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Stephanie T. Kleine-Ahlbrandt
Director of Asia-Pacific Programs
United States Institute of Peace

Commissioner Tobin and Commissioner Slane, and other distinguished members of the Commission: Thank you for your invitation to testify before you today on the topic of China's relations with North Korea. The views I express today are my own and do not necessarily represent those of the U.S. Institute of Peace, which does not take policy positions.

United States policy towards North Korea aims at securing verifiable steps toward denuclearization, which China says it wants, too. The U.S. believes that the best way to achieve this is to increase pressure on Pyongyang through targeted financial measures and conditional engagement. Beijing disagrees. It argues that Pyongyang needs security assurances and encouragement for economic reform, and that someday, these might produce a willingness on Pyongyang's part to give up its nuclear weapons.

Pyongyang's nuclear stockpile continues to expand, the North continues to improve its missile delivery systems, the danger of weapons-of-mass-destruction (WMD) exports grows, and the threat to U.S. allies increases. One year after the Sunnyslands Summit and prior to an expected fourth North Korean nuclear test it is important to ascertain whether, and to what extent, China is actually willing to help resolve the North Korea nuclear problem. What are Chinese priorities towards North Korea? Have Chinese perceptions of North Korea changed since the third nuclear test? How does North Korea factor into Beijing's perception of its own security? To what extent does the U.S.-China relationship affect China's North Korea policy? Is there any convergence in Washington and Beijing's strategic goals, priorities and tools for dealing with North Korea? What does this mean for future U.S. policy? After seeking to answer these questions, my testimony concludes that the idea that China can and will compel Pyongyang to give up its nuclear weapons cannot be the basis for a sound U.S. policy.

1. China's perspective on denuclearization

Following North Korea's third nuclear test in February 2013, Western officials and analysts interpreted Xi Jinping's emphasis on denuclearization – including in his Summit meeting with President Obama at Sunnyslands – as a sign of a policy shift and greater alignment between U.S. and Chinese national interests.¹ Eager to promote the prospect of gains for the United States from better relations with Beijing, Chinese diplomats have sometimes sought to reinforce that impression. But this shift in rhetoric did not result in China's re-ordering of priorities, nor did it translate into measures to press North Korea to denuclearize.²

¹ Numerous Western journalists, analysts and officials made such claims. "Former top U.S. official: China getting fed up with North Korea," *Foreign Policy*, 5 April 2013; Mark Landler, "Detecting Shift, U.S. Makes Case to China on North Korea," *New York Times*, 5 April 2013; "China says 'very firm' with North Korea on nuclear program: Kerry," Reuters, 1 July 2013; "Obama says China getting tougher on North Korea," AFP, 18 June 2013; Sangwon Yoon & Henry Sanderson, "Chinese and South Korean Leaders in Accord on North Korea," *Bloomberg*, 27 June 2013.

² This reassessment was based primarily on Xi Jinping's articulation of "three insists" to North Korean Vice Marshal Choe Ryong-hae when he visited Beijing in May 2012 as Kim Jong-un's personal envoy ("insisting on the denuclearization of the peninsula, insisting on maintaining peace and stability on the Peninsula, and insisting on solving relevant issues through dialogue and consultation") Xi then made similar statements, respectively, to Presidents Obama and Park. Vice President Li Yuanchao reiterated the "three insists" during his July visit to Pyongyang. While Western analysts have construed the listing of denuclearization as the first "insist" as a reorganization of Chinese priorities, Chinese analysts say that the "three insists" only represent a verbal clarification of long-existing Chinese policy and do not imply that denuclearization overrides stability as a goal.

While China does not want North Korea to have nuclear weapons, it wants instability on its periphery even less.

From Beijing's perspective, denuclearization is a long-term endeavor, which first requires Pyongyang to receive security assurances that create stability around it.³ Chinese conventional wisdom holds that no amount of pressure will induce Pyongyang to give up its nuclear weapons program without fundamental concessions from the U.S. Even when Chinese analysts⁴ believe that North Korea's weapon procurement activities threaten to undermine China's strategic interests, many in Beijing believe that North Korea is simply trying to guarantee its security in the face of external threats from the U.S. Therefore, Chinese analysts believe it is up to Washington to address the root cause of the North Korea nuclear problem by easing Pyongyang's security concerns; they say, "The one who ties the knot is responsible for untying it (解铃还需系铃人)."⁵ The types of concessions include: diplomatic normalization, a peace treaty, and the lifting of sanctions – none of which are likely.⁶ Without these concessions, Beijing argues that imposing punishing pressure on North Korea to denuclearize would weaken the regime and decrease stability – the proposed solution would make the primary problem worse. Instead Chinese officials have recommended that the U.S. first focus on nonproliferation or a testing moratorium.⁷

China prioritizes stability over denuclearization because of a vastly different perception than the U.S. of the threat posed by a nuclear North Korea.⁸ While North Korea's nuclear tests and other nuclear developments are viewed in China as inimical to its national interests and regional security and stability, Beijing does not see North Korea's actions as directly targeting China. Beijing's biggest worries are the possibility of military confrontation between North Korea and the U.S., regime collapse, or North Korean reunification with South Korea leading to a U.S. military presence north of the 38th parallel. Beijing also worries that collapse or Korean unification could lead to unrest amongst the over one million ethnic Koreans in its northeastern provinces, which would be aggravated through a flood of refugees. There are also concerns that a reunified Korea could make territorial claims on China's Yanbian region based on the boundaries of the ancient Korean kingdom of Koguryo, which extends into present-day China. In the minds of leaders in Beijing, support for Pyongyang helps to ensure a friendly nation on China's northeastern border, and provides a buffer zone between it and democratic South Korea, which is home to 28,500 U.S. troops. While Beijing would prefer that North Korea renounce its nuclear program, it can more easily stomach a de facto nuclear North Korea strategically aligned with Beijing than war or collapse. The execution of Jang Song-Thaek, the husband of North Korean leader Kim Jong-un's aunt known for his close ties to China, only exacerbated

³ According to one analyst, "while denuclearization is a goal, it will be long-term, and cannot come at the price of stability." Stephanie Kleine-Ahlbrandt, "[China's North Korea Policy: Backtracking from Sunnylands?](#)", 38 North, 2 July 2013. According to another analyst, "We need to work on a large package, a macro solution. We should use security guarantees to exchange for abandoning the nuclear program. In the process, we cannot easily persuade the DPRK to abandon weapons grade materials but at least we can ask it to freeze its nuclear programs and activities." Stephanie Kleine-Ahlbrandt, "[China's North Korea Policy: Backtracking from Sunnylands?](#)", 38 North, 2 July 2013.

