

## Chinese Interest on the Korean Peninsula and the Future of North Korea

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Few people would doubt that the continuing rise of China is the single most influential factor in the evolving geostrategic position of Korea. Over the last 35 years, China has experienced a period of rapid economic growth which is probably without parallel in world economic history, and this period is not over. While China is still far from being in a position to challenge global US hegemony, it is quite possible that it will play a dominant role in East Asia, especially if ongoing changes in the world economy press the US into reducing military spending and downsizing its global role.

Indeed, in the last few years China loomed increasingly large in issues of the North Korean politics. Some of the most controversial political problems of present-day Korea are clearly related to China's rise. The fate of the Jeju naval base, whichever is officially stated, largely depends on whether Korea will eventually chose to balance against or bandwagon with rising China. The problem of the forced deportation of the North Korean refugees attracted much attention of the Korean public to the issues of human rights in China – perhaps, first time when such issues are discussed widely.

It seems that the rise of China will present Korea with many a difficult decision. In some cases, confrontation is likely to develop, but usually some kind of compromise is, probably, the best option. Like it or not, most problems in East Asia cannot be effectively solved without cooperation with (or at least the passive

support of) China. This is the case with the major long-term issue of Korean politics, that is, the issue of Korean unification.

### Some (speculative) thoughts about North Korea's future

In recent years, it has been a general rule of diplomatic protocol and political correctness to profess belief that the eventual unification of Korea should be achieved gradually, through negotiation between the two Korean governments. Unfortunately, this is wishful thinking. *While negotiated and gradual unification is highly desirable, it is all but impossible as well.*

The major stumbling block is the huge – and growing – gap in living standards between North and South. Even according to the most optimistic estimates, the per capita income gap is as high as 1:15, whilst more pessimistic estimates put this gap closer to 1:40. This remains largely unknown to a majority of the North Korean

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population thanks to a combination of harsh policies of self-imposed information isolation, domestic surveillance and ruthless persecution of dissent. For decades, the North Korean government has gone to exceptional lengths to hide the level of South Korea's economic affluence from the average North Korean.

Indeed, the increasing income gap makes the North Korea regime extremely vulnerable politically. Once the North Korean populace learn about the prosperity enjoyed by their Southern brethren, they are quite likely to see their government as the force responsible for the current economic backwardness and destitution of the North. Hypothetical negotiations about unification will inevitably bring about much closer interaction between the South and North. Sincere steps towards negotiated and gradual unification will mean increasing contacts through economic interaction, personal exchanges and the like. If this is to happen, the North Korean people are bound to learn about the gap between the two Koreas and they are yet again likely to blame their own government for this gap. *Improved contacts with the South are highly destabilising for the North Korean regime in its present shape, and the regime is perfectly aware of this.*

Therefore the only realistic route to unification is a radical change in the North Korean regime – and such changes seems to be a question of time since in its present form the regime cannot be sustained indefinitely. Such a change may result from a popular revolt, power clash within the elite, or even attempted reforms (due to the above mentioned reasons, Chinese-style reforms are extremely dangerous for regime stability in the North). Some combination of the three may happen as well. Domestic crisis in North Korea is likely to trigger a popular movement whose major demand will be unification with the affluent South – essentially the adoption of the seemingly super-efficient and highly attractive economic system of South Korea. In other words, we are talking about the Korean version of what happened in Germany in 1989-91.

*However, in the peculiar case of North Korea such a*

*domestic crisis and the resulting outbreak of a popular pro-unification movement is likely to develop into a violent confrontation.* The North Korean political elite, including its middle and even lower strata, have good reason to believe that in the case of unification-by-absorption, they will lose everything. These people are therefore likely to fight – to take the most recent example, Gaddafi's loyalists in Libya did. These potential Kim loyalists clearly constitute a minority, albeit a significant one (one or at most two million, perhaps), but they are better organised and better trained than the average North Korean. In the case of a domestic crisis, these Kim loyalists will see themselves as cornered and therefore will fight with determination.

If a future domestic crisis in North Korea were to become violent, this will create great temptation for China to get involved. The result of Chinese unilateral intervention is likely to be the emergence of a pro-Chinese satellite state in the northern half of the Korean peninsula. Such a turn of events would perpetuate the division of Korea more or less indefinitely. It will also endanger peace and stability in Korea because it means that the Korean peninsula will remain the focal point of great power rivalries.

