes that would otherwise travel by sea through the Suez Canal. Therefore, the Russian leader should remain focused on economic relations with the North as long as these two projects look like they are going forward.

Putin's attention means Kim Jong-un is taking maximum advantage of his new friend. "It seems like North Korea is diversifying its strategy for economic development by moving away from an overdependence on China and toward great cooperation with Russia, which also puts pressure on its neighbor," said Cho Bong-hyun of IBK Economic Research Institute in Seoul to *Arirang News*.³⁹ And as the *Chosun Ilbo* noted in July 2014, "Since early this year, the North has been closer to Russia than ever before."⁴⁰

Moreover, Pyongyang and Tokyo are in the early stages of courting each other. Obtaining a full accounting of Japanese nationals abducted by the Kim regime is a high priority for Japanese Prime Minister Shinzo Abe, and in early July 2014 his government eased sanctions on Pyongyang when the regime promised to initiate an investigation into the fate of the abductees.⁴¹

Both Japan and North Korea have reason to improve ties with the other. The Japanese are seeking allies in the region against a China that is attempting to seize their islands, and the North Koreans are looking for friends as Beijing distances itself from Pyongyang. "Kim Jong Un wants to show China he has choices,"⁴² writes noted Korea watcher Aidan Foster-Carter. Previous reconciliation attempts between Pyongyang and Tokyo have floundered and there are high obstacles between better ties between the two states, yet as long as they continue to try to normalize relations China cannot help but lose influence in Pyongyang.

The Kim regime is looking for friends in north Asia, and nations in the region are reciprocating its gestures. That ultimately is not good for China's leverage over North Korea.

Regime Instability Means China Is Losing the Ability to Influence Pyongyang

At the end of February 2014, the official *Korean Central News Agency* carried Kim Jong-un's comments on factional infighting.⁴³ As noted, the regime, beginning with the purge of Jang Sung-taek, has publicly admitted to internal discord, something it has not done since the days of Kim Il-sung.

The Kim family has built its power on the notion it has the love, support, and devotion of all the people of the Democratic People's Republic of Korea, so talking about severe disagreements means the divisions among elite elements must be serious. As noted, Korea watcher Bruce Bechtol stated in February 2014, "Things are as tenuous as I have ever seen them."⁴⁴ Since then, the turmoil inside the regime has continued. As he points out, "The most easily discernable sign of weakness in the power structure, or an inability to fully control a government, is purges – and in North Korea there have been plenty of them."⁴⁵ There have been so many demotions and executions that in March 2014, an unnamed South Korean official compared Kim Jong-un to a driver of a car with no brakes.⁴⁶

If the vehicle is indeed brake-less, it must mean China has lost influence in Pyongyang, if for no other reason than that it can no longer manipulate the traditional levers of control. And for as long as this instability in Pyongyang continues – and it could last for years – China will, like everyone else, be looking in from the outside. In short, every country has lost influence with a Kim regime in distress.

Pro-North Korean Elements in Beijing Still Influence Policy

By now it is almost certain that Kim has figured out that, in recent years, the Chinese military has gained power in Beijing and that this trend means he need not worry too much about China's civilian officials, even when they seem to be driving policy in favor of Seoul, like they are at this time.

The rise of the People's Liberation Army (PLA) has coincided with the transition from the so-called Fourth Generation leadership of Hu Jintao to the Fifth, under the command of Xi Jinping. The dominant narrative among China watchers is that Xi, who formally took power at the 18th Communist Party Congress in November 2012, has rapidly consolidated his political position. That assessment, even if it is correct, appears incomplete in important respects relevant to Beijing's ties to North Korea.

Analysts like to say Xi heads the Party's "Princeling" faction, but that term merely describes sons and daughters of former leaders or high officials. These offspring have views that span the political spectrum and do not form a cohesive group able to compete for power with, say, the Communist Youth League faction of Hu or the Shanghai Gang of Jiang Zemin, Hu's predecessor.

Xi became China's supreme leader because he appealed to all factions, in large part because he then had no faction. He was, in short, the least unacceptable choice. Today, he still is not identified with any civilian faction.

