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China's Policy in North Asia



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An Intelligence Assessment

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*EA 82-10062
June 1982*

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An Intelligence Assessment

*Information available as of 25 May 1982
has been used in the preparation of this report.*

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

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**China's Policy
in North Asia**

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Key Judgments

China shares with Japan and the United States a basic interest in the stability of the Korean Peninsula, and Beijing has been careful to avoid linking major Sino-US differences over Taiwan with Chinese policy in North Asia. The Chinese see instability in Korea as a direct threat to their security and to their strategic relationships with Japan and the United States.

Since the early 1970s Chinese policy on the Korean Peninsula has become more flexible and has evolved toward a tacit acceptance of the two Koreas. Beijing continues to give priority to maintaining solid ties with P'yongyang but has also adjusted its policies to accommodate Japanese and US equities by:

- Demonstrating support for the economic, military, and political status quo in Korea.
- Seeking to preclude the expansion of Soviet influence on any Korean issue.
- Allowing room for greater contact with South Korea to provide new trade and technological ties for China's modernization.

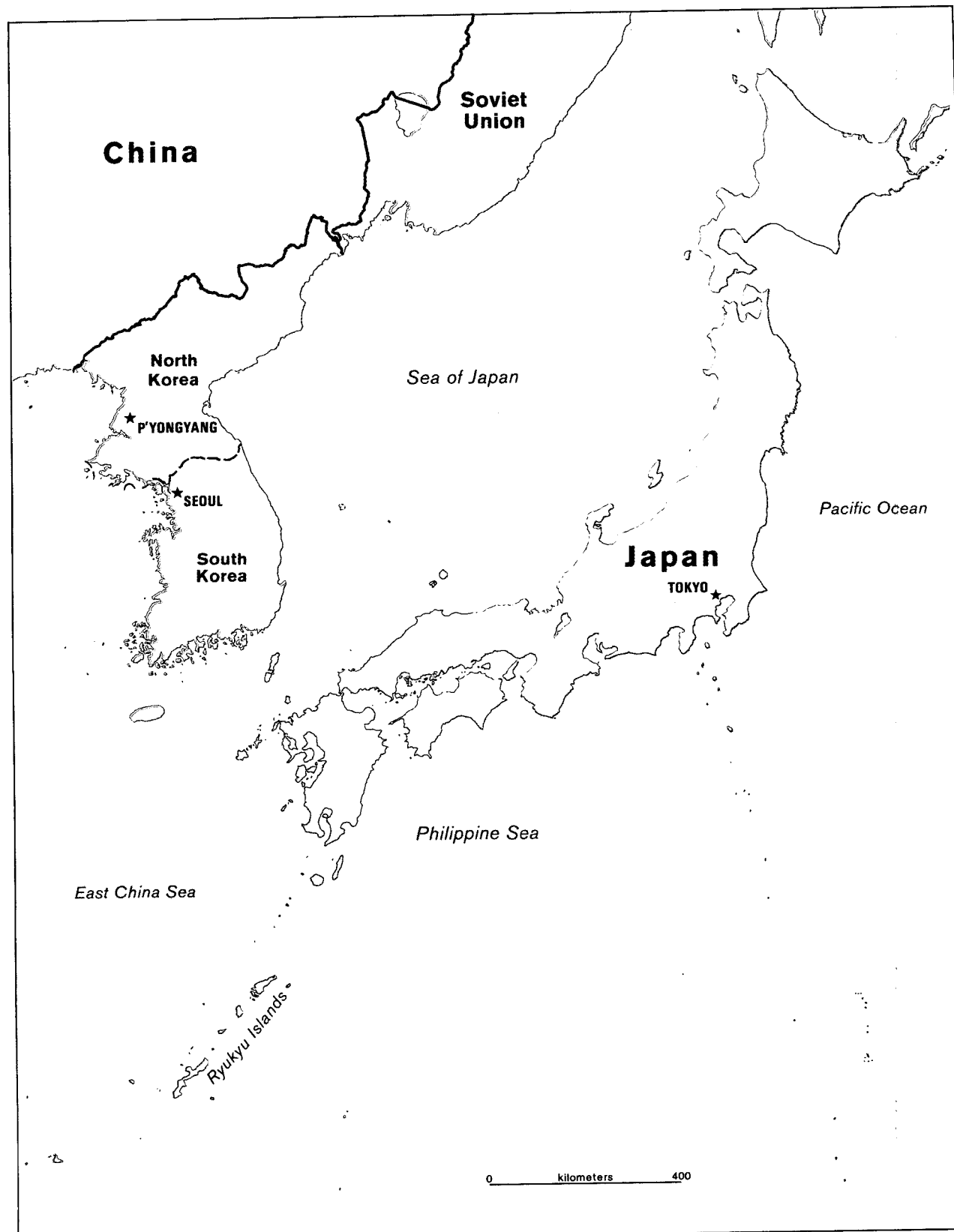
Intermittent frictions as well as some economic and strategic policy differences with Japan have not prompted Beijing to reassess the common interest in stability in Korea that it shares with Tokyo. China and Japan in the past few years have lowered earlier expectations for their own relationship, but China has not changed the important role it accords Japan as its primary source of economic and technological aid.

