

Comparative Connections

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China-Korea Relations:

Year of China-DPRK Friendship; North's Rocket Fizzles

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Top-level diplomacy between Beijing and Pyongyang intensified this quarter in honor of China-DPRK Friendship Year and the 60th anniversary of diplomatic relations. Prior to the Lunar New Year holiday in mid-January, Kim Jong-il held his first public meeting since his reported illness with Chinese Communist Party International Liaison Department Head Wang Jiarui. In March, DPRK Prime Minister Kim Yong-il paid a return visit to Beijing. The Chinese have accompanied these commemorative meetings with active diplomatic interaction with the U.S., South Korea, and Japan focused on how to respond to North Korea's launch of a multi-stage rocket. Thus, China finds itself under pressure to dissuade Pyongyang from destabilizing activity and ease regional tensions while retaining its 60-year friendship with the North. Meanwhile, South Korean concerns about China's rise are no longer confined to issues of economic competitiveness; the Korea Institute for Defense Analysis has produced its first public assessment of the implications of China's rising economic capabilities for South Korea's long-term security policies. The response to North Korea's rocket launch also highlights differences in the respective near-term positions of Seoul and Beijing. Following years of expanding bilateral trade and investment ties, the global financial crisis provides new challenges for Sino-ROK economic relations: how to manage the fallout from a potential decline in bilateral trade and the possibility that domestic burdens will spill over and create new strains in the relationship.

Beginning a year of China-DPRK friendship

The January meeting in Pyongyang between Kim Jong-il and Wang Jiarui, chief of the Chinese Communist Party's (CCP) International Department, was Kim's first meeting with a foreign guest since his alleged stroke in August 2008. The DPRK state media hailed China's decision to give "free aid" to the North in an apparent effort to demonstrate Pyongyang's solid ties with Beijing at a time of stagnation in inter-Korean relations. President Hu has twice extended an invitation to Kim Jong-il to visit China according to the North Korean media, leading to speculation that Kim may visit Beijing later this year as part of friendship year activities.

Sino-DPRK Friendship Year activities were officially launched during a five-day visit to China by DPRK Premier Kim Yong-il and a 100-member delegation on March 17-21. The visit occurred amid heightened regional concerns over North Korea's planned satellite launch, but it is not clear in what form the Chinese leadership raised the issue with North Korea's visiting premier. Premier Kim held meetings with President Hu Jintao, top legislator Wu Bangguo, and his official counterpart Wen Jiabao. Both sides pledged to use the year of friendship as an

opportunity to advance bilateral ties. Kim also met local leaders in Shandong Province, where he agreed to expand North Korea's political, economic, and cultural ties. Hu pointed to a 60-year relationship that has "withstood the test of international and domestic changes" while Premier Wen proposed further cooperation on Six-Party Talks and denuclearization. He also called for improving bilateral relations through high-level political dialogue, cultural exchanges, and the pursuit of "common development" through trade and investment, mining exploration, and infrastructure.

Based on these diplomatic exchanges, Chinese officials reported that Kim Jong-il was healthy and in control and that North Korea had reaffirmed its commitment to denuclearization. The visit also served to underscore China's important role and continued interest in managing security issues surrounding the Korean Peninsula. Wang Jiarui's previous visits to North Korea have coincided with major events; he met Kim Jong-il in January 2004 prior to Kim's visit to China, and in February 2005, shortly after North Korea's declaration that it was a nuclear-weapon state. China has renewed efforts to sustain high-level contacts with Pyongyang following a relative cooling of diplomatic exchanges in the aftermath of North Korea's October 2006 nuclear test. Talk among Chinese analysts of an adjustment from a "special" to a "normal" relationship with North Korea has been replaced with sober assessments of what approaches China can take in the context of the Sino-DPRK relationship to secure its own strategic interests. There is also an increased willingness on the part of Chinese analysts to suggest withholding promised benefits and even limited sanctions in an effort to influence North Korean behavior rather than simply using inducements to get North Korea to offer China quid pro quos.

