

Background

- U.S. and Chinese interests converge on the Korean peninsula in several fundamental respects:
 - Both seek a stable peninsula free of nuclear weapons;
 - Both support peaceful resolution of the North Korea nuclear problem through dialogue plus eventual North-South reunification;
 - Neither has much patience for North Korea's ideology, style, methods, closed society, or regime overall.
- Nonetheless, U.S. and Chinese interests over Korea diverge in several key respects:
 - Although the United States places a premium on nonproliferation, denuclearization, and human rights, China's interest in stability trumps these objectives. Beijing worries about the potential for turmoil in North Korea to spawn a massive influx of refugees across the border;
 - China also remains concerned that Korean reunification could bring American forces closer to its border, although some Chinese specialists are beginning to challenge the notion that China must maintain such a "buffer zone."
- China is North Korea's most important ally, as well as its main trading partner, key source of investment, and largest source of food, arms, and fuel.
- China's expanding economic ties with the Democratic People's Republic of Korea (DPRK) have led to concerns in Seoul about diminished South Korean influence over the North and about long-term Korean security more broadly.

Current Situation

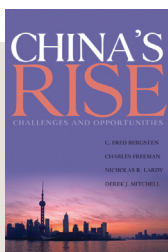
- North Korea's missile and nuclear weapons tests in 2006, conducted over China's strong opposition, enraged China. Beijing remains concerned that such a clear demonstration of North Korea's nuclear weapons capability could eventually lead Japan—and perhaps Taiwan—to reconsider its non-nuclear posture.
- Beijing bristles at Pyongyang's dangerous brinksmanship, which places Northeast Asia in the spotlight of Washington's security agenda and creates unnecessary regional and U.S.-China tensions. Despite its treaty alliance with North Korea, China supported a binding UN Security Council resolution condemning Pyongyang for its nuclear test in October 2006.
- China has consistently demanded that the North Korean nuclear impasse be solved peacefully through dialogue and since 2003 has hosted the Six-Party Talks aimed at resolving the issue.
- Beijing has urged Pyongyang to follow China's economic reform and political control model, which it believes could maintain the North Korean regime's viability while reducing the drain on Chinese resources. Beijing hopes in the long term to transition away from providing free assistance to Pyongyang and toward a more normal economic relationship.
- Meanwhile, China's relations with South Korea have warmed markedly in recent years, including:
 - Development of substantial economic (trade and investment) relations;
 - Common concerns about the cost to their societies of instability on the peninsula;
 - Elevation of the bilateral relationship from the previous "comprehensive and cooperative partnership" to a "strategic and cooperative partnership."

Implications

- With concerns that turmoil in North Korea could foment unrest among the ethnic Korean population along its northeastern border with the peninsula, China is much warier than the United States about using direct action to pressure Pyongyang, whether through military force, sanctions, isolation strategies (including the Proliferation Security Initiative), or other such policies. Chinese officials state that North Korea is more likely to give up its nuclear capabilities if the regime feels that its security is guaranteed.
- As a result, China has strongly supported the Six-Party Talks and has hosted each round of the talks in Beijing since their inception in 2003. China has earned praise from the United States for its role, including as occasional wordsmith and mediator to clarify issues and move both the United States and the DPRK toward agreement. Nonetheless, Washington continually urges China to do more to pressure the North to implement agreements in a timely and complete fashion.
- Although China could exercise more assertive leverage over North Korea on the nuclear issue, it is unlikely that Beijing has the influence to force Pyongyang against its wishes to give up its nuclear capability, its one diplomatic and military trump card.
 - Chinese officials note that were they to sanction North Korea, they would lose any ability to exercise influence on Pyongyang and drive the regime into a corner, which they say would prove dangerous and counterproductive.
- Debate about North Korea policy continues within Chinese leadership and academic circles on topics such as North Korea's willingness to give up nuclear weapons, the strategic value of North Korea to China, and the potential implications of improved U.S.-DPRK relations.
- South Korea will accommodate more readily to China's rise than Japan, although Seoul will likely want to maintain its alliance with the United States as a strategic hedge.

FACTS

- China–South Korea trade: \$140.5 billion (2007)
- South Korea is China's sixth largest trading partner.
- China is South Korea's leading trade partner and biggest export destination.
- South Korean total investment flows to China in 2007: \$6.49 billion
- South Korean foreign direct investment flows to China in 2007: \$3.68 billion
- China is South Korea's top investment destination.
- China–North Korea trade: \$1.97 billion (2007), an increase of 16.1 percent over 2006
- China is North Korea's leading trade partner.
- North Korean migrants residing in China: 30,000–50,000
- North Korea receives more than two-thirds of its food and fuel from China.
- Ethnic Koreans living in China: 2.2 million



FOR FURTHER INFORMATION:

SEE CHAPTER 10: "CHINA AND THE WORLD" IN *CHINA'S RISE: CHALLENGES & OPPORTUNITIES* BY C. FRED BERGSTEN, CHARLES FREEMAN, NICHOLAS LARDY, DEREK J. MITCHELL & CHAPTER 5: "CHINA'S FOREIGN & SECURITY POLICY: PARTNER OR RIVAL?" IN *CHINA: THE BALANCE SHEET: WHAT THE WORLD NEEDS TO KNOW NOW ABOUT THE EMERGING SUPERPOWER* BY C. FRED BERGSTEN, BATES GILL, NICHOLAS LARDY, DEREK J. MITCHELL