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China's Korean Policy: Few Options



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An Intelligence Assessment

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EA 86-10001
January 1986

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China's Korean Policy: Few Options



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An Intelligence Assessment

This paper was prepared by 
 Office of East Asian Analysis.
Comments and queries are welcome and may be
directed to the Chief, China Division, OEA, 


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*EA 86-10001
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[Redacted]

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**China's Korean Policy:
Few Options** [Redacted]

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Scope Note

This paper is an analysis of China's current policy toward the Koreas based on embassy reporting, our assessment of Chinese and North Korean propaganda and official statements. [Redacted]

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[Redacted]. None of the available information can be considered comprehensive. Both the Chinese and the North Korean media are extremely circumspect when dealing with bilateral issues; [Redacted]

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[Redacted]

[Redacted] As a result, although the judgments in this paper result from a careful weighing of the available evidence, they must be considered tentative. [Redacted]

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**China's Korean Policy:
Few Options**



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Key Judgments

*Information available
as of 4 December 1985
was used in this report.*

China has had the same key objective on the Korean Peninsula for many years—avoiding a military crisis that could bring it into conflict with the United States and Japan, to whom the Chinese look for essential strategic and economic assistance in their modernization program. Curbing Soviet influence in P'yongyang is another major concern. The new element in China's Korean policy is the strengthening of economic ties to South Korea, which Beijing sees as both a potential market for Chinese goods and a source of technology.



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China's relations with North Korea are strained, and, more important, Beijing sees itself losing ground to Moscow. We believe China's expanding ties to the West in general, and the United States especially, are the principal reasons for the downturn.



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China's dealings with South Korea are expanding.



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Trade, largely

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through third parties, now exceeds both Chinese-North Korean trade and South Korean-Taiwanese trade. There have been increasing political contacts, mostly at international conferences and sporting events, but China steadfastly refuses any official or quasiofficial ties, to avoid further alienation of the North.



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China wants to regain some of the influence in North Korea—always limited in our judgment—it has lost to the Soviet Union, but it is poorly positioned to compete now. It cannot match the military assistance Moscow can provide, nor can Beijing significantly increase its economic aid, given the demands of its own modernization program. We believe that Beijing has little choice but to continue to pursue a mix of its present policies:

- Reassure the North through high-level visits and propaganda support for key North Korean goals, such as a US troop withdrawal and a cohost role for the 1988 Olympics, that China is sensitive to its interests. We believe Beijing will also stress privately that its good relations with Washington make it a more effective lobbyist on P'yongyang's behalf.


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- Push the North to expand its economic and political contacts with the West.
- Encourage talks between the North and South and press the United States to open a dialogue with the North. Beijing will continue to resist quadrapartite talks and push tripartite talks (P'yongyang, Washington, and Seoul), in part because this is what the North wants. Beijing also fears getting trapped in discussions that would force it to side with the North, invest its prestige in a process over which it has limited control and might end badly, and inject a new contentious element into its relations with Washington.
- Limit its ties to the South. 


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Because Beijing has little influence at present in either P'yongyang or Seoul, its interests on the Peninsula are hostage to the actions of the key players there. Particularly disturbing to the Chinese, we believe, is the thought that for now at least they must count on P'yongyang's stubborn independence and Moscow's wariness of the North's intentions to curb the growth of Soviet influence. 

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We believe China sees the United States as holding the key to recapturing some of its lost influence in P'yongyang. In our judgment, Beijing believes that, if it can get Washington and Tokyo to expand contacts with P'yongyang, it can defuse the North's suspicions and offset Soviet material assistance. 

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China's Korean policy will face major challenges if the North-South talks collapse, Soviet-North Korean military cooperation continues to expand, or there is serious instability in either the North or the South. In each instance, Beijing's initial reaction is likely to be a combination of counseling restraint with the North and pressing Washington harder to show some flexibility toward P'yongyang. 

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Figure 1. In better times, Party General Secretary Hu Yaobang, flanked by Military Commission Vice Chairman Yang Shangkun, with Kim Il-song, in P'yongyang, early May 1984. 



