China and the Korean Peninsula: Arming Kim, Gutting Sanctions, Opposing THAAD

Gordon G. Chang
Author, Nuclear Showdown: North Korea Takes On the World

Abstract

China is playing a duplicitous game when it comes to North Korea. It proclaims it is enforcing Security Council resolutions when it is in fact not. The Chinese have overwhelming leverage over the North, but they will not use their power to disarm the Kim Family regime, at least in the absence of intense pressure from the United States. Beijing believes Pyongyang furthers important short-term Chinese objectives, and so views it as a weapon against Washington and others. Beijing’s attempts to punish Seoul over its decision to accept deployment of the THAAD missile defense system reveal true intentions.

Keywords: China, North Korea, South Korea, United States, Korean People’s Army, People’s Liberation Army, Kim Il-sung, Kim Jong-il, Kim Jong-un, Kim Jong-nam, Xi Jinping, Park Geun-hye, Moon Jae-in, Kim Won-hong, Fu Ying, Lotte Group, THAAD, United Nations, KN-08, KN-11, Pukguksong-2, Taepodong, Hwasong-14, Jl-1, DF-31, DF-41, Sanjiang Space Special Vehicle Corporation, China Aerospace Science and Industry Corporation, Dandong Hongxiang Industrial Development Company, Bank of China, Bank of Dandong, C4ADS, General Administration of Customs

Introduction

During the first half of 2017, China’s General Administration of Customs reported a 74.5 percent decline in coal imports from the Democratic People’s Republic of Korea (DPRK).\(^1\) Chinese officials noted that all imports during the period took place prior to February 18. Official customs reports confirmed that Beijing was adhering to the coal sanctions contained in UN Security Council Resolution 2321. Enacted on November 30, 2016, the resolution limits the amount of coal member states can purchase from the DPRK.

On February 18, Beijing announced that China would not purchase North Korean coal for the remainder of the year to comply with those
sanctions. “According to statistics by competent departments in China, China’s imports of coal from the DPRK have approximated the value limit put in place by the resolution,” said Foreign Ministry spokesman Geng Shuang at a daily news briefing. “This is a move of China fulfilling relevant stipulations in Resolution 2321, honoring its international obligations, and acting in accordance with Chinese laws and regulations. It showcases China’s responsible attitude toward the Korean nuclear issue and its sincerity in implementing Security Council resolutions.”

President Donald Trump, among others, hailed the decision and suggested it demonstrated China’s willingness to disarm the regime of Kim Jong-un. On April 12 he said Beijing took a “big step” by turning away North Korean ships transporting coal to China.

China did in fact turn away such ships. A source at China’s largest purchaser of North Korean coal, Dandong Chengtai Trade Company, told Reuters that China’s customs authorities had issued “an official order telling trading companies to return their North Korean coal cargoes.” “At least half a dozen general cargo vessels,” the wire service reported, “have recently taken coal out of China, mostly from the ports of Weihai and Peng Lai, and returned fully laden to North Korea.”

Nonetheless, China in fact purchased North Korean coal in February after the announcement. Moreover, in late April ITV News reported that a train crossed the Friendship Bridge into China at Dandong carrying anthracite, used primarily in steelmaking. The response of the Ministry of Foreign Affairs was that China “consistently, accurately, and strictly implemented” all Security Council resolutions “in their entirety.” A week before the anthracite shipment, a ship carrying coal was spotted entering the Chinese port of Tangshan. The Foreign Ministry responded that the vessels were allowed to unload coal due to “humanitarian concerns” but China did not “import” the coal. In late May, Anna Fifield of the Washington Post reported that “recent visitors to the Chinese-North Korean border report seeing coal trucks and trains crossing into China.” In June, five North Korea-linked vessels unloaded coal in Shanghai and ports in northeast China.

In August, Beijing dropped the pretense of compliance. Chinese customs data show the country imported 1.6 million tons of North Korean coal that month. And now there are rumors that Chinese traders are surreptitiously importing banned coal from third countries.

Beijing is not only busting coal sanctions, it has also been buying copper, zinc, silver, and other minerals in violation of Security Council
Resolutions 2270 and 2321. The prohibited purchases occurred as recently as the first calendar quarter of 2017.\textsuperscript{11} Voice of America, which first reported the banned mineral purchases, wondered whether they were the result of administrative error or constituted an intentional violation of the sanctions.\textsuperscript{12} It is hard to believe, in view of the history of pervasive Chinese disregard for the United Nations’ measures imposed on Pyongyang, that these purchases could have been anything but the latter.

China, in violation of its international obligations, has supported the North Korean regime for decades. By now, its actions have become predictable. Beijing shows the world that it is in compliance when sanctions are first imposed and then, when the international community focuses elsewhere, resumes commerce in banned goods. This persistent conduct suggests a question: What is Beijing seeking to accomplish by maintaining its relationship with Pyongyang?

Many provide benign explanations and excuses. This article, however, rejects them, arguing that, despite the recent downturn in relations between the two “fraternal” neighbors, China sees North Korea as a weapon against the United States and its allies in Asia. China, unfortunately, will continue to use North Korea as such as long as Washington and others permit it to do so.

**Chinese Support for North Korean Provocations**

There are many explanations for Chinese behavior that make Beijing sound like a responsible actor. Almost every analyst, both Chinese and foreign, speculates that China supports the DPRK as a means of maintaining stability in North Asia. “The key reason why Beijing has differed with Washington over the scope and severity of actions against Pyongyang largely reflects the fact that it does not want to push the regime so hard that it becomes significantly destabilized,” writes Andrew Hammond of the London School of Economics in the Independent, the London-based news site.\textsuperscript{13} Of course, no policymaker wants to deal with a destabilized ruling group that expresses hostility for outsiders, builds nuclear weapons, launches ballistic missiles, makes large quantities of chemical and biological agents, maintains the world’s fourth-largest military, proliferates most everything it develops, and regularly boasts about its capacity and willingness to wage total war.

