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The North Korea-China Relationship:
Context and Dynamics

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Lingnan University
Hong Kong

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The North Korea-China Relationship: Context and Dynamics

Tim Beal*

Abstract

All bilateral relationships are embedded within a wider context, but nowhere is this context more important than in the North Korea China relationship. For North Korea (the DPRK), China has been a bulwark against the United States, and in earlier periods, a counterbalance to the Soviet Union. However, North Korea has always been wary of becoming too dependent on China and one reason, though obviously not the major one, for its desire to establish normal and even friendly, relations with the United States, and Japan, is to offset Chinese influence. For China also, the United States is the main focus of attention and the relationship with North Korea is important not so much in itself, but for its impact on China's relationship with the US and to a lesser extent with Japan (the fear that the nuclearisation of the DPRK will facilitate the remilitarisation and nuclearisation of Japan) and with South Korea. Although diplomatic relations between Beijing and Seoul have only been established for 15 years, there has been explosive growth in the economic relationship, with positive repercussions in political, sporting and cultural (eg Hallyu) linkages. China is inevitably embroiled in, and is perhaps the underlying target of, the US offensive against North Korea, and the Banco Delta Asia affair provides an illuminating example of that. The Six Party Talks framework provides a convenient way of analysing this context because not merely does it bring together the major ancillary players to the bilateral Beijing-Pyongyang relationship but its institutional existence

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is the prime expression of the dynamic interaction between the constituent members.

All bilateral relationships are embedded within a wider context, but nowhere is this context more important than in the North Korea-China relationship.¹ The framework of the Six-Party Talks, designed to solve the nuclear issue, provides a convenient way of analysing this context because not merely does it bring together the major ancillary players to the bilateral Beijing-Pyongyang relationship but its institutional existence is the prime expression of the dynamic interaction between the constituent members.

Getting reasonably reliable and plausible information on this area is a difficult and tiresome business. The Democratic People's Republic of Korea (DPRK), or North Korea, releases very little information and what is released, for instance by the Korean Central News Agency (KCNA), is seldom information. China is better, and perhaps getting better, but the media is circumscribed, as it would seem are most academics. The main thrust of Chinese diplomacy is not to give offence to anyone, especially the Americans in case they are tempted to spoil China's peaceful rise. Japan is always rather an exception to this; it has been impossible for instance, for Beijing to ignore official visits to the Yasukuni shrine. Harsh words have been used in respect of North Korea's nuclear tests, and of India's.² Nevertheless, the general tone is bland and conformist. The United States, South Korea (the Republic of Korea) and, to a lesser extent, Japan, offer more voluminous and interesting, sometimes astringent and vituperative, fare. But all of it must be deconstructed. Quantitative data offers firmer ground, but figures can be deceptive in their very appearance of authority. Deliberate lies aside, there are all sorts of reasons why figures can be incorrect. Moreover, there are often lacunae, sometimes in the most annoying places. Any outside assessment of the North Korea-China relationship must be very cautious and tentative.

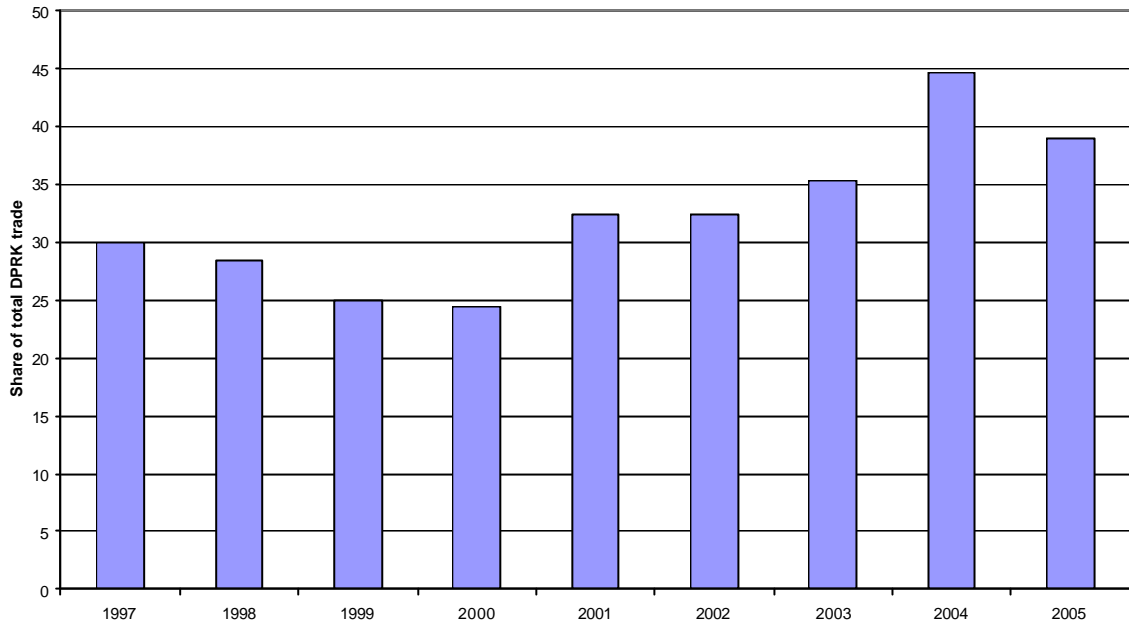
DPRK: the Economic Relationship

North Korea does not issue much in the way of statistics so any picture of the country's trade and investment relationship must be pieced

together from partner data. That raises considerable methodological problems of compatibility, comparability, detail, and timing. Different sources (and sometimes the same one in different places) can give quite substantial variants for the same item. For instance it will be noted that the figures for total DPRK trade given by Li Dunqiu (Table A1) differ considerably from those in Table A2, part C. Part of the reason for the discrepancy may lie in the definition of ‘foreign trade’. The South Koreans do not regard trade with the North as foreign, but rather ‘inter-Korean’, or ‘Intra-Korean’. If the North does the same, as is likely, and if Li got his figures from DPRK sources (he does not identify his source) then this might account for some of the difference, but not all of it. More research needs to be done.

Li Dunqiu claims that ‘Sino-DPRK trade and economic cooperation grows at an eye-catching pace’, but the figures he presents do not bear this out.³ His data is tabulated in Appendix Table A1, and the calculations for percentage share graphed in Fig 1. However, Figs 2 and 3 which have a longer perspective (1989-2003 rather than 1997-2005), and are perhaps based on better data (Table A2) do support his assertion. It also confirms his point that the increase in China’s share of North Korea’s trade is due to the decrease in Japan’s share, and that is discussed below.

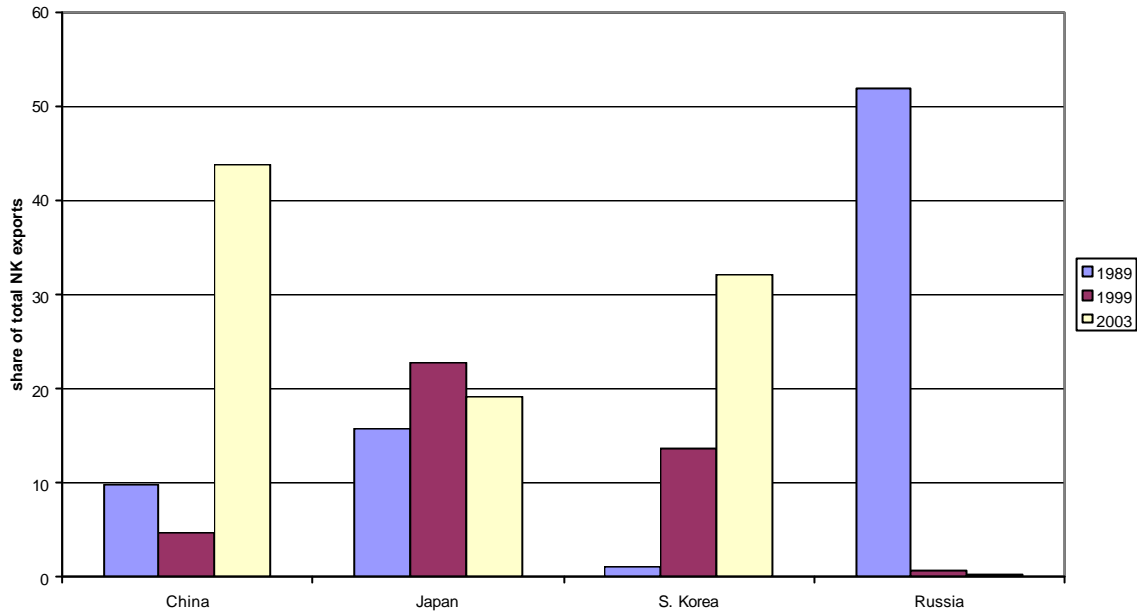
Fig 1: China's share of North Korea trade, 1997-2005



Source: Appendix Table A1

Fig 2 (exports and Fig 3 (imports) tell basically the same story. Russia, which as the Soviet Union, was North Korea's main trading partner in 1989 (and the preceding period) has faded out of the picture. There may well be a resurgence in Russia's role in the North Korean economy, especially if Putin's successor continues to pay more attention to East Asia, and if North Korea railway network is upgraded, and reconnected to the South.