⁴ The phrase "Chinese analysts" is used in order to protect sources. It includes Chinese government officials, government-affiliated think tank representatives, and some academics who regularly advise the government and are familiar with its thinking and positions.

⁵ In addition to creating the problem, Chinese analysts believe the U.S. has missed opportunities in the last two decades by neglecting the issue.

⁶ A long list of U.S.-provided security reassurances over the last two decades have had no impact on Pyongyang's or Beijing's policies of blaming Washington. See Victor Cha, *The Impossible State, North Korea Past Present Future*, Random House, 2012. From the perspective of North Korea's *sŏn'gun* (military first) ideology, no U.S. security assurance would ever be credible.

⁷ In the words of a Chinese analyst, "Denuclearization is a long-term objective: getting North Koreans to agree to a testing moratorium would be a better solution." Interview with author, May 2014.

⁸ Beijing's policy is still based upon the strategic priorities, in descending order, of "no war, no instability, no nukes" (不战、不乱、无核). Chinese experts emphasize that while these three principles reflect China's policy priorities vis-à-vis North Korea, they also reflect interim steps as part of an incremental process to re-engage North Korea on nuclear disarmament. The three character pairs are seen as having a strong logic and causality, the former being a prerequisite of the latter. Mathieu Duchatel and Philip Schell, "[China's policy on North Korea: Economic Engagement and Nuclear Disarmament](#)," *SIPRI Policy Paper No. 40*, Dec. 2013.

Chinese concerns about the viability of the Kim regime, making it more averse to punitive measures. Beijing has since asserted that the regime is again “stable,” the purge having helped Kim Jong-un solidify his position, with an improving economic and food situation.⁹ Yet Beijing continues to shield North Korea from stronger economic sanctions and other more punitive measures.

China sees the nuclear issue as just one component of its broader bilateral relationship with North Korea¹⁰, which is based on a policy of sustaining the country and seeking to integrate it more fully into the world economy.¹¹ Chinese officials describe economic engagement as part of a long-term process that will ultimately alter North Korea’s strategic calculus regarding the role of nuclear weapons.¹² China believes that its own “opening and reform” experience offers North Korea an example of how such a process increases the likelihood of state and Party survival.

But after three decades of coaxing Pyongyang to implement economic reform, including inviting all three Kims to tour China's special economic zones, there are no signs that North Korea has been willing to undertake structural reforms to spur genuine national economic growth. Kim Jong Il feared that instead of leading to Chinese-style economic growth, reform in North Korea would engender an East German-style collapse. Kim Jong-un has shown himself to be just as resistant to economic reform as his predecessors.¹³

Promoting economic exchange with North Korea is also integral to Beijing’s policy to ensure stability and economic development in its Northeast “rust belt” region of 100 million people, where high unemployment and inequality has been a source of past unrest. In large part due to China, including startling growth in bilateral trade, North Korea’s economy continues to show steady improvement since 2009.¹⁴

Beijing also arguably maintains an interest in the survival of the North Korean regime for its own domestic legitimacy. As Xi works to bolster the Communist Party’s standing through an ambitious anti-corruption campaign and economic reform plans, he would hardly welcome a global spotlight—or worse, Chinese public attention—on the failure of a communist regime next door. Collapse across the border of a government that China fought to preserve at the cost of hundreds of thousands of lives, including the son of the PRC’s founding leader, Mao Zedong, might cause the Chinese public to further probe its own

⁹ Interviews with author, May 2014.

¹⁰ Beijing learned a lesson when its strong reaction to the 2006 nuclear test damaged bilateral relations, and has since deliberately separated its economic and political relationship with Pyongyang from the nuclear issue. “[Shades of Red: China’s Debate over North Korea](#),” Brussels: International Crisis Group Report N°179, November 2009, pp. 5-8; 15-17.

¹¹ According to one official, “China has no reason to abandon its whole relationship in exchange for a single issue.” Interview with author, May 2014.

¹² According to one analyst: “Since “the perfect goal” of denuclearization cannot be achieved in the short term, we will need to identify phases for how to achieve it. That comes down to how will we increase North Korea’s perception of security. Chinese want to see North Korea change *son’gun* (military first), improve people’s livelihood, and that’s why China signed up to the Special Economic Zones. It’s quite challenging for North Korea to strike a balance between the military and economy. If they can slightly tilt towards economic development, they can do what China did in the 1980s. Such a change can be cultivated. How to make North Korea feel slightly secure is vital. We have to “induce” Pyongyang to denuclearize.” Interview with author, June 2013.

¹³ Reforms would require Kim Jong-un to abandon the command economy and renounce the very same state ideologies and political legacies of his father and grandfather, which form the basis of his own legitimacy. So instead of opening up its system, North Korea has engaged in “mosquito net reform,” such as that in Rason and other special economic zones, where the goal is to attract foreign investment while preventing contagion of outside influence; creating controls so that in Kim Jong-il’s words, “not even a mosquito could get through.” Stephanie Kleine-Ahlbrandt, “[North Korea: Open for Business?](#)” International Peace Institute, 13 January 2012.

¹⁴ “[North Korea’s external trade reaches record high](#),” NKNews, 22 May 2014. [Despite North Korean Political Risks, Sino-DPRK Trade Shows Stable Growth](#), Scott Snyder, Asia Unbound, 26 March 2014. Go Myong-Hyun, “Economic Improvement in North Korea,” Asian Institute for Policy Studies Issue Brief No. 58, 10 June 2013. Marcus Noland, “[Hugely important: North Korea running a current account surplus?](#)” North Korea: Witness to Transformation, Peterson Institute for International Economics, 18 March 2013.

government, especially at a time when liberal intellectuals have called for political reform alongside Xi's ambitious economic changes.¹⁵

Compounding China's reluctance to turn against North Korea is the growing demand by Asian coastal states for a stronger U.S. role in the region (primarily due to Chinese assertiveness in maritime disputes); and the perceived "fall" of Burma/Myanmar to Western political values (a country which not long ago counted China as its only friend). China doesn't want to be surrounded by countries that have transitioned into Western-friendly regimes. So while the value of North Korea as a military buffer against the U.S. and its allies—in the age of long-range strike capabilities and U.S. naval dominance—can be debated, North Korea's viability is still politically important to Beijing.