Intensified regional diplomacy on North Korea

North Korean preparatory activities at its primary missile launch site fueled diplomatic efforts among Asia's major powers this quarter. China's main efforts have been to persuade all parties to take actions to preserve peace and stability and to take measures to resume the Six-Party Talks at an early stage in the new Obama administration. Mindful of prior failed efforts in 2006 to convince North Korea not to conduct missile or nuclear tests, China took a cautious and even-handed public approach and avoided public efforts to persuade North Korea not to launch on this occasion. China sent Six-Party Talks envoy Wu Dawei to Pyongyang on Feb. 17-19 for discussions with counterpart Kim Kye-Gwan. North Korea reaffirmed its willingness to return to multilateral talks, but Wu's visit failed to reverse Pyongyang's decision to proceed with a launch. South Korean Foreign Minister Yu Myunghwan arrived in Beijing on Feb. 24 within hours of Pyongyang's official announcement of launch preparations to meet Chinese counterpart Yang Jiechi and Premier Wen Jiabao for discussions on how to respond to the North Korean plans and to discuss prospects for early resumption of the Six-Party Talks.

Despite mutual expressions of concern and repeated warnings to Pyongyang, North Korea's launch preparations serve to highlight differences between Beijing and Seoul on how to approach North Korea. In a follow-up meeting with Wu Dawei in Beijing in late March, newly appointed Six-Party Talks envoy Wi Sunglac discussed "measures before and after North Korea fires a missile." Wi noted a move toward contingency planning among members of the Six-Party Talks and called for a China-ROK "joint response" while acknowledging differences in preferred approaches. North Korea's announcement that it would launch a multi-stage rocket catalyzed

bilateral consultations among the six parties in an effort to narrow the gap in desired countermeasures. China expressed a preference for a UN presidential statement denouncing North Korean actions while the U.S., Japan, and South Korea expressed the intent to pursue an additional UN sanctions resolution. The South Korean government has argued that any launch of a long-range rocket, regardless of the ostensible purpose, constitutes a violation of prior resolutions condemning North Korean missile development, while China and Russia have been more willing to accept North Korea's argument that it has a right to conduct a satellite launch and to use space for peaceful purposes.

There is Sino-South Korean agreement that the launch has an adverse impact on regional stability and that it is desirable to resume six-party dialogue as early as possible. While Pyongyang has threatened to abandon the talks if sanctions are imposed, China has consistently called for an early resumption of the talks, which it sees as the best way to ease tensions, urging all parties to "show restraint."

Prior to North Korea's April 5 launch, South Korea continued efforts to engage China bilaterally on the missile threat during a visit by a Chinese military delegation on March 25-28 led by PLA Chief of Staff Chen Bingde. During the delegation visit to Seoul, Chen's first visit to South Korea since taking office in 2007, a Seoul defense official stressed: "China is the closest country to North Korea. Its comments carry weight, and we hope it can more actively pressure Pyongyang."

China's competing trade relationships with the two Koreas

The global financial crisis has been a focal point of Sino-South Korean economic diplomacy amid a deteriorating trade environment. ROK and Chinese finance ministers met on Feb. 22 on the sidelines of the ASEAN plus 3 ministerial meeting in Phuket, where members agreed to launch a \$120 billion emergency fund to stabilize Asian foreign exchange markets. At China's annual parliamentary session in March, Foreign Minister Yang Jiechi emphasized continued China-ROK-Japan financial cooperation ahead of the tripartite summit China will be hosting this year and called for initiating negotiations on a bilateral free trade agreement (FTA) with South Korea as a means to boost Asian confidence. According to the Bank of Korea, the South Korean and Chinese central banks are in ongoing talks to convert part of their 38 trillion *won* (\$27.2 billion) currency swap deal into dollars. South Korea's currency swaps with the U.S., Japan, and China since October 2008 as part of efforts to ease foreign currency shortages have provided for as much as \$90 billion. But a proposal ahead of the April 2 G20 summit in London by the Chinese central bank governor to create a "super-sovereign reserve currency" has raised speculation that China seeks to shed its dollar holdings in favor of a basket of global currencies given growing doubts about the strength of the U.S. dollar.