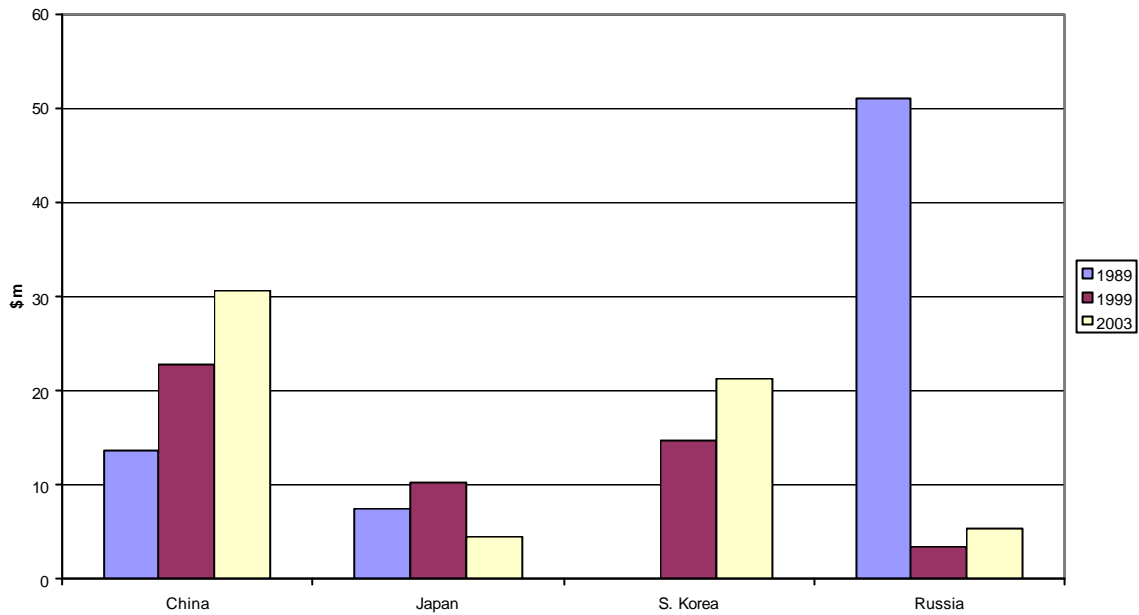
Fig 2: North Korea's main exports markets, 1989, 1999, 2003



Source: Appendix Table A2, part A

Inter-Korea trade has grown considerably over this period and its growth looks set to continue, the geopolitical situation permitting. Much of it is due to the Gaesong [Kaesong] Industrial Complex (GIC). By 2005 the GIC accounted for 16.7% of inter-Korea trade.⁴ There was no trade, or at least no official trade, between the two Koreas until the late eighties. It appears the first South Korean licences were issued in 1998 and trade appears in the statistics from 1989. In that first year the North's exports to the South were recorded as \$19 million, and imports from the South at \$0.1 million. Since then the trade had grown enormously and the balance has shifted very much to the South's favour. In 2005 the North's exports were \$340 million and imports \$715 million. A proportion of the imports from the South would have been capital goods and materials for GIC, and part inputs for the processing-on-commission trade, mainly textiles and electronics. However, aid is a substantial component; the ROK Ministry of Unification describes only 65% of the trade as 'commercial;', and presumably the 35% 'non-commercial' means aid.⁵

Fig 3: North Korea's major import sources, 1989, 1999, 2003



Source: Appendix Table A2, part B

The proportion of trade with Japan has gone up and subsequently down and that is discussed in more detail in the next section. China's share of North Korea's trade has risen over the period 1989-2003 but the course of exports and imports has differed significantly. North Korea's exports to China seem to have been fairly stagnant up to the mid 1990s, then dropped considerably before recovering from 2000 onwards. Imports, on the other hand, grew slowly from 1989 to 2004, when they did start to exhibit that 'eye catching pace' that Lin Dunqiu describes. Currently, according to Li, China accounts for 40% of North Korea's trade and 70% of its inward investment.⁶

Does this mean that North Korea is becoming a Chinese colony, as some South Korean and Japanese commentators claim? The *Chosun Ilbo* is particularly keen on this story.⁷ It endorses the remark of an unnamed Japanese 'Korea expert' who asserted that "No problem can be resolved until America recognizes that North Korea is wholly a tributary nation of China."⁸ There is a scintilla of truth in this, in that North Korea is heavily dependent of China, at least economically, and becoming more so. However, there are two things which put a different perspective on the situation

Firstly, North Korea is ‘joining the club’ in becoming enmeshed in the Chinese economy. China last year overtook the United States to become Japan’s leading trading partner.⁹ China has also begun to invest seriously in Japan and soon will be buying up Japanese companies in the way that the Chinese computer giant Lenovo acquired IBM’s PC division.¹⁰ China has been South Korea’s major trading partner since 2003, a substantial investor (eg Ssangyong Motor acquired by Shanghai Automotive Industry Company, SAIC, in 2004¹¹), and a Free Trade Agreement is under negotiation.¹² China is already the world’s third largest trader and in the second half of 2006 it overtook the United States, the world’s number two. China is poised to overtake frontrunner Germany before long.¹³ Burgeoning trade with China is not unusual. Admittedly, China’s 40% share of North Korea’s trade is considerably higher than its share of South Korea’s (22% of exports and 15% of imports in 2005).¹⁴ However, North Korea’s trade dependency on China is far less than, for instance, Canada’s on the United States (84% of exports and 57% of imports in 2005).¹⁵ There has also been considerable criticism of, and opposition to, the US-South Korea Free Trade Agreement (KORUSFTA) on the grounds that it disadvantages and subordinates South Korea.¹⁶ To add a twist, some of the Chinese forays into North Korea have been done in cooperation with South Korean partners.¹⁷

It is clear that North Korea’s dependence on China for trade and investment is unhealthily high and dangerous. That is not a comment on China itself, but merely a reflection of the commonsense adage about all eggs in one basket. All prudent countries attempt to diversify their trade and investment partners where possible. Japan for many years agonised over its trade dependency on the United States and sought to spread its trade.¹⁸ This brings us to the second objection to the facile allegation of Chinese ‘colonialisation’ of North Korea. The evidence suggests that North Korea has resisted the Chinese advance but has been forced into greater dependence on China by Japanese and US policy. American trade with North Korea has always been miniscule, and the reason for that lies with Washington not Pyongyang. With Japan, however, the case is different. As figures 2 and 3, and Table A2 illustrate, Japan has been an important trading partner for North Korea, especially for exports, and after the collapse of the Soviet

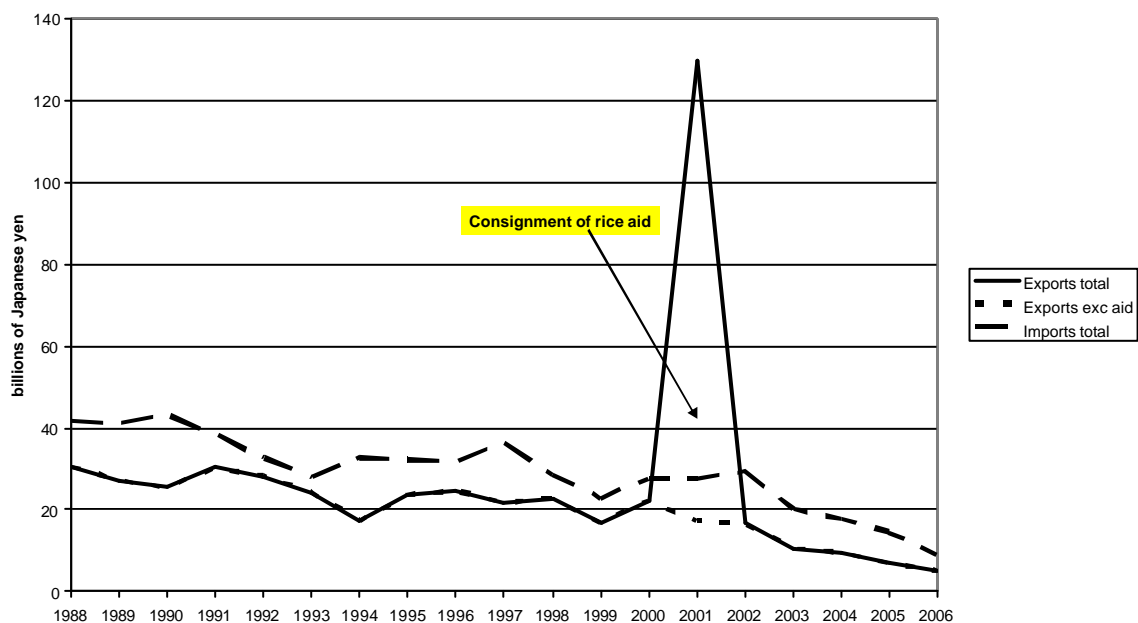
Union it became North Korea's major export market before being supplanted by China in 2002.