Ultimately, as Chinese officials publicly indicate willingness to cooperate with the United States, they privately say that there is not much Beijing is willing or able to do to curtail North Korea's nuclear weapons program. Beijing still does not want—nor does it feel able within the confines of its policy of "no instability" and "no regime change"—to implement punitive measures that might push North Korea to relinquish its nuclear weapons or to withdraw its economic safety net. Indeed, the belief is that such attempts could decrease stability and make the situation worse.

2. Beijing's threat perception

Despite longstanding historical and ideological ties between Beijing and Pyongyang, there isn't much affection left between the two nations. North Korea remains highly suspicious of China and resents its larger neighbor the more it depends on it for survival. North Koreans believe Beijing has betrayed the communist cause by turning capitalist and making deals with the West. As a result of this distrust, North Korea doesn't even allow China, a defense treaty ally, to observe its military exercises.

Beijing grudgingly tolerates its wayward neighbor, which it sees as both a strategic liability and an asset—a necessary evil. It perceives the relationship as one between a patron and client where the client is unruly and ungrateful. According to China's hierarchical view of international relations, smaller powers should cede to its will.¹⁶ Pyongyang doesn't. But larger geopolitical calculations—in which the U.S. is central—dictate that China's interest in maintaining the North Korean regime and a divided peninsula is not contingent on good relations with Pyongyang.

Chinese mistrust of the U.S. is the primary obstacle to cooperation with the United States on North Korea. China's understanding of American motives is the primary determinant of Chinese decisions about how to evaluate and respond to North Korean threats.¹⁷ When China looks at North Korea, it does so through an East Asian strategic lens with growing rivalry with the United States as the focal point. Despite its interests being seriously harmed by North Korean behavior, Beijing believes that Washington and its allies pose a larger threat to China's strategic interests than Pyongyang does. Consensus amongst analysts in Beijing is that the U.S.-led bloc is using North Korea and tensions in the South and East China Seas as excuses to deepen the Asia rebalance, strengthen regional alliances, expand military exercises and move missile defense and military assets to the region. China is increasingly uncomfortable with long-standing U.S. defense relationships with countries around China's periphery (including South Korea, Japan, Taiwan, the Philippines, Vietnam, Thailand, India, Pakistan, Afghanistan, and Kyrgyzstan).¹⁸ From the Chinese

¹⁵ These ideological considerations take a particular importance for China's ties with North Korea because the Party's International Liaison Department, rather than the Foreign Ministry, has traditionally served as the chief Chinese interlocutor, although that is shifting.

¹⁶ Nathan, Andrew J.; Scobell, Andrew, *China's Search for Security*, Columbia University Press, 2012, p. 26

¹⁷ Nathan and Scobell, *op cit*, p. 90.

¹⁸ In Beijing's perception, its periphery also includes the United States whose presence poses the largest single challenge to China's security: "Even though the U.S. is located thousands of miles away, it looms as a mighty presence in China's neighborhood, with its

perspective, China-North Korea relations are intrinsically part of Sino-U.S. geopolitical competition in East Asia.¹⁹ As long as China continues to view the U.S. with such strategic mistrust and suspicion, a fundamental shift in its policy toward North Korea remains unlikely.

Chinese policymakers believe that Washington's rigid policy towards North Korea and its military deployments and exercises are as much to blame for instability in the region as North Korea's intransigence, and actually exacerbate the threat of nuclear proliferation.²⁰ Following North Korea's sinking of the South Korean naval vessel the *Cheonan* on 26 March 2010 and the shelling of South Korea's *Yeonpyeong* Island on 23 November 2010 China's initial reaction was to dismiss international calls to pressure North Korea and instead criticize the U.S. and South Korea for the military exercises held in response, which it viewed as a more serious threat to both its own and regional security than the North Korean provocations.²¹

Many Chinese analysts worry more about another North Korean conventional attack on South Korea than a nuclear test. Not only do they believe that a conventional provocation has a higher likelihood of sparking conflict now than in 2010, but given their belief that the ultimate U.S. aim is to change the regime in North Korea, a provocation could be used by Washington to accomplish this.

Underneath all of this, Chinese diplomats worry that North Korea will turn on them by cutting a deal with Washington, or at least thaw relations, which could lead to a hostile state on the border aligned with the U.S. Especially since the downturn in China-North Korea ties, China is concerned that applying pressure could backfire, with North Korea deciding to use the U.S. or other countries to plot a course independent from Beijing.²² One Chinese analyst said that because of the division of labor in dealing with North Korea where China plays "good cop" to the U.S. "bad cop," there was concern about the reaction Beijing would get if China also turned into a bad cop.²³

In part for this reason, China has expended significant diplomatic energy trying to revive the moribund Six Party Talks, which last convened in 2008. While Western diplomats had hoped the process would ensure that China would exert pressure on North Korea to change course, Beijing had different hopes. China prioritized the talks because as Chair, it was guaranteed a central role in setting international policy toward the DPRK. Beijing never expected that the talks would resolve the issue, rather, the process kept negotiations open and lessened the possibility of crises escalating, while allowing Beijing to exert control over the international response by ensuring interaction with and influence over all parties. According to a senior MOFA official, China's primary goal with the Six-Party Talks was to "keep them talking and not fighting." China also used the talks as a forum to blame other countries' policies, South Korean domestic politics or the Japanese focus

Pacific Command headquarters in Honolulu; its giant military base on the Pacific island of Guam (6,000 miles from the continental U.S., but only 2,000 miles from China); its dominating naval presence in the South and East China Seas; its defense relationships of various kinds around China's periphery [...] and its economic and political influence all through the Asian region. If the vast distances that separate the United States from China prevent China from exerting direct military pressure on it, the same is not true in reverse." Nathan and Scobell, op cit, p. 5.

¹⁹ Author interview with Seong-hyon Lee of Stanford University Shorenstein Asia-Pacific Research Center, May 2014.

²⁰ Lora Saalman, '[Why Beijing stands by Pyongyang](#)', Carnegie-Tsinghua Center for Global Policy, 20 February 2013.