Chinese officials do their best to reinforce the impression they are merely trying to keep the peace in difficult circumstances. Veteran diplomat Fu Ying consistently advances this position. “Only through
dialogue can mutual security be achieved,” Ambassador Fu wrote in a long essay posted on the website of the Brookings Institution in May 2017. “In this way, we may help wrestle the Korean Peninsula out of its current vicious cycle and prevent Northeast Asia from turning into a ‘Dark Forest.’” 14 “Dark Forest” is a reference to Liu Cixin’s apocalyptic novel involving thermonuclear weapons and the end of human life. Chinese leaders cannot resist painting the choice as negotiations or war, as talks between Pyongyang and Washington on the one hand or death for everyone on the planet on the other. Yet if the “China-just-wants-stability” narrative were correct, Beijing would not undertake actions to enhance North Korea’s ability to threaten the international community. In this regard, there are four especially troubling trends.

Nuclear Weapons and Ballistic Missile Support

First, China has been aiding Pyongyang’s nuclear weapons program, and this assistance has continued into recent years. In the spring of 2016, David Albright of the Institute for Science and International Security reported that North Korea was sourcing cylinders of uranium hexafluoride, vacuum pumps, and valves from China for use in its nuclear program.15 Later that year, a Chinese company, Dandong Hongxiang Industrial Development Company, was implicated in a scheme to sell to North Korea chemicals, including aluminum oxide, used in processing fuel for nuclear devices.16 The flow of materials from China to North Korea has continued for decades and cannot be anything other than the result of Beijing’s policy.

Second, China has been involved in supplying equipment and possibly technology for the North’s ballistic missile program. The Sanjiang Space Special Vehicle Corporation, a unit of China Aerospace Science and Industry Corporation (CASIC), transferred the 16-wheel chassis and cab for the transporter-erector-launcher (TEL) used by North Korea’s Hwasong-14.17 The liquid-fuel missile, first flight tested on July 4, 2017, can reach most of the continental U.S., perhaps as far as New York, and is considered the regime’s first intercontinental ballistic missile (ICBM).

The Sanjiang chassis and cab is also used to transport the KN-08, a liquid-fuel ICBM. Beijing admitted in 2012 that it had supplied the KN-08 chassis. At the time, Chinese officials told Washington they were unaware the North Koreans would use their chassis for TELs. The North Koreans, the Chinese said, told them they were assembling vehicles to carry logs.18 That explanation was not credible because, among other reasons, the chassis were wider than the roads leading to the logging areas.
Moreover, it is difficult to imagine that a cash-strapped government would buy a specialized chassis designed to carry fragile liquid-fuel missiles to haul sturdy logs.

Beijing’s obvious deception suggests that the Sanjiang Space Special Vehicle Company, which is associated with the People’s Liberation Army, transferred more than just the chassis. Richard D. Fisher Jr., a senior fellow with the Virginia-based International Assessment and Strategy Center, states that China appears to be the only country to have ever developed a mobile liquid-fueled ICBM, the DF-22, “The DF-22 was never tested, but one might assume that its engineering documents survived and may have informed the development of the KN-08,” he wrote in an e-mail message to the author.\textsuperscript{19} Chinese engineers surely retained the plans for the missile interface, the portion of the TEL upon which the DF-22 sat. China selling the entire TEL to North Korea for the KN-08 seems far more likely than the explanation Beijing provided to Washington.

By providing TELs, China significantly upgraded North Korea’s ability to threaten the United States. Analysts believe the KN-08, like the Hwasong-14, has the range to reach the lower 48 states.\textsuperscript{20} The North’s longest-range missile, the Taepodong, is not a usable weapon. It takes weeks to transport, assemble, fuel, and test and can thus be destroyed on the pad. The KN-08 and Hwasong-14, however, thanks to the Chinese, are highly mobile. North Korean soldiers can rapidly deploy them from hidden locations, increasing the likelihood they will be successfully launched.

There are other indications that China has provided substantial assistance to the North’s ballistic missile effort. On February 12 and May 21, 2017 the North Koreans tested what they call their Pukguksong-2. Although Pyongyang claims its technicians developed the missile, the weapon appears to be Chinese in origin. The consensus view is that the missile is the land-based version of what the international community has designated the KN-11. A KN-11 was launched August 24, 2016 from below the surface of the Sea of Japan. Following the launch, two leading analysts, Tal Inbar of Israel’s Fisher Institute for Air and Space Strategic Studies and Bruce Bechtol of Angelo State University in Texas, pointed out the missile looked like it was modeled on China’s JL-1 submarine-launched ballistic missile (SLBM).\textsuperscript{21} As Bechtol noted, the North Korean missiles have “almost exactly the same appearance and capabilities as the Chinese JL-1.”\textsuperscript{22} Richard Fisher has also pointed out the similarities between China’s and North Korea’s SLBMs: “North Korea’s KN-11 SLBM is roughly the same size as the Chinese JL-1 SLBM, and both use
a similar two-stage structure,” Fisher told me. “In addition, as the new Pukguksong-2 is a larger 2,500-kilometer-range version of the KN-11, so is China’s land-based DF-21 a larger, longer-range version of the JL-1.”23