On strategic issues, China is encouraging a more forthright Japanese defense policy and continued close cooperation between Japan and the United States. Nevertheless, the Chinese still question the Japanese view of Soviet intentions and see Tokyo's willingness to adopt a firmer posture toward Moscow as the bellwether of Japan's foreign policy.

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**China's Policy
in North Asia** [redacted]

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Despite current difficulties with the United States over the Taiwan issue, China views the stability of North Asia as basic to the development of its relationships with Japan and the United States. The interests of all three powers as well as those of the Soviet Union—China's major antagonist—intersect on the Korean Peninsula, where Beijing's concerns about instability and the resulting danger to China's own security are important influences on Chinese policy. China's increased emphasis on the threat of Soviet expansionism has also sharpened Beijing's focus on North Asia in recent years, especially after Soviet inroads in the regions of Southwest and Southeast Asia bordering China. [redacted]

Balancing Support for North Korea

In the past several years, China has tried to balance its increasingly explicit acknowledgment of Japanese and US interests on the Korean Peninsula with its longstanding desire to maintain close working ties with North Korea. To that end, the Chinese have told Tokyo and Washington in public [redacted] that they believe P'yongyang does not threaten Seoul and seeks reunification only through peaceful processes. [redacted]

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Since the early 1970s, these Chinese concerns have prompted Beijing to introduce an increased flexibility into its policy toward the two Koreas. China still wants to maintain a solid tie with North Korea but has slowly reoriented its policy toward P'yongyang in a way suggesting that Beijing's interests in Korean stability mesh more closely with Japanese and US views. At the same time, China has invested heavily in building its economic relationship with Japan and in publicly advertising the growing community of views between Beijing and Tokyo on international as well as bilateral issues. Beijing's actions point to its recognition that economic and political stability in Korea are prerequisites for future cooperation with Tokyo and Washington and for precluding expanded Soviet influence. [redacted]

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As the Chinese have tried to keep the momentum in their relations with Japan and the United States, their interests have increasingly caused friction with North Korea. Even in the face of the Sino-US bilateral dispute over Taiwan, Beijing continues to view the development of relations with Tokyo and Washington as an aid to China's modernization and as opposition to Soviet expansionism. These considerations transcend the advantages of backing P'yongyang's desire for Korean reunification. [redacted]

Beijing's portrayal of its actions and motives for the benefit of Western audiences seeks, of course, to put the best face on Chinese policy. On the one hand, China can use these statements to show it supports political stability in Korea. On the other, however, China seeks to take credit for North Korean actions over which Beijing probably has very little influence. The Chinese often appear to shrug off particularly bellicose political or military stands by P'yongyang. In addition, they publicly continue to repeat and defend

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North Korea's statements regarding South Korea and reunification. Moreover, they have never claimed a willingness or ability to restrain North Korea directly

[Redacted]

Even so, important changes in China's overall posture toward North Korea suggest a basic interest in ensuring stability on the Peninsula, particularly since the visit of former Chairman Hua Guofeng to P'yongyang in 1978. Before Hua's visit, the Chinese had tried to smooth over the bilateral problems engendered by the Cultural Revolution in the mid-1960s. Both sides publicly described Hua's trip as "a resounding success."