Total bilateral trade in 2008 rose 16.4 percent to \$186.1 billion, but South Korean exports to China, which had grown by an annual 25 percent during the first nine months of 2008, declined at a record rate in the fourth quarter, dropping 32.3 percent year-on-year in December 2008. In March, the ROK government agreed to expand its export insurance for China-bound exports by 30 percent to 20 trillion *won* (\$14 billion) to provide for potential losses, given a 19 percent decline in exports to China during January. To strengthen exports, Seoul policymakers have

called for tapping into the Chinese domestic market instead of depending on China-based Korean subsidiaries and multinational firms engaged in final assembly. According to the South Korean Ministry of Knowledge Economy, about half of all South Korean exports to China go to Korean firms and a quarter to multinationals, with only the remaining 25 percent going directly to Chinese consumers. South Korea sees the economic stimulus plans implemented by Beijing and Seoul as an opportunity to expand bilateral business ties (for instance, South Korea remains the leading supplier of excavators to China). South Korean stocks jumped in response to Beijing's new economic stimulus package launched in March. One possible indication of increased strains in the Sino-South Korean trade relationship is the willingness of each to utilize anti-dumping penalties to protect domestic industries from competition; South Korean authorities imposed duties on Chinese-made polyester yarn while Chinese petrochemical companies accused South Korean firms of dumping.

Given that the greater Shanghai region accounts for half of all trade between China and South Korea and that the trade fair expects to attract a 95 percent Chinese audience of over 70 million people, the planned six-month long Shanghai World Trade Exposition scheduled for next year have added to expectations for improved trade. The event has fueled South Korean hopes to boost national brand image and local interest ahead of the 2012 Yeosu expo. A Shanghai-Yeosu agreement was signed in August 2008 to cooperate on event logistics, knowhow, and tourism. But South Korea is already lagging behind other foreign participants in preparing for the Shanghai expo, allegedly due to a sharp depreciation of the *won* against the *renminbi*. A longer-term challenge to South Korea's performance in the China market is the loss of Korean cultural appeal in China as demonstrated by the rapid waning of the "Korean Wave." Korean TV drama exports to China and Japan, the primary export markets for Korean cultural products, shrunk by 35 percent in 2008 after more than a 50 percent decline between 2006 and 2007.

Despite the global financial crisis, Chinese customs statistics indicate that Sino-DPRK trade has grown steadily in recent years, increasing 41.3 percent year-on-year to \$2.793 billion in 2008. In contrast, the deterioration in inter-Korean relations has led to stagnation in inter-Korean trade, which in 2008 stood at \$1.8 billion, a mere 1.2 percent annual increase following double-digit year-on-year increases during the Roh Moo-hyun administration. Although Chinese sources report a decline in cross-border economic activity, Chinese governmental assistance – at least in the area of food supply to North Korea – appears to be growing. For instance, China exported 5 tons of beef worth \$77,174 to North Korea via Dalian in 2008, and agreed to send 60,000 tons of flour via Henan Province between June and August 2009.

In January, North Korea opened a consular branch office in the border city of Dandong, a move viewed in South Korea as an effort to reinforce bilateral trade with China. Located across from the North Korean trade center of Sinuiju, Dandong is the passageway for about 70 percent of China-DPRK trade and the North Korean consular branch office is to first foreign diplomatic mission to be located there. Bilateral trade is expected to grow further during the Sino-DPRK Year of Friendship and Chinese governmental aid to North Korea should also increase in the context of intensified leadership visits on both sides

Ssangyong-SAIC: the first victim of financial crisis

The fate of Ssangyong Motors, the South Korean unit of China's biggest automaker Shanghai Automotive Industry Corp. (SAIC), now appears to be the highest-profile failure to date in Sino-South Korean economic relations. After weeks of debate about whether the Chinese parent would pull out or provide financial assistance, Ssangyong confirmed receipt of \$45 million from SAIC in early January and resumed talks with its main creditor, state-owned Korean Development Bank (KDB) on restructuring. Although the Feb. 6 approval of bankruptcy protection for Ssangyong has given it time to rehabilitate, the clock is ticking for the company to develop a major restructuring plan by this summer.

Ssangyong sold 92,665 cars in 2008, less than half its annual production capacity of 200,000 units. Domestic sales dropped 51.5 percent and exports dropped 82.7 percent in February given weak demand and tight credit. While Ssangyong's total sales dropped 82 percent in January, Beijing Hyundai Motor Co. and Dongfeng Yueda Kia Automobile Co., the Chinese affiliates of South Korea's largest carmakers, recorded record sales in China during the same period. Despite weakening demand, Beijing Hyundai Motor Co., the per-capita productivity of which is about three times Ssangyong's, emerged fourth in auto sales in China, accounting for over 7 percent of the Chinese auto market.