At this point, analysts remain unsure about the origin of these missiles. “There is no evidence—at least not yet—telling us where the missile design and capabilities came from,” Bechtol writes, “but let there be no doubt, the North Koreans did not just go out and develop a solid-fuel, medium-range ballistic missile on their own.”24 Regardless of the origin of these missiles, the implications are worrisome. “This is truly dangerous,” Fisher states. The North has “crossed the line from failure-prone, liquid-engine, long-range missiles to long-range, solid-fuel ones.” And now, having crossed that threshold, it can make rapid improvements. As he has stated, “We can now expect North Korea to soon produce solid-fuel, intermediate- and intercontinental-range ballistic missiles and space launch vehicles.”25

It is unlikely Pyongyang obtained Western missile technology, and the leading candidate for the source of these missiles is China, perhaps by way of Pakistan. “That there would be a big Chinese hand in this certainly has precedent,” Fisher notes. “Just look at how China transferred to Pakistan, lock, stock, and barrel, the ability to make mobile, solid-fuel medium-range ballistic missiles.”26 American experts have been surprised at North Korea’s quick development of solid-fuel missiles,27 but they should not be. The best explanation is that the North has had help from China.

Unfortunately, there is more disturbing evidence of collusion. On April 15, 2017, the Kim regime paraded a large canister, big enough to hold a three-stage missile. The canister was mounted on top of a 16-wheel mobile launcher manufactured by Sanjiang, the CASIC unit.28 Moreover, the canister appeared to be Chinese in origin, resembling the canister used for either the DF-31 missile or, more probably, the DF-41. With a range of at least 5,000 miles, a DF-31 launched from North Korea could reach the American west coast. The DF-41’s 8,700-mile range allows North Korea to target the continental United States. This is not to say China transferred the plans for either missile to the DPRK. After all, the North Koreans could have paraded an empty canister or they could have stolen plans from China. Yet there is a pattern of Chinese and Chinese-looking equipment showing up in the North Korean arsenal.

**Cyberattack Support and Facilitation**

Third, China appears to be complicit in North Korean cyberattacks on
the United States, and it is even possible Beijing and Pyongyang are collaborating to penetrate American networks. As the New York Times reports, the Kim family originally got the idea about hacking from the Chinese. North Korean hackers now learn their trade in Chinese schools. Once proficient, they attack foreign networks from Chinese hotels, restaurants, and internet cafes, especially from the northeastern cities of Shenyang and Dandong. The hacking attempts against the South Korean defense ministry in December 2016 were traced to an Internet Protocol address in Shenyang and are believed to be the work of North Koreans situated there.29 Those who launch cyber assaults from North Korean soil reach out to the rest of the world through their main portal operated by Chinese-state operator China Unicom.30

North Korean cyberattacks originating in China are not limited to South Korean targets. The 2014 assault on Sony Pictures Entertainment was called “the worst cyberattack in American history.”31 An intelligence official, speaking anonymously to Fox News, stated the “final stage of the attack” was launched outside North Korea.32 Ars Technica reports the attacks originated from Chinese IP addresses.33 Therefore, in all probability this attack came from Chinese soil.

North Korea’s Unit 121, a cell of elite hackers, appears to be the organization that hacked Sony. The group is assessed to be responsible for at least some of the 2013 attacks on South Korean businesses because the code used in those attacks resembles the code employed in the Sony attack. Although Unit 121 is headquartered in Pyongyang, its main base of operations during these attacks was in China, including the Chilbosan Hotel in Shenyang. Most North Korean cyberwarriors, whether directly employed by the regime or freelancers, work from China as North Korea lacks the technical infrastructure to support extensive hacking operations. While North Korea is considered one of the world’s most isolated states, it is, on the contrary, one of the world’s most connected. It is connected to the world through China.

Because these attacks were routed through Chinese IP addresses, China appears to be complicit in the crime. After all, Beijing maintains the “Great Firewall,” the world’s most comprehensive and sophisticated set of Internet controls. Chinese authorities can detect a single-line message sent from a computer or phone anywhere inside the People’s Republic. Therefore, these authorities should have known about the North Korean attacks passing out through the firewall as well as the more than 100 terabytes of inbound data stolen from Sony. Therefore, the North Korean
attacks on Sony’s network, based on American soil, should be considered an attack by China on the United States.

**Financial Crimes**

Chinese banks have been involved in North Korean crimes. Bank of China, one of China’s Big Four banks, was named in a recent UN Panel of Experts report for its active participation in a conspiracy to hide illicit money transfers for North Korea. Chinese banks in Dandong, including some of the largest of the country’s institutions, have regularly handled suspicious transactions for the North. In late June 2017, the U.S. Treasury Department, exercising authority under Section 311 of the Patriot Act, designated Bank of Dandong, a small, regional financial institution, a “primary money laundering concern.”

In addition to money laundering, Chinese banks were almost certainly involved in the February 2016 cybertheft of $81 million from the account of the central bank of Bangladesh at the New York Federal Reserve Bank, one of the biggest bank heists ever. American officials suspect North Korea is the culprit. If Pyongyang perpetrated this crime, it almost certainly did not act on its own. The *Wall Street Journal* reports that Federal prosecutors are investigating certain Chinese middlemen, who looked like they helped the North “orchestrate the theft.” If such middlemen were involved, Chinese financial institutions were almost certainly complicit. If these institutions were complicit, Beijing was, in some fashion, responsible.