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**China's Korean Policy:
Few Options**



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China's Aims

China's key objective on the Korean Peninsula has remained relatively constant for many years—to avoid a military crisis that would force China to side with the North against the United States and Japan, to whom the Chinese look for critical strategic and economic assistance in their modernization drive.



A second and closely related concern is to check Soviet influence. In our judgment, the Chinese are deeply concerned about another "Vietnam" on their northeastern frontier: that is, a hostile country that is dependent upon and aligned with Moscow. Indeed, judging from Chinese actions in East Asia, we think the Chinese have long wanted, for power and prestige, to be regarded by Washington and Tokyo as a key factor in preserving stability on the Peninsula and as a bulwark against Soviet penetration.

The new element in China's Korean policy is an outgrowth of its own economic reform program. As China has pursued modernization, it has become increasingly interested in developing economic ties to South Korea. We believe, on the basis of Chinese media commentary, that Beijing sees the South's burgeoning economy as an important market for Chinese exports, and as a source of technology and investment capital. A secondary goal is to influence Seoul's policy toward Taiwan and broader regional issues.

P'yongyang—The Problem

Sources of Strain

China's opening to the outside world under Deng Xiaoping has left its longstanding alliance with North

Korea as an anomaly. Aggressive, isolationist, anti-US, P'yongyang espouses a world view fundamentally at odds with Beijing's domestic and foreign policies. Given Beijing's role in brokering North Korean reunification initiatives since the late 1970s, we believe Beijing probably has tried to contain tensions and suspicions by telling P'yongyang that China's opening to Washington would further North Korean goals, specifically by improving Beijing's ability to lobby on P'yongyang's behalf.

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We believe, however, that North Korea's doubts about China have increased. Specifically, China's willingness to establish closer ties to the United States, particularly military links, and to quietly expand trade and unofficial contacts with Seoul—without delivering the dialogue P'yongyang desires with the United States—have probably heightened North Korean concerns about whether China can be counted on to help secure its goals, and about whether Beijing might even sacrifice the North's interests in the pursuit of its own strategic and economic objectives. We see P'yongyang's warming relations with Moscow, in part, as a manifestation of this concern.

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Given the importance to Beijing of maintaining its influence in P'yongyang, the turn to Moscow, in our judgment, represents a major setback for China. We believe Chinese policymakers miscalculated how sharply P'yongyang would react to China's dual-track policy. The Chinese probably were caught offguard by Moscow's decision to go along with P'yongyang's overtures to improve relations

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Although they continue to tell US officials otherwise, we believe the Chinese are especially disturbed by the

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China's Relations With North Korea in Historical Perspective

Since 1979, Beijing's relations with P'yongyang have fared inversely to the ups and downs of US-Chinese relations. Both sides appeared willing to mute differences, especially regarding Beijing's dismantling of the Maoist legacy and its break with the orthodox socialist development model, during periods of tension between Beijing and Washington, but relations have tended to sour when US-Chinese relations have improved. [redacted]

Sino-North Korean ties were especially strained following the visits of Deng Xiaoping and Hua Guofeng to North Korea in 1978—just as the Chinese proclaimed their policy of a united front with the United States, Japan, and Western Europe against the Soviet Union. Beijing and P'yongyang differed, [redacted] over China's ties to the United States and its invasion of Vietnam. Other bilateral irritants include Beijing's unwillingness to provide greater military aid, to reschedule North Korean debt, to provide more oil, and to recognize Kim Il-song's son, Kim Chong-il, as the legitimate North Korean successor. At the same time, Beijing—which was preoccupied with the Vietnam crisis—sought to maintain a floor under Sino-North Korean relations, in part by pressing Washington to be more flexible toward the North and to withdraw its troops from the South. [redacted]

As US-Chinese relations deteriorated in 1981 over policy toward Taiwan, Beijing made new overtures to P'yongyang and the two countries moved closer together. [redacted]