Ssangyong's bankruptcy filing could have broader reverberations in the South Korean economy. About 150 direct suppliers have pushed for financial aid from creditors and the government after Ssangyong suspended production at its sole plant in Pyeongtaek in mid-January citing a parts shortage. By the end of the month, Seoul decided to withdraw its support to Ssangyong parts suppliers due to worsening economic conditions. The first collapse of a local supplier for Ssangyong in February threatened the survival of another 200 vendors, an illustration of the contagion effect posed by the current global crisis.

The impact of the global recession on South Korea raises the question of whether creditors are willing to support Ssangyong until the South Korean economy recovers, and whether SAIC might finally withdraw financial support for Ssangyong's operations and leave the Korean market. The company suffered a net loss of 709.7 billion *won* (\$511 million) in 2008 on sales of 2.5 trillion *won*, and may require an estimated 800 billion *won* (\$580 million) in new loans to survive. Ssangyong's labor union in January suspended strike plans against SAIC's request for job cuts of as many as 3,000 workers, or almost half of its factory jobs, in exchange for aid. Although the union showed a new willingness to negotiate restructuring, it announced plans in late March to sue SAIC for mismanagement and technological theft, seeking compensation for damages and cancellation of SAIC's 51 percent stake. The potential lawsuit would attempt to force Ssangyong to cut ties completely with its Chinese parent.

Changing China-Korea security perceptions

China as an economic opportunity has long been the primary frame of reference for South Koreans with little public consideration of China as a potential security threat. A December 2008 report by the Korea Institute for Defense Analyses (KIDA) entitled "China or the United States? China's Rise and Implications for Korean Security," for the first time assesses the

implications of China's rise in broader security rather than primarily economic terms based on projections of comprehensive national strength. According to the study, China is projected to be the world's second economic power behind the U.S. with an economy three times its current size by 2020. China will be Asia's biggest military power, especially in terms of naval capabilities with expanded technological and cultural influence. However, the report argues that China will not challenge the U.S., which will accept China's security role in Asia given a continued gap in U.S. and Chinese military capabilities. China's Korea policy will be focused on managing security on a divided peninsula and sustaining the North Korean regime rather than seeking early reunification, while exercising regional influence through mechanisms like the Six-Party Talks.

Chinese economic competition, the possibility of rising maritime/naval tensions, a China-based regional security regime, and the possibility of conflict in U.S.-China relations are presented as potential major challenges to South Korea's security environment. The KIDA report proposes that the ROK should make strategic use of multilateral tools engaging not only its neighbors but also other Asian countries like India, Vietnam, and Mongolia, who are also wary of China's rise. From this perspective, Lee Myung-bak's ambitious new "Asia Initiative" launched in March, which seeks to maximize South Korean diplomatic and economic influence throughout the region, seems conducive to Seoul's strategy of cooperating with China, while countering its rise in the long term.

On the other hand, leading Chinese international relations strategist Shi Yinhong argues in the KIDA journal that China's role has since 2007 been displaced by the U.S.-DPRK relationship as the principal factor in Korean nuclear diplomacy, and Beijing is now limited to "rubber-stamping" existing agreements between Washington and Pyongyang. Dealing with North Korea has required reconciling three key interests: ensuring peace on the Korean Peninsula, fostering denuclearization, and preserving a continued relationship with Pyongyang. Changes in the external environment after the October 2006 nuclear test have required readjustment of Chinese strategy based on a broader security perspective beyond either engagement or confrontation. Another recent study by a Chinese analyst suggests that resolving the North Korean nuclear issue requires measures at national, regional, and global levels. These include U.S.-DPRK engagement, the creation of a Northeast Asian security mechanism based on U.S.-China cooperation and the six-party process, and strengthening the global nuclear nonproliferation regime. South Korea shares a common interest in both stable U.S.-DPRK relations and favorable U.S.-China ties, but has not embraced the idea of a regional security architecture centered on China.