Because Chinese banks are tightly controlled by the state, Chinese authorities have to know about their sensitive relationships, including those with North Korean-linked entities. If they are oblivious, it is only because they do not want to know. Beijing cannot run a police state and then disclaim responsibility for what happens inside that state, especially when state institutions are involved. In short, the Chinese central government, in all probability, attacked the integrity of the American financial system by participating in—directly or indirectly through its state institutions—a theft from the Federal Reserve Bank.

Beijing’s supply of components, equipment, and technology for the North’s nuclear weapons and missile programs, its involvement in Pyongyang’s cyberattacks against American networks, and its tolerance of state bank participation in illicit Kim Family regime activities all suggest one conclusion: Beijing uses North Korea to undermine and injure the United States, its allies, and friends. China’s support for the DPRK has
been long-standing and continuous. To borrow a Chinese metaphor, Beijing has been “killing with a borrowed knife.”

Does all this history matter? Countries, after all, do change policies, and the Trump administration is relying on Chinese leaders to change theirs and begin using leverage to disarm Kim Jong-un. Washington’s approach, marked by optimism that often typifies American policy, is based on two assumptions. First, China possesses leverage sufficient to compel its North Korean ally to reverse its decades-old drive to build the world’s most destructive weapons and, second, that China will use its power for this purpose.

China’s Leverage Over North Korea

China likes to portray itself as helpless when it comes to dealing with the North Koreans. The excuse-making starts at the top. A White House official reported that Chinese ruler Xi Jinping told his Mar-a-Lago host that China did not possess the sway that the U.S. believed Beijing had. In comments to the Wall Street Journal, President Trump later implied that he accepted the views of his Chinese guest on this point.

Chinese officials and diplomats follow this line. Fu Ying, the veteran ambassador, in May 2017 maintained her country had “no leverage” over North Korea unless it addressed Pyongyang’s security concerns. Two months later, the Foreign Ministry, in an extraordinary public rant, railed against unnamed parties for what it called their “China responsibility theory.”

The current trend of thinking outside China mirrors Beijing’s line. Recent public disagreements between Beijing and Pyongyang reinforce that impression. Perhaps most striking was the scathing commentary carried by the official Korean Central News Agency in early May 2017. “Kim Chol” criticized China by name, warning of “grave consequences” resulting from Beijing’s “reckless act of chopping down the pillar of the DPRK-China relations.” Kim, among other things, accused Beijing of “insincerity and betrayal” and making “lame excuses for the base acts of dancing to the tune of the U.S.” Cheong Seong-chang of the Seoul-based Sejong Institute noted the criticism was North Korea’s most striking denunciation of China in recent years. Although the statement was not technically official, Kim Chol was of course writing on behalf of the Kim regime and so broke protocol. “It has been a long-established tradition between North Korea and China that even if they held grudges against each other, they didn’t voice them in public,” said Cheong to the New York Times.
“This shows that the current North Korea-China relations are bad enough for both sides to break that tradition.”

Because of the Kim Chol commentary and other manifestations of disagreement, many analysts believe that these days Chinese influence over Pyongyang is limited. Of particular note, the China-has-limited-influence view has found favor in the U.S. intelligence community. For instance, former Acting CIA Director Michael Morell, in an interview posted on the Cipher Brief site on May 3, 2017, questioned the assumption “embedded” in statements of senior Bush and Obama policymakers “that if only China squeezed the North hard, Pyongyang would change its behavior.” Morell said he had “real doubts about that assumption.”

There are, however, reasons to doubt the doubters. As an initial matter, the Chinese have a stranglehold over the North Korean economy. China accounts for more than 90 percent of the North’s external trade. It provides more than 90 percent of its oil, much of it on concessionary terms. Some years, China is the source of 100 percent of the regime’s aviation fuel. China supplies at least a third of the North’s foodstuffs. Chinese investment, from both government and private sources, accounts for at least half of total foreign investment in the North. “They could stop North Korea’s economy in a week,” Senator John McCain told MSNBC’s Greta Van Susteren, in March 2017, referring to the Chinese. “China is the one, the only one, that can control Kim Jong-un, this crazy fat kid that’s running North Korea.” By shutting off the oil, closing the border, and prohibiting all investment, China could bring the North to its knees in months, maybe weeks.

Beijing has other means to influence North Korean behavior. Over time, the renminbi, or yuan as the Chinese currency is informally known, has become the money of choice in unofficial markets throughout the North and in the areas bordering China. This “yuanization” makes the Kim regime highly vulnerable. Beijing could collapse the North’s economy if it took its existing notes out of circulation and replaced them with new ones, exchangeable only in China. By doing so—demonetizing—Beijing would instantly destroy much of the wealth in North Korea’s most productive sector.

China’s power over North Korea is not limited to economics, of course. Beijing is Pyongyang’s primary backer in diplomatic councils, particularly the UN. Moreover, as noted above, the Chinese supply equipment to the Korean People’s Army and components for its nuclear weapons and ballistic missile programs. While diplomatic cover and material goods are...
important, China’s most critical support is the assurance it provides to its long-standing ally. Because of this support, senior regime figures are confident they are safe from the U.S., safe from South Korea, and safe from the rest of the world.