Japan

Why did Japan occupy such a leading role in North Korea's trade, especially exports? Economic reasons of complementarity and proximity must have been factors, as well as the trade policy imperative of diversification. North Korea produces products such as fish and minerals in demand in Japan. The extensive ethnic Korean community in Japan is another factor. It is said that much of the trade is conducted by members of Chongryon (Chongryun in the Southern spelling, Chosen Soren in Japanese), the General Association of Korean Residents in Japan.¹⁹ This has been a great advantage to North Korea, but also a point of vulnerability because when the Japan government decided to squeeze the trade, it was able to do it via harassing Chongryon.

It is frequently observed that an important cause of the increase in North Korea's trade with China has been the precipitous decline in trade with Japan.²⁰ This is clearly shown in Fig 4, Table A3.

Fig 4: Japan's trade with North Korea, 1988-2006



Source: Appendix Table A3

The reason for the great surge in recorded exports in 2001 is an aid consignment of 499,999 metric tons of rice valued at ¥112,247,268.²¹ Leaving that out, the decline in trade over the period is apparent. This decline accelerates after 2002 because of increasing restrictions and actions by the Japanese government, culminating in a total ban in October 2006.²² The reasons for the Japanese government actions are inevitably contested, and there are many mysteries. I have looked at this at some length elsewhere so a relatively brief recapitulation will suffice here.²³ This may appear to be a digression but is, in fact, vitally important to the China-North Korea relationship. The Japanese drive to remilitarisation and the concomitant promotion of a resurgent nationalism and ‘patriotism’ (including denial of government responsibility for ‘comfort women’, official visits to the Yasukuni shrine, and textbook revision) is, after the rise of China (to which it is partly a response), the major issue in contemporary East Asia, and hence has profound implications for the relationships between the Six Party states, and for global geopolitics in general. The ‘North Korea issue’ is utilised as the principal driver of this process.

Many commentators overlook or downplay the Japanese remilitarisation campaign, relegating Japanese politicians to passive onlookers who are ‘encouraged’ to do things, such as to acquire nuclear weapons, that would not otherwise have much interested them. For instance, Professor Aaron L. Friedberg, Professor of Politics and International Affairs, Princeton University, testifying before the United States-China Economic and Security Review Commission of Congress in November 2006, opined:

A final risk for China is that the open acquisition by North Korea of nuclear weapons could encourage others in the region to follow suit, including Japan and Taiwan. Pyongyang’s provocative actions and bombastic claims have already increased this danger. The best that Beijing can do to keep things under control is to make sure that the North does not remove all doubt about its capabilities by conducting a weapons test. This is probably a “redline” that the Chinese have warned Kim Jong-Il not to cross.²⁴

In fact, North Korea had crossed that ‘redline’ the previous month and whilst China had expressed annoyance there was no significant rupturing of relations between Beijing and Pyongyang.²⁵ However, the important thing about this statement is the low significance it gives to the impact of the ‘North Korea nuclear issue’ on the remilitarisation debate in Japan – it is merely ‘a final risk’.²⁶ It is as if Abe Shinzo did not exist. Abe’s efforts to amend the Japanese constitution and remilitarise, legally and functionally, may well not be successful but one cannot ignore its centrality in his thinking, and his utilisation of the abductee issue, and the North Korean threat’.²⁷ This means that we need to say something about the course of Japan-North Korea relations over the last few years and see how that fits in with Japanese remilitarisation, and hence with China’s relationship with North Korea.

The official Japanese explanation of events can be found on the Japan-North Korea Relations page of the Ministry of Foreign Affairs website.²⁸ This perspective is, as might be expected, found in the mainstream press and academic literature. There is only a handful of critical scholars, prominent amongst whom are Gavan McCormack and Wada Haruki.²⁹

In September 2002 Japanese Prime Minister Koizumi Junichiro responded to requests from Pyongyang, and pressure from some of his officials, to agree to a summit with Kim Jong Il in Pyongyang (17 September). He overruled opposition from Abe, who was opposed to any rapprochement with the DPRK. At first sight the summit seemed to work. The Japanese made a guarded apology for colonialism, and promised to normalise relations, with the implied lure of reparations, investment, and increased trade. The North Koreans apologised for a number of abductions of Japanese citizens over the previous two decades and promised that any of the survivors, and their children, who wanted to go to Japan would be free to do so. The situation quickly soured and Koizumi, presumably under pressure from Abe, and from the Americans who were worried that a Tokyo-Pyongyang détente would outflank their strategic position in East Asia, claimed that the North Koreans were not sincere and were not accounting for all the abductees. It is likely that he was surprised by how easily the media whipped up anti-Korean hysteria over the issue and decided to ride the wave. The abductees issue has bubbled on since then. Whatever the

undisclosed facts of the case, the North Koreans can never prove that all the abductees have been accounted for although given the seriousness of their position it is difficult to see any reason why they would not want the matter settled. Things are very different on the Japanese side. The issue is very emotive and politicians can earn easy popularity by playing on it though there are indications that that is not working so well any more, with Abe's popularity slumping.³⁰

Abe's position and role in all this is fairly clear, and accepted in part at least by the mainstream press. He wants to change the education system to inculcate feelings of patriotism in the young. He wants Japan to amend its 'Peace Constitution' to become a 'normal country'. There is considerable concern in China, and in South Korea, that Japanese remilitarisation, quite possibly involving nuclearisation, will fuel an arms race. Despite its constitution Japan already has a massive military budget, and with its technological base, could soon become one of the world's most formidable military powers. This is not a prospect which please Beijing, Seoul or, of course, Pyongyang.

However, there is strong pacifist sentiment in Japan, and nuclear weapons are particularly abhorrent. The abductees issue, and the North Korean 'threat' in general is the vehicle by which Abe hopes to win over the electorate. Whether he will succeed is unknown, but Chinese and South Korean concerns about Japanese remilitarisation inform their views on the Six Party Talks, and on North Korea.

Despite his adroit diplomacy in visiting China and South Korea soon after becoming Prime Minister in September 2006, and refraining from the official visits to the Yasukuni shrine by which Koizumi so inflamed Northeast Asia, Abe seems to be privileging the domestic drive for remilitarisation, which involves the North Korea issue and the history of Japanese colonialism (eg 'comfort women') as a driving force, to the detriment of foreign relations. He has continued to bring the issue of the abductees to the Six-Party Talks to the indignation of North Korea and increasing annoyance of not merely South Korea (and one presumes, China) but also the United States.

Efforts to keep the abductee issue inflamed seem increasingly desperate. The latest incident involved a high-profile raid on the office of

Chongryon in search of a woman who was accused of helping, in 1974, to abduct two children from their Japanese mother to rejoin their Korean father in North Korea. Whatever the rights and wrongs of this particular distant case, it seems to have been a domestic incident, and perhaps a lot of them were.³¹

President George Bush's warm reception of Abe on his visit to Washington in late April 2007 despite the Japanese Prime Minister's refusal to accept official culpability for the 'comfort women', and his acceptance of the Japanese argument that the abductee issue constituted an act of terrorism that had to be resolved (to Japan's satisfaction) before North Korea could be removed from the terrorism list caused public anger in Seoul, and presumably private concern in Beijing.³² Here, it seems, was another promise given in the Initial Actions Agreement of 13 February 2007, made by the six parties, that was not to be honoured. The promise, which was quoted without apology for the delay, pledges the United States to begin the process of removing the designation of the DPRK as a state-sponsor of terrorism'.³³ By tying in the Japanese claim it implied that not merely had the process not started, but it would never be completed. The reasons for Bush's vacillations are difficult to interpret (his acceptance of the agreement was seen as a rebuff of Abe³⁴), but for Abe the issue is much more clear-cut. The US concession on abductees effectively gives him a veto over the Initial Actions Agreement, and US policy, and that is quite a coup. The abductee issue, and the perception of a North Korea threat, which is reinforced by any stalling of the Initial Actions Agreement, is an essential element of his campaign for remilitarisation, and he is unlikely to renounce the advantage Bush has given him. That brings us back to China. As Jang Jung-soo, an editorial writer for the Seoul newspaper *Hankyoreh*, put it:

According to Korea expert Selig Harrison, the Japanese emphasis on the abduction issue serves to prolong troubled relations with the North and to further justify Japanese remilitarization. Of course, the true reason for Japan's rearmament is related to its deep-seated rivalry with China. Yet a full confrontation with China would be politically burdensome, so Japan is using North Korea as a convenient prop in the meantime.³⁵

If North Korea is a proxy for China in Japan's push for remilitarisation then this adds another layer of complexity to the China-North Korea relationship. China may want to deprive Japan of the 'North Korean excuse', but just leaning on Pyongyang does not address the fundamental issue. Moreover, the DPRK nuclear programme is driven not by Japan-North Korea relations nor, as is so often alleged without any supporting evidence or rationale, by Kim Jong Il's obsession with acquiring a nuclear deterrent irrespective of costs and benefits, beyond rational calculation. Aaron L. Friedberg, for instance, argues that "Given Kim Jong Il's evident commitment to developing nuclear weapons, it's highly unlikely that he'll ever agree to give them up unless the alternative to doing so is his own imminent demise."³⁶ On the contrary, the North Korean weapons programme is the product of a tortuous, decades-long, negotiation with the United States over peaceful coexistence. The main reason that that negotiation has been so prolonged, and is not yet resolved, is that it is subsumed under the long-term US strategy, going back to the late 1940s, of 'containing China'. North Korea is not merely a China proxy for Japan but, even more important, for the United States as well. That is discussed below.

For North Korea the relationship with Japan has primarily an economic focus. It wants trade, aid, perhaps investment, certainly the oil negotiated under the Six Party agreement, and hopefully reparations. For Japan, the economic relationship with North Korea, even at its height, is of little consequence and has been sacrificed, apparently without qualms or much discussion, for political reasons.

South Korea

South Korea fits into this analysis of Chinese relations with the DPRK in two ways. Firstly, in terms of its political and economic importance to China, both in itself and in comparison with the DPRK. Secondly, as a source of information on actual and assumed issues between China and the DPRK, as well as offering an insight into Chinese attitudes towards the Six-Party Talks and the participants, principally Japan and the United States, which are not expressed by the Chinese for reasons of diplomacy.

Politics and economics are intertwined, and it is usually, and with good reason, argued that China established diplomatic relations with South Korea in 1992 because of growing trade through the 1980s and despite strenuous opposition from North Korea.³⁷ Here we have the flag following trade, though the flag having being planted helped greatly to accelerate the trade. We look first to the economic relationship before turning to the political and what it might tell us about attitudes and opinions.

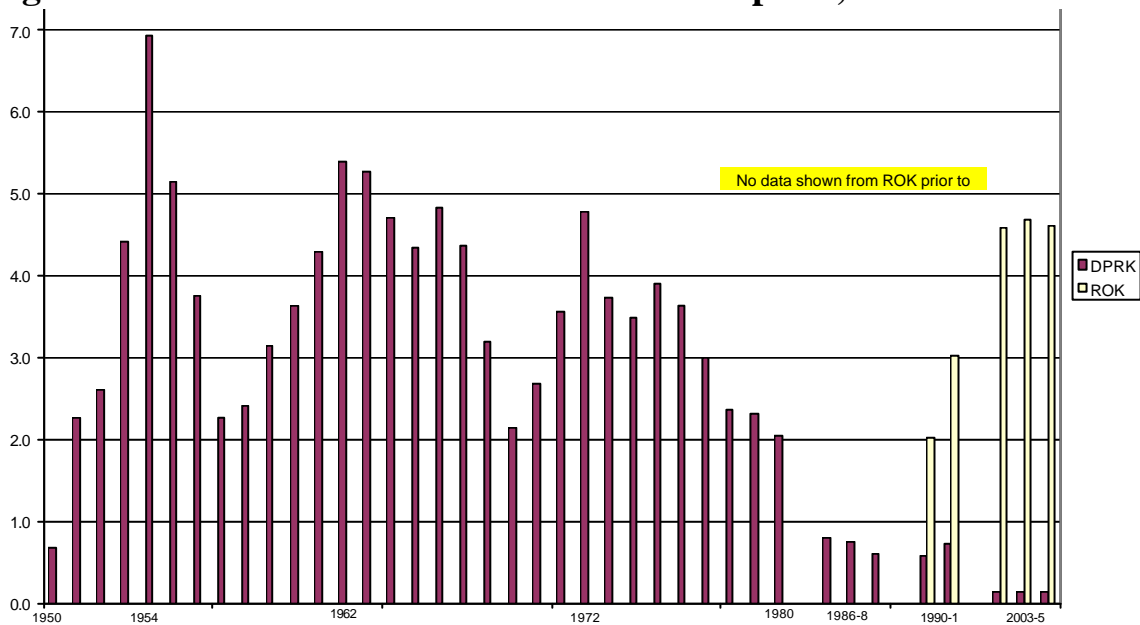
For reasons of space the data which is the source for the two graphs in this section are tabulated in the appendix. It must be acknowledged that the data available is unsatisfactory, especially for the crucial decade of the 1980s. I have used Chinese statistical yearbooks, hardcopy for the early years, but on the web for the most recent years. Library resources in New Zealand are inadequate and I have had to fall back on my own, incomplete, collection of yearbooks. However, that is the lesser problem in respect of the 1980s because, for political reasons, China was not reporting trade with South Korea. It is only in 1990, in the collection that I have, that South Korea is first mentioned. It may have been reported in 1989, but the 1989 Almanac of China's Foreign Economic Relations and Trade, which covers 1988 (and 1987) makes no mention of the ROK. What trade there was, and it must have been quite considerable by the late 1980s, seems to have been routed through Hong Kong, and reported as Hong Kong trade.³⁸

Fig 5 charts the share of the DPRK and ROK in China's exports for the period 1950-2005. There is uninterrupted data for the first 30 years, up to 1980, but intermittent data after that. Nevertheless, the general picture is clear. Whatever happened during the 1980s, by 1990 the ROK is already a far larger export market for China than the DPRK, and the gap widens as exports to ROK rise, and exports to DPRK fall. In 2005 China's exports to DPRK were \$1,081 million, being 0.1% of her total exports, while those to ROK were over thirty times larger at \$35,107.8, or 4.6 % of China's exports. South Korea was China's fifth largest export market.

ROK is much more important to China as an export destination and the gap between them is likely to change much in the future, unless there is a dramatic recovery of the DPRK economy. However, it is also

important to take a glance back into history and note just how important the DPRK market was to China in the 1950s through to the mid 1970s. In 1954 North Korea took 6.9% of China's exports, a rate not achieved by South Korea, nor likely to be. The importance of North Korea was due to particular political and economic circumstances. China was suffering much the same restrictions on its trade by the United States as North Korea is today. Chinese statistics show no trade with the United States between 1954 and 1972 (and tiny amounts 1951-53). In 1972 China still did more trade with North Korea than with the United States.³⁹ This was purely a political restriction, mainly on the part of the United States, and once that was lifted, trade boomed. Political considerations were paramount in respect of South Korea, of course, but there were economic ones as well. During that period the DPRK economy was larger than that of the ROK.⁴⁰

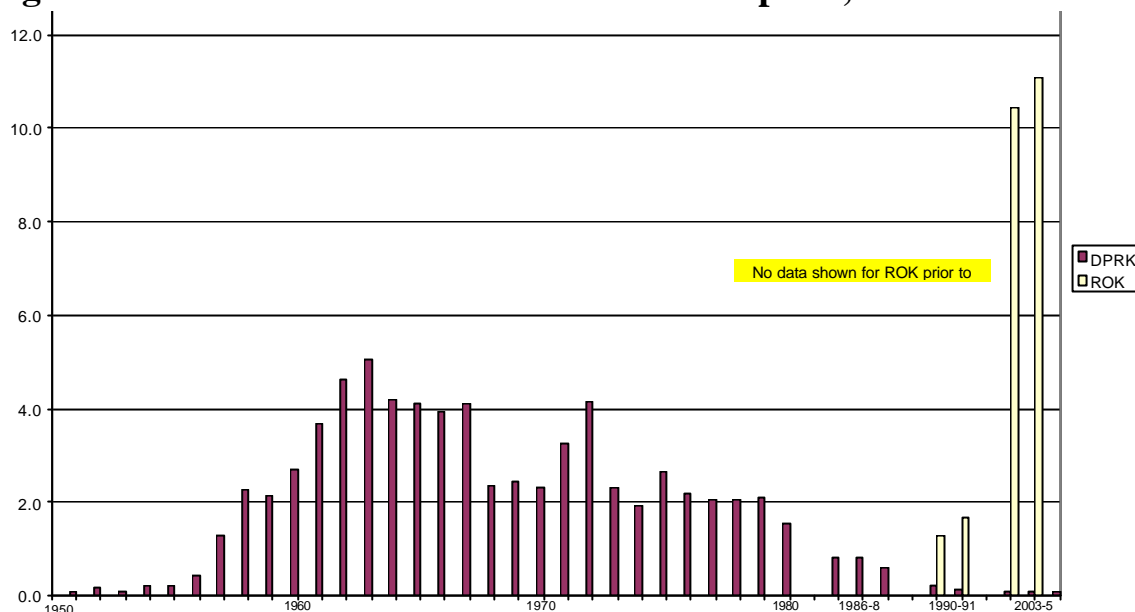
Fig 5: Share of DPRK and ROK in China's exports, 1950-2005



Source; Appendix A4

Figure 6, which charts import share over the same period, paints much the same picture, but there are differences. The DPRK was a much smaller source of imports, than a destination for exports. With South Korea it has been different, with imports outstripping exports, and this is probably related to South Korea FDI in China and the importing of capital equipment and components.