²¹ The July and December 2010 exercises were also an unwelcome source of domestic pressure, as Netizens criticized the government's weak response to them. 專家解讀：美霸權釀半島局勢惡化 《[Expert interpretation: U.S. hegemony worsens the situation in the Peninsula], Hong Kong Wen Wei Po Online, 25 November 2010.

²² Kim Jong-un has been trying to set a course for greater independence from Beijing. Things got off to a rough start for China and North Korea immediately upon Kim Jong-il's death. China nevertheless rallied on behalf of Pyongyang, calling on key Western and regional countries to support stability, providing significant food aid and sending Vice Foreign Minister Fu Ying to Pyongyang. Chinese state media supported the transition with highly positive coverage—to the point that it came under domestic criticism for painting too rosy a picture of bilateral relations. Despite China's economic and political support, Kim Jong-un rebuffed early invitations to visit China, and instead sent high-ranking officials to Singapore, Indonesia, Laos, Vietnam and Burma/Myanmar to try to drum up investment. Stephanie Kleine-Ahlbrandt, "The Diminishing Returns of China's North Korea policy," *38 North*, 16 August 2012.

²³ "[China's North Korea Policy: Backtracking from Sunnylands?](#)", op cit.

on the abduction issue, for the failure to rein in Pyongyang.²⁴

Chinese analysts joke that the names of the two top officials responsible for the Six Party Talks, Wu Dawei (武大为), and Xu Bu (徐步), are homonyms in Mandarin for “no big movement” (无大为) and “slow steps” (徐步). In one decade of the process, the DPRK conducted two underground nuclear tests, four long-range missile flight tests, torpedoed a South Korean naval patrol boat and shelled a South Korean island, without ever losing China’s political and economic support.

One of the primary motivations for Beijing to get tough with Pyongyang is concern about U.S. “shows of force” such as B-2 and B-52 flights over South Korea, combined exercises with allies, and missile defense measures. The U.S.’ taking these actions has been successful in getting Beijing to agree to limited sanctions and to take other tactical measures following Pyongyang’s provocations. But they also reinforce the suspicion that the U.S. is using tensions on the Peninsula as a justification to expand its regional military presence. Given Chinese strategic culture and the perspectives shaping Chinese understanding of U.S. policy, Chinese analysts are prone to interpret American actions almost anywhere in the world as secretly directed against China.²⁵

Chinese experts also view other countries’ renunciation of their nuclear-weapon pursuits at the hands of the U.S. as tantamount to regime change and collapse.²⁶ In support of this view, they often cite the 2003 invasion of Iraq and the North Atlantic Treaty Organization (NATO) operation in Libya in March 2011. Since the Ukraine crisis, Chinese analysts regularly invoke that case as further evidence that the model of security for disarmament is a failure.²⁷

Moreover, Chinese analysts say that Washington’s handling of Ukraine is evidence of the relative weakening of U.S. power. This fits with a general perception in Beijing that a U.S. decline is happening faster than they expected, while China’s rise is faster than anticipated.²⁸ As such, China feels more confident in resisting pressure from Washington on North Korea than just a few years ago. This combines with Xi Jinping’s more active role in defending Chinese interests around the world than his predecessors.²⁹ Chinese analysts say that Beijing will continue to challenge whatever constitutes Washington’s “red line” in East Asia, hoping to change it gradually by testing American focus and resolve. All of which gives North Korea more breathing room.

At the same time, many in Beijing have come to believe that the U.S. is willing to live with a nuclear-armed North Korea. After President Obama declared a “red line” on chemical weapons in Syria, Chinese strategists speculated about what a similar red line might constitute in North Korea. Their guesses varied from

²⁴ In China’s eyes South Korean President Lee Myung-bak’s repudiation of his predecessor Roh Moo-hyun’s North Korea policy obstructed progress in the Six-Party Talks because it “irritated” North Korea. Chinese analysts also believe that former Japanese Prime Minister Junichiro Koizumi’s requirement that the resolution of abduction issues be a precondition for normalizing relations between Japan and North Korea also stalled progress at the Six-Party Talks and tied the hands of U.S. as well.

²⁵ “Chinese see their country as heir to an ‘oriental’ strategic tradition that dates back thousands of years and that is pacific, defensive minded, and non-expansionist. They consider China’s approach to interstate relations ethically fair and reasonable, and they attribute the existence of this unusual approach to the fact that China is a continental power that was historically agrarian and sedentary. In contrast, they see Western strategic culture as militaristic, offensive minded, and expansionist, growing out of the experience of maritime powers that are mobile and mercantilist.” Nathan and Scobel, p. 91.

²⁶ Lora Saalman, “Balancing Chinese interests on North Korea and Iran,” The Carnegie Papers, Carnegie-Tsinghua Center for Global Policy, April 2013.

²⁷ Interviews with author, May 2014.

²⁸ Stephanie Kleine-Ahlbrandt, “[From Japan to the U.S.: China embarks on a bolder foreign policy](#)”, CNN, 25 November 2013.

²⁹ Chinese nationalists and Netizens continue to demand that the government use its growing international heft to more actively defend China’s global interests through more directly interventionist means. Xi is likely to continue making efforts to deliver; and in so doing will de facto end the traditional Chinese policy of non-intervention. Stephanie Kleine-Ahlbrandt, “[From Japan to the U.S.: China embarks on a bolder foreign policy](#)”, op cit.

proliferation to miniaturization capability. According to one analyst, “so far the Obama administration has achieved nothing towards the goal of denuclearization. If I were North Korea, judging from the cases of Libya, Syria, or Ukraine, my idea is that that I would still have a 4th or 5th chance.”³⁰ Chinese analysts have dubbed “strategic patience” as “strategic ignorance.” Yet China is more comfortable living with this than any harder-line strategy, as it gives the appearance that Beijing is cooperating with the U.S. by engaging in dialogue, supporting UN resolutions and publicly rebuking Pyongyang from time to time.

China also tries to make use of North Korean behavior to increase its leverage over the U.S. and ROK and its influence in the UN.³¹ Chinese strategists regularly question whether the U.S. would consider trading support for regional allies embroiled with China in maritime sovereignty disputes in the East and South China Seas—China’s top foreign policy challenges—in exchange for more cooperation on North Korea.³² If the U.S. continues to try to “contain China,” one analyst stated, Beijing will feel less “encouraged” to be tough with Pyongyang.³³ With reference to President Obama’s April 2014 trip to Japan and the Philippines, another analyst said, “If you really want China to focus on the DPRK nuclear issue you need to be quiet in criticizing China on every single island issue. China has a policy of dealing with those islands with the relevant countries, not with U.S. involvement.”³⁴ At the same time, China is so preoccupied with thwarting Japan—with its U.S. alliance—that coaxing North Korea into concessions recedes in comparison as a regional priority.