Beijing may not have the power to change Kim Jong-un’s mind—it’s possible no one can do so—but the Chinese could convince other elements of the regime that it was no longer in their interests to stick with either their weapons programs or Kim himself, whose rule has been marked by an unprecedented series of demotions, purges, and executions. Recent events indicate that Beijing’s actions would be particularly consequential. Despite what most analysts think, the North Korean regime looks especially unstable. In mid-January 2017 the minister of state security, General Kim Won-hong, was demoted and later detained. Over the following weeks, five of his senior subordinates were executed. At approximately the same time, someone ordered the assassination of Kim Jong-nam, the elder half-brother of the North Korean despot. If Kim Jong-un ordered the murder, the killing betrays a sense of insecurity not evident in Pyongyang in decades. If it was someone else, Kim may have lost practical control of the situation. “There is a mass of evidence to show intra-elite divisions on a scale that has not been seen since the 1950s, and there is, equally, not much evidence to suggest that Kim Jong-un has direct control over important levers of state power,” writes Hazel Smith of SOAS University of London.45 Even if the infighting is not as ferocious as Smith suggests—there is sharp disagreement on this point—China has an opportunity to exploit the divisions in Pyongyang and gain dominance by offering other regime elements not only money and power, but also personal security.

Many observers—especially Chinese ones—argue that Kim Jong-un’s defiance of China’s wishes proves Beijing does not have significant influence. Those arguments ignore the fact that Chinese officials don’t expect obedience all the time. Beijing supports the North Koreans, whether or not they are compliant at any particular moment, because the Chinese believe in the longer run their friends in Pyongyang know their place. According to Chung Jae-ho, a Beijing watcher at Seoul National University, the Chinese have influence but prefer not to exercise it all the time.46

When China really wants something, it lowers the boom. Anxious to start nuclear negotiations after a North Korean missile launch, Beijing cut off oil shipments for three days in February 2003 as a warning. Before that,
it suspended flights to Pyongyang, cut off commercial lines of credit, closed the border, and restricted the number of train cars going to the North. North Korean leaders got the message and agreed to sit down for multilateral talks. When China gets serious—when it pulls on the string—the Kims show their respect by acceding to Chinese demands.

Despite what Ambassador Fu claims, China possesses overwhelming leverage over Pyongyang, even if it does not address North Korea’s security concerns. The harsh words traded by Beijing and Pyongyang are not just kabuki as some skeptics think. Analysts, however, should not immediately assume that real tension between Beijing and Pyongyang necessarily means a significant loss of Chinese influence in the North Korean capital. Kim family rulers have always been ruthlessly pragmatic and understand that their continued rule depends on China’s support.

**Chinese Intentions Regarding North Korea**

Will China use its leverage over North Korea in ways others, including Trump administration officials, hope? Part of the answer can be found in Beijing’s reaction to the generous policies of President George W. Bush, who sought to entice China into cooperation. By having China host the Six-Party talks, the Bush administration put Beijing at the center of international efforts to stop North Korea. The administration’s bold premise was that the Chinese, who helped arm regime-founder Kim Il-sung and kept him in power, would strip away weapons from his son, Kim Jong-il. The thinking in Washington was that China was in the beginning of a once-in-a-lifetime realignment of its foreign policy at the same time its leadership was completing a generational transition. These trends suggested to American policymakers that the Chinese approach toward North Korea would also change, and there was a sense younger Chinese would begin to accept nonproliferation norms.

American policymakers looked to Chinese analysts, like Shi Yinhong, the oft-quoted international relations expert, who argued the North’s collapse would be good for Beijing. In that case, Shi argued, a newly-unified Korea would gravitate toward China, once again becoming its satellite. Moreover, the new Korea would naturally distance itself from Japan and have no need for American troops. Korea would, once again, fall into China’s lap, substantially strengthening Beijing’s position in Asia. There was even talk that, despite treaty obligations, the People’s Liberation Army would not come to Pyongyang’s aid in the event of an American military attack. North Korea appeared to be losing support in
Chinese policy circles. As Chinese military expert Tai Ming Cheung said, Washington told Beijing “if you want to be a world player, you will have to step up to the plate.” China was doing so, Cheung said, “perhaps in contradiction to its traditional interests.”

In these circumstances, the Chinese brought their North Korean counterparts to the bargaining table by expressing displeasure with Pyongyang’s intransigence and cutting off oil. When the Six-Party talks began in the summer of 2003, Beijing pressured the North Koreans to remain at the table, even paying them to do so. Declared Shi, the foreign policy analyst, “China will never allow a nuclear weapon in North Korea.”

But, China, in fact, did. During the Six-Party process Beijing used its leverage as much against the U.S., Japan, and South Korea as it did against North Korea. One can even argue that Chinese negotiators gave the North Koreans the one thing they needed most to build a nuclear device: time. The North detonated its first such device during those negotiations, in 2006. After that test, Beijing used its clout to shield Pyongyang from the full weight of international disapproval.

The fundamental fault with the Bush administration’s policy was that China, despite the encouraging signs, was not ready to accept its historic role as a great power, or at least become what Robert Zoellick famously termed in 2005 a “responsible stakeholder.” Unfortunately, Bush’s positive incentives did little to change Beijing’s decades-old political calculus favoring the Kim family.

At the same time, Chinese leaders appeared to benefit from North Korean provocations, at least in the short term. Two things inevitably happened whenever Pyongyang did something especially provocative. First, Washington became distracted from other issues important to Americans, such as China’s aggressive moves in its peripheral waters, its cyberattacks on U.S. institutions, and its predatory trade practices, to name just a few. At those moments, no one in the American capital even thought of raising human rights issues or of supporting Taiwan.

Second, Pyongyang’s belligerence convinced Washington policymakers that they needed China’s cooperation to rein in its North Korean ally. American presidents would inevitably send a secretary of state or some other high envoy to Beijing. The Chinese, following their script, extracted promises from the U.S. Beijing undoubtedly saw North Korea as endlessly creating bargaining chips for China.

