



Online Series

2018. 06. 27. | CO 18-28

Kim Jong-un's Visit to China and Outlook on Sanctions against North Korea

Joung, Eunlee
(Research Fellow, North Korean Research Division)

This article aims to analyze how Kim Jong-un's visit to China has influenced sanctions imposed on North Korea. Chairman Kim Jong-un's latest three rounds of visits to China have practically brought about the effects of the sanctions relief. Although the central government of China strictly observes and imposes the U.N. Security Council resolutions on North Korea, its sub-units such as the local governments and private enterprises impose sanctions in a significantly flexible manner. It is because sanctions are directly linked with the local economy, tax revenue, and corporate profits. In this respect, Chairman Kim is expected to accommodate President Xi's visit to North Korea at the earliest possible time. Going forward, there will be increasingly in-depth discussions on bilateral economic cooperation centering on areas that are immune to the effects of sanctions, such as tourism. Therefore, South Korea needs to use this new transitional phase as an opportunity by drawing a bigger picture in the peace process on the Korean Peninsula: such process includes denuclearization, the regime security of North Korea, and economic cooperation through a multilateral cooperation involving China as a member.

In a short period of three months, Chairman Kim Jong-un visited China three times. First visit was from March 25 to 27, two nights and three days spent in Beijing to: 1) repair North Korea-China relations; 2) notify China of the holding of inter-Korean summit; and 3) seek China's advice on the upcoming summit as well as the anti-corruption related organizations. For the second meeting, Kim Jong-un flew to Dalian, China and stayed overnight from May 7 to 8. During the visit, North Korea aimed to achieve three goals. First, it tried to establish strategic and tactical methods for cooperation in response to the U.S. President Trump's change in attitude. In particular, the focus was to find ways to jointly respond to John Bolton's remarks that the U.S. considered Libya model and try to listen to President Xi's way of solution to it. North Korea and China's understanding of the Libya model is that even when North Korea achieves a complete denuclearization, there still remains a possibility of the U.S. not delivering on its promise. Their discussion focused on, when such situation occurs, how to guarantee the security of the North Korean regime and how to proceed economic cooperation between North Korea and China. Second, it is said that Kim Jong-un's large retinue of officials was spotted visiting Dalian New Economic and Technological Area and thermoelectric power plants. That visit can be interpreted that Kim Jong-un's second visit was related with the reform and opening-up policies. Third, Kim Jong-un requested China to charter a private jet and provide him with an escort in military flights. The third meeting was a two-day visit to Beijing from June 19 to 20. This visit had four main goals. First, Chairman Kim came to Beijing to brief President Xi on classified information that he and Trump discussed without media disclosure. Second topic was the economic cooperation between North Korea and China: Kim Jong-un's visit to Chinese Academy of Agricultural Sciences (CAAS) showed his interests in cooperation on agricultural innovation such as "Sepo Plateau (massive grazing land)." He also visited the traffic control center and facilities and equipment center, which can be seen as a sign to promote sub-projects of "One Belt One Road" initiative by connecting railways and roads from Dandong, Sinuiju, and to Pyongyang. Third, his visit intended to discuss industrial cooperation in special economic zones located in Kangnam County, Sinuiju,

Nampo, Wonsan, etc. Fourth, it is analyzed that Kim Jong-un expressed his gratitude to President Xi for renting a private jet and worked out the details of President Xi's visit to Pyongyang.

This article mainly looks at whether China has relieved some of the sanctions against North Korea after Kim Jong-un's visits to China.

Responsible Power VS Ally: Elastic Sanctions and Balloon Effect

Under the leadership of President Xi, China has faced a dilemma. On one hand, as a responsible power of the international community, it is obliged to strictly observe sanctions against North Korea as agreed by the resolutions of the U.N. Security Council. On the other hand, as an ally of North Korea, it needs to promote humanitarian economic cooperation and stimulate the economy for the people of North Korea. Regarding the sanctions, China maintains a stance far different from that of the U.S. and Japan; it does not want to impose more sanctions on North Korea than it already has, and therefore will not allow additional sanctions. In other words, China currently implements somewhat mutually contradicting policies of "imposing sanctions while prioritizing the safety of the North Korean regime."