Tested strategic interests

The North Korean rocket launch has heightened Beijing's conflicting priorities of maintaining friendship with North Korea and maintaining stability on the Korean Peninsula. North Korea's strategy of advertising the rocket launch as a satellite rather than a missile test and its willingness to abide by international standards of prior notification has ironically created divisions in the international response while testing the Obama administration. China underscored its own interest in North Korean stability through Wang Jiarui's January visit with Kim Jong-il and China's apparent willingness to mitigate UN measures by accepting North Korea's efforts to characterize the event as a satellite launch rather than a missile test. In an attempt to avoid the

fallout in the relationship that accompanied North Korea's 2006 tests, China is taking a more cautious approach and trying to expand its capacity for influence with North Korea. China will be carefully calibrating its approach to the UN Security Council response with a view to promoting the early resumption of Six-Party Talks that will now have to address the challenges to regional security posed by North Korea's nuclear and missile programs. On the one hand, China has little interest in returning to the sanctions approach envisaged under UN sanctions resolutions 1695 and 1718, which addressed the 2006 tests. At the same time, a weakened resolution might have the effect of undermining efforts of the Obama administration to resume negotiations at an early stage if there is a backlash to a UN resolution that appears to be too weak. Following agreement on a UN Security Council statement, China will also find itself under pressure to convince North Korea to come back to the Six-Party Talks. China will seek to preserve sufficient leverage to convince North Korea to return to talks while attempting to avoid blame for watering down the UN reaction. An early return to Six-Party Talks, if it is possible, is unlikely to ease China's dilemmas.

Chronology of China-Korea Relations January-March 2009

Jan. 1, 2009: Hu Jintao and Kim Jong-il exchange New Year messages and pledge closer China-DPRK ties.

Jan. 2, 2009: ROK Ministry of Strategy and Finance says South Korea will implement anti-dumping duties on Chinese and Taiwanese polyester yarn for the next three years.

Jan. 5, 2009: ROK Unification Ministry says the current slowdown in North Korean defectors to South Korea is partly due to tightened border controls in China.

Jan. 5, 2009: SAIC injects \$45 million into Ssangyong and resumes negotiations with Korea Development Bank over a possible restructuring plan.

Jan. 7, 2009: The Korea Center for Disease Control and Prevention heightens bird flu warnings after a teenager in Beijing is suspected of dying from the virus on Jan. 6.

Jan. 9, 2009: China's Assistant Foreign Minister Hu Zhengyue visits Pyongyang to discuss 60th anniversary-related exchanges.

Jan. 9, 2009: Ssangyong Motor Co. files for court protection from creditors. The board reconvenes in Shanghai to finalize restructuring plans.

Jan. 9-12, 2009: A Chinese Foreign Ministry delegation visits Pyongyang for 60th anniversary celebrations of China-DPRK diplomatic relations.

Jan. 11, 2009: The North Korean consulate general in Shenyang opens its branch office in Dandong city bordering North Korea.

Jan. 12, 2009: The Seoul Central District Court grants receivership to Ssangyong. Union workers say they are prepared to negotiate a turnaround plan.

Jan. 13, 2009: Ssangyong suspends production at its sole plant in Pyeongtaek.

Jan. 13, 2009: Family members urge Seoul to press Beijing for the release of South Korean abductee who escaped North Korea in May 2008 after three decades in captivity.

Jan. 13-14, 2009: Chinese Foreign Ministry hosts gatherings with North Korean diplomats in Beijing.

Jan. 14, 2009: About 150 direct suppliers to Ssangyong plead with creditors and the ROK government to provide financial assistance.

Jan. 16, 2009: North Korea holds a New Year reception for Chinese diplomats in Pyongyang.

Jan. 18, 2009: ROK Ministry of Land, Transport and Maritime Affairs announces that South Korea and China have agreed to shuttle flights linking Seoul's Gimpo Airport and Beijing's Capital International Airport.

Jan. 21, 2009: Chinese petrochemical makers accuse South Korean firms of dumping.

Jan. 21-23, 2009: Chinese party official Wang Jiarui visits Pyongyang and meets high-level DPRK officials. He delivers a letter to Kim Jong-il from President Hu Jintao on the occasion of Lunar New Year.

Jan. 30, 2009: The ROK government announces it will discontinue support for parts suppliers of Ssangyong in face of worsening economic conditions.

Jan. 30, 2009: The ROK government says it will ban imports of dried persimmon from China after the discovery of a harmful parasite in the product.

Jan. 30, 2009: President Obama calls President Hu to reaffirm his pledge to denuclearize North Korea through Six-Party Talks.

Feb. 1, 2009: Hyundai and Kia report a record number of car sales in China in January.

