

Policy Forum 06-02A: China Raises its Stake in North Korea

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"China Raises its Stake in North Korea"

Essay by Andrei Lankov

CONTENTS

[I. Introduction](#)

[II. Essay by Andrei Lankov](#)

[III. Nautilus invites your responses](#)

I. Introduction

Andrei Lankov, a lecturer in the faculty of Asian Studies, China and Korea Center, at Australian National University who is currently on leave, teaching at Kookmin University, Seoul, writes "active intervention in North Korea will undermine the remarkable goodwill toward China, which can be seen among many neighbors as the rising giant. So, it is more likely that the Chinese will avoid

political adventurism and limit themselves to gaining economic advantages in the northern part of the Korean peninsula."

The views expressed in this article are those of the author and do not necessarily reflect the official policy or position of the Nautilus Institute. Readers should note that Nautilus seeks a diversity of views and opinions on contentious topics in order to identify common ground.

II. Essay by Andrei Lankov

- China Raises its Stake in North Korea
by Andrei Lankov

North Korea is living through a foreign language boom. Learning languages has always been a good way to secure lucrative and prestigious jobs in the country, but in past one had to specialize in Russian, French or English.

These days, Chinese is becoming the most popular choice, more or less equal to English. And it would appear young and ambitious North Koreans are making the right decision.

The Chinese presence in North Korea is growing fast. In 2004, Chinese investment in the economy reached US\$50 million. This year, the figure will be \$85-90 million. This is remarkable growth: merely two years ago, in 2003, Chinese investment was just \$1.1 million.

This year, the trade volume between China and North Korea is expected to reach \$1.5 billion. Not a great amount of money by the international standards, perhaps, but it still makes China the largest trade partner of the North. The share of trade with China is likely to reach 48% of all North Korean foreign trade. With the investment, China's share is even higher - some 85%.

Chinese traders are highly present in Pyongyang, and make up a large part of the crowds in Pyongyang's major casino, open only to foreigners. And in a much-publicized deal, a Chinese company has entered a joint venture to run First Department Store, the major shopping mall of the North Korean capital and its prominent landmark.

This growth in the Chinese presence is seen by Seoul with certain unease. The scale of activity is unprecedented, and it is well known that trade with or investment in North Korea has seldom been profitable. Throughout the 60-year history of this peculiar place, most trade with Pyongyang has been politically motivated.

Foreign powers traded with North Korea because this was seen as a way to increase influence there. And it seems the same motivation is behind the present-day Chinese trade boom. So it comes as no surprise that South Korean officials, journalists and academics in the last two years have begun to talk about China's "neo-colonial push" toward North Korea.

There are reasons for this suspicion. China has both serious incentives to keep North Korea afloat, and the ability to do so. The strategic goals of China are influenced by its rivalry with the United States. This rivalry lacks the intensity of the Cold War once waged by the Russians and Americans, but it is real nonetheless.

Since a unified Korea (should it ever happen) is likely to remain under a strong American influence, and perhaps even have a continuing US military presence, its unification would mean a deterioration of China's strategic position. In 1950, China chose to fight a major war to prevent exactly this - the unification of the Korean peninsula under a pro-US government.

The continuing survival of North Korea is also important for Chinese domestic policy. In spite of all its economic successes, the communist government still has concerns over internal stability, and the collapse of another communist regime might have consequences for Chinese internal stability.

Importantly, China has the means to support the North Korean regime. After all, one or two billion dollars a year are sufficient to keep Pyongyang afloat. This is a large sum, but quite affordable for China. If North Korea receives such a regular subsidy, in all probability it will try to re-start the former system of complete state control and rationing of consumer goods. Even though this is incompatible with economic growth, it will help keep the populace both alive and obedient.

However, more sinister scenarios are being discussed in Seoul these days. There are growing worries that Chinese involvement will not be limited to just shipping trainloads of grain and fertilizer to prevent the North Korean government from collapsing. More direct involvement in the event of a crisis is possible, up to the point of installing a pro-Chinese government in Pyongyang, according to some observers. These fears are not necessarily paranoid: if anything, South Korean public opinion is rather pro-Chinese these days.

The "Chinese solution" might be welcomed by the North Korean elite, which is cornered, and aware of its own embattled situation. Unlike the rulers of the former Soviet Union, China or most East European countries, the North Korean apparatchiks cannot reinvent themselves as successful capitalist entrepreneurs.

The existence of prosperous and democratic South Korea means that a complete collapse of the North Korean system will probably lead to a German-style unification. If this were to happen, the people who run the North now will have no chance of keeping their privileges, and perhaps have reasons to worry about their lives.

Despite recent relaxations, their rule is brutal, and their past deeds, when exposed, are likely to produce cries for revenge. It is physically impossible to persecute all North Korean officials, but it is clear that they will not be able to keep their privileged position in a post-Kim Jong-il era.

For the North Korean elite, China might appear to be the lesser evil than their "compatriots" in the South. China is not famous for its concern for human rights or democracy, and if Beijing establishes in North Korea a sort of friendly dependent government, one can be sure that no questions would be asked about the past of North Korean bureaucrats employed in the new system.

Even if such dramatic events do not take place, the Chinese presence is already useful now, as it can be used as diplomatic leverage against the South.

It is clear that in Beijing the temptation to keep North Korea under control is high. But will the benefits of some open or semi-open intervention outweigh the associated problems and losses? After all, China's competition with the US is very unlikely to develop into a military confrontation.

Certainly, active intervention in North Korea will undermine the remarkable goodwill toward China, which can be seen among many neighbors as the rising giant.

So, it is more likely that the Chinese will avoid political adventurism and limit themselves to gaining economic advantages in the northern part of the Korean peninsula. At any rate, it seems that the youngsters flowing to the Chinese language departments in North Korean schools and colleges are making a reasonable choice.

III. Nautilus Invites Your Responses

The Northeast Asia Peace and Security Network invites your responses to this essay. Please send responses to: napsnet-reply@nautilus.org . Responses will be considered for redistribution to the network only if they include the author's name, affiliation, and explicit consent.

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[Return to top](#)

[back to top](#)

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