When implementing sanctions, there exist grey areas whose lines are so ambiguous and blurry that using expedients does not go as far as to violate the U.N. resolutions. For example, Chinese enterprises trading with North Korea manufacture clothes in North Korea, import them to China, add the processing to change its origin of country to "made in China," and export the items to third countries. It is an expedient method to turn "made in North Korea" items into "made in China" by taking advantage of some grey areas (i.e. clothes, fishery items, etc.) in marks-of-origin regulations. There is no way to regulate such practices at the local government level in China. Moreover, since those practices are directly related with the local economy and tax revenue, they are not just overlooked; they are rather encouraged. Chunji Mining Corporation is a company importing iron ore from Musan Iron-ore Cooperation. Its business takes up a large share of the tax revenue of

Helong city and significantly contributes to the local economy such as securing the wage for local public servants. Apart from such economic interests, the trade itself is mostly made at the grass-root level around the border areas by private traders. Therefore, the trade between North Korea and China is difficult to be blocked in nature.

Moreover, the central government did not come up with compensation plans for both local governments and private companies when it demanded that they observe the U.N. resolutions. The local governments and private sector have no other option but to look for their own way of dealing with the situation. Against this backdrop, when the Ministry of Commerce of China, in accordance with the Resolution No. 2371, announced a complete ban on importing items exported by North Korea on August 14, 2017, private enterprises trading with North Korea went out to make strong protests against the central government at customs offices in Wonjongri-Hunchun and Dandong.

While it is true that due to the sanctions prohibiting the signing of a new labor contract with North Koreans, there has been a significant increase in the number of laborers returning to North Korea. In reality, however, such drastic reduction of North Korean workers in China is only limited to restaurants and other conspicuous business areas; when looking at many factories located far from the city, the number of North Korean workers mostly remain unchanged. It is because North Korea sends its people to China by issuing visas to study abroad and issuing the river-cross pass. This is a typical example of balloon effect.

Therefore, while the central government of China maintains that it observes the tough sanctions adopted by the U.N. resolutions, its local governments and private companies are likely to interpret the North Korea-U.S. summit as a symbolic gesture of the end of the war declaration, thereby possibly expanding the non-official trade further. Indeed, three rounds of meetings between the leaders of North Korea and China over the past three months have served as a drive to promote the non-official economic cooperation. Even if the central government requires the consistent observation of tough sanctions, sub-units usually act according to

measures and alternatives in favor of their own interests. This means that even if the policies remain the same, economic actors are effective enough to operate in sync with the surrounding atmosphere. Due to such a mechanism, sanctions are repeatedly toughened and loosened following the changing political landscape. This is in line with a Chinese famous proverb that “The central government has policies while the local governments have their own ways of getting around them.”

Kim Jong-un’S Visit to China: Sign of Sanctions Relief for the Local Governments and Private Companies

Dandong city of Liaoning Province—the largest border city in China—accounts for more than 80% of land-based trades with North Korea. For the past few days, its real estate price has skyrocketed by up to 50%, mainly stimulated by massive real estate groups operating in southern areas. Hunchun, a small city with less than 100,000 residents, also saw a rise of over 10% in the real estate price. Negative side effects also followed. The sudden investment zeal from Chinese investors is not just limited to their domestic lands; there have been more than 30,000 investment inquiries on the real estate property in North Korea for mere two to three days.

In Beijing, the North Korean authorities keep up its pace fast to recruit potential investors. They have set up tour schedule for potential investors, hold investment seminars, and sometimes accompany them to Pyongyang. That is why it is said to be very difficult to get train or flight tickets from China to Pyongyang.

It is true that even if one signs a contract, it hardly comes into effect due to the ongoing sanctions. However, for items, such as coal, verbal contracts are being made at the very least. Moreover, the North Korean authorities give incentives to individuals who have successfully secured the investments. Such practices are similar to what Deng Xiaoping did in his early stages of reform and opening-up policy implementation. At the same time, such investment zeal has raised concerns over get-rich-quick fever in China.

Meanwhile, social and cultural exchanges with North Korea have resumed in border towns of Jinlin Province whose trade scope with North Korea was relatively smaller than that of Liaoning Province. Some universities in Jinlin Province have held various academic seminars involving the two Koreas and China. What stood out the most among the discussed topics were those related with developing tourism resources in North Korea and economic cooperation with the North. Not only has the trilateral cooperation among the South, the North, and China resumed after years of suspension but also the air routes and tourism between North Korea and China started to be recovered and vitalized. While the tourism-related department in North Korea set 200,000 visitors an annual target, its accommodation capacity in aviation, road, rail road, and hotel falls short of 100,000 million people in maximum. Tourism is exempt from areas subject to sanctions, which is witnessing signs of recovery in the positive atmosphere created by the North Korea-U.S. summit.