[Redacted]

After the visit in 1978, both the Sino-Japanese friendship treaty and the imminent diplomatic recognition of the United States underscored Beijing's intent to pursue closer ties with Tokyo and Washington. P'yongyang almost certainly viewed China's new priorities with apprehension. The North Koreans may have believed that Beijing's priorities pointed toward the eventual loss of China's traditional support.

Despite P'yongyang's desire to manage its relations with Moscow and Beijing in an evenhanded manner that minimizes dependence on either, North Korean ties with the Soviet Union have not been as close as those with China. On various occasions when frictions have developed with Beijing, P'yongyang has signaled an interest in improving relations with Moscow; in general, however, the Soviets have failed to respond in kind and have even indicated irritation with North Korea. For example, Moscow sent only a domestic leader to the Korean Workers Party Sixth Congress in 1980; Soviet treatment of treaty anniversaries continues to show little regard for relations with P'yongyang.

In any case, China apparently calculates that its relations with North Korea offer added room for maneuver in pursuing other foreign policy goals. For example, Beijing has moved closer to the Japanese and US position regarding the role of US troops in South Korea. Publicly, the Chinese still echo the North Korean demand for total withdrawal, but by not referring to a specific time frame, they have, in effect, given tacit acquiescence to the presence of US forces. In the past few years, Chinese officials have also implied that Beijing views US troops as necessary to Korean stability.

[Redacted]

To date, North Korean disapproval or criticism has not prompted Beijing to change its behavior, although the Chinese remain sensitive to P'yongyang's sentiments. China is apprehensive about a North Korean tilt toward the Soviet Union and seeks to retain some leverage in P'yongyang. The Chinese, for instance,

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continue to give military assistance to North Korea; they still supply military transport and training aircraft and, in addition, recently have delivered new—albeit vintage design—jet combat aircraft. [redacted]

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The Chinese could face a different—and difficult—set of questions if P'yongyang chose to make an issue of their new directions in domestic and foreign policy. For example, the North Koreans could argue that by expanding relations with the United States Beijing is deliberately acting against P'yongyang's interests. China also remains acutely aware of the uncertainties posed by North Korea's leadership succession and its new policies. North Korea is certain to limit the extent of new Chinese initiatives in the region. [redacted]

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Flexible Policy Toward South Korea

China officially remains firmly opposed to relations or contacts with Seoul. The Chinese also have ruled out any cross-recognition formula—Chinese recognition of South Korea in return for US recognition of North Korea—or any open acknowledgment that there are two Korean governments. Nevertheless, Beijing has moved toward tacit acceptance of “two Koreas” and, more importantly, has permitted indirect contacts with Seoul to develop—especially through trade. [redacted]

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The Chinese see their greater flexibility toward South Korea lending credence to signals to Tokyo and Washington that Beijing shares an interest in Korean stability. In addition, this flexibility provides some economic benefits and offers the potential for future help for Chinese modernization. [redacted]

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South Korea currently imports some Chinese raw materials, particularly coal, and is a source of manufactured goods such as synthetic fibers and electronic equipment. Indirect trade probably exceeded \$300 million in 1980 and rose sharply again in 1981. Total trade last year apparently reached \$500 million, although some estimates range as high as \$1 billion. Both sides try to keep the trade moving through intermediaries in Hong Kong, Singapore, and Japan, but some recent shipments have gone directly from China to South Korea in ships with third-country registry. [redacted]