At first, it looked like President Trump would follow the approach of
his predecessors by making initial concessions on an array of issues to obtain Beijing’s cooperation. “Why would I call China a currency manipulator when they are working with us on the North Korean problem?” he tweeted in the middle of April. 54 This followed an earlier tweet: “I explained to the President of China that a trade deal with the U.S. will be far better for them if they solve the North Korean problem!” 55 Also, in a Reuters interview that month, he hinted that he would not talk to the president of Taiwan again because President Xi was helping him on a “big situation.” 56

President Trump also went out of his way to praise the Chinese ruler. Xi Jinping “wants to do the right thing,” he said after their first meeting, in Mar-a-Lago. “We had a very good bonding,” he continued. “I think we had a very good chemistry together. I think he wants to help us with North Korea.” 57 Later that month, President Trump declared, “Nobody’s ever seen such a positive response on our behalf from China.” 58 At about the same time, the American president proclaimed he had “absolute confidence that he will be trying very, very hard.” 59

U.S. diplomats also saw progress. Acting Assistant Secretary of State Susan Thornton in late May told reporters in the Chinese capital that she saw a “shift in emphasis” in Beijing, a move away from its traditional support of North Korea. 60

Six months into the Trump administration, the Bush-era optimism about Chinese intentions faded. Now, almost no one thinks there has been a fundamental change in attitude in Beijing, or at least a change that has significantly affected policy. 61 China is making some effort, but its moves seem, as many have suggested, to be only designed to forestall President Trump from taking action that would be unacceptable to Beijing. 62

Chinese policymakers have always been concerned about President Trump. From all accounts, they were taken aback when he announced, with President Xi at his side in Mar-a-Lago, a missile strike on China’s long-standing friend, Syria. Significantly, Trump didn’t wait for Xi to leave Florida before ordering the attack, apparently timing it to create the maximum effect on his guest. This broke diplomatic norms and undoubtedly rattled the Chinese leader.

A shaken President Xi, it appears, then urged the North Koreans to exercise caution and thereby avoid taking on a volatile and unpredictable Trump. 63 Yet the Chinese moves proved to be only tactical, and Beijing soon disappointed American policymakers. In response, President Trump signal his displeasure in a pivotal June 20 tweet 64 and then changed course
at the end of that month, pressuring China to counter backsliding on North Korea. First, the White House on June 26 extended the warmest of welcomes to Indian Prime Minister Narendra Modi. “The relationship between India and the United States has never been stronger, has never been better,” the American leader said, without exaggeration. “China” was not mentioned by either Trump or Modi in their post-meeting remarks, but it was clear both were thinking of the aggressive Chinese state as they spoke of their strengthening partnership.

Then Trump took Beijing on directly. The following day, the State Department dropped China to Tier 3, its worst ranking, in its annual Trafficking in Persons report after not giving Beijing another waiver. The State Department report cited the country’s use of forced North Korean labor. On June 29, the Treasury Department took two actions. First, it sanctioned a Chinese company, Dalian Global Unity Shipping Company, and two Chinese individuals, freezing their assets and prohibiting U.S. persons from dealing with them. Second, as noted earlier, Treasury designated Bank of Dandong a money launderer. The administration, also notified Congress of a proposed $1.42 billion sale of arms to Taiwan, which Beijing claims as its own. As if all this were not enough of a signal, on July 2 the USS Stethem, a U.S. Navy destroyer, conducted a freedom of navigation exercise near China’s Triton Island in the Paracel chain in the northern portion of the South China Sea.

Beijing was “outraged” many times that week. Regardless, President Trump disregarded its views as he executed what looks like an historic shift in America’s relations with China. Washington, it appears, no longer puts China at the top of its Asia policy concerns. Instead, Trump sees disarming North Korea as his primary concern, subordinating relations with Beijing to that end. China’s leaders were obviously taken aback by their evident downgrade in the list of American priorities. The Trump administration has by no means given up on diplomacy with China, but unless Beijing starts really helping on North Korea, Sino-American relations are bound to deteriorate.65

The Trump administration’s mid-summer actions underscore America’s leverage over the Chinese. Perhaps the most potent weapons are the so-called “secondary” sanctions on Chinese entities. Last September, Washington went easy on sanctions in the Dandong Hongxiang Industrial Development Company matter previously discussed. There are, not surprisingly, many more Dandong Hongxiangs. In fact, the White House compiled a list of the “Chi-NoKo10,” companies and
individuals illicitly trading with Pyongyang or handling its financial transactions. Trump officials gave the Chinese that list at Mar-a-Lago, and Beijing’s response in the coming months was deemed insufficient.

Beijing has consistently maintained that the Chinese traders in question are “rogues,” but that characterization appears to be an attempt to hide official complicity. American officials believe there are only a limited number of “gateway” firms involved in this shadowy trade, a conclusion buttressed by C4ADS. In a June 2017 report, the Washington, D.C.-based research and analysis group noted that the North’s networks were “centralized” and “limited.” The centralized and limited nature of the networks means Beijing has at least tolerated—and almost certainly protected—Pyongyang’s procurement programs in China.

Beijing has also tolerated and protected Chinese banks. On the same day the U.S. Treasury imposed sanctions on Dandong Hongxiang—September 26, 2016—the Justice Department initiated civil forfeiture actions to recover money in 25 Chinese bank accounts belonging to that enterprise and its front companies. The press release announcing the forfeitures stated, incredibly, this: “There are no allegations of wrongdoing by the U.S. correspondent banks or foreign banks that maintain these accounts.” As the Wall Street Journal noted in an editorial, with those words the Obama administration signaled that Chinese banks “are untouchable.”

