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Co-Chairs Daniel M. Slane and the Honorable Katherine C. Tobin and distinguished members of the Commission, thank you for the opportunity to testify before you today on the topic of China's North Korea policy. I request that my full testimony be submitted for the record.

China is North Korea's main, and now almost sole, patron left in the world. China is North Korea's most important ally, biggest trading partner, and key source of food, arms, and fuel. By some estimates, Beijing provides some 80 percent of North Korea's consumer good, 45 percent of its food, and 90 percent of its energy imports. Sino-North Korean trade accounts for nearly 90 percent of North Korea's global trade, while official Chinese investment accounts for almost 95 percent of foreign direct investment in the North.

China has historically supported North Korea virtually unconditionally and has sustained the Kim dynasty, now into the third generation, opposing harsh international sanctions on North Korea in the hope of ensuring a friendly nation on its northeastern border that would provide a buffer between China and the democratic, pro-American South Korea, where some 28,500 American troops are stationed. China's top priority has been avoiding regime instability leading to regime collapse in North Korea which would raise the risk of American troops advancing to the Yalu River and secondarily of an influx of North Korean refugees into China. So determined has China been to stand behind North Korea that it has even acquiesced in its pursuit of nuclear weapons program and its provocative actions against the US, Japan, and South Korea. China's relationship with North Korea has long been said to be "as close as lips and teeth" and "sealed in blood."

Today, however, there is an increasing debate among many Korea and China watchers regarding whether China's "special relationship" with North Korea has changed over the past few years and whether we are finally seeing a shift in China's North Korea policy.

This question appears especially pressing now following Pyongyang's third nuclear test in February 2013 and the dramatic execution of Jang Song-taek in December 2013. Both events have infuriated Beijing, the former because it contributes to regional insecurity, the latter because Jang Song-taek was, in addition to being Kim Jong-un's uncle and the second most powerful man in North Korea, an important liaison between Pyongyang and Beijing. He was a man that Chinese leaders had gotten used to dealing with.

Even before North Korea's third nuclear test and Jong Song-taek's execution, there were signs of the Pyongyang-Beijing relationship souring. For example, during the last years of Kim Jong-il, there was increasing unhappiness among Chinese leaders with North Korea's hard-line stance which has tarnished China's international image. North Korea's unwillingness to undertake Chinese-style economic reforms has also been an implicit rebuke to the "market-Leninist" course chosen by China's leaders over the past three decades. The state-owned Chinese media have permitted discussions of the appropriateness of Beijing's policy toward North Korea and the pros and cons of applying greater pressure on its desperate neighbor.

Nonetheless, despite increasing expressions of discontent and debate emanating from Beijing, I don't believe Beijing's core interests, goals, and policies toward North Korea have changed—yet. However much the regime of Xi Jinping is frustrated with North Korea's actions and dislikes Kim Jong-il, it has not yet implemented a change from its present strategy of supporting the status quo on the Korean Peninsula. The changes we have seen to date from Beijing are purely rhetorical and tactical, but there is room to explore whether more significant shifts are possible. So far they have not materialized.

What, then, of the changes we are seeing? One of the most significant is China ceasing to export crude oil to North Korea during the first three months of this year. China had previously cut off oil shipments in February, June and July of 2013, but apparently this was the first time that oil exports have been cut off for three consecutive months. This is cited by some analysts to suggest that a Chinese reorientation is under way vis á vis North Korea. There is little reason to think, however, that this presages a wider Chinese abandonment of North Korea. More likely it is simply an attempt by Beijing to pressure Kim Jong-un not to stage a fourth nuclear test. While China has never cut off oil exports for three straight months, it has taken other steps in the past to express displeasure with North Korea's policies—without ever abandoning its general support for the North.