Therefore, to the best of our knowledge we can anticipate that North Korea's mid to long-term future is likely to follow one of the following three scenarios:

1. *North Korea remains basically unchanged.* The scenario entails that the regime avoids all real reform, keeps its people as docile and terrified as it can whilst manipulating outside powers in order to obtain aid. This is not a recipe for indefinite systemic survival, but it may ensure elite continuity for a decade or two, if not longer.

2. *A domestic crisis brings about unification by absorption.* In this scenario, disintegration of law and order, whatever the cause, will bring about the outbreak of a pro-unification movement whose demand will be unification with the South.

3. *A domestic crisis brings about Chinese intervention and the creation of a pro-Chinese regime.* In this



scenario, the state that emerges north of the 38<sup>th</sup> parallel is likely to start economic reforms – it will be able to afford this, being backed by Chinese armed divisions and Chinese capital. But politically, the state that emerges will be more or less controlled by Beijing.

Of the above mentioned scenarios, unification-by-absorption seems to be the most desirable or, to be frank, the least undesirable from both the ROK's and US' perspectives. Unification by absorption is likely to be socially troublesome and economically ruinous, but all other realistic alternatives are, at the end of the day, significantly less desirable (while the oft-lauded “gradual and negotiated unification” should not even be considered by a serious analyst, because, unfortunately, it is a pipe dream, pure and simple).

Therefore the major goal of South Korea's diplomacy should be the creation of conditions which will make unification the most likely outcome. The major problem is the position of China, whose actions or lack thereof seem to be the only outside factor which might decisively influence the outcome of a future crisis in North Korea. Therefore, it is extremely important to find mutually acceptable compromise with China, to make sure that China will not be too active in its efforts to keep the North Korean regime afloat and will not choose to use the eventual North Korean crisis to establish a pro-Chinese state in the northern part of the Korean Peninsula.

### **What interests does China have on the Korean Peninsula?**

In order to create an effective policy in dealing with China in this matter, one has to ascertain what the major goals of China's policy towards North Korea are, and more broadly, the Korean peninsula. It seems that such goals and concerns are relatively easy to outline and, fortunately, these concerns are quite legitimate, rational and are remarkably free from any ideological considerations.

China is sometimes described as “North Korea's ally,” but this is not really the case. The author's contacts with Chinese diplomats and academics makes him suspect that the Chinese attitude towards the North is generally similar to the attitude the Soviet Union took towards North Korea in the 1970s. Under the thin veneer of fraternal rhetoric, there is a great deal of hostility, suspicion and plain contempt. For the Chinese, North Korea is a bizarre and almost comical place – it is to them a caricature of China in the early 1970s, the embodiment of all that was wrong with China back then.

From my talks in Beijing, it appears that a significant majority of China's Pyongyangologists quietly assume that in the long run the North Korean regime is doomed to collapse. They also assume that the eventual outcome of such a collapse is likely to be the unification of Korea under the auspices of the Seoul government. The Wikileaks cables scandal of last year confirmed that such expectations are indeed widespread among Chinese officials.

Talking privately at an international seminar a year ago, an influential Chinese academic/official said frankly: “North Korea is a strategic asset for China, but the actual value of this asset is not particularly high and diminishes as time goes by. We are willing to help North Korea as long as it remains relatively cheap, but we are not going to bail the Pyongyang government out of serious trouble.”

Nonetheless, currently China persists with supporting North Korea – largely because it sees unification as mildly detrimental to its long-term strategic interests. Both its willingness to provide Beijing with aid, and its unwillingness to allow a free passage of the North Korean refugees to the South are driven by this fear of regime collapse followed by an outbreak of instability. This support is devoid of ideology, rather it is driven by geopolitical and strategic considerations which are listed below.

- First of all, *China needs stability near its borders*. China has become a status quo power, since the Chi-



nese government believes that international and domestic stability is vital in order to maintain rapid economic growth. China will not necessarily remain a status quo power forever: sooner or later, it might challenge the existent world order which is dominated by the US. But, at least for the time being, the Chinese elite believes that time is on their side. As time passes, Chinese economic power and military might increases, making China a potentially more significant player in the international system. Therefore, the Chinese government does not want disruptions which might deflect valuable resources away from all important economic aims, and even if a particular crisis is unavoidable, it makes sense to postpone it for a brief while.