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However potentially unsettling to P'yongyang, the significance of China's actions should not be exaggerated. In addition to the constraints imposed by Chinese ties to the North, Beijing's interest in South Korea is limited by its position regarding Taiwan. The Chinese believe that their recognition of "two Koreas" would weaken their argument for "one China." Moreover, China's role as a principal actor in any great power arrangements affecting the Peninsula also circumscribes its interest in unrelated initiatives toward South Korea. In any event, although Beijing is unlikely to break new ground in its dealings with Seoul, China will continue to regard South Korea as a potentially important source of economic benefits for China's modernization. [redacted]

Relations With Japan Take On Increased Importance

Since the early 1970s, when China began the process of diplomatic normalization with both Japan and the United States, Chinese relations with Korea have figured prominently in Beijing's ties with Tokyo and Washington. The Chinese recognize that, like the United States, Japan places a premium on the maintenance of stability on the Korean Peninsula and that Tokyo has repeatedly looked to Beijing to exercise its influence in P'yongyang to that end. In fact, the evolution of Chinese policy toward the Korean Peninsula in the last decade has been shaped in large part by Beijing's effort to account for Japanese and US interests in the Korean problem. [redacted]

Beijing has sought to highlight its flexibility and desire for stability in Korea to Tokyo and Washington—a message that has been consistent in both capitals. Intermittent frictions with Japan have not prompted China to link its Korean policy to other issues in seeking to influence Japanese behavior. Rather, the Chinese have avoided even hinting at major change on their part concerning such sensitive issues in dealing with Japan, where Beijing wants a long-term relationship to gain economic and technological assistance for modernization and political support to counter Soviet expansionism. Current Sino-US bilateral strains almost certainly increase the importance to China of developing closer economic and political ties to Japan. [redacted]

There has been some reassessment of the relationship, however, by Beijing and Tokyo because of their initial overly optimistic expectations regarding the potential development of economic ties. Japanese capital equipment exports and developmental financing were to be offset by Chinese energy exports, particularly oil and coal, which were attractive to Japan. Such expectations prompted the Japanese to become more deeply involved with the Chinese economy than is any other nation. [redacted]

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Beijing's recent failures to fulfill its economic arrangements have been viewed by Japan as threatening this important economic investment. During the past year, negotiations regarding China's arbitrary cancellation of whole plant contracts were prolonged and at times contentious. In reaching an agreement in December 1981 on their outstanding problems, both Beijing and Tokyo recognized that a solution was needed to avoid the danger of continuing problems over contracts disrupting the overall relationship. [redacted]

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The two sides now demonstrate more modest expectations for their relationship and recognize the need to devise policies in line with this view. The Chinese accordingly may find Japanese developmental assistance harder to come by, although Beijing will continue to cultivate the Japanese so as to encourage Tokyo to remain a primary source of investment funds and technological assistance. [redacted]

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China has also lowered its sights for the political and strategic aspects of its relations with Japan. Essentially, Beijing places more emphasis on the threat of Soviet expansionism in the region than does Tokyo, but neither side wants divergent strategic views to create problems in other areas of the relationship. [redacted]

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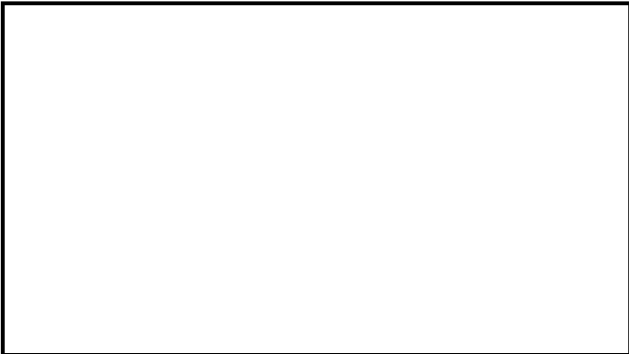
As a case in point, Beijing has focused attention on—and has tried to influence—Japan's defense policy, which China views as a crucial indicator of the direction of Japan's overall foreign policy. China has called for improvements in Japan's defense capability; although wary of the dangers inherent in resurgent Japanese militarism, the Chinese view a militarily