Fig 6: Share of DPRK and ROK in China's imports, 1950-2005



Source; Appendix A4

Tables A5 to A7 present other aspects of China's economic interaction with the Koreas for 2004. Table A5 shows civil engineering projects and the like; the South's share is much larger than the North's and there is an increase between 2004-05. Table A6 shows the major destinations of China's overseas investment. The DPRK is not mentioned, either for political reasons, or because the figure is too small (the original table is not comprehensive and only shows important destinations). The identified countries in Asia account for 96% of the 'Accumulated Net Overseas Direct Investment at the End of 2005', so whatever Chinese investment there is in North Korea it is likely to be small. The veracity of Chinese statistics sometimes comes under attack, and all statistics should be treated with caution but we can be confident that Chinese investment in North Korea is not large, especially in comparison with investment in the South. It is interesting to note the big increase between 2004 and 2005, which may be related to the acquisition of Ssangyong. Data on foreign investment in China is more comprehensive (Table A7), and here there are figures for investment from the DPRK. Again it is very small both absolutely, and in comparison with the ROK.

From an economic perspective it is clear that South Korea is far more important to China than to North Korea, and will remain so. The

economic relationship with the ROK has blossomed since the establishment of diplomatic relations in 1992, but that rapprochement in turn was due to economic factors (the growth of unofficial then official trade, and the lure of future economic benefit) as well as the complexities of geopolitics especially the collapse of the Soviet Union.

From the point of view of Seoul (Roh Tae Woo was then president) the linkage with Beijing was an obvious outflanking of Pyongyang, especially as there was no counterpart action on the Washington-Pyongyang axis. Why this was so is an important question.⁴¹ China was able to insist on the one-China policy and force South Korea to ditch Taiwan. China may have seen establishing relations with South Korea, and encouraging economic linkages, as lessening the South Korean reliance on the United States, and that has come to pass.⁴² South Koreans, especially the young, are less deferential towards the United States.⁴³ However, the role of the Chinese relationship in this is unclear. Anti-Japanese feeling impacts on attitudes towards the United States because of the closeness of the Japan-US relationship both at a security and personal level.⁴⁴ The anticipated American sales of F-22 Raptor 'stealth fighters' to Japan, under the pretext of countering a North Korean threat, but clearly aimed at China, is seen in South Korea as yet another example of the US preference for Japan. The right-wing and basically pro-American Seoul daily *Chosun Ilbo* agonised that, 'The South Korean Air Force, composed mainly of F-15 and F-16 fighters, would be powerless in front of the Japanese Air Self Defense Force equipped with F-22s.'⁴⁵

There has been a global rise in anti-Americanism, much exacerbated by the presidency of George W. Bush, and South Korea is no exception to the trend.⁴⁶ Young South Koreans are turning not merely away from the United States, but towards China.⁴⁷ At the same time there is considerable anti-Chinese sentiment within the elite and probably a concerted campaign to counter the pro-China, anti-American trend.⁴⁸ Anti-Chinese sentiments are inevitable in Korea, and among China's neighbours in general. China has been both the source of much of their culture, and a suzerain power, and at times an occupier. This is a universal phenomenon; it is hard to think of any countries that do not have historical grudges against their neighbours. There is perhaps also resentment against China for having failed to protect Korea against

Japan. Chinese intervention in the Korean War must also be a potent source of antipathy in certain elite quarters. Had it not been for that intervention the United States would have won, and have established the Southern regime, and its elite, in the North. This raises complications if we are to use expressed South Korean opinions about China as a surrogate for North Korean opinions which are not openly expressed. To some degree the anti-China campaign is informed by pro-Americanism, and the need to continue a climate of opinion in which identification with America, and its policies, is seen as natural and legitimate. Much of the South Korean elite owes its position to its relationship with the United States, and often to the Japanese before them, and that has meant being anti-China.

This anti-China feeling amongst the elite manifests itself in two ways. One revolves around historical issues, especially the ancient state of Koguryo which is claimed by both Korea and China as part of their legacy. There are frequent references in the South Korea media to Koguryo and recently the *Washington Post* carried a story on the use of television to wage this ‘historical war’.⁴⁹ The ROK government is reported to be intending to revise history textbooks to lay claim to the contested state of Kojoson, although this has been criticised by South Korean historians as blurring ‘the line between myth and historical facts’.⁵⁰ In February 2007 a South Korean woman’s skating team caused a bit of a diplomatic incident at a winter sports event in China by holding up signs saying “Mount Paektu is our land”.⁵¹

It is difficult to be sure how much these historical issues resonate in the North. KCNA says nothing and if we are to believe official North Korea reports all is sweetness and light.⁵² Kim Jong Il made an unusual and high profile visit to the Chinese embassy in Pyongyang on 4 March 2007, the last day of the lunar new year and, as KCNA put it, emphasising the symbolism of a shared heritage, ‘the folklore holiday of Korea and China.’⁵³ The South Korean press has published very plausible articles on North Korea’s ‘indirect’ criticism of China: ‘The North recently increased the volume of such reports in an apparent protest against what it sees as China’s bid to distort early Korean history. However, it refrained from directly criticizing its staunch ally’.⁵⁴

The other aspect of the anti-China position is the opinion discussed above which is most evident in right-wing papers such as the *Chosun Ilbo*, that North Korea is a ‘Chinese colony’. The March visit of Kim Jong Il to the Chinese embassy was seen by the *Chosun Ilbo* as handing the north over to China ‘with a smile’: ‘In just a few years, China acquired 50-year rights to a North Korean iron, coal, copper, zinc, gold and molybdenum mines. Exclusive, 50-year usage rights to Rhajin Port, construction rights to the Tumen River-Chongjin rail way also went over to China. It is no wonder that people are starting to say North Korea is becoming another Chinese province’.⁵⁵ In reality the North seems to have delayed making these concessions for a long time – the economic crisis has been going on for over a decade and a half.

Russia

Whilst the Soviet Union played a hugely important role in North Korea affairs, the successor Russian Federation has been, so far, a bit player. However, its economic and political involvement may be resuscitated in the future to an unknown degree, though it is never likely to regain its former influence. Nonetheless, its involvement in the North Korea economy (railways and providing employment in the lumber industry of the Russian Far East), and in the Six-Party Talks does provide some counterbalance to China. It was the Russian delegate to the talks, Aleksandr Losyukov, who at the breakdown over financial sanctions in March 2007 was refreshingly frank. “The American side promised to resolve the financial question, and this promise was not fulfilled”, he was reported as saying.⁵⁶ For their own diplomatic reasons, neither the Chinese nor the South Koreans could be so blunt.

The United States

The country with the most impact and influence on China’s relations with North Korea is clearly the United States. Twenty or thirty years ago one might have put the Soviet Union in that position, but not with the paramountcy that the United States today assumes. South Korea has an influence, but important middle power as it is, its political, military, and economic strength is a fraction of that of the United States. Moreover its subordination to the United States lessens its independent role. Japan is also subordinate, albeit in a different way and with far

more inherent economic, technology and military strength. The revision of the description of the DPRK's alleged links with terrorism to retain Japanese abductees but to exclude South Korean ones, was seen in Seoul as a bellwether of their relative influence in Washington.⁵⁷ Stronger or weaker, for both countries their relationship with North Korea, their influence on the Chinese relationship with North, and indeed their relationship with China itself, is often mediated through their relationship with the United States. Japan's drive towards remilitarisation, with all the implications that has for the relationship with North Korea and with China (and South Korea too of course) can only happen with the permission and encouragement of the United States.