Another development that, according to some analysts, suggests a fundamental shift in Chinese thinking is that China signed on tougher UN sanctions last year after the third nuclear test, which included a provision requiring states to inspect any North Korean cargo that was suspected of transporting items prohibited by previous sanctions against the North. Previously, China voted in favor of United Nations Security Resolutions 1718 and 1874 sanctioning of the North Korean regime for its 2006 and 2009 nuclear tests, and Resolution 2087 sanctioning North Korea for a satellite launch in December 2012. The problem is, China's enforcement of the sanctions to date has been less than impressive and its track record has been criticized by independent experts for failing to properly implement them.

Those who see China shifting also point to the fact that President Xi Jinping has met with South Korean President Park Geun-hye on numerous occasions, including a highly publicized summit in Beijing in June 2013. Significantly, Xi has yet to meet with Kim Jong-un.

Yet, despite all these signs of displeasure, China's bilateral trade with North Korea has steadily increased in recent years. China's recorded 2013 trade with North Korea grew by over 10 percent from 2012 to hit \$6.5 billion. North Korean exports to China jumped 17.2 percent during this same period, while imports from China increased 5.4 percent. Most importantly Chinese oil exports to North Korea increased 11.2 percent between 2012 and 2013—from 520,000 tons of crude oil to 578,000 tons.

This growth in China-North Korea overall trade appears to have endured the shock of Jang Song-taek's execution last December. In January 2014, the first month after Jang's death, trade between China and North Korea increased roughly 16 percent when measured against January 2013. In February, trade jumped 15.9 percent over the level from February 2013 to reach \$546 million.

For these reasons, I fear that, even in the event of a fourth nuclear test, which the North appears to be preparing for, China's response will be more of the same. That is, China will commit to international efforts to sanction North Korea but will refuse to fully enforce such steps for fear of destabilizing the North. In short, China will continue seeking incremental changes in the North while working to prevent a regime collapse. Signs of more fundamental change in Chinese policy would include an oil cut-off lasting considerably longer than three months and the serious implementation of international sanctions on the North—something we have yet to see.

Are there any events that can threaten China's national interests enough to force it to alter its fundamental outlook towards North Korea? Unfortunately, thus far there is little evidence that anything short of a real threat of war on the peninsula or impending regime collapse would change Beijing's calculus. Certainly no amount of lecturing from Washington will cause Beijing to do anything that it is likely to destabilize the North Korean regime and thus create the potential for Korean unification resulting in the creation of a single state dominated by the existing, pro-Western government in Seoul.

If this is the bad news from the American perspective, there are also a few bits of good news. One bit of good news is that Beijing clearly does not want a nuclear North Korea on its border stirring up trouble with South Korea, Japan, and the United States. Thus Beijing will maintain limited and intermittent pressure on Pyongyang to end its series of provocations. While Beijing's foremost interest is regime stability, it also has an interest in a nuclear-free Korean Peninsula and it will pursue that goal to the extent that it does not clash with its primary priority.

Another positive bit of news is that, following Jong Song-taek's execution and the purge of senior cadres associated with him, Beijing may no longer view the Kim regime as being as stable as in the past. Beijing is also well aware that Kim Jong-un's half-hearted economic reforms, such as the "June 28 economic measures" allowing farmers to keep

part of their yields (the state will take 70% of the target production and the farmers will get 30%), have largely failed, and that the North is unlikely to launch significant economic reform in China's image.

The North remains mired in poverty and repression, and it is led by a mercurial, impetuous, and untested young leader. If Beijing worries that the current regime is no longer sustainable, it may be more willing to engage in substantive discussions with Seoul and Washington about what comes next—a subject that so far has been taboo.

Last month, a Japanese media outlet, Kyodo, reported on an apparently leaked official Chinese document detailing contingency plans in the event of North Korean regime collapse. I have no way of verifying whether this report is authentic or not as the full report has not been published by Kyodo. Even based on the limited details that have been reported so far, I have some doubts about the authenticity of this document. But if the report is indeed genuine and it was deliberately leaked by the Chinese People's Liberation Army (PLA), as Kyodo claims, it shows Beijing is likely more concerned now than in the past about the stability of the North.