3. New tactics, old strategy

Beijing was angry and disappointed with Pyongyang following the space launches and third nuclear test in 2013. Leaders were surprised by the suddenness and volume of Kim Jong-un’s threats, especially when compared with his more calculating father. Beijing interpreted North Korea’s acts as a “slap in the face” given its efforts at the time to restart the Six Party Talks as well its stern warnings issued to the North not to proceed. Adding to this was fear that the test would invite U.S. involvement, and the fact that the timing couldn’t have been worse: during Beijing’s once-in-a-decade leadership transition, which saw signs of fierce factional struggles.³⁵ The leadership needed to spend time on domestic issues as opposed to international crises, and it was already in the midst of a major crisis with Japan over the Senkaku/Diaoyu islands. Moreover, the third nuclear test took place during the Chinese New Year, the country’s most important holiday, when officials try to take their longest vacation of the year.

Beijing therefore felt it had to respond strongly. It issued robust warnings; emphasized the importance of denuclearization; demonstrated solidarity with South Korea; supported tightened UN Security Council sanctions, devoted significant energy to resuming the Six Party Talks, and allowed another vibrant internal debate on North Korea.³⁶ Chinese diplomats openly vented their frustration with U.S. diplomats.³⁷

³⁰ Interview with author, May 2014.

³¹ According to one analyst, “The Korean nuclear test is only a game among big powers. This is China’s best opportunity to negotiate with the U.S. on issues like Central Asia, Pakistan, the South China Sea and Tibet. China should use the opportunity well.” [“Shades of Red: China’s Debate over North Korea,”](#) op cit., p 8.

³² According to one Chinese analyst, “South China Sea and East China Sea issues are more threatening to China than North Korea. Problems in those areas could really hinder China’s development and maritime strategy. The problem is that the U.S. is using the South China Sea and East China Sea to advance its pivot, so China has to push back ‘one island at a time’; China has to use maritime disputes to break through U.S. containment.” Interview with author, May 2014.

³³ [“China’s North Korea Policy: Backtracking from Sunnylands?”](#), op cit.

³⁴ Interviews with author, Beijing, May 2014.

³⁵ “China seals Bo’s fate ahead of November 8 leadership congress”, Reuters, 28 September 2012. “China faces new scandal over crash of a Ferrari,” The New York Times, 3 September 2012.

³⁶ While there have also been sporadic reports of fuel and food cut-offs, Chinese officials insist that any reductions have been minimal and in line with their practice over several years of sending symbolic messages of displeasure to the regime by sometimes making slower deliveries or minimal cuts for a short period of time (“just to send our signal”). Chinese officials insist that these moves are designed not to have any affect on stability or viability of the regime, as the amounts are very small and North Korea’s food situation is becoming better; so “what we do for now for is just to make a gesture.” These fluctuations fall within the same

There were also more open conversations in Beijing about North Korean provocative behavior and how to deal with it. There was a more concentrated search than in earlier years for more effective instruments to restrain North Korea, by exploring different ways of encouraging Pyongyang to fall into line. But no consensus was reached on viable options that might produce results without risking a change to the status quo, which was seen as worse.

In the end, China's moves remained tactical, short-term and reactive, aimed at trying to rein in Pyongyang's provocations and bring it back to talks, as opposed to decisive punitive steps with a view to bringing about denuclearization. These tactical adjustments were termed by analysts as, "meting out rewards and punishment accordingly" (奖惩分明). China's motive was to convey disappointment with Pyongyang in order to deter further provocations, which it believed could drive the U.S. to upgrade regional missile defense deployments and step up military exercises in the region. Western analysts interpreted Chinese moves—especially the more strident rhetoric and internal debate—as a sign that the China was moving closer to the U.S. position. But these were not accompanied by any broader shift in policy or strategic priorities. Chinese analysts explained Xi's sterner rhetoric was due to his bolder and blunter manner: a "change of leadership style rather than policy."³⁸

After reacting to the third nuclear test, Beijing soon fell back on its usual playbook: once Pyongyang walked back its hostile rhetoric, China tried to bury it as quickly as possible by playing up non-threatening DPRK action as a positive step forward. Beijing appealed to the United States to loosen conditions for returning to talks with Pyongyang. President Xi Jinping then angered the U.S. by dispatching Vice-President Li Yuanchao to Pyongyang in July 2013 where he attended North Korea's military parade marking the 60th anniversary of the end of Korean War.³⁹ The presence of such a high-level Chinese official next to Kim Jong-un on the podium inspecting parading soldiers and a missile arsenal while Pyongyang celebrated victory in the Korean War was a potent symbol—especially so soon after the third nuclear test. The decision showed that China's pique over North Korea's actions earlier in the year didn't preclude it from moving relatively quickly again to shore up the bilateral relationship.

4. Internal debates and the actors who decide their outcome

While the fundamentals of Beijing's North Korean policy remain unchanged, there are a greater variety of views on North Korea now than before. Robust internal debates take place between those proposing a stronger line against Pyongyang and those who support the continuation of substantial political and economic support. Signs of such discussions were evident after the first nuclear test in 2006, with another debate following the 2009 provocations, and again following the 2013 nuclear test. Although many in the West point to these debates as a sign of a policy shift, Beijing's basic strategic calculations remain unchanged. As

traditional practice of China's ongoing calibration of assistance to North Korea; on occasion it sends less food, sends poor quality food, demands above-market prices for grains, and the like. The moves are all completely reversible. According to one analyst, China always ensures that there is enough "for survival" of the regime but not necessarily to make Kim Jong-un too comfortable or enable him to dramatically improve the economic situation. Interviews with author, May 2014. On trade, there are similar fluctuations but over time the trend has been for trade figures to go up; in addition to the huge amount of trade that happens in the grey market uncounted in official statistics.

³⁷ For months after Sunnylands, Chinese and U.S. diplomats held relatively productive discussions, which included the exchange of several white papers. While both sides came to agreement on the need for denuclearization beyond Yongbyon, the necessary actions and timing to achieve that goal were never agreed upon. Beijing suspended the process following the execution of Jang Song-thaek.