[redacted]
[redacted] To cement these closer ties,

Chinese and North Korean leaders made a series of important, high-level visits over the next two years. In spring 1982, Deng and then party Chairman Hu Yaobang made an unpublicized trip to P'yongyang, which Kim Il-song reciprocated with a visit to Beijing after the 12th Party Congress in September. Perhaps most important, in early June 1983 Kim Chong-il, in Beijing, was accorded a full leadership turnout, including the entire Secretariat and as many as 14 members of the Politburo—a sure sign that the leadership had decided to remove another impediment to better relations by recognizing him as Kim Il-song's successor. [redacted]

The Chinese invitation of US Secretary of Defense Weinberger to Beijing in September 1983 and the Chinese decision to work for improved ties to the United States initiated another period of tense relations. Chinese leaders have continued their efforts to broker North Korean "peace initiatives" during this period in part to retain some hold over P'yongyang. During their meeting in late September, Deng Xiaoping passed along a North Korean proposal to hold tripartite talks involving the United States, and North and South Korea, with China playing an unspecified role on the sidelines. The North Korean bombing in Rangoon, which came on the day after P'yongyang asked Beijing to pass on its proposal for tripartite talks to the United States, both embarrassed and angered the Chinese. China's subsequent public condemnation of North Korean "acts of terrorism," US and South Korean rejection of the terms of the North Korean proposal, and Beijing's growing indirect trade and political contacts all led to P'yongyang's renewed overtures to the Soviet Union for military aid and support. [redacted]

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Figure 2. The propriety of Kim Chong-il's succeeding his father, Kim Il-song, as leader of North Korea concerned Beijing until June 1983, when virtually the entire Chinese leadership turned out to greet the younger Kim in Beijing. [redacted]

Although relations are strained, the Chinese have not given up on the North Koreans. Indeed, they have sought to mollify them in the hope of retaining influence in P'yongyang. They repeatedly endorse the North's reunification proposal, for example, by publicly backing its bid to cohost the 1988 Olympics and by calling for the withdrawal of US forces from South Korea, and request that the United States cut back or suspend the joint US-South Korean Team Spirit Exercise. Moreover, by sending Vice Premier Li Peng, Zhao Ziyang's probable successor, in October 1985 to attend the anniversary of China's entry into the Korean war, the Chinese are underscoring the importance they attach to developing close ties between China's successor generation and the North's. [redacted]

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North's decision to expand its military relationship with the Soviets. The delivery in 1985 of almost a full regiment of MIG-23s, the port call by Soviet naval vessels this August, and—perhaps most alarming for Beijing—P'yongyang's decision to permit Soviet reconnaissance aircraft to overfly North Korean airspace to collect intelligence against China ' probably create fears that P'yongyang might eventually give the Soviets regular access to North Korean air and naval facilities—just as Vietnam has—in exchange for increased military and economic assistance. [redacted]

Limited Leverage

As tensions have grown in Sino-North Korean relations, Chinese ability to influence decisionmaking in P'yongyang—which we believe was always limited—has, in our judgment, declined. US Embassy reporting from Beijing leads us to believe Beijing's modest economic and military aid to P'yongyang is insufficient to create the leverage to alter P'yongyang's policy direction. Moreover, China does not have the resources—or the inclination, given the North's poor record of repayment—to meet once again the North's pressing need for credits, investment, and, to a lesser extent, oil. Nor can it compete with the Soviets in supplying military technology, as a Chinese specialist on the Koreas recently acknowledged to US officials. [redacted]

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P'yongyang's support of Soviet foreign policy positions that run counter to Chinese interests has also angered Beijing. According to the US Embassy in Moscow, Chinese officials there noted with dismay North Korean Foreign Minister Kim Yongnam's endorsement of Vietnam's peace proposals during his visit to the USSR last May. The North also has endorsed Moscow's call for "socialist unity" in the face of "imperialist aggression" in East Asia—a call Beijing pointedly rejected more than two years ago, [redacted]

Seoul—The Potential

Economic Imperative

If political considerations are driving China's relations with the North, economic interest is the force behind China's expanding contacts with the South. Indirect trade—handled mainly through Hong Kong and Japan—grew rapidly in the second half of 1984 and the first three months of 1985 before Beijing clamped down on all trade to slow the hemorrhaging

