

China's New North Korea Agenda: Economic reform trumps anti-nuclear message

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By Robert Marquand

BEIJING - With floods of cash and a new policy of patience and friendly support, China has quietly penetrated the thick wall surrounding North Korean leader Kim Jong Il's regime - gaining significant leverage for the first time in one of the world's most closed societies. Chinese leaders have gained Mr. Kim's ear, sources say, with a message that the North can revitalize its economy while still holding tight political control.

In the past year, with Washington preoccupied, Beijing has bypassed US hopes that it would squeeze Kim and force him to drop his nuclear ambitions. Indeed, the once-heady "six-party process," started in 2003 to denuclearize Korea, appears defunct. Instead, Beijing pumped up investment to some \$2 billion last year, and is helping to rebuild ports, create factories, and modernize energy sectors in what one US diplomat calls a "massive carrot-giving operation." Yet Beijing is not using such aid as a means to end the North's nuclear program.

"China has decided to change its strategy on North Korea, and is looking beyond the six-party talks and the American approach," says Alexandre Mansourov of the Asia-Pacific Center for Security Studies in Honolulu. "They want to go their own way, and have decided to raise up North Korea again, to rebuild and reinvent it.

"For the first time," he adds, "Kim has fully embraced Chinese reforms."

"Any illusions in Washington that China will be complicit in helping to bring North Korea down, should be set aside," argues a diplomatic source close to both Beijing and Washington.

Tour of economic zone impresses Kim



Indeed, following Kim's January visit to China, where he was feted in the Great Hall, North Korea seems to be behaving nearly like a Chinese "client state," a term used by knowledgeable sources to indicate the close nature of the relationship.

Kim arrived in the middle of China's 11th five-year-plan budget process, and he toured the model reform cities of Shenzhen, Guangzhou, and Zhuhai in the southern Pearl River Delta. Various Chinese officials used the word "shocked" to describe Kim's reaction to the scale of China's showcase reform zone, with its endless miles of crowded factories - sometimes

called the "workshop of the world" - that supply Wal-Mart, Costco, Home Depot, and other US megastores.

The extent of the North Korean leader's shift in thinking may be measured by Korean Central News Agency releases after he returned to Pyongyang.

For the first time, KCNA commented positively about China's opening and reform. Previously, Kim called China's historic move to market reform, engineered by paramount leader Deng Xiaoping in a visit to the same cities that Kim visited, a "betrayal of socialism." After Kim went to Shanghai in 2001, KCNA stated that while market reforms might be good for China, they were not correct for North Korea.

Yet on Jan. 18, KCNA published a speech by Kim at the Great Hall, in which he stated flatly that, "our visit to the southern part of China convinced us ... that China has a rosier future thanks to the correct line and policies advanced by the Communist Party of China." South Korean media last week reported that the impoverished North, whose economy is in shambles, was gearing up to make its border region of Sinuiju a "special economic zone."

China is revitalizing the North's infrastructure and accounts for 40 percent of its foreign trade, according to a new study by the International Crisis Group. Eighty percent of the North's consumer goods are made in China.

"Chinese leaders repeatedly state they want a free and more open North Korea," says Jin Linbo, director of Asia policy at the China Institute of International Studies in Beijing. "China is trying to help the North out of a bad situation. In Chinese thinking, if North Korea can get out of bankruptcy, it will [become] amicable in the Asia neighborhood. China is trying to do business with North Korea ... we are not in a hurry to resolve the nuclear issue."

Dashed US hopes on nuclear talks

That point may be hard for the White House to digest. Last summer, Asia experts in the administration felt China was poised to gain major concessions from Kim in the six-party process, if not "deliver" a deal with the North that would dismantle its nuclear program. North Korea was termed a member of the "axis of evil" by President Bush in 2002, and US officials accused Pyongyang later that year of pursuing a second "enriched uranium" nuclear program. During that time, Kim kicked out UN inspectors from his Yongbyon nuclear facility and has since stated that he is reprocessing spent plutonium fuel rods.

The White House has steadily refused to negotiate with Kim, citing his record of broken deals and human rights abuses.

South Korea may also look askance at what it may regard as too much Beijing influence in North Korea. Seoul has ardently hoped that the South would lead toward eventual unification with the North. For historic and ethnic reasons, it wishes to have the greatest influence in the North. The six-party process, formally hosted by China, was difficult for the South to swallow. Its own politician, Kim Dae-Jung, won the Nobel Prize for helping thaw relations in 2000. (It was later discovered that Mr. Kim made substantial hidden payments to ensure the meeting took place, meetings that weren't reciprocated by Kim Jong Il.)

Seoul is concerned that China is angling to keep the Koreas apart to ensure a buffer between itself and US forces.

Chinese diplomats and scholars point out that Kim Jong Il is mercurial - that while he may cotton to ideas about economic reform in theory, he may not risk any opening to the world like that of China. "He is listening to reform ideas, but I think he still wishes mainly to see how he can earn money without undergoing real change," says Mr. Jin.

China's low-key approach to its sometimes

surly neighbor was signaled a year ago by former Foreign Ministry official Anna Wu, now a researcher at Harvard: " China is not likely to make its demands [to North Korea] by shouting - but by whispering louder, 'Do not go away again. Come home and enjoy the comforts we can provide. Why go on drifting, hungry, lonely, and desperate?' "

Mr. Mansourov says the message whispered to Kim in January may have been less sentimental. "I think Kim heard that it is possible to adopt market reform, build wealth, and 20 years later, still maintain political power," he says. "The Chinese are saying to Kim, 'Go capitalist, maintain political control, catch up with the south, and pursue unification on your terms.' "

At the same time, China has played a tougher role on North Korea's counterfeiting and illicit financial activities. Beijing agreed with US-designated sanctions on the Macao-based Delta Bank of Asia, a place where the North was laundering funds. As much as 40 percent of North Korean liquid assets may have been frozen, and while Pyongyang had long thought Washington was behind the freezing, in fact it was Beijing that approved the action, US officials say.

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