Apparently, President Obama, by not sanctioning the banks, wanted to warn China that the U.S. could target these institutions and, by denying them access to their dollar accounts in New York, could put them out of business. Yet Chinese banks, from all indications, have not ended their participation in illicit North Korean transactions. The Trump administration, therefore, may soon find that, to get Beijing’s attention, it will have to sever a major Chinese banking institution from the global financial system.

Bank of China, as noted, conspired to hide North Korean money transfers. Severing one of the world’s largest financial institutions from the international financial system would undoubtedly shock global markets, but in addition to other beneficial effects, it would give Beijing a reason to disarm North Korea. Because Chinese banks have been conspirators in criminal activities involving dollars, they have become vulnerable to American sanctions. President Trump, employing the Patriot Act, can unilaterally impose what amounts to death sentences.

The Trump administration has made it clear it will go after Kim Jong-
un’s money, from China and elsewhere. Sometime in spring 2017, the president issued a directive to pressure the Kim regime on several fronts, including its revenue streams. Moreover, Trump’s sweeping executive order, signed September 21, also can cut off Pyongyang’s funding. His new measures target, among other things, foreign financial institutions that “knowingly” either conduct or facilitate “any significant transaction in connection with trade with North Korea,” or engage in dealings with designated parties. Banks involved in such prohibited dealings can lose access to dollar accounts, crippling them and potentially putting them out of business. Also targeted are those parties conducing business with North Korea even if such business was not related to the North’s weapons programs. The directive and executive order, although not specifically mentioning China, directly impacted Chinese banks and enterprises.

At the Shangri-La Dialogue in Singapore in June 2017, Secretary of Defense Jim Mattis adopted the patient approach. “Ultimately,” he said, “we believe China will come to recognize North Korea as a strategic liability, not an asset.” China can come to that conclusion and align its policies with that view, but it is unlikely to do these things unless Washington gives it sufficient incentives to do so. So far, Washington, by hitting only small businesses, has merely been signaling its intentions, in the hope Beijing will finally come around. China is now on notice, and its response in the coming months will tell us much about its intentions. Unfortunately, China is unlikely to take North Korea seriously until American officials pull the trigger on a major Chinese institution.

China and South Korea

China’s support for Pyongyang is evident in its recent moves against the other Korea. Most telling is Beijing’s bullying of Seoul over its decision to host Lockheed Martin’s Terminal High Altitude Area Defense (THAAD) system, designed to detect, intercept, and destroy ballistic missiles, in this case North Korean ones. Failing to prevent South Korea’s President Park Geun-hye from accepting the system, Chinese officials sought to limit its deployment. They threatened to cut diplomatic relations with Seoul while imposing economic costs. Beijing, for instance, barred South Korean K-pop groups from performing in China and banned the import of South Korean cosmetics. Daily Chinese state media blasts targeted Seoul.

China also went after the Lotte Group, the South’s fifth largest chaebol. The effort began when Lotte’s directors were considering a swap of land
parcels with the South Korean Ministry of Defense, which wanted the company’s golf course south of Seoul for the first of the THAAD batteries. To prevent its directors from approving the deal, Beijing targeted Lotte’s business in both South Korea and China. First, the China National Tourism Administration issued oral instructions to tour operators to stop the sale of packages to South Korea starting in the middle of March 2017. That hurt Lotte in the retail giant’s home market. Second, multiple government agencies used their administrative and legal power to limit the chaebol’s operations in China. The Chinese government started softly with minor harassment, like audits. Then, officials turned up the heat with, among other things, fines in Beijing and across the country. Moreover, authorities stopped construction of a Lotte project in Shenyang and closed 87 of its 99 stores in China.  

Private Chinese businesses joined in the campaign. Lotte was removed from a JD.com platform, and Lotte’s Chinese website was hit by hackers. Chinese companies talked about boycotting the chaebol. In rallies reminiscent of those preceding the Cultural Revolution, freshly indoctrinated primary school children protested against Lotte. And authorities sanctioned demonstrations against the company in several cities. Historian Arthur Waldron, of the University of Pennsylvania’s Center for the Study of Contemporary China characterized the protests as, “good old anti-foreign violence nineteenth-century style.”

Beijing’s campaign against Lotte, other South Korean businesses, and the South Korean government was unusual in its duration and intensity. The Global Times, controlled by the authoritative People’s Daily, explained Beijing’s anger in an editorial this way: “Showing Lotte the door will be an effective warning to all the other foreign forces that jeopardize China’s national interests.”

Beijing’s oft-stated rationale for opposing the deployment of THAAD was that the system’s powerful radars could be used to look into China, thereby degrading the country’s nuclear forces. The U.S. has continually denied this claim. Yet even if the Chinese were correct on this technical point, THAAD was deployed to South Korea to defend against a North Korean missile threat that Beijing helped create. China armed North Korea with missiles and now is trying to prevent Pyongyang’s intended victims from protecting themselves. The THAAD episode, in many ways, suggests Beijing sees the North as a tool. The Chinese are not trying to blunt the threats posed by the Kim regime but to make the North even more dangerous. The official Xinhua News Agency said Lotte was “acting as
the paws of a tiger,” but China looks like the real tiger and North Korea is its paw.

**Conclusion**

China is playing a duplicitous game when it comes to North Korea. While proclaiming to support and enforce UN Security Council resolutions, China has, in violation of those rules, imported coal and purchased copper, zinc, silver, and other minerals. These activities are an extension of China’s long and continuous support of the DPRK.