³⁸ Interview with author, May 2014.

³⁹ Born in November 1950, weeks after China sent troops to join the Korean War, Li Yuanchao's name originally used characters which meant "to help North Korea" (李援朝). He since has changed the last two characters to different homonyms (李源潮). This issue was widely discussed by Chinese Netizens at the time of his visit to Pyongyang (but avoided by state media). Many speculated that the choice of Li was a deliberate reminder of the China-North Korea traditional friendship and signaled Beijing's intention of providing continuing assistance to Pyongyang.

one high-level Chinese diplomat said during the 2009 debate, “Our mindset has changed, but the length of our border has not.”⁴⁰ The 2009 debate ended with then-Premier Wen Jiabao’s “goodwill trip” to North Korea to mark the sixtieth anniversary of diplomatic relations on 4 October 2009, when he brought a high-powered delegation with a wide range of opportunities for economic engagement with nary a mention of the denuclearization issue.⁴¹

A notable difference between the 2009 and 2013 debates was increased criticism of the U.S. in 2013, with more voices critiquing the Chinese government for permitting a situation in which the U.S. could use North Korea to strengthen its military presence around China.

There are several reasons for the continuing gap between domestic criticism and government policy on North Korea. Space for media, experts and academics to argue has been expanding, especially for those in the ‘abandonment school’ who are often liberal intellectuals and academics who have more freedom to speak than those directly involved in policy.⁴²

Indeed, despite the increased internal criticism of North Korea, traditional voices and institutions continue to dominate government policy thinking. One institution that exerts significant influence on North Korea policy is the People’s Liberation Army (PLA)—whose shared military history with the country and distrust of U.S. military power makes it a supporter of the traditional line. Even though the PLA has frustrations with North Korea—exemplified by the fact that it is not permitted to observe exercises of the Korean People’s Army—the 1961 Sino-North Korean Mutual Aid and Cooperation Friendship Treaty remains intact. Assuming that recent reports about leaked Chinese military contingency plans for North Korea are real, it is not surprising that they make reference to how North Korean political and military leaders should be given protection from another “military power” (the U.S.).⁴³

The Communist Party of China’s (CPC) Central Committee’s International Liaison Department (ILD), in charge of party-to-party diplomacy⁴⁴, has also played a key role in North Korean policy-making.⁴⁵ While it used to be the main facilitator of relations with North Korea, relations between the ILD and Korean Workers Party have been strained.⁴⁶ There has also been an attempt to achieve “normal state-to-state relations” by having the relationship managed through the Ministry of Foreign Affairs (MFA).⁴⁷ The more moderate Ministry is generally relegated to a more subordinate, implementation role, and thrusting it into a more prominent role in relations with North Korea does not seem to have reaped any better results. Officials privately lament that the MFA doesn’t have the necessary channels or access, certainly nothing on par with the ILD, making it difficult to engage in effective diplomacy with Pyongyang. All of these actors furthermore operate in an environment characterized by consensus decision-making and bureaucratic inertia.

Finally, frustration with North Korea generally reflects a generational divide, with younger persons taking to the Internet with stark criticism while older, more conservative citizens still dominate policy circles. Given that China’s youth overwhelmingly view their neighbor with pity and contempt, one cannot rule out these

⁴⁰ “[Shades of Red: China’s Debate over North Korea](#),” Brussels: International Crisis Group Report N°179, November 2009.

⁴¹ “[Shades of Red: China’s Debate over North Korea](#),” op cit., pp. 15-17.

⁴² An instructive case was that of Deng Yuwen, deputy editor of Study Times, a weekly journal of the Central Party School. In an op-ed piece on 27 February 2013, he argued that China’s strategic alliance with North Korea was “outdated” and that the wayward ally was no longer useful as a buffer against United States influence. He was removed shortly afterward following a call from the Foreign Ministry to the Communist Party’s Central Party School. Jane Perlez, “Editor suspended for article on North Korea,” *New York Times*, 1 April 2013.

⁴³ Julian Ryall, “[China plans for North Korean regime collapse leaked](#),” *The Telegraph*, 5 May 2014.

⁴⁴ Relations between the CCP International Liaison Department and Korean Workers Party have been strained since 2013.

⁴⁵ Sunny Lee, “[Analyst: Who Controls China’s NK Policy?](#)” *The Korea Times*, May 19, 2011.

⁴⁶ Political ties were frozen following Vice President Li Yuanchao’s visit to Pyongyang in July 2013 for the 60th anniversary of the end of the Korean War.

⁴⁷ Interviews with author, April and May 2014.

opinions altering future policy. But for now, there is still a significant gap between how Chinese people feel about North Korea and what their government is willing to do.

5. Policy tools: economic engagement over sanctions

In addition to divergence in strategic approach, the U.S. and China differ in their preferred tools to promote North Korean nuclear disarmament. Whereas Washington sees diplomatic isolation, economic sanctions and deterrence as essential, Beijing sees diplomatic engagement and dialogue, economic cooperation and security assurances as the preferred ways to induce a change of mindset in Pyongyang, which could lead to denuclearization in the long term.

Beijing engages in a balancing act in the UN, supporting sanctions in the hope that they might restrain the U.S. and its allies and encourage North Korea to return to talks; while at the same time negotiating to weaken the sanctions to mitigate damage to the North Korean regime.⁴⁸ This effort has involved long hours of negotiation over loopholes, clauses limiting the scope of inspections, and carve-outs to prevent disruption to commercial activities and economic linkages.⁴⁹ Beijing also consistently emphasizes that implementation must be proportionate, moderate and aimed only at bringing the sides back to talks, not at undermining or weakening the regime.⁵⁰ China's dislike of sanctions partly derives from its own experience of being the object of them.⁵¹

China's implementation record has been underwhelming not only throughout the history of UN sanctions against North Korea⁵², but even after UNSC Resolution 2094 (2013) which Chinese officials privately admitted was the first sanctions resolution they were making a genuine effort to implement.⁵³ According to a Western diplomat, the Chinese implement sanctions "to the letter" but not the spirit of the resolutions.⁵⁴ In cases where Beijing has taken high-visibility measures—such as issuing of a list of banned "dual-use" exports to North Korea—Chinese diplomats have been subsequently unwilling or unable to provide evidence of implementation, despite repeated requests. And the widely touted 7 May 2013 Bank of China closure of

⁴⁸ In Resolution 2094 restrictions against the North, including efforts to block the opening of North Korean banks abroad if they support weapons purchases, are limited by a "credible information" clause, which allows a government to say that it lacks the information needed to assess the situation or apply the sanctions. On Resolution 1718 after the first nuclear test in 2006, Beijing negotiated away any threat of military action against the North and ensured that inspections of DPRK cargo were not mandatory on member states. In Resolution 1984 after the second nuclear test in May 2009, China weakened the articles on cargo inspections.