If the report is authentic, it could be a signal from Beijing to Pyongyang that its patience is wearing thin and that the North should act carefully and not push too far. The document could be an attempt by the PLA to reinforce Chinese Foreign Ministry warnings against North Korea conducting a fourth nuclear test and “causing turmoil at China's doorstep” while giving the Foreign Ministry the leeway to repudiate the existence of such a document (which it recently did). Moreover, given the recent demotion of a top military officer Choe Ryong-hae, who acted as Kim Jong-un's personal envoy to China last year, and the dramatic execution of Jang Song-taek, the previous envoy to Beijing, the leaked document, if true, might be an indirect way for Beijing to signal its growing frustration at the lack of direct channels to Pyongyang as well as with Kim Jong-un's overall behavior.

Whether the Kyodo report is authentic or not, this leak will undoubtedly further infuriate Pyongyang, whose ties with China are already strained. There have been reports that North Korea hung signs denouncing China in one of its premier military academies, criticizing China as a “turncoat and our enemy.” Whether this is true or not, the North's position has long been to use China, not to trust it. The North was chagrined when Beijing established diplomatic relations with South Korea in 1992. In recent years, Sino-North Korea relations were further strained after China joined in supporting UN Security Council sanctions resolutions over North Korea's strong protests. Kim Jong-un also must be unhappy that he has yet to be received in Beijing when President Park has already had a successful visit with Xi.

While Beijing's core strategy toward North Korea has not changed, the strains between Beijing and Pyongyang and Beijing's worries over the increasing possibility of instability in the North suggest there is an opportunity to launch more serious talks with China to take advantage of its concerns. Instead of standing by, hoping that China will change its policy toward the North on its own, the US should be working hard in behind-the-scenes

talks to make China understand that a unified Korea—or at the very least a North Korea with a new, reformist regime on the Chinese model—could be in its interest as well as ours and that continuing to provide the Kim family dynasty with a virtual blank check is a strategic liability for China. Reaching such an understanding with Beijing is, to be sure, a long shot, but I believe it is more feasible now than in the past.

The US can initiate a tripartite discussion between Washington, Seoul and Beijing over what vision each of these actors has for the future of the Korean Peninsula. The US could assuage China's main security concerns by pledging not to deploy our troops north of the 38th parallel even if Korea were unified. We could even pledge to withdraw our troops altogether from the peninsula in the event of unification if that's what it takes to win Chinese support for such a path forward. A unified, nationalist Korea might insist on the removal of US troops in any case.

Although such a move might feel jarring in Washington, it would not be a foreign policy setback. If anything, the departure of U.S. forces and the rise of a unified and democratic Korea would represent a happy culmination to the long U.S. commitment to the peninsula, which began in the dark days of the Korean War. The United States could still hedge against Chinese expansionism from its bases in Japan and Guam, and it would undoubtedly maintain good relations with a reunified Korea, just as it does with a reunified Germany.

Seoul, for its part, could assure Beijing that a unified Korea would have a good relationship with China. Seoul could emphasize to Beijing that the new Korea would likely to become an even better trade partner, and given its desire to avoid a hostile relationship with its giant neighbor to the north, it would likely triangulate its foreign policy between Beijing and Washington.

The odds of a breakthrough with Beijing are, at the moment, slim. But the initiation of such talks, and their continuation over an extended period, could increase China's comfort level with regime change in North Korea and could eventually pave the way for Beijing to dramatically scale back or even end its subsidies to Pyongyang. As a half-way step toward unification, the U.S. and South Korea could try to convince China of the need to back a reformist leader in the North as an alternative to the third generation of Kims to rule with Stalinist brutality. Finding such a leader who would be acceptable to the North Korean elites would, of course, be very difficult, because Kim has made sure to eliminate any potential rivals. But, even if it is hard to imagine how the current ruler of North Korea could be replaced with a more moderate alternative, at the very least engaging in conversations with China about a post-Kim North Korea would be a positive step forward. Absent such discussions, the prospects of a fundamental shift in Chinese policy toward North Korea are practically nonexistent.