Therefore, China would prefer stability on the Korean peninsula. It would accept (admittedly with varying degrees of enthusiasm) almost any outcome on the Korean peninsula, so long as final stability is guaranteed. Even possible involvement of China in a future North Korean crisis might be largely determined not by hegemonic designs or geostrategic worries but rather by the need to reign in potential chaos in a nearby region.

- Second, *China worries about US political and especially military presence* in its vicinity. Therefore, it would prefer to keep the Korean peninsula divided, with North Korea playing the role of a buffer zone between China and US forces in Korea.

While the strategic rivalry between the PRC and the US is not nearly as intense as the Cold War rivalry between the US and the USSR, it is significant nonetheless and is likely to intensify in the coming years. Therefore, North Korea is perceived as a natural buffer zone and this might be the reason why China might intervene there in future. This is also the reason behind the current willingness of China to provide North Korea with relatively generous and unconditional aid.

- Third, *China has some economic interests in North Korea*. These interests should not be overestimated, of course. Contrary to what is often stated in South Korea, economic interests are secondary in Chi-

nese decision making in regard to North Korea. Loud talk of a Chinese 'economic takeover of North Korea' should not obscure the fact that the volume of trade between the North and China is a paltry \$3.5 billion while the volume of trade between South Korea and China is \$207.1 billion – an impressive sixtyfold difference.<sup>1</sup> To put things in a more global perspective, China's trade with Chile is roughly seven times larger than its trade with North Korea, even though Chile has a smaller population and needless to say, is far more distant both politically and geographically.<sup>2</sup> Nonetheless, such economic interests are clearly present.

First of all, China is interested in the mineral deposits of North Korea. While these deposits are not particularly large by international standards, they still are sufficiently attractive for resource-hungry China, especially for the enterprises of the Chinese North-East region. This is the reason behind the acquisition of mining rights and joint mining ventures which have widely reported in recent years.

The second economic consideration for China is an interest in transportation infrastructure. The Chinese North-East is landlocked, therefore the industrial enterprises of the area would benefit from the right to use the ports of Korea's East Coast, especially if access to these ports becomes essentially hassle-free. Currently, the major focus of such interest is Rason, but other ports in the area might also attract Chinese attention as well.

Yet another factor is the remarkable cheapness of North Korean labour. North Korean workers can work efficiently and diligently for \$15-20 a month. This is well below the current rate for unskilled and semi-skilled labour in China. Currently, this factor is not particularly important, but as Chinese labour becomes significantly more expensive, some Chinese companies might find investment and/or outsourcing to North Korea extremely attractive.

- Fourth, *China worries about the possible impact that the unification of Korea will have on China's domestic situation*. Of special importance is the position



of the Korean ethnic minority in China. So far, the 2 million strong, Sino-Korean community has remained remarkably loyal to Beijing. But from interaction with Chinese officials one can easily feel their concerns about post-unification developments in the area. The Chinese central government is quite cautious when it comes to the ethnic minority issue.

These fears are further exacerbated by territorial claims that might be made by the post-unification of the Korean state. It is widely known that some Korean nationalist groups have already made rather extravagant claims on Chinese territory in 'Manchuria'. Worse still, when tensions do arise between Seoul and Beijing, a number of Korean politicians, including members of the National Assembly, have explicitly supported these claims. For example, in 2004 up to a dozen ROK National Assembly members established a group, solely dedicated to the promotion of the "Kando" claims.<sup>3</sup> None of these developments have remained unnoticed in China. And naturally, these developments make Beijing more reluctant to accept unification as the eventual solution to a North Korean domestic crisis.

### **What will China risk if it gets too much involved with a North Korean crisis?**

The above-listed factors are the reasons which make China to subsidize North Korea now, and will probably prompt it to get involved with a domestic crisis there. However the potential for China to get involved in a future North Korean crisis is not without serious drawbacks.