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strong Japan as a key element to political stability in North Asia. Indeed, Beijing explicitly links the need for Tokyo to strengthen its defenses with the threat of Soviet expansionism. The Chinese have expressed appreciation of and support for improvements already undertaken in Japan's defense program; they have also lobbied the Japanese, [redacted] to accelerate their program. [redacted]



Nevertheless, Beijing has moderated its approach in the interest of the overall relationship. In response to charges of being insensitive to Japanese feelings about defense and Soviet-Japanese relations, the Chinese now couch their calls for stronger defense in terms of support for the Japan-US mutual security treaty. China's media, for example, lauded last year's Reagan-Suzuki summit, pointing out that, for the first time, both Washington and Tokyo specifically expressed concern over Soviet expansionism, acknowledged a division of roles in defense matters, and—most importantly—characterized their own relationship as an “alliance.” [redacted]

In the context of this “new development,” the Chinese have been urging Japan to enlarge its share of the burden of the Japan-US treaty and have applauded Tokyo's recent decision to increase defense spending in 1982. China's media noted Washington's favorable response and sought to imply that the higher defense budget is related to opposition to the Soviet Union. Still, the Chinese would prefer even larger increases for defense and a firmer commitment by Tokyo for cooperation with Washington—and eventually with Beijing—on major political and strategic issues. [redacted]

Implications for US-China Relations

China's interest in maintaining regional stability is likely to continue despite current difficulties with the United States over the Taiwan issue. The Chinese do not necessarily view this bilateral problem as leading directly to Sino-US confrontation in regions such as North Asia, where both governments now have similar interests. China also will continue to attach importance to close ties with Japan. Beijing hopes to benefit—through trade and investment—from both Tokyo and Washington; nevertheless, the Chinese have to follow a circumspect foreign policy because they still must contend with significant limits imposed by North Korea and its desire for reunification. [redacted]

Beijing is on the record in support of Korean reunification but views hostilities as a crucial threat to relations with Tokyo and Washington and as a golden opportunity for Moscow. Although the Chinese claim that North Korea understands their refusal to support military action against South Korea, Beijing's influence—and its policy options—would face serious hurdles if P'yongyang initiated unilateral action. Under such circumstances, the Chinese would have to deal with the challenge of Soviet involvement, knowing full well that regardless of who instigated the hostilities, China's relationship with the United States would probably be the first casualty. Indeed, Beijing's tacit acceptance of the deterrent value of US troops in South Korea almost certainly stems from China's own limited ability to prevent a North Korean attack. [redacted]

Despite its professed support for reunification on P'yongyang's terms, Beijing almost certainly sees North-South contacts and negotiations as an added insurance against unilateral hostile actions. [redacted]



Beijing will continue to cultivate relations with P'yongyang through high-level visits—Premier Zhao's visit in December 1981, for example—as well [redacted]

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as through aid and public statements. These efforts are in part to persuade P'yongyang to deal with Seoul on a constructive rather than a hostile basis. [redacted]

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Given the limits on Chinese flexibility in Korea, Beijing has encouraged Washington to play a larger role in promoting stability on the Peninsula. The Chinese, [redacted] have urged the United States to respond positively to North Korean overtures for bilateral discussions and a negotiated peace treaty. Beijing views these approaches to Washington as serving several interests:

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- The Chinese could claim credit with P'yongyang for any US approaches, just as they claim credit in the West for influencing North Korea's peaceful intentions.
- Regarding the Sino-US relationship, Beijing has continued to convey the message that China shares the US interest in political stability and tacitly accepts the status quo in Korea. [redacted]

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- Believing that Washington probably relays Beijing's messages to Seoul, the Chinese could expect to promote their self-interest. In offering South Korea the possibility of increased contacts, Beijing is aware of the potential for economic assistance to its modernization. [redacted]

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