This importance and centrality of the United States could lead to an extensive discussion but for brevity I will focus on two matters; the reports that North Korea is looking for a relationship with the United States to offset China, and the Banco Delta Asia Affair.

Kim Dae-jung has long claimed that Kim Jong Il had told him at their summit in 2000 'that there was a role for the United States on the Korean Peninsula to balance Russian, Chinese and Japanese influence'.⁵⁸ Governor Bill Richardson came back from officiating at the handover of remains of some American soldiers from the Korean War saying, in an interview on National Public Radio, that

“Interestingly, North Korea sees themselves (sic) eventually as an ally of the United States; in other words, as an ally against China. They see themselves as playing a strategic role as a buffer between the United States and China. I'm not sure how realistic that is, but it's interesting that they see themselves, first, as a major power, and secondly, as having the same interests in Asia as the United States and other countries — which is basically to contain China a bit.”⁵⁹

A more articulated and considered exposition was given by Robert Carlin and John W. Lewis in an op-ed in the *Washington Post* on 27 January. They, too, had returned from Pyongyang with the same message. Carlin is a former State Department analyst who had participated in most of the US-DPRK negotiations in the Clinton period.

Lewis is a professor emeritus at Stanford. Both had visited North Korea many times, most recently in October-November 2006 in the company of Charles ‘Jack’ Pritchard, former North Korea officer in the States Department, and Siegfried Hecker, the Los Alamos scientist who has made pronouncements on North Korea’s nuclear programme.⁶⁰ If ever there was a group of authoritative insiders who were in a position to go beyond official platitudes, this was it. The story was headed ‘What North Korea really wants’, and their answer was:

What is it, then, that North Korea wants? Above all, it wants, and has pursued steadily since 1991, a long-term, strategic relationship with the United States. This has nothing to do with ideology or political philosophy. It is a cold, hard calculation based on history and the realities of geopolitics as perceived in Pyongyang. The North Koreans believe in their gut that they must buffer the heavy influence their neighbors already have, or could soon gain, over their small, weak country....

If the United States has leverage, it is not in its ability to supply fuel oil or grain or paper promises of nonhostility. The leverage rests in Washington's ability to convince Pyongyang of its commitment to coexist with the Democratic People's Republic of Korea, accept its system and leadership, and make room for the DPRK in an American vision of the future of Northeast Asia. Quite simply, the North Koreans believe they could be useful to the United States in a longer, larger balance-of-power game against China and Japan. The Chinese know this and say so in private.

The question is, is this really new? Probably not. A trawl of the archives over the last few decades would probably reveal a number of coded overtures. Is this likely to produce a change in US policy? Also probably not, for the duration of this administration at least, but it does open up the way for a post-Bush administration to change tack, if it so desires. One way to deflect criticism that it would be accommodating the little devil by accepting coexistence would be to argue that by doing so it would be strengthening the alliance against the big devil, China.

The BDA affair

It is clear that China lurks behind American thinking about North Korea and the Banco Delta Asia (BDA) affair provides an interesting illustration of this. The BDA problem is still going on, and what exactly will happen is unknown. Much of what has happened, or rather why it happened, is necessarily speculative, but there is a reasonable amount of information now in the public domain to make some informed conjectures.

The BDA affair has its origins back in 2003 when, according to David Asher, then Senior Advisor for East Asian and Pacific Affairs in the State Department, a North Korea Working Group, was established under the Office of the Deputy Secretary, Richard Armitage. This in turn led to the creation of the Illicit Activities Initiative (IAI), an inter-agency group co-chaired by Asher.⁶¹ The IAI was, according to Asher, ‘to counter North Korean illicit activities’ and was not a substitute for diplomacy but a complement. In reality, IAI has been anything but complementary and the clash between the two has been bewildering and is far from being resolved. Amongst other things IAI ‘developed a range of sophisticated policy options and plans, including the careful use of the USA Patriot Act and other tools to cut off North Korea’s access to its network of illicit banking partners around the world’.⁶²

In his evidence to a Congressional committee in April 2006, Asher left no doubt as to the resources deployed or his confidence in the outcome:

...the IAI spawned multiple large-scale US international criminal investigations. These involved the US Secret Service, Federal Bureau of Investigation, DEA, ICE, and ATF and many foreign partners. The results of these investigations for the most part have yet to see the light of day but I am confident that when they emerge, the allegations of state-led North Korean criminal activity will be more than fully born out.⁶³

The action against the BDA formally commenced on 15 September 2005 when the US Treasury designated the bank as a ‘primary money laundering concern’ under Section 311 of the USA Patriot Act. This curious section allows Treasury to impose restrictions on foreign banks

or countries without producing evidence, and so far none has been produced.⁶⁴ By imposing US law on foreign entities it embodies a claim to extraterritoriality which has significant implications, and memories, for the Chinese, in particular, but also aroused concern elsewhere, including the European Banking Federation.⁶⁵ The timing was seen by many as a deliberate attempt to scuttle the Six-Party Talks and, intentionally or not, it kept the Joint Statement of that month suspended until the real reopening of the talks in February 2007.⁶⁶

The Treasury's press statement at the time of the designation makes interesting reading because it mixes the indisputably legitimate with allegations of illegality in the same charge sheet.⁶⁷ The BDA has provided financial services to DPRK companies for over 20 years and handles the bulk of the DPRK's precious metal sales we are told, as if there were something wrong with that. Interestingly, a recent American report has suggested that it was precisely these quite legitimate sales of gold that the Treasury was trying to disrupt with its accusations of illicit activity.⁶⁸ The description of the supposed illicit activity is again a strange melange of the legitimate and illegitimate, and is strangely unspecific:

Banco Delta Asia's special relationship with the DPRK has specifically facilitated the criminal activities of North Korean government agencies and front companies. For example, sources show that senior officials in Banco Delta Asia are working with DPRK officials to accept large deposits of cash, including counterfeit U.S. currency, and agreeing to place that currency into circulation.⁶⁹

For a bank to accept large deposits of cash seems hardly exceptional, especially in Asia, but what the Treasury means, though does not say, is that it thinks this cash is coming from illicit activities, such as drugs and counterfeit cigarettes and is being laundered. Elsewhere, Daniel Glaser, Deputy Assistant Secretary for Terrorist Financing and Financial Crimes and Adam J. Szubin, Director of the Office of Foreign Assets Control, in testifying before a Congressional committee in April 2007 talked of 'hundreds of millions of dollars'.⁷⁰

The designation of the bank as a ‘primary money laundering concern’ caused a run and the Macanese authorities were forced to step in and take over the bank, freezing US\$25 million in DPRK-related accounts. The authorities commissioned an audit of the bank by the giant US accounting firm Ernst & Young, which, in reporting its findings on 16 December 2005, concluded that ‘the bank did not introduce counterfeit U.S. currency notes into circulation over the relevant period’.⁷¹ There were US reports in March 2007 that the audit had cleared the BDA.⁷² The Ernst & Young report was not made public until 16 April 2007 when it was released to the American media chain McClatchy Newspapers which had produced by far the best coverage on the story.⁷³ Despite continued Treasury claims, it appears that there was not much that was illicit to show:

The Treasury said front companies for North Korea were suspected of laundering "hundreds of millions of dollars in cash" through the bank, the proceeds of illicit trade in counterfeit U.S. currency, smuggled cigarettes and narcotics.

But the audit found no evidence that this was true.⁷⁴

The BDA action not merely froze the DPRK accounts but had a knock-on effect, which delighted Treasury, causing banks to dissociate themselves not merely from the BDA but from any contact with the DPRK for fear of running foul of Section 311. In consequence, the DPRK boycotted the Six-Party Talks and said it would not return until financial sanctions were lifted.

For a variety of reasons, including the faltering wars in Iraq and Afghanistan, the mid-term elections, which led to the departure of Rumsfeld and Bolton, and the North Korea nuclear test, Washington appeared to backtrack in late 2006. Victor Cha, a Korean-American academic who was at the time Asia specialist at the White House's National Security Council, ‘drafted the crucial memo that helped persuade President Bush earlier this year to allow U.S. negotiators to meet for bilateral talks with their North Korean counterparts in Berlin.’⁷⁵

In the course of essentially bilateral negotiations between Christopher Hill and Kim Kye-gwan it was agreed that the BDA issue would be

‘resolved’. Exactly what was agreed has not been made public; according to the US press it was the subject of a ‘side agreement’ that stipulated that the matter would be settled within 30 days of the Initial Actions Agreement of 13 February.⁷⁶ The main provisions of that agreement, mainly the shutting down of the Yongbyon reactor in exchange for initial supplies of oil, were to come into effect ‘in parallel’ within 60 days. It is clear that for Pyongyang resolution meant not just getting its money returned, but the restoration of its linkage with the international banking system. There seems little reason to suppose that Hill was not made quite aware of that.