Regarding the relief of sanctions, one conspicuous change was a simplified customs clearance process. In the past, China once implemented sanctions whose level was far stricter than that of the U.N. resolutions. One prime example of this was customs clearance process. When the U.N. passed a resolution to ban steel being carried into North Korea, customs officers in China thoroughly performed the inspection by prohibiting almost everything made of steel from certificate to equipment of factory facility, and even nail clippers. When there was a steel button in clothes, North Koreans were forced to take the steel button out before passing through the customs inspection. In some cases, North Koreans who felt humiliated by such practice threw out their outer jackets and passed the immigration control points. North Korean travelers were also the target of thorough inspections. They had to go through a customs clearance process even on a train including a body search. Those practices were evaluated as going beyond the level demanded by the U.N. resolution, clearly violating human rights. It shows Chinese local government officials' anti-North Korean sentiment, which in turn puts a significant pressure on North Korean people. As a result, trades between North Korea and China ended up being suspended even in areas not prohibited by the U.N. resolutions.

However, such measures, considered illegal and in violation of human rights, have become gradually relieved right after Kim Jong-un's first visit to China. There was no clear direction or instruction from the central government. The sub-units grasped a change of situation and took the voluntary and preemptive actions. It shows how flexible and adaptive the local units can be in implementing the U.N. resolutions along with the progress on denuclearization talks between North Korea and the U.S. and the recovery of North Korea-China relations.

Outlook: President Xi's Visit to Pyongyang and Sanctions Relief

China has strictly observed sanctions believing that it is a way to demonstrate its leadership in the international community as a responsible power in regard to North Korea's denuclearization. By doing so, it has deterred nuclear and missile provocations from North Korea. At the same time, Beijing has considered ways of economic cooperation for the livelihood of North Korean people and humanitarian purposes. China's approach shows its commitment to fulfilling the responsibility as an ally of North Korea. In short, Beijing seems to ponder over the dilemma between meeting the obligations of the international community as a responsible power and providing the humanitarian assistance to the people of its ally.

Projects on North Korea are closely related with the interests of local communities. As the denuclearization discussion makes progress, the local governments and private enterprises have no other choice but to follow sanctions in a flexible manner in conjunction with such progress. Those practices are highly likely to continue into the future and to be condoned by the central government. The central government may order a strict compliance on the sanctions but can regulate only little when sanctions get relieved in the operation process. This gap can be simply narrowed once President Trump declares a complete relief from sanctions. However, without such a solution, sanctions can gradually become ineffective in name only when denuclearization gains much progress. President Xi's

visit to North Korea will be a critical sign to loosen the sanctions further. That is why Kim Jong-un is believed to work on inviting President Xi before the Day of the Foundation of the Republic (September 9), which was discussed during Kim Jong-un's third visit to China.

Meanwhile, this year the North Korean authorities have often dispatched economic inspection teams to China. Especially, when Park Tae Song, Vice Chairman of the Workers' Party arrived in China on May 24 along with heads of the Provincial Committees, he said to President Xi, "I came here to learn Chinese reform and opening-up policies." His remarks were considered unprecedented and widely reported through Chinese media outlets. There are more cases that used to be unimaginable in North Korea. When the Korean Central Television aired the video clip of Kim Jong-un's third visit to China, it called President Xi "excellent leader." This implies that North Korea is set out to take on a path of reform and opening-up policies and pragmatism.

Therefore, with the signs of loosening sanctions on North Korea, South Korea is required to keep in mind a bigger blueprint when promoting the inter-Korean economic cooperation; a bigger blueprint should be "multi-initiative." At a time when the North Korea-U.S. summit has successfully turned the frame from denuclearization process into a peace process on the Korean Peninsula, South Korea needs to use this new transitional phase as an opportunity by drawing a bigger picture in the peace process on the Korean Peninsula: such process includes denuclearization, the regime security of North Korea, and economic cooperation through a multilateral cooperation involving China as a member. ©KINU 2018

※ The views expressed in this paper are entirely those of the author and are not to be construed as representing those of the Korea Institute for National Unification (KINU).