Having no faction was a successful strategy for attaining power, but in the Party's highly complex and factionalized system, having no reliable base of support can make governing difficult. Some political analysts like the veteran Willy Lam even believe Xi, in order to rule effectively, has made the military his faction.⁴⁷ If this assessment is correct – and there are reasons to believe it is – the new leader cannot say “no” to the top brass. In any event, Xi must be respectful of flag officers' views.

The People's Liberation Army is probably the Party's most powerful interest group, in part due to its size but also because in a time of chaotic leadership transition, the military has been able to maintain its cohesion while other political factions and groups have frayed or eroded. Generals and admirals, therefore, are able to wield political power. So today, in the complex bargaining that goes on in Beijing, it is not entirely clear whether Xi commands the PLA's flag officers or whether the flags of the PLA command him.

There is evidence that, at least on some occasions and on some matters, flag officers are either making their own policies independently of China's civilian leaders or are essentially telling civilian leaders what policies they will adopt. The apparent ascendance of the military in China profoundly affects ties between Beijing and Pyongyang because the PLA is considered to have special equity on matters involving the Korean Peninsula due to the heavy losses it suffered in what the Chinese call “The War to Resist America and Aid Korea” and what the rest of the world knows more plainly as the Korean War. Chinese military officers are known to have views favoring the regime in Pyongyang.

And it is no surprise that they do. The ties between Chinese and North Korean officers are forged in blood, held together by shared perceptions, and reinforced by business dealings. Kim could contemplate taking down Jang Sung-taek and his network because he knew that his back-channel military ties would remain intact. And because he knew of this institutionalized military relationship, he could be reasonably certain that the flag officers of the People's Liberation Army would exercise their power to favor his regime. Senior Chinese military officers benefit from the current arrangements with North Korea

– including weapon sales – and they are not about to permit a complete reversal of policy.⁴⁸

There are many in Chinese policymaking circles who believe that Beijing's long-term support for the Kim family is not in China's long-term interests. In recent years, it seems that almost every foreign diplomat has relayed conversations with Chinese counterparts expressing real frustration with the North Koreans, and there have been various reports that Beijing has been on the verge of breaking with its long-time ally. Yet despite the real push for a change in China-North Korea ties, it appears the fundamental policy remains in place, even though today the shift in thinking is resulting in a tactical embrace of Seoul. There have been spats between Beijing and Pyongyang in the past, and today we are witnessing a long one as Xi Jinping puts his mark on China's external policies. There does not, however, appear to have been an abandonment of decades-old approaches. Chinese foreign policy, in sum, has merely taken on a less passive tone.

The rise of the Chinese military is occurring while Chinese diplomats, since the era of Hu Jintao, have been trying to end China's special relationship with Pyongyang by changing the nature of its ties. Up until now, the Communist Party's International Department has been primarily responsible for conducting dealings with the Kims. "Communications with the International Department usually stresses more on the relationship between the ruling parties ... and that usually conveys a sense that the two are brothers or allies," said Fudan University's Cai Jian. "With the involvement of the foreign ministry, it is more like nation-to-nation routine exchanges, stressing less on brotherly ties."⁴⁹

As the Foreign Ministry gets its way, China has the potential to increase its pull in the North Korean capital. Yet so far, the move does not appear to be working, as the young Kim has not responded as Beijing hoped he would. So it's possible that we will see a return to party-to-party relations, which would be a victory for the North Koreans. Moreover, we have to remember that in the day-to-day struggles between the People's Liberation Army and the country's diplomats, the generals and admirals almost always win. The prospect of a long-term change in the nature of ties, therefore, seems unlikely.

Of course, Beijing's new approaches could fail for other reasons. China will have difficulty switching sides on the Korean Peninsula because, among other reasons, it is unlikely to abandon its territorial

claims on seas that Seoul believes are its own. The flashpoint is Socotra Rock, a formation about 15 feet below low tide in the Yellow Sea. Seoul, which calls it Ieodo, has built a research station over it and claims it to be within its exclusive economic zone. The Chinese also think the formation is theirs, despite the fact that the rock lies 80 nautical miles from South Korea's Marado Island and almost twice that to the nearest part of the People's Republic of China.