Following the February agreement there was a curiously semi-public battle between State and Treasury over the frozen accounts. Although Secretary Condoleezza Rice said that she was working amicably with Treasury Secretary Henry Paulson, there were reports that State officials were complaining that Treasury was sabotaging the Initial Actions Agreement by refusing to unfreeze all the funds.⁷⁷ Apparently Treasury was defeated on this, and was compelled to release all the funds but, in a Parthian shot, blocked the BDA from the US banking system ensuring that, in effect, the sanctions were not lifted.⁷⁸ The Chinese government expressed ‘deep regret’ – quite a strong term in current diplomatic usage concerning the United States.⁷⁹

At the time of writing the BDA issue is far from resolved.⁸⁰ The North Koreans are testing whether the financial sanctions have been lifted, and will probably find out that they have not been.⁸¹ What will happen then, or perhaps not happen, is uncertain.

However, there are two aspects of this strange business that concern us here. Firstly, what we have is an action by a US government agency (Treasury), under US law (USA Patriot Act) against a Chinese bank in Chinese territory. DPRK companies, and financial institutions such as the (British) joint venture Daedong Credit Bank, were merely customers.⁸² In fact, at times it was claimed that the DPRK was peripheral and that the real concern was the BDA.⁸³

Secondly, it turns out that the BDA was not the main target at all. David Asher, who has left State Department and is now at the Heritage Foundation, is less circumscribed by government position than before.

On 14 September 2006, Asher gave a lecture entitled ‘How to Approach the China–North Korea Relationship’.⁸⁴ His lecture was fairly standard fare on how the US should utilise China to curb the DPRK’s ‘weapons proliferation’ and spread capitalism to North Korea. There may be some slight conceptual confusion here given that the major capitalist countries, China (by Asher’s definition), Russia, France, Germany, United Kingdom and especially the United States, dominate the world’s trade in arms, with the DPRK very much a bit player.⁸⁵

However, that lecture was given before the US decision to backtrack on IAI and reengage in the Six-Party Talks. In April 2007 Asher was quoted by the *New York Times* as saying something rather more interesting:

Yet Banco Delta Asia had never been the main offender in Macao. “The fact is that Banco Delta was an easy target in the sense that it was not so large that its failure would bring down the financial system,” said Mr. Asher, who is now a senior associate fellow with the Asian Studies Center of the Heritage Foundation.

“Banco Delta may be a sacrificial lamb in some people’s minds, but it is not about Banco Delta,” he said. “It’s about Macao, Macao’s government, China, the Chinese government and their complicity and their accommodative behavior toward North Korea’s illegal activities, proliferation activities and leadership financial activities.”⁸⁶

But is it really about ‘China’s complicity with North Korean illegal activities’ or really about China itself?⁸⁷ Is North Korea being used as a proxy in this business, much as the Japanese use the ‘North Korea threat’ to justify remilitarisation when they have China in mind?⁸⁸ One of the big battles between the United States and China today is in the field of ‘intellectual property rights’, which covers a wide gamut of things from the unduly close emulation of American products to outright counterfeiting and industrial espionage. Twenty years ago the concern was Japan, now it is China. There is also the associated issue of narcotics. In the background there is the faltering economic hegemony as China challenges the United States across the spectrum from trade, foreign reserves, to research and development in space, and

in commerce, extending even into packaging for cosmetics.⁸⁹ Again, this has echoes of fears of Japan twenty years ago becoming ‘number one’.⁹⁰ This, combined with a tradition of anti-Communism, has produced a fear of foreign challenge that is probably unmatched in American history. Yellow peril and red peril are morphed into one.

Max Boot, the well-known American writer who is also Senior Fellow for National Security Studies at the Council for Foreign Relations, put the fear rather splendidly in an article in the *Los Angeles Times* entitled ‘China's Stealth War on the U.S.’

Their different approaches include financial warfare (subverting banking systems and stock markets), drug warfare (attacking the fabric of society by flooding it with illicit drugs), psychological and media warfare (manipulating perceptions to break down enemy will), international law warfare (blocking enemy actions using multinational organizations), resource warfare (seizing control of vital natural resources), even ecological warfare (creating man-made earthquakes or other natural disasters).⁹¹

In an atmosphere like this it is not too fanciful to see the BDA affair, and the Illicit Activates Initiative as being part of a deeper and wider fear, perhaps paranoia, about China. In which case, as with Japan, China cannot just apply pressure on North Korea to accede to American demands, because the ultimate target is China itself.

Conclusion

This paper has raised more questions on the issue of China-North Korea relations than it has provided answers, but it has attempted to tease out some of the complexities and uncertainties involved. A Chinese and/or Korea research collaborator, and access to information not easily or publicly accessible would be valuable in facilitating a deeper analysis. However, it is unlikely that the fundamental argument of this paper will be unchanged. The bilateral China-North Korea relations cannot be examined in isolation but only within the broader geopolitical context, and the Six-Party framework provides a good focus for that. The issue is current, ongoing and dynamic, so any interpretation can only be tentative.

Appendices

Table A1: North Korea's trade with world and with China, 1997-2005

Year	World \$m	China			
		total \$m	share %	Imports \$m	Exports \$m
1997	2,170	650	30.0	530	120
1998	1,440	410	28.5	350	60
1999	1,480	370	25.0	320	50
2000	1,970	480	24.4	450	30
2001	2,270	737	32.5	570	160
2002	2,260	733	32.4	460	270
2003	2,900	1,023	35.3	630	390
2004	3,100	1,385	44.7	na	na
2005	4,050	1,580	39.0	1,080	500

Source: Li, Dunqiu "DPRK's Reform and Sino-DPRK Economic Cooperation " In *Nautilus Policy Forum Online*, 2006.

Note: the calculation for share is mine. Li's original figures are in \$100 million, and I have changed to \$m to make comparison with other tables easier. Li uses the phrases 'China's export' and 'China's import', reflecting the Chinese source, and I have changed this around to (NK) imports and exports to make it consistent with usage elsewhere in this paper. This is rather inexact. Country A's reported exports to country B always differs from Country B's reported imports from A. However, since all the data here is from partners anyway, the change in terminology seems acceptable.

Table A2: North Korea's major trading partners, 1989-2006

\$m

A: Exports

	World	China	Japan	S. Korea	Russia
1989	1,704	167	268	19	887
1994	1,039	181	328	176	44
1996	1,201	69	291	182	347
1998	965	51	219	92	8
1999	892	42	203	122	7
2000	995	37	257	152	8
2001	1,047	167	226	176	15
2002	1,274	271	234	272	10
2003	1,066	396	173	289	3
2004	na	582	164	258	na
2005	na	499	132	340	na
2006*	na	199	na	199	na

B: Imports

	World	China	Japan	S. Korea	Russia
1989	2,905	399	216	0.1	1,486
1994	1,286	467	171	18	70
1996	2,055	497	226	70	525
1998	1,300	357	175	130	56
1999	1,436	329	148	212	48
2000	2,047	451	207	273	36
2001	3,272	571	1,065	227	56
2002	2,436	467	133	370	47
2003	2,049	628	91	435	112
2004	na	795	89	439	na
2005	na	1,081	63	715	na
2006*	na	580	na	359	na

C: Total of exports and imports

	World	China	Japan	S. Korea	Russia
1989	4,609	565	483	19	2,373
1994	2,325	648	499	194	114
1996	3,256	566	517	252	872
1998	2,265	408	394	222	64
1999	2,328	371	351	334	55
2000	3,042	488	464	425	44
2001	4,319	738	1,291	403	71
2002	3,710	738	367	642	57
2003	3,115	1,024	264	724	115
2004	na	1,377	253	697	Na
2005	na	1,580	195	1,056	Na
2006*	na	779	na	558	Na

*first half

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Table A3: Japan's trade with the Koreas and China, 1988-2006