Obviously initiating such discussions is first and foremost an executive branch responsibility—it is a job, in particular, for the State Department and the NSC with lesser roles for the Department of Defense and the Intelligence Community. But Congress can do its part by pushing for such talks and perhaps even trying to initiate its own informal

dialogue with Chinese legislators and other Chinese leaders. Private citizens, especially former policymakers, can engage in Track II discussions of their own. It will take a significant amount of time and effort to try to nudge China's strategic orientation away from the Kim regime in North Korea but as the Chinese proverb has it, "A journey of a thousand *li* must begin with a single step."

In the meantime, the US should keep the pressure on North Korea to make it pay a price for its transgressions against international norms—even at the risk of destabilizing the North and making its collapse more likely. As I argue in a forthcoming *Foreign Affairs* article, Korean unification is a goal to be desired not feared. Its costs can be managed and its benefits would be substantial. It would lead to the rise of a new, democratic, and whole Korea that would become an economic powerhouse by combining the North's natural and human resources with the technological savvy and financial resources of the South. This is an end state that is far more favorable to the interests of all of the neighboring states, including China, than the continued existence of North Korea as a highly repressive "hermit kingdom" armed with nuclear weapons and ballistic missiles.

The US and its allies should enhance missile defense systems around the Korean Peninsula (including in Japan and at sea), introduce more air and naval assets into the region, and stage more frequent and more robust U.S.-South Korea joint military exercises, while also enhancing counter-proliferation measures including the interdiction of all North Korean ships and aircraft suspected of complicity in sanctions violations, criminal acts, arms sales, or nuclear and missile proliferation.

Washington and Seoul should also enhance their sanctions regime on the North. Washington, unilaterally if need be, should hit the North hard by trying to cut off all the regime's illicit sources of revenue, especially drug-smuggling and currency-counterfeiting, while also expanding financial sanctions aimed at ending all banking transactions related to the North's weapons trade, and halting most grants and loans. This would effectively freeze many of the North's overseas bank accounts, cutting off the funds that the leadership has used to secure fine Cognac, smart phones, Swiss watches, and fancy flat-screen television sets so valued by the North Korean leadership. The 2005 Banco Delta Asia case (in which the U.S. Treasury imposed sanctions on a Macao-based bank that was being used by the North Korean leadership) showed that the U.S. can act effectively to freeze North Korean assets in other countries. Congress can take the lead on this, as it has on Iran sanctions, by passing legislation that the administration will be forced to implement.

Such sanctions, to be sure, would be more effective with more Chinese cooperation. Such cooperation, however, is unlikely to be forthcoming in the short term unless the Chinese are presented with financial disincentive in continuing their financial dealings with North Korea. The US should still act in concert with its allies to contain the North Korean threat while patiently working toward a reorientation of Chinese policy which is what it would take to permanently end the threat from North Korea.

Certainly such steps are more likely to yield results than engaging in more dialogue with the North in the hope that its leaders can be talked into giving up their nuclear weapons. The aim of any dialogue should be tactical—to manage the relationship, to keep the North Korean crisis from tipping into all-out conflict, and to slow down or to cap the North’s nuclear program. Talks with the North can serve limited but important purposes such as intelligence gathering, delivering warnings, conveying positions and exploring differences. But Washington and Seoul should abandon the unrealistic hope that negotiations with the North could lead to its denuclearization. Even if there is a deal, Pyongyang would never accept the strict verification requirements needed to make sure that it was keeping its part of the bargain. Rather than pursuing such an unrealistic goal, the US would be better advised to implement tough sanctions while working patiently to reorient Chinese policy towards the North.