- First, Chinese intervention in North Korean domestic crisis will inflame national sentiments both in the South and, eventually, in the North. China will trigger an outrage and will then probably be perceived as a serious, existential threat by Korean nationalists. Even inside North Korea, the new pro-Chinese North Korean regime will not necessary be popular. It is likely to revive the economy and greatly improve living

standards, but the average North Korean will not be too impressed by these improvements: for him/her, South Korean affluence will become and remain the benchmark. In other words, the leaders of this new regime will not be seen as great statesmen, presiding over remarkable economic growth. Rather they will be seen by the majority of their subjects as a bunch of opportunistic Chinese puppets, preventing the North Korean populace from enjoying the living standards of their Southern brethren.

- Second, an open intervention in North Korea will deliver a serious blow to the myth of the 'peaceful rise of China' which plays such a pivotal role in Chinese diplomacy and public relations efforts. Many of China's neighbours will worry that one day they may face the same fate as North Korea. This will make them more cautious in their dealings with China, more pro-American and harsher on their internal opposition, especially of the pro-Chinese variety.

- Third, a direct intervention in North Korea, as well as the subsequent efforts to restore now moribund state economy is certain to cost Chinese budget a lot. For China this amount may not be ruinous, but it will be onerous nonetheless. Needless to say, China needs these funds domestically to ensure the continuation of economic growth but also to ameliorate the socio-economic side effects of said growth. Last but not least, spending this money on the economic revival of North Korea will not be popular with the Chinese public who believe that there are much better uses for this money.

Therefore China has valid reasons to reconsider direct involvement in a North Korean crisis, but also equally valid reason to avoid direct involvement unless absolutely necessary. So, it is likely to remain indecisive until the last moment, and skillful South Korean diplomacy can help to tip the balance.



## What is to be done about Chinese worries

As we have mentioned above, the major goal of Korea's diplomacy is to minimize the probability of a unilateral Chinese intervention, thus increasing the likelihood of Korea's eventual unification. Fortunately for Korea, the above listed Chinese worries are legitimate, rational and relatively easily to address. Of course, Korea will have to be ready to compromise in order to make a workable deal, but the likely cost of such a compromise is not prohibitively high.

- The first issue is, of course, stability. In this regard, it is vital to demonstrate that the South Korean government (acting alone, or with its US ally) will be willing and capable of maintaining stability in the post-unification Korea.

In practice, this might hinge on Seoul's willingness to despatch forces to strife-ridden North Korea in order to stabilise the situation, secure nuclear facilities and provide basic economic security for the population.

Taking into consideration the gradual, but seemingly unstoppable changes in Seoul, one cannot help but doubt whether such a decisive and costly intervention will be politically feasible. The South Korean public and younger South Koreans in particular, are increasingly sceptical about unification. They are remarkably reluctant to pay for it, let alone risk their lives and security for it. Therefore the idea of sending military forces to North Korea in case of a crisis is likely to be very unpopular in the South. That said, South Korea's indecisiveness might essentially provoke Chinese action in the area. If Beijing sees how the situation in the North is deteriorating and getting out of control, while Seoul procrastinating, the decision to get actively involved in the crisis as natural and clearly a lesser evil.

Therefore, the political will of South Korea may become the decisive factor. If Seoul shows decisively and unequivocally its willingness to take control of the uneasy situation, as well as to lead and support the

future stable development of North Korea, China is far less likely to intervene.

- Chinese worries about the US presence can be ameliorated through a tripartite compromise. China will be more willing to accept the unification of Korea, if it believes that it will not lead to an increase in the US military presence in the area.

Therefore, it will make South Korea and the US jointly promise that after unification there will be no increase in US forces on the Korean peninsula (partial or even complete withdrawal of US forces might be considered as well). Additionally, it may help if no US units or military installations were to be stationed or built in the northern part of post-unification Korea ("no US troops to the North of the present DMZ, even after unification").

Such a compromise is likely to be acceptable to Washington, since it will not threaten US strategic interests in the region. It should concurrently be welcomed by the US military establishment, since it will be helpful in fostering long-term cordial relations with Korea. After all, the emergence of a unified, democratic and nationalist Korean state on the Chinese borders will be good news for the US government anyway.

- Worries about China's current economic interests are perhaps the easiest to deal with. It will probably suffice for the South Korean government to explicitly promise that all economic agreements between China and North Korea will be honoured after the unification. This might sound like a significant concession since many of these agreements are grossly unequal, but this is still an acceptable price to pay for achieving Korea's unity.