Billions of yen and percentage

Years	World		ROK		DPRK		China			
	Export Yen b	Import Yen b	Exports Yen b	Imports Yen b	Exports Yen b	Imports Yen b	Exports		Imports	
							Yen b	% of total	Yen b	% of total
1988	33,939	24,006	1,978	1,515	31	42	1,214	3.6	1,264	5.3
1989	37,823	28,979	2,281	1,788	27	41	1,165	3.1	1,534	5.3
1990	41,457	33,855	2,518	1,690	25	43	884	2.1	1,730	5.1
1991	42,360	31,900	2,704	1,663	30	38	1,157	2.7	1,914	6.0
1992	43,012	29,527	2,253	1,466	28	33	1,510	3.5	2,145	7.3
1993	40,202	26,826	2,124	1,297	24	28	1,911	4.8	2,278	8.5
1994	40,498	28,104	2,489	1,380	17	33	1,914	4.7	2,811	10.0
1995	41,531	31,549	2,928	1,622	24	32	2,062	5.0	3,381	10.7
1996	44,731	37,993	3,192	1,735	25	32	2,382	5.3	4,400	11.6
1997	50,938	40,956	3,153	1,763	22	37	2,631	5.2	5,062	12.4
1998	50,645	36,654	2,005	1,577	23	29	2,621	5.2	4,844	13.2
1999	47,548	35,268	2,606	1,824	17	23	2,657	5.6	4,875	13.8
2000	51,654	40,938	3,309	2,205	22	28	3,274	6.3	5,941	14.5
2001	48,979	42,416	3,072	2,088	130	27	3,764	7.7	7,027	16.6
2002	52,109	42,228	3,572	1,937	17	29	4,980	9.6	7,728	18.3
2003	54,548	44,362	4,022	2,071	11	20	6,635	12.2	8,731	19.7
2004	61,170	49,217	4,785	2,383	10	18	7,994	13.1	10,199	20.7
2005	65,657	56,949	5,146	2,695	7	15	8,837	13.5	11,975	21.0
2006	75,246	67,344	5,849	3,178	5	9	10,794	14.3	13,784	20.5

Source: *Trade Statistics of Japan* Ministry of Finance, 2007 [cited 30 April 2007]. Available from http://www.customs.go.jp/toukei/info/index_e.htm.

¥112 bn of Japanese exports to DPRK in 2001 are due to a large consignment of rice aid. (see text and accompanying endnote)

Table A4: DPRK and ROK in China's foreign trade, 1950-2005

	Total		DPRK				ROK			
	Exports \$m	Imports	Exports \$m	%	Imports \$m	%	Exports \$m	%	Imports \$m	%
1950	550.0	580.0	3.8	0.7	2.8	0.5				
1951	760.0	1,200.0	17.2	2.3	0.9	0.1				
1952	820.0	1,120.0	21.4	2.6	2.0	0.2				
1953	1,020.0	1,350.0	45.1	4.4	1.3	0.1				
1954	1,150.0	1,290.0	79.7	6.9	2.6	0.2				
1955	1,410.0	1,730.0	72.6	5.1	3.5	0.2				
1956	1,650.0	1,560.0	61.8	3.7	6.7	0.4				
1957	1,600.0	1,510.0	36.5	2.3	19.5	1.3				
1958	1,980.0	1,890.0	47.7	2.4	42.8	2.3				
1959	2,260.0	2,120.0	70.9	3.1	45.0	2.1				
1960	1,860.0	1,950.0	67.4	3.6	53.0	2.7				
1961	1,490.0	1,450.0	63.8	4.3	53.1	3.7				
1962	1,490.0	1,170.0	80.4	5.4	54.1	4.6				
1963	1,650.0	1,270.0	87.1	5.3	64.3	5.1				
1964	1,920.0	1,550.0	90.3	4.7	65.0	4.2				
1965	2,230.0	2,020.0	97.0	4.4	83.3	4.1				
1966	2,370.0	2,250.0	114.8	4.8	88.5	3.9				
1967	2,140.0	2,020.0	93.6	4.4	83.0	4.1				
1968	2,100.0	1,950.0	67.2	3.2	45.9	2.4				
1969	2,200.0	1,830.0	47.2	2.1	44.9	2.5				
1970	2,260.0	2,330.0	60.9	2.7	54.2	2.3				
1971	2,640.0	2,210.0	94.3	3.6	72.4	3.3				
1972	3,440.0	2,860.0	164.4	4.8	118.6	4.1				
1973	5,820.0	5,160.0	217.6	3.7	118.4	2.3				
1974	6,950.0	7,620.0	243.3	3.5	146.3	1.9				
1975	7,260.0	7,490.0	284.1	3.9	197.8	2.6				
1976	6,860.0	6,580.0	250.0	3.6	145.0	2.2				
1977	7,590.0	7,210.0	227.2	3.0	147.2	2.0				
1978	9,750.0	10,890.0	230.7	2.4	223.6	2.1				
1979	13,660.0	15,670.0	317.0	2.3	330.2	2.1				
1980	18,270.0	19,550.0	374.2	2.0	303.3	1.6				
1986	27,014.3	33,083.0	217.1	0.8	273.6	0.8				
1987	34,710.5	33,398.9	260.1	0.7	273.2	0.8				
1988	40,639.5	39,849.8	244.3	0.6	232.4	0.6				
1990	62,091.4	53,345.1	358.2	0.6	124.6	0.2	1,259.5	2.0	684.0	1.3
1991	71,842.5	63,790.6	524.8	0.7	85.7	0.1	2,178.7	3.0	1,066.2	1.7
2003	438,227.8	412,759.8	627.7	0.1	395.3	0.1	20,094.8	4.6	43,128.1	10.4
2004	593,325.6	561,228.7	799.5	0.1	585.7	0.1	27,811.6	4.7	62,234.1	11.1
2005	761,953.4	659,952.8	1,081.1	0.1	499.1	0.1	35,107.8	4.6	76,820.4	11.6

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- Note: Holding of Chinese statistics are currently very sparse in New Zealand. The data prior to 2003 is from personal copies of yearbooks. Data since then is on from the web.
No entry is given for ROK prior to 1990

Table A5: China's economic cooperation with DPRK, ROK, 2004-05

Turnover in \$m

	Total	DPRK	ROK
	2004		
Total	21,369.0	39.4	380.4
Contracted projects	17,468.3	34.9	104.8
Labour cooperation	3,753.3	4.4	275.6
Design consultation	147.4	0.2	0.0
	2005		
Total	26,776.1	31.6	526.0
Contracted projects	21,763.2	26.3	212.2
Labour cooperation	4,785.6	5.1	313.8
Design consultation	227.2	0.1	0.0

Source: *Statistical Yearbook of China*. Beijing: National Bureau of Statistics of China, 2006, Table 18.23.

Table A6 China's overseas investment, 2004-05, major destinations

		Net Overseas Direct Investment in 2004	Net Overseas Direct Investment in 2005	Accumulated Net Overseas Direct Investment at the End of 2005
Total		5,498	12,261	57,206
Hong Kong	\$m %	2,628 47.8	3,420 27.9	36,507 63.8
Cayman Islands	\$m %	1,286 23.4	5,163 42.1	8,936 15.6
Virgin Is. (E)	\$m %	386 7.0	1,226 10.0	1,984 3.5
Republic of Korea	\$m %	40 0.7	589 4.8	882 1.5
United States	\$m %	120 2.2	232 1.9	823 1.4

Source: *Statistical Yearbook of China*. Beijing: National Bureau of Statistics of China, 2006 Table 18.20 .

Note: DPRK is not mentioned

Table A7: Foreign investment in China by selected countries, 2004-05

rank	Country	2004		2005		Total investment
		Foreign Direct Investment	Foreign other investment	Foreign Direct Investment	Foreign other investment	
	Total	60,630.0	3,443.0	60,324.6	3,480.4	63,805.0
1	Hong Kong, China	18,998.3	1,806.7	17,948.8	1,849.2	19,798.0
2	Virgin Islands	6,730.3	103.1	9,021.7	115.1	9,136.8
3	Japan	5,451.6	67.5	6,529.8	116.6	6,646.4
4	Republic of Korea	6,247.9	5.4	5,168.3	16.2	5,184.5
5	United States	3,941.0	3.3	3,061.2	13.2	3,074.4
6	Taiwan, China	3,117.5	340.6	2,151.7	404.6	2,556.3
7	Singapore	2,008.1	1.8	2,204.3	5.5	2,209.8
8	Cayman Islands	2,042.6	0.0	1,947.5	0.0	1,947.5
9	Germany	1,058.5	0.0	1,530.0	7.2	1,537.3
10	Samoa	1,128.9	0.0	1,351.9	0.0	1,351.9
97	Korea DPR	2.7	0.0	1.3	0.0	1.3
98	Viet Nam	1.1	0.0	1.3	0.0	1.3

Source: *Statistical Yearbook of China*. Beijing: National Bureau of Statistics of China, 2006, Table 18.16.

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²⁵ The quotation from Professor Friedberg comes from his written statement, presumably submitted before the test. However, he does not allude to this in his spoken testimony

²⁶ Taiwan is often lumped together with Japan in statements of this sort, though it would appear the dynamics of the Taiwan case are very different.

²⁷ Christian Caryl and Akiko Kashiwagi, "The Good Son Falters: Japan's Abe Regime in Decline," *Japan Focus*, 27 February 2007. This article appeared in *Newsweek International* dated 5 March 2007.

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