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[redacted] Equally important, the North has often questioned the ideological basis of China's modernization program, which reflects just how far the two have drifted apart both strategically and ideologically. P'yongyang underlined this notion last July when Kim Il-song noted that, although North Korea wants to build up its economy through increased contacts with the outside world, North Korea would "never" introduce foreign capital and risk becoming a "subjugated" economy like China. [redacted]

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The View From Korea

The Korean states have predictably irreconcilable goals regarding China. P'yongyang wants to inhibit South Korean contacts with China and the Soviet Union while expanding economic relations with Japan and political contacts with the United States. Seoul seeks to expand economic relations with Beijing and use the 1988 Olympic award to increase at least cultural exchanges with the Soviets, while warning both Washington and Tokyo to keep their distance from P'yongyang. [redacted]

Operating within its own triangle, North Korea plays Moscow and Beijing off against one another, but taking care, in our judgment, to avoid unnecessarily or permanently antagonizing either of its giant neighbors. Regarding China in particular, we believe P'yongyang takes seriously shared sacrifices during the Korean war, basks in Chinese praise for the North Korean system, and relies on Chinese support for North Korean security policies. [redacted]

North Korea's complex relationship with China is reflected in its ambiguous attitude toward improved US-Chinese relations. P'yongyang, in our judgment, worries that Beijing privately favors retention of US troops in South Korea to counter the Soviet military buildup in Asia. The North wants Beijing to make withdrawal of US forces in South Korea a condition for better ties to Washington, just as China has made Soviet troops in Afghanistan and along the Sino-Soviet border obstacles to improved Sino-Soviet relations. [redacted]

At the same time, P'yongyang recognizes that it could benefit from the Beijing-Washington relationship, and we believe the North continues to press China to argue its case. Although probably unhappy with the results to date, P'yongyang has not entirely given up hope that Sino-US ties can be exploited. Over the last year, for instance, the North Koreans have passed a series of messages via Chinese foreign ministry officials to the US Embassy in Beijing concerning the North-South Korean dialogue and P'yongyang's proposal for tripartite US-North Korean-South Korean talks. [redacted]

Seoul, of course, hopes to use its expanding economic ties to China as a lever for eventual diplomatic relations. South Korean expectations in this regard seem exaggerated. Seoul lacks P'yongyang's ability to play off rival Soviet and Chinese suitors. Beijing has consistently turned aside all attempts to establish an official or quasi-official political relationship, and will continue to do so because of the need to protect Beijing's credibility in P'yongyang. [redacted]

Seoul, too, probably has mixed feelings about US-Chinese ties. Fearing secret deals, the South is capable of seeing the worst in normal contacts. At the same time, Seoul believes good US-Chinese relations reduce North Korean options on the Peninsula. [redacted]

in its foreign exchange holdings (see chart). Even so, trade between the two had already exceeded \$500 million in August, and some South Korean businessmen predict it could reach \$1 billion in 1985—more than double China's trade with North Korea. The Chinese no longer try very hard to mask this trade. China's English-language newspaper, *China Daily*, for example, published a prominent advertisement for Samsung, a South Korean electronics conglomerate, last May. Beijing, moreover, now permits South Korean businessmen to travel in China, to confer directly

with Chinese officials, and to form joint ventures with Chinese firms—although the Chinese still generally require the South Koreans to use a subsidiary outside of South Korea. The Korean firm Daewoo, for example, has formed a joint venture with a Hong Kong middleman and a Fujian provincial enterprise to build refrigerator and television assembly lines in Fuzhou, according to the US Consulate in Hong Kong.