And if China is to successfully woo Seoul, it will have to end the frequent incursions of its fishing fleets into South Korean waters and put a stop to the violent – and sometimes deadly – clashes between its vessels and the South Korean coast guard. It is not entirely clear that an increasingly assertive Beijing has the will to pull back in such a manner.

Conclusion

Not everyone agrees that the Chinese are losing clout in the North Korean capital. In fact, it appears that the majority view is that Beijing is now more powerful than before. “Pyongyang always tries to play off its interlocutors against one another,” writes Aidan Foster-Carter in a provocative essay, “South Korea Has Lost the North to China.” “Conceivably, the mercurial Mr. Kim might suddenly try to ditch China and re-embrace South Korea. But Beijing will not let him and the cautious Ms. Park would not have him. Uncle Jang's men may have fallen from favor but the trade ties he built will last. Seoul blew its chance. North Korea's future now lies with China.”⁵⁰

Most observers, especially in a nervous South Korea, believe China is gaining influence in Pyongyang by default, largely because Seoul has supposedly left the playing field wide open for the Chinese. Yet, as discussed above, Seoul has not in fact done so, and in any event Beijing is in no position to benefit from such developments. The Chinese, in short, are bound to have difficulty navigating in Pyongyang political circles. For one thing, they act more arrogantly these days – thereby making sure they irritate the North Koreans, who are already sensitive about being victims of big powers – and they also seem to have lost touch.

It is telling that the Chinese have now been cut-off from their traditional sources of information in North Korea. Fudan's Cai Jian says that Beijing has had to seek information from South Korean sources.⁵¹ Zhang Liangui of the Communist Party's Central Party School says Chinese scholars rely mostly on *Rodong Sinmun*, the official article of

the Korean Workers' Party, as well as the *Korean Central News Agency*.⁵² That's a big comedown for a country that used to get its information on North Korea when Kim Il-sung spoke to Mao.

And it is also telling that from the middle of 2014, the Korean People's Army has been "ratcheting up denunciations of China, calling it a 'sworn enemy.'"⁵³ That followed reports from the *Chosun Ilbo* in late March 2014 that Kim Jong-un had ordered the Kang Kon Military Academy, training ground for the country's top officers, to hang signs with a quote from his grandfather that China is a "turncoat and our enemy."⁵⁴ The signs were also put up at training schools for Workers' Party officials. Kim Il-sung supposedly uttered those words in 1992, when Beijing extended diplomatic recognition to Seoul.

It is not clear what caused Kim Jong-un to order the posting of the signs. The *Chosun Ilbo* reported that Kim was angered by Beijing voting for UN sanctions in 2013. It's true that Chinese officials irritate Pyongyang from time to time, but it is unlikely that any one event is the reason for the long-term friction between the two states.

A more likely explanation for deteriorating relations is that, over the long term, China poses a fundamental challenge to the regime. The People's Republic represents modernity and progress, and modernity and progress are critical threats to Kim's state, which can only survive in a closed environment. Kim rulers know they cannot follow China's path, which makes Beijing's recent hectoring about economic reform inherently baneful to them.

And perhaps that is the ultimate reason why, when the current Kim ruler looks so insecure, China is losing even more influence in the Democratic People's Republic of Korea.

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² Jane Perlez, "Chinese President's Visit to South Korea Is Seen as Way to Weaken U.S. Alliances," *New York Times*, July 2, 2014, available at: http://www.nytimes.com/2014/07/03/world/asia/chinas-president-to-visit-south-korea.html?_r=0.

³ Teddy Ng, “Xi Jinping Sends Pyongyang a Message by Making First Korea Trip as President to Seoul,” *South China Morning Post* (Hong Kong), July 2, 2014, available at: <http://www.scmp.com/news/china/article/1544521/xi-jinping-sends-pyongyang-message-making-first-korea-trip-president>.

⁴ See Jane Perlez, “Chinese President’s Visit to South Korea Is Seen as Way to Weaken U.S. Alliances.”

