

# Chinese Foreign Policy Priorities in the Korean Peninsula

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## Introduction

In this paper I will explore how China's perceptions and foreign policy priorities change in response to different degrees and types of provocation on the Korean peninsula. The Korean peninsula has been host to significant and frequent military exercises, missile tests, and nuclear tests. China has been given a unique opportunity to demonstrate regional leadership, and a challenge to protect its own security. Historically, China has remained opaque about its foreign policy. This behavior is best explained by Deng Xiaoping's '24 character strategy' <sup>1</sup>:

*Observe calmly; secure our position; cope with affairs calmly; hide our capabilities and bide our time; be good at maintaining a low profile; and never claim leadership.*

By revealing how China has balanced its goals in the presence of varying provocation, this paper will identify stakes and friction points shared with other regional actors and help gauge China's appetite for pursuing regional leadership in its foreign policy.

This paper seeks to examine two factors of Chinese behavior in the situation in Korea. It first investigates the role of trade relationships and economic interdependence. I ask to what degree and under what conditions do trade relationships act as incentives for peaceful relationships and as policy options to achieve Chinese foreign policy goals. In essence, this question identifies the dichotomy of economic interdependence being a priority unto itself as well as a means to achieve other priorities. I hypothesize that Chinese trade relationships with the United States, Republic of Korea (RoK), and Japan act predominantly as incentives for a peaceful relationship, while the Chinese trade relationship with North Korea is more commonly used as a policy tool to achieve other goals such as a peace treaty or denuclearization on the Korean peninsula. I will argue that increasing levels of provocation have an inverse relationship with the trade flows between China and the Democratic People's Republic of Korea (DPRK).

Next, this paper seeks to answer two questions surrounding Chinese perceptions of nuclearization of the Korean peninsula. The first question asks what components China considers most important to the issue. This question aims to provide a descriptive analysis of the components of denuclearization that China considers relevant, such as complete, verifiable, and irreversible denuclearization (CVID) of DPRK capabilities or, alternatively, elimination of or cuts to the Republic of Korea's Terminal High

Altitude Area Defense (THAAD) system. The next question seeks to answer how important China considers denuclearization relative to its other foreign policy priorities. I hypothesize that in the presence of accelerating nuclear-related provocation, Chinese messaging on the issue becomes stronger and more focused on specific denuclearization efforts.

This research provides two important contributions that can be extended to situations and topics not directly related to tensions on the Korean peninsula. First, we can detail how China sees its role in the situation, for example as a leader, mediator, or stakeholder. In addition, this paper can help predict how China may behave in similar situations in the future, and the factors that determine the state's behavior.

## **Literature Review and Theory**

While there are theoretical perspectives and events that support both sides of the economic interdependence dichotomy, the evidence that it is a dominant foreign policy priority is increasingly better at explaining Chinese relationships relevant to the Korea peninsula. Despite China's current and past attempts to use economic leverage to achieve its foreign policy priorities, I believe that economic interdependence acts primarily as an incentive for mutualistic relationships.

In 2010, John Mearsheimer provided a theoretical perspective that predicted China's modernization would lead to the state seeking regional hegemony and using its position of power to achieve its foreign policy priorities.<sup>2</sup> Although Mearsheimer's analysis focused on the Chinese challenge to the power of the United States in the region, the perspective predicts that China would use its economic interdependence with its neighbors to achieve specific foreign policy goals, rather than allowing that economic interdependence to determine the state's priorities. There is support for this prediction in recent events regarding the peninsula, particularly in the case of the China-DPRK relationship. However, I believe