⁴⁹ Both SC Resolutions 1718 (2006) and 1874 (2009) explicitly state that they do not prohibit member states from engaging in economic development and humanitarian activities in North Korea – which is how Beijing defines its economic interactions.

⁵⁰ According to one Chinese analyst, "when we implement UN sanctions, we need to take into consideration the security concerns of the North Koreans as well." "[China's North Korea Policy: Backtracking from Sunnyslants?](#)", op cit. After voting in favor of Security Council Resolution 2094, Chinese Foreign Minister, Yang Jiechi stated, "We always believe that sanctions are not the end of the Security Council actions, nor are sanctions the fundamental way to resolve the relevant issues." Jane Perlez, "[China says it won't forsake North Korea, despite support for U.N. sanctions](#)," *New York Times*, 9 March 2013.

⁵¹ Beijing had sanctions imposed by the USSR in the 1960s because of its nuclear program, by the U.S. until the 1970s and after 1989 (Tiananmen), and in the 1990s for missile sales to Pakistan. The U.S. has continued to enforce the sanctions restricting advanced technology transfers.

⁵² In 2012, it was discovered that the transporter-erector-launchers (TELs) for the DPRK's Hwasŏng-13 (KN-08) displayed during a military parade were made in China. Melissa Hanham, [North Korea's Procurement Network Strikes Again: Examining How Chinese Missile Hardware Ended Up in Pyongyang](#), NTI, 31 July 2012. China blocked any mention of this issue by the UNSCR 1874 Panel of Experts in their reporting on sanctions implementation. Mark Hibbs, "[China and the POE DPRK Report](#)," *Arms Control Wonk*, 2 July 2012. One month later, 445 graphite cylinders were seized on a Chinese ship in Pusan, South Korea in May when it was determined that they appeared to be missile parts bound for Syria. Louis Charbonneau, "Suspected North Korea missile parts seized en route to Syria in May", Reuters, 14 November 2012. Generally speaking, "China constitutes a large gap in the circle of countries that have approved UNSC Resolutions 1718 (2006) and 1874 (2009) and are expected to implement them". "Report regarding North Korea Sanction Implementation-II", Congressional Research Service, 8 October 2010. See also Mary Beth Nikitin et al., "[Implementation of U.N. Security Council Resolution 1874](#)," memorandum to Senator Richard G. Lugar (R-IN), 8 October 2010. China has also repeatedly failed to adequately inspect DPRK land and sea shipments through its territory.

⁵³ Interviews with author, July 2013, May 2014. "[China's North Korea Policy: Backtracking from Sunnyslants?](#)", op cit.

⁵⁴ Interview with author, May 2014.

North Korean Foreign Trade Bank (FTB) accounts was more symbolic than substantive.⁵⁵ The move had not been ordered by the government, other state-owned financial institutions did not act similarly, and almost all financial transactions were already being undertaken outside major Chinese banks through third countries, Chinese local banks, or by skirting the banking system altogether. Bank of China had previously severed interaction with North Korea in 2005 after the Banco Delta Asia action and meetings with U.S. officials.⁵⁶ Nor did Beijing interpret the FTB as a target under Resolution 2094, but rather the bank was formally sanctioned by the U.S. Treasury via Executive Order 13382, which froze its assets in the U.S. and prohibited U.S.-based entities from transacting with it.⁵⁷

With regard to bilateral economic relations, sanctions have driven business more underground in a grey market that is difficult to track. Chinese private firms have been expanding their interactions with North Korean state trading companies inside of China's national economy, improving the commercial well being of North Korean regime elites back in Pyongyang. These Chinese private firms have significantly bolstered Pyongyang's ability to procure dual-use components.⁵⁸

Recommendations

Because Beijing and Washington have such divergent viewpoints and priorities, there seems little likelihood of achieving common policies toward North Korea. China shares neither the U.S. priority on denuclearization nor its desire to accomplish peaceful reunification of the Korean Peninsula. Pressure from the United States is not likely to change the fundamentals of China's policy. The idea that China can and will *compel* Pyongyang to give up its nuclear weapons cannot be the basis for sound U.S. policy.

The basic choice for U.S. policymakers is therefore between trying to change China's perception of its self interest and attempting to find a more collaborative approach that exploits the advantages of China's engagement efforts and U.S.-led multilateral pressure. It is possible for the U.S. to raise the stakes on Beijing for failing to bring more pressure to bear on Pyongyang. But given the great number of strategically important issues on which U.S. and Chinese cooperation is essential, it would not be wise to push the bilateral relationship to the breaking point in an effort to bring about a fundamental change in Beijing's approach.

Fortunately, it should be possible to get China to do more on the coercive side of the equation while still accepting that Chinese and U.S. approaches to the goal of denuclearization will inevitably differ.

1. The U.S. should be able to persuade China to act more strongly to deter or respond to any new DPRK long-range missile launches or nuclear tests. Beijing might agree, for example, to some new increment of punishment after any nuclear test, ballistic missile flight-test or space launch. The U.S. could

⁵⁵ It is believed that there was no money in the Foreign Trade Bank's (FTB) accounts when they were closed. The U.S. had long pressed China to take direct measures against the FTB, and unilaterally sanctioned the bank in March. Washington had sought multilateral sanctions against the FTB, but China had opposed sanctions at the UN.

⁵⁶ See Juan Zarate, *Treasury's War*, New York, 2013. Banco Del Asia held significant North Korean accounts, but was driven into bankruptcy when the U.S. named it an entity of money-laundering concern. Depositors and clients fled fearing the bank would lose correspondent relations with U.S. financial markets.

⁵⁷ The Bank of China operates in the U.S. and would have been vulnerable under Section 311 of the Patriot Act had it continued dealings with the FTB. "Fire on the City Gate: Why China Keeps North Korea Close", International Crisis Group, 9 December 2013, p. 8-9.