In recent years, Beijing has supplied the components, equipment, and technology for the North’s nuclear weapons and missile programs, supported Pyongyang’s cyberattacks against American networks, and tolerated state bank participation in the Kim family’s illicit activities. Moreover, Chinese leaders are attempting to prevent the North’s intended victims from defending themselves, something evident from Beijing’s punishment of Seoul for its decision to accept deployment of the THAAD missile defense system. All these activities, in one way or another, reveal China’s intentions.

Nonetheless, the Trump administration’s initial approach to North Korea relied on Chinese leaders using their leverage to disarm the current Kim ruler. This mirrored the failed strategy of the Bush administration, which was based on a fundamentally faulty assumption: that China would help defang Kim because Beijing saw that its interests aligned with those of the rest of the international community.

Beijing uses North Korea to undermine and injure the United States, its allies, and friends. The Chinese possess overwhelming leverage over Pyongyang, but in the absence of intense American pressure will not disarm the Kim family, believing the regime furthers important short-term Chinese objectives.

A retired senior PLA officer told an audience in Asia a few years ago that, “North Korea is a rabid dog we have in a large cage.” This boast perfectly captures the relationship of China as the owner of an attack canine. The Chinese will continue to feed that sick beast as long as Americans allow them to do so.

**Notes:**

1 Leng Shumei, “China’s Coal Imports from North Korea Drop by 75%,” *Global Times* (Beijing), July 13, 2017, http://www.globaltimes.cn/content/1056278.shtml.
Yun Sun of the Stimson Center believes China may have announced the coal-purchase ban not to comply with Security Council sanctions but to discipline Pyongyang and appease the U.S. See Yun Sun, “The Myth of China’s Coal Imports from North Korea,” 38 North, April 5, 2017, http://www.38north.org/2017/04/ysun040517/.


Ibid.


12 Ibid.
22 Bruce E. Bechtol, Jr., e-mail message to the author, February 13, 2017.
23 Richard D. Fisher, e-mail message to author, February 14, 2017.
24 Bruce E. Bechtol, Jr., e-mail message to author, February 13, 2017.
26 Ibid.
28 See Bill Gertz, “Inside the Ring: Cyber Sabotage of North Korea’s Missiles?” Washington Times, April 19, 2017,


41 Ibid.
42 Ibid.
48 Beijing, from time to time, demands a sign of obedience from Kim rulers, and Kim rulers, even the current one, know it is prudent to accede. Kim Jong Un, for instance, acknowledged China’s primacy in the relationship by sending to Beijing his foreign policy chief, Ri Su Yong, in May and June of 2016. Kim repeated the gesture in February 2017 by dispatching Vice Foreign Minister Ri Kil Song to the Chinese capital.
49 Former Central Party School professor Huii Zha argues, in a July 2017 interview, that Beijing could have a “stranglehold” over the North Korean economy if it exercised its power. See Dagyum Ji, “Beijing’s Approach to N. Korea “Insufficient”: Former Communist Party Professor,” NKNews, July 20 2017, https://www.nknews.org/2017/07/beijings-approach-to-n-korea-insufficient-former-communist-party-professor/. China’s leverage results, in part, from its role as the North’s primary backer of its economy. Beijing’s power, therefore, would diminish if Russia or South Korea ‘backfilled,’ in other words, replaced China in this regard. Due to various factors, however, it is unlikely Moscow or Seoul could take over Beijing’s leading role, at least during this decade. For one thing, neither the Russian nor the South Korean economy is strong or big enough to do so.
61 General Chinese attitudes toward North Korea have soured in recent years, but it is not clear why this pronounced trend has not translated into significant policy changes. One explanation may be that the senior officers of the People’s Liberation Army have traditionally had a large voice in Beijing’s Korea policy and that officer attitudes, partly for institutional reasons, have remained static.
62 See, e.g., Sun, “The Myth of China’s Coal Imports from North Korea.” “Since the Trump administration has identified North Korea as a key national security threat, it is reasonable to infer that China’s action on North Korean coal imports was aimed at heading off harsher U.S. demands for stronger Chinese sanctions against North Korea,” the Stimson Center scholar writes. “Xi’s ability to show that it is punishing Pyongyang severely on coal imports could help to lower tensions with the United States and preempt U.S. demands on North Korea that China cannot accept, such as cutting Chinese energy and food aid.”
63 Japanese newspaper reports following Xi’s visit stated that China warned the North Koreans not to detonate a nuclear weapon. See NightWatch, May 15, 2017. At around the same time, UN Ambassador Nikki Haley tended to confirm the reporting. “At this point, I do believe—and I think the administration believes—that China is doing back-channel networking with North Korea in a way that’s getting them to try and stop the nuclear testing,” she said at the end of May. Donald McKelway, “North Korea: Is China Trying Hard Enough to Stop Pyongyang Threat?” Fox News, June 1, 2017, http://www.foxnews.com/world/2017/06/01/north-korea-is-china-trying-hard-enough-to-stop-pyongyang-threat.html.


68 See Powell, “Will Trump Stop the 10 Chinese Companies Supplying North Korea’s Nuclear Program?”


72 The Trump administration is not only targeting financial institutions laundering cash for the Kim regime, but is also seizing the funds of parties dealing with North Korea, like Dandong Zhicheng Metallic Material Company and four related front companies. See Jonathan Stempel, “U.S. Seeks Funds Tied to North Korea from Eight Big Banks,” Reuters, July 7, 2017, http://in.reuters.com/article/usa-northkorea-banks-idINKBN19S0ZG.


77 Arthur Waldron, e-mail message to author, March 5, 2017.