⁵ “Traitor Jang Song Thaek Executed,” *Korean Central News Agency*, December 13, 2013, available at: <http://www.kcna.co.jp/item/2013/201312/news13/20131213-05ee.html>

⁶ Bruce E. Bechtol, Jr., e-mail message to author, February 15, 2014.

⁷ “Traitor Jang Song Thaek Executed,” *Korean Central News Agency*.

⁸ See Jane Perlez and Choe Sang-hun, “Public Ouster in North Korea Unsettles China,” *New York Times*, December 9, 2013, available at: <http://www.nytimes.com/2013/12/10/world/asia/a-gamble-for-north-korea-leader-kim-jong-un.html?pagewanted=2&pagewanted=all>.

⁹ See Donald Kirk, “Mad, Bad North Korea May Just Be an Act,” *South China Morning Post* (Hong Kong), March 17, 2014, available at: <http://www.scmp.com/comment/insight-opinion/article/1450116/mad-bad-north-korea-may-just-be-act?page=all>.

¹⁰ Benny Avni, “North Korea Is Losing China, Does It Have a Friend in Russia?” *Newsweek*, May 13, 2014, available at: <http://www.newsweek.com/2014/05/23/north-korea-losing-china-does-it-have-friend-russia-250849.html>.

¹¹ “N. Korea Calls for Apology from S. Korea for ‘Slander,’” *Yonhap News Agency*, March 14, 2014, available at: <http://english.yonhapnews.co.kr/northkorea/2014/03/14/36/0401000000AEN20140314007200315F.html>.

¹² “N. Korean Official Secretly Courts Chinese Investments,” *Chosun Ilbo* (Seoul), February 26, 2014, available at: http://english.chosun.com/site/data/html_dir/2014/02/26/2014022601787.html.

¹³ Shannon Van Sant, “Report: North Korean Official Made Secret Trips to China,” *Voice of America*, February 27, 2014, available at: <http://www.voanews.com/content/secret-trips-reported-by-north-korea-to-china/1860373.html>.

¹⁴ “N. Korean Envoy Attended Ceremony of China’s Legislature Session,” *Yonhap News Agency*, March 4, 2014, available at:

<http://english.yonhapnews.co.kr/northkorea/2014/03/04/14/0401000000AEN20140304007800315F.html>.

¹⁵ Charles Burton, interview by John Batchelor and Gordon Chang, *The John Batchelor Show*, Cumulus Media Networks, May 14, 2014, available at: <http://johnbatchelorshow.com/podcasts/2014/05/14/second-hour>.

¹⁶ “N. Korea Miffed at Xi’s Visit to S. Korea,” *Chosun Ilbo* (Seoul), July 2, 2014, available at: http://english.chosun.com/site/data/html_dir/2014/07/02/2014070201623.html.

¹⁷ *Ibid.*

¹⁸ See “Chinese Oil Embargo Paralyzes N. Korean Army,” *Chosun Ilbo* (Seoul), July 2, 2014, available at: http://english.chosun.com/site/data/html_dir/2014/07/02/2014070201995.html.

¹⁹ Teddy Ng, “Beijing ‘Exploring Whether to Change Tactics’ Over North Korea Relationship,” *South China Morning Post* (Hong Kong), February 23, 2014, available at: <http://www.scmp.com/news/china/article/1433689/beijing-exploring-whether-change-tactics-over-north-korea-relationship>.

²⁰ “Trade Between N. Korea, China Hits Record \$6.45 Bln in 2013,” *Yonhap News Agency*, February 1, 2014, available at: <http://english.yonhapnews.co.kr/northkorea/2014/02/01/4/0401000000AEN20140201000800315F.html>.

²¹ *Ibid.*

²² Audrey Yoo, “Nearly 90pc of North Korea’s Overseas Trade with China, Says Report,” *South China Morning Post* (Hong Kong), September 4, 2013, available at: <http://www.scmp.com/news/asia/article/1303171/nearly-90pc-north-koreas-overseas-trade-china-says-report>. China’s share of overall North Korean trade, as reported by various South Korean organizations, is probably understated because much of that commerce is conducted by day-trippers from China, who cross into the DPRK with goods for sale. See, e.g., Robert Potter, “The Perils of Investing in North Korea,” *Diplomat*, February 11, 2014, available at: <http://thediplomat.com/2014/02/the-perils-of-investing-in-north-korea/>.