⁵⁸ Contracting private Chinese companies to serve as middlemen to facilitate "cargo laundering"—a creative process of disassembling components and moving them through different logistics routes—enables North Korean state trading companies to utilize commercial shipping containers. Monetary rewards would offer a double payday for some Chinese companies, who could collect the commission fee from a North Korean client as well as the reward for anonymously providing a copy of the freight insurance to local authorities in busy Southeast Asian ports. John S. Park, "[The Leap in North Korea's Ballistic Missile Program: The Iran Factor](#)," NBR, December 2012.

unilaterally complement such Chinese moves by strengthening enforcement of export controls on dual-use items and other targeted sanctions.

2. U.S. legislation that imposes “Iran-style” sanctions against firms that do business with North Korean entities that have been found to be engaging in the transfer of items and technology that could support North Korea's missile program ballistic missile trade, as well as the banks that makes those business transactions is also possible. Even absent additional legislation, the U.S. has a range of existing measures and authorities that it has not fully implemented against Pyongyang.⁵⁹ Targeted financial measures are largely self-executing; responses are quick and require little additional official pressure. Banks and businesses become reluctant to engage with North Korea for fear of their own reputation and losing access to the U.S. banking system. The President has the authority to dramatically expand the range of banks and companies deemed of "special concern" for money laundering purposes; this in turn would generate uncertainty for all companies dealing with those entities and banks in particular.
3. China holds the key to implementing sanctions on North Korea. The U.S. should consider pushing back when China does not deliver on both the letter and spirit of existing sanctions, by more publicly pushing China to enforce sanctions. When the U.S. starts with a list of 40 entities to sanction and Beijing eventually agrees to three, Washington could choose to point out the gap and work with other countries to try to sanction those entities, rather than declare victory. Washington could also increase public criticism of China for permitting North Korea to use its airspace, land border, and waters to transfer illicit items to other countries in violation of UN Security Council resolutions. Criticism from the United Nations has not been forthcoming because China manages to consistently block mention of incidents of non-compliance by the UNSCR 1874 Panel of Experts in their reporting on sanctions implementation. Downplaying obstacles has not resulted in better cooperation, and has arguably made the Chinese more comfortable in doing less.
4. The United States should continue to intensify its military and counter-proliferation activities by stepping up missile defense cooperation and combined exercises with Japan and South Korea. These actions have been successful in getting Beijing to agree to limited sanctions and take other tactical measures following Pyongyang's provocations, but not more.
5. Another potential route is for the United States to attempt to forge a joint approach with China. If China insists on continuing with its "acupuncture" approach—cutting back on items with military relevance while deepening investments in infrastructure and resource extraction—perhaps the U.S. could accept this in return for stricter implementation of dual-use trade controls. Two tracks have always existed in North Korean sanctions: stopping military and dual-use trade; and punitive measures involving luxury goods, the latter ostensibly with the aim of trying to make it more difficult for Kim Jong-Un to reward his loyalists. This approach has not been successful given that China's preferred approach is to entice the North Koreans into cooperation by deepening economic ties. The options are either to redouble U.S. efforts to attempt to persuade Beijing to engage in a more punitive overall trade strategy—a nearly hopeless goal—or to discuss with it trading stricter enforcement of dual-use export controls and the like in return for a less punitive overall economic sanctions regime.
6. The United States could expand efforts to get as much information about the outside world as possible into North Korea through multiple channels; radio and internet broadcasting, investments in internet censorship evasion technologies, transmittal of DVDs, CDs, computer thumb drives, and other means. Kim Jong-un fears this more than sanctions.⁶⁰ More openly seeking regime change—or at least a major

⁵⁹ See Bruce Klingner, [“Time to go beyond incremental North Korean sanctions”](#), 38 North, 29 April 2014.

⁶⁰ Scobel and Nathan, op cit.

change in the regime's policies and priorities—is another potential option.⁶¹ While the current approach is aimed at inducing change in North Korea's behavior, many in the U.S government have become convinced that this is likely to be impossible under the current regime. However, shifting to an outright strategy of regime change—an approach that China categorically rejects—would represent a significant shift in the diplomatic framing of U.S. policy towards North Korea. It would have very serious implications for any U.S.-China cooperation on North Korea as well as on the larger bilateral relationship.

7. The United States should consider supporting limited, targeted engagement with North Korea, carried out by non-governmental organizations and UN agencies such as UNICEF. At the very least, people-to-people initiatives, including the long-delayed reciprocal visit to the United States by the national symphony of the DPRK, should be encouraged rather than blocked.⁶² Such initiatives serve the purpose of transmitting information to the North Korean people about the outside world. They can also address some purely humanitarian concerns in the areas of public health, child welfare, nutrition, and education. They have the added advantage of enhancing U.S. understanding of the North Korean state and may provide early warning of significant changes in North Korea's policies and priorities.
8. Finally forging close trilateral cooperation among the U.S., the ROK, and Japan is essential to achieving U.S. objectives of denuclearization and peace on the Korean Peninsula. Tensions between the ROK and Japan are undermining U.S. security interests in the region as Washington struggles to present a united front in dealing with a nuclear North Korea and rising China. Important steps have been taken in recent months to try to encourage reconciliation between Seoul and Tokyo, but there is still more that must be done to facilitate mutual trust and cooperation between these two vital U.S. allies. And while Washington does not want to be placed in the position of mediating the difficult territorial and historical issues which have undermined relations between the President Park and Prime Minister Abe administrations, neither can the United States afford to allow the current impasse to linger indefinitely.

⁶¹ Chinese analysts see the U.S. as possessing potent ideological weapons and the willingness to use them. "Democracy" and "human rights" are ideas that are accepted everywhere, and the U.S. has gained an outsized ability to define what these ideas mean. Scobel and Nathan, *op cit*.

⁶² The World Food Program, in partnership with other UN agencies, private international aid organizations and the Red Cross, should resume carefully monitored food aid deliveries to the DPRK, with an emphasis on trying to reach some of the estimated 120,000 men, women and children incarcerated in the North's prisons. The U.S. should also provide more support to some of the best work being done by NGOs on the ground and rather than try to stifle North Korea's middle class, the U.S. could selectively target individuals for engagement. Frank Jannuzi, "[Engage, Don't just Name and Shame.](#)" 38 North, 26 March 2014.