Feb. 2, 2009: Ssangyong reveals that its auto sales dropped 82 percent in January.

Feb. 4, 2009: DPRK media says China has decided to give "free aid" to North Korea.

Feb. 6, 2009: Ssangyong wins court approval for bankruptcy protection.

Feb. 10, 2009: A local supplier for Ssangyong collapses due to the automaker's deteriorating financial situation, putting at risk 200 more vendors.

Feb. 15, 2009: Ssangyong announces plans to revamp its assembly lines.

Feb. 17-19, 2009: Chinese nuclear envoy Wu Dawei visits Pyongyang to express concern over activity at North Korea's primary missile launching facility.

Feb. 18, 2009: Ssangyong says it will downsize business operations and cut executive wages by up to 54 percent in a bid to meet procedures for court receivership.

Feb. 22, 2009: ROK Minister of Strategy and Finance Yoon Jeung-hyun and Chinese counterpart Xie Xueren meet on the sidelines of the ASEAN Plus 3 special meeting of finance ministers. ASEAN Plus 3 finance chiefs agree to expand their regional currency swap fund from \$80 billion to \$120 billion to cope with the financial crisis.

Feb. 23, 2009: ROK agriculture officials report that South Korea imported a record \$112.7 million worth of *kimchi* in 2008, mostly accounted for by Chinese imports that reached 13.5 percent of local consumption.

Feb. 24, 2009: Pyongyang announces it is preparing to launch a communications satellite.

Feb. 24-25, 2009: ROK Foreign Minister Yu Myung-hwan meets senior officials in Beijing including Chinese counterpart Yang Jiechi and Premier Wen Jiabao.

Feb. 26, 2009: DPRK state media reports that China has repeated its invitation to Kim Jong-il to visit Beijing for a summit with President Hu Jintao.

Feb. 27, 2009: Air purifier sales in South Korea jump in sales with forecasts of especially severe "yellow dust" from China this spring.

March 2, 2009: Ssangyong says sales dropped 69.4 percent in February, with domestic sales plunging 51.5 percent and exports 82.7 percent.

March 7, 2009: Foreign Minister Yang Jiechi at China's annual parliamentary session calls for enhanced China-Japan-ROK cooperation on the financial crisis and says FTA negotiations with ROK should begin as early as possible.

March 8, 2009: The Ministry of Knowledge Economy reports that Hong Kong has replaced China as South Korea's largest overseas market in terms of trade surplus (\$2 billion).

March 17, 2009: North Korean officials arrest two U.S. journalists on the Sino-North Korean border for "illegally intruding" into DPRK territory.

March 20, 2009: A Bank of Korea official announces the central bank is in talks with its Chinese counterpart to convert part of a 38 trillion won (\$27.2 billion) currency deal into dollars.

March 17-21, 2009: DPRK Premier Kim Yong-il makes a five-day visit to China where he tours Shandong Province and meets senior officials in Beijing including Premier Wen Jiabao, NPC Standing Committee Chairman Wu Banguo, and President Hu Jintao.

March 18, 2009: The Ministry of Knowledge and Economy says it will expand export insurance for shipments to China to 20 trillion won (\$14 billion), a 30 percent increase from 2008.

March 24, 2009: Pyongyang declares it will launch a satellite between April 4 and 8.

March 24-25, 2009: ROK nuclear envoy Wi Sung-lac meets Chinese counterpart Wu Dawei in Beijing to discuss Pyongyang's planned satellite launch and stalled Six-Party Talks.

March 24-25, 2009: High-level officials from China, Russia, South Korea, and Mongolia attend the 10th Consultative Commission Meeting of the Greater Tumen Initiative in Ulaanbaatar to further regional cooperation on Tumen development.

March 25, 2009: Ssangyong union workers announce plans to sue SAIC for mismanagement, seeking compensation for damages and cancellation of SAIC's 51 percent stake.

March 25-28, 2009: PLA Chief of Staff Chen Bingde meets ROK Joint Chiefs of Staff Chairman Kim Tae-Young and tours military bases in South Korea.

March 27-29, 2009: Seoul's Sejong Center for the Performing Arts stages China's "Butterflies" in the first major exchange of plays since the establishment of cultural ties in 1992.

April 5, 2009: North Korea launches what it describes as a satellite.