²³ See Christine Kim, “UPDATE 1-N.Korea’s Economy Creeps Ahead in Black Thanks to China Trade,” *Reuters*, June 27, 2014, available at: <http://www.reuters.com/article/2014/06/27/northkorea-economy-idUSL4N0P81EN20140627>.

²⁴ Bank of Korea, “Gross Domestic Product Estimates for North Korea in 2013,” June 27, 2014, available at: <http://www.bok.or.kr/contents/total/eng/boardView.action?menuNaviId=634&b>

oardBean.brid=14033&boardBean.menuid=634&boardBean.rnum=2. For a similar estimate of inter-Korean trade from the Korea International Trade Association, see “Inter-Korean Trade Hits 8-Year Low in 2013,” *Yonhap News Agency*, February 23, 2014, available at: <http://english.yonhapnews.co.kr/northkorea/2014/02/23/21/0401000000AEN20140223001700315F.html>

²⁵ In 2012, the amount of foreign direct investment into the DPRK increased by 41% from the year before, hitting \$79 million, according to the United Nations Conference on Trade and Development. The U.N. agency concluded that most of this money came from China. See “Foreign Direct Investment in N. Korea Gains for 3rd Year,” *Global Post*, July 11, 2013, available at: <http://www.globalpost.com/dispatch/news/yonhap-news-agency/130703/foreign-direct-investment-n-korea-gains-3rd-year>. U.N. figures on total inward investment – \$1.61 billion by the end of 2012 – are hard to reconcile with either private estimates or Chinese Ministry of Commerce numbers. Private estimates show much larger capital flows into the DPRK. See, e.g., Kristine Kwok, “Chinese Businessmen Seek Profitable Opportunities in North Korea,” *South China Morning Post* (Hong Kong), November 18, 2013, available at: <http://www.scmp.com/business/commodities/article/1358724/chinese-businessmen-seek-profitable-opportunities-north-korea>.

²⁶ Bank of Korea, “Gross Domestic Product Estimates for North Korea in 2013.”

²⁷ See Robert Potter, “The Perils of Investing in North Korea.”

²⁸ See “China Secures Right to Use 3 Piers to Be Built on N. Korean Port for 50 Years,” *Yonhap News Agency*, February 15, 2012, available at: <http://english.yonhapnews.co.kr/northkorea/2012/02/15/88/0401000000AEN20120215007600315F.HTML>.

²⁹ Kate Whitehead, “Things Are Brewing in North Korea’s Rason Zone,” *Forbes*, November 20, 2013, available at: <http://www.forbes.com/sites/forbesasia/2013/11/20/things-are-brewing-in-north-koreas-rason-zone/>.

³⁰ Robert Potter, “The Perils of Investing in North Korea.”

³¹ John Ruwitch, “Insight: China’s Freeway to North Korea: A Road to Nowhere,” *Reuters*, April 15, 2013, available at: <http://www.reuters.com/article/2013/04/15/us-korea-north-china-insight-idUSBRE93E16P20130415>.

³² *Ibid.*

³³ *Ibid.*

³⁴ Kristine Kwok, “Chinese Businessmen Seek Profitable Opportunities in North Korea.”

³⁵ Ministry of Foreign Affairs of the People’s Republic of China, “Foreign Minister Wang Yi Meets the Press,” March 8, 2014, available at: <http://www.fmprc.gov.cn/eng/zxxx/t1135385.shtml>.

³⁶ See Kwanwoo Jun, “A Rundown of the Kaesong Industrial Complex,” *Wall Street Journal*, April 3, 2013, available at: <http://blogs.wsj.com/korearealtime/2013/04/03/a-rundown-of-the-kaesong-industrial-complex/>.