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Figure 3. This advertisement placed in the 30 May 1985 China Daily by the South Korean conglomerate Samsung symbolizes the rapid growth in China's trade with South Korea. Samsung, Daewon, and Lucky Star are all pursuing expanded trade [redacted] with Chinese officials [redacted]



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Beijing's search for development models and its need for medium-level technology and export markets partly explain these developments. Chinese economic planners began studying the South Korean development experience in the late 1970s, after Chinese leaders committed themselves to economic modernization at the landmark Third Plenum in 1978. According to our analysis, the Chinese media continue to follow trends in the South Korean economy with great interest. [redacted]

Political Considerations

Beijing probably also sees some potential political return from its expanding economic contacts. Over the longer run, Beijing probably hopes it can undermine Taipei's relations with Seoul by building strong

trade ties to South Korea—the only country in Asia that still recognizes Taiwan. Indeed, Sino-South Korean trade through August 1985 already exceeds the total value of Taiwan's trade with the South in 1984, \$475 million (see the chart). [redacted]

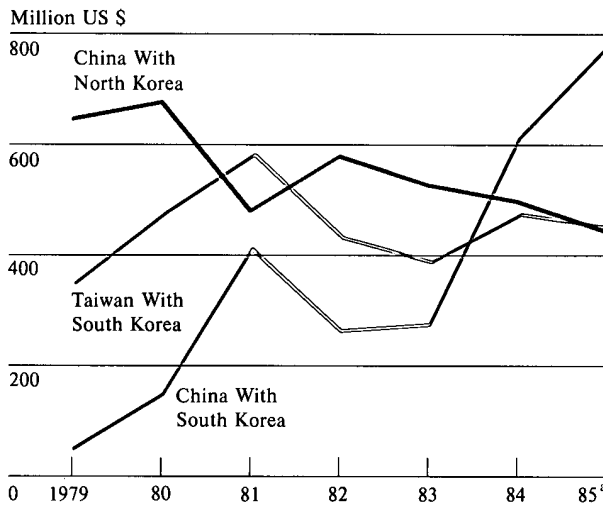
Translating economic ties into political leverage is another matter, but unofficial contacts are increasing. Chinese and South Korean citizens now routinely attend international conferences and sporting events in each other's country. China also has opened direct mail and telephone links to Seoul and allowed family reunion visits between South Korea and Heilongjiang

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Figure 4
China's and Taiwan's Trade With the Koreans, 1979-85



^a Estimated.

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Province, which has a large Korean minority population—something that must displease P'yongyang.

Crises of one sort or another have propelled the relationship forward. The hijacking of a Chinese airliner to Seoul in May 1983 produced the first face-to-face negotiations between the two countries without a third country present, and similar incidents since have been resolved in a businesslike manner.

Limitations

The obvious interest on both sides notwithstanding, we believe Chinese-South Korean political contacts probably will not progress much further. The importance to Beijing of maintaining what leverage it has with the North—particularly when Moscow is gaining ground there—effectively gives P'yongyang a veto

over political ties. Moreover, Beijing's strategic assessment of the Peninsula is unlikely to change: the recognition that tensions there would undercut key policies elsewhere makes mollifying P'yongyang high on Beijing's list of priorities. Some expansion of South Korean-Chinese political contacts may be possible as a follow-on to expanded North-South contacts or US-North Korean contacts. China has more room to maneuver on economic relations, if only because so much of the trade goes through third parties.

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Preserving Interests

Few Options

With limitations on how far it can go with Seoul and a cooling relationship with P'yongyang, Beijing, in our judgment, has little choice but to continue to pursue a mix of its present policies. Specifically, over the next year, we expect China to attempt to regain some of the ground it has lost in North Korea by continuing to:

- **Reassure the North.** Beijing can be expected to expend considerable energy in the form of high-level visits attempting to convince P'yongyang of the wisdom of its opening to the West and China's sensitivity to North Korea's interests. Party General Secretary Hu Yaobang consults with senior North Korean leaders regularly, and he personally oversees China's Korean policy. We believe Beijing has been careful to brief the North Koreans on the substance, if not the details, of each round of talks with senior US officials, and we expect this to continue. The Chinese will also continue to call for US troop withdrawals and give propaganda support on issues of concern to the North.
- **Push the Open Door.** The Chinese keep trying to convince P'yongyang of the merits of pursuing an open-door policy similar to their own. They take visiting senior North Korean officials, such as Premier Kang in 1984, to the model Shenzhen Special