- Fourth, the utmost care should be taken by the Korean side in dealing with potential territorial issues. China should not be provoked. It would be helpful if the Korean government explicitly and unequivocally recognises the existing border between China and North Korea as the future border between China and unified Korea. Such a stance would clearly be criticised by Korean nationalists, but regardless of the fac-



tual nature (or otherwise) of these territorial claims, their realisation is all but importable and the continued threat of claims pertaining to the 'Kando issue', will clearly be seen as hostile activity by Beijing. There is no need to persist with activities of this sort that could directly impede unification.

### What is to be done, in the short run

The measures described above are largely aimed at placating China's future worries, when unification becomes part of the practical political agenda. While such a time will eventually come (maybe sooner than we expect) it might be quite far away and this leaves us with the question of what should be done in dealing with China now.

It has been suggested a number of times that South Korea should restart aid and generally increase its interaction with Pyongyang, in order to counteract the growing influence of Beijing in the North. While restarting aid programs is a welcome suggestion, one should not believe that the revival of South Korea's aid programs related to the North will seriously change the 'balance of power' in Pyongyang. The revival of South Korean aid is what North Korea has hoped for considerable number of years. Historically, North Korean diplomats have always tried to maintain two great power sponsors, preferably whose relations were tense and hostile. In the years 1960-90 they were China and the Soviet Union, while in subsequent years until recently they were the US along with South Korea and China. The current reliance on China is worrisome for China. As experience testifies, in the peculiar case of North Korea, economic leverage does not necessarily lead to political influence. Even when Pyongyang was completely dependent on Soviet economic assistance, it could ignore Soviet pressure and undertake actions which clearly contradicted Soviet interests (the seizure of the USS Pueblo and support for Pol

Pot's regime in Kampuchea are two among many examples). Therefore, China does not have much say over political decision making in Pyongyang. That said, however, excessive and growing dependence on China puts North Korean decision makers into a potentially unstable and perilous political position. This means that they want South Korean aid back, in order that they could then play Beijing and Seoul off against one another.

*Paradoxically, the more efforts China and Korea will put into showering North Korea with aid, the less control over the North Korean decision-making both China and Korea will have.*

Nonetheless, the revival of aid to North Korea should be welcomed. This aid is valuable because it serves a number of purposes. Needless to say, in spite of the appropriation of some aid by the elite, it still helps the average North Korean to survive in adverse circumstances. Aid also helps to drive down the likelihood of confrontation or provocation on the DMZ or NLL. However the most politically significant function of aid is the influence it exercises over the values and worldview of average North Koreans. The existence of aid is seldom mentioned by the North Korean media and when aid is mentioned, it is usually explained as a kind of tribute being delivered by the South as a token of gratitude to the North and its current regime. Nonetheless, the average North Korean, as my frequent talks with refugees testify, is aware of the existence of South Korean aid, as well as about the high quality of the products supplied from the South. This reinforces the image of South Korea as an affluent and successful state, a country to envy and emulate. Such an image encourages the development of pro-South Korean sentiment among the North Korean populace and such developments should be welcomed.

Therefore the revival of aid is desirable. It is important though to resist temptation and not to pick fights with China over North Korean issues. Like it or not, China seems to be the only country which have both the will and the means to prevent Korean unifica-



tion, when the situation will be right for it. Therefore it is advisable not to provoke China and look for all possible ways to work together on North Korean issues.

### A few concluding remarks

The rise of China is a fact of life in East Asia. For Korea there is no choice but to accept this fact and to adjust to the new, emerging order in this part of the world. China is not excessively enthusiastic about Korean unification, but its concerns and doubts are not that difficult to overcome through cold and calculated diplomacy. This diplomacy will require some concessions from the South Korean side, but considering the importance of the issues at stake, such concessions are relatively minor and acceptable. ■

### Notes

<sup>1</sup> In regard to the trade with North Korea, see *Chungang Ilbo*. 27 May 2011; in regard to trade between China and ROK, see the release of the Chinese Embassy in Seoul [kr2.mofcom.gov.cn/aarticle/bilateralcooperation/inbrief/201103/20110307428587.html](http://kr2.mofcom.gov.cn/aarticle/bilateralcooperation/inbrief/201103/20110307428587.html)

<sup>2</sup> Xi: China seeks enhanced trade, investment ties with Chile. *Xinhua*. 11 June 2011.

<sup>3</sup> *Hangyore*. 4 September 2004.

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