³⁷ See, e.g., Song Sang-ho, “Park’s Peace Initiative Gets Mixed Appraisal,” *Korea Herald* (Seoul), April 30, 2014, available at: <http://www.koreaherald.com/view.php?ud=20140430001102>.

³⁸ See, e.g., Ankit Panda, “Russia and North Korea Boost Bilateral Ties,” *Diplomat*, May 2, 2014, available at: <http://thediplomat.com/2014/05/russia-and-north-korea-boost-bilateral-ties/>.

³⁹ Connie Kim, “North Korea-Russia Ties Improve as North Korea-China Ties Deteriorate,” *Arirang News*, May 4, 2014, available at: http://www.arirang.co.kr/news/News_View.asp?nseq=161892.

⁴⁰ “N. Korea Miffed at Xi’s Visit to S. Korea.”

⁴¹ See Alexander Martin and Toko Sekiguchi, “Japan to Lift Some Sanctions on North Korea,” *Wall Street Journal*, July 2, 2014, available at: <http://www.marketwatch.com/story/japan-to-lift-some-sanctions-on-north-korea-2014-07-02>.

⁴² Aidan Foster-Carter, “When Two Triangles Fall Apart: The New Korean Geopolitics,” *NK News*, July 2, 2014, available at: <http://www.nknews.org/2014/07/when-two-triangles-fall-apart-the-new-korean-geopolitics/>.

⁴³ See “N. Korea Warns Against Factionalism in Ruling Party,” *Yonhap News Agency*, February 26, 2014, available at: <http://english.yonhapnews.co.kr/northkorea/2014/02/26/73/0401000000AEN20140226002100315F.html>.

⁴⁴ Bruce Bechtol, interview by John Batchelor and Gordon Chang, *The John Batchelor Show*, Cumulus Media Networks, February 26, 2014, available at: <http://johnbatchelorshow.com/podcasts/2014/02/26/second-hour>.

⁴⁵ Bruce E. Bechtol, Jr., *North Korea and Regional Security in the Kim Jong-un Era: A New International Security Dilemma* (New York: Palgrave Macmillan,

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⁴⁶ See “N. Korea Calls for Apology from S. Korea for ‘Slander.’”

⁴⁷ See Willy Lam, “Members of the Xi Jinping Clique Reviewed,” *China Brief*, February 7, 2014, available at:

[http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews\[tt_news\]=41933&tx_ttnews\[backPid\]=25&cHash=c97424fda6de2f64e09ee0e2456c6bb3#.UziGuqLF-hq](http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews[tt_news]=41933&tx_ttnews[backPid]=25&cHash=c97424fda6de2f64e09ee0e2456c6bb3#.UziGuqLF-hq).

⁴⁸ Charles Burton of Brock University points out that there is a political dimension as well: “There are significant elements in China who benefit from the current arrangement with North Korea and those are in the Chinese military and these are people who feel that the North Korean system supports the Chinese system because they have the same political system. If North Korea changed it would threaten the domestic arrangements inside China because Chinese people would see that China would be the last country with this kind of Stalinist political organization in the region.” Charles Burton, interview by John Batchelor and Gordon Chang, *The John Batchelor Show*, Cumulus Media Networks, May 14, 2014, available at:

<http://johnbatchelorshow.com/podcasts/2014/05/14/second-hour>.

⁴⁹ Teddy Ng, “Beijing ‘Exploring Whether to Change Tactics’ Over North Korea Relationship.”

⁵⁰ Aidan Foster-Carter, “South Korea Has Lost the North to China,” *Financial Times*, February 20, 2014, available at: <http://www.ft.com/intl/cms/s/0/f8fca490-9a23-11e3-a407-00144feab7de.html#axzz2xT7w8wZI>.

⁵¹ See Teddy Ng, “Beijing ‘Exploring Whether to Change Tactics’ Over North Korea Relationship.”

⁵² *Ibid.*

⁵³ “N. Korea Miffed at Xi’s Visit to S. Korea.”

⁵⁴ “N. Korean Military Warned Not to Trust China,” *Chosun Ilbo* (Seoul), March 24, 2014, available at:

http://english.chosun.com/site/data/html_dir/2014/03/24/2014032401520.html.