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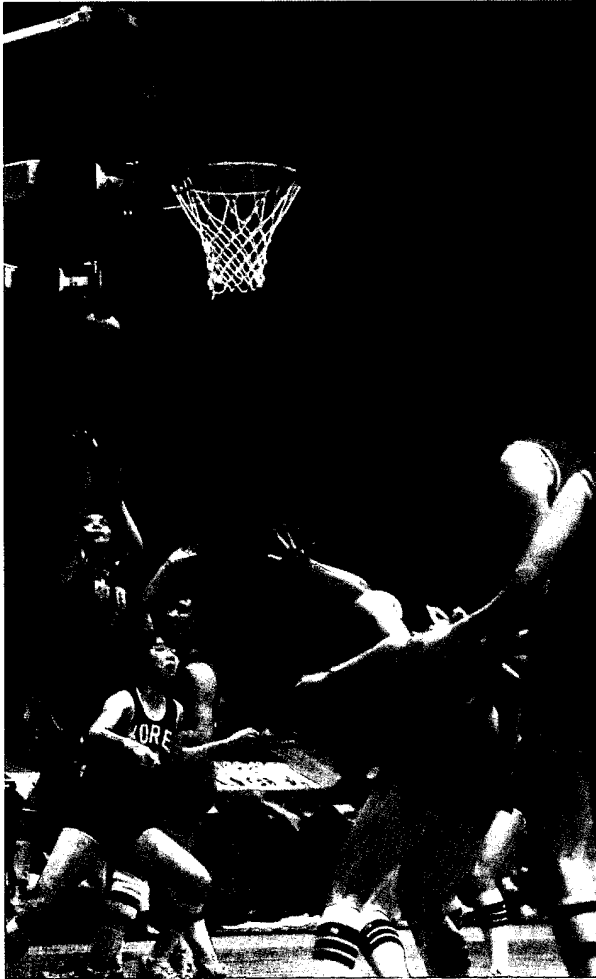


Figure 5. Chinese and South Korean basketball teams competing in the 9th Asian Games, New Delhi, 2 December 1982. [redacted]

Economic Zone, and encourage them to seek Western investment. The joint-venture law P'yongyang adopted soon after indicates the Chinese may be having some success in this area.

- **Broker Talks.** We believe the Chinese are encouraging P'yongyang to continue—and even expand—its talks with Seoul in the hope that talks will keep tensions on the Peninsula manageable. Circumstantial evidence suggests that Chinese leaders urged Kim Il-sung to reopen the economic and the suspended Red Cross talks when he visited Beijing in November 1984. The Chinese media, moreover,

have given broad and enthusiastic coverage to the talks and to other North-South efforts at reconciliation, such as the recent family reunification visits.

The talks present some problems for Beijing. It has resisted direct involvement—which South Korea and the United States have sought—and pushed tripartite discussions (North Korea, the United States, and South Korea), almost certainly because this is the way the North wants it. Moreover, comments by Chinese officials lead us to conclude that the Chinese apparently fear that if they joined such talks they would become locked into siding with the North, invest some of their prestige in a process over which they would have limited control and that might end badly, and inject a new contentious element into their relationship with the United States.

- **Limit Ties to the South.** Beijing has consistently turned a deaf ear to South Korean requests for a more official relationship including trade offices, and, in our judgment, can be expected to continue this course. In particular, all cross-recognition schemes are unacceptable to the North and thus to Beijing. Contacts at international gatherings will continue—Beijing has already stated it will participate in the 1986 Asian Games in Seoul and the 1988 Olympics—and the Hong Kong channel exists for private communications on such issues as hijackings. Trade will probably continue to grow, but most will continue to flow indirectly between the two countries via Hong Kong and Japan. [redacted]

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Two other possible options—significantly increasing aid to the North or terminating all economic or political contacts with the South—are clearly not in the cards. Enmeshed in its own modernization program, Beijing cannot afford to significantly increase its contribution to P'yongyang, nor can it compete with the Soviets in offering sophisticated military hardware, such as MIG-23s. We also believe that China is unlikely to cut back at a time when it is attempting to expand its markets and gain access to

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intermediate-level technology. Beijing may also calculate that a cooling in its relations with Seoul would restore relatively little warmth in its relations with P'yongyang. [redacted]

reconsider participating in tripartite talks, especially if the North-South talks make progress. Beijing is likely to vent some of its frustration and irritation at Washington and Tokyo in the process. [redacted]

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Hostage to Others

For now, the Chinese have been largely relegated to advising from the sidelines, and indeed, to a larger degree, Chinese strategic interests on the Peninsula are, in our view, hostage to the actions of the other key players. The Chinese appear to have little direct influence, for example, over whether the North decides to continue talks with the South or reverts to a more aggressive approach. The North even recently used the Soviets, instead of the Chinese, to convey a message requesting US participation in tripartite talks. Beijing can do little to influence the various North-South talks and can only hope that they evolve in a way that contributes to more lasting stability on the Peninsula—and that the Soviet Union and United States do not take steps there that exacerbate tensions or further weaken China's ability to play a larger role. Particularly disturbing to the Chinese, we believe, is the thought that, for now at least, they must count on P'yongyang's stubborn independence and Soviet wariness of the North's intentions to limit the growth of Moscow's influence. [redacted]

Potential Setbacks

China's Korean policy could face major setbacks in the coming months. Any one of three broad developments would tend to underscore Beijing's relative inability to shape events on the Peninsula and prompt the Chinese to press Washington harder to show more flexibility toward the North. [redacted]

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The North-South Talks Collapse. This would intensify Beijing's concern about stability, especially if the North appeared intent on reverting to a policy of trying to subvert the South. Beijing would have little recourse but to urge P'yongyang to display restraint and return to the negotiating table. To mollify the North, China might curtail trade and other contacts with the South temporarily; at a minimum, it probably would try harder to mask them. The Chinese probably would also blame Washington for failing to provide more support and show greater flexibility, and press for US concessions to the North and pressure on the South. [redacted]

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Soviet-North Korean Military Cooperation Increases Faster Than Expected. Beijing would be deeply disturbed by such a development—especially if the North granted the Soviets some basing rights in exchange for more arms. At a minimum, the Chinese probably would express their concerns privately to P'yongyang, but they are not in a position to compete with the Soviets in providing weaponry. They could try to curry favor by becoming more cautious in handling both trade with the South and military relations with the United States. But the Chinese could just as easily decide to signal their displeasure by becoming less responsive to new requests by the North for aid or oil. We suspect that China's recent decision to eliminate the North as a middleman for arms sales to Iran—a major foreign exchange earner for P'yongyang—may have been meant in part as such a signal. The Chinese also could decide to do

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We believe the Chinese see Washington as holding the key to their chances of regaining lost ground in P'yongyang. [redacted]

As an inducement to Washington, the Chinese have hinted at the possibility of greater official contact with Seoul in exchange. Vague quid pro quos aside, we expect China to continue pressing the United States and Japan to adopt more flexible policies toward North Korea and to urge the United States to

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even less to mask their contacts with the South to generate some counterleverage with P'yongyang. We suspect they would be very reluctant, however, to cut off all aid to the North, as they did to Vietnam, for fear of losing any chance of healing the breach later.

[redacted]

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Instability in the North or South. If a crisis occurred over the succession in P'yongyang, Beijing probably could do little to influence the actual outcome and probably would be limited to wooing winners in hopes of rebuilding China's standing. China might press the United States to be more forthcoming—either in contacts with the North or by lowering its profile in the South, such as in the Team Spirit Exercise—arguing that such actions would help the “moderates” in P'yongyang. [redacted]

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There is little, on the other hand, that China could do in the event of severe political turmoil in South Korea, although China probably would urge the North to act with restraint [redacted]

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[redacted] The Chinese would certainly press Washington to exert a stabilizing influence in a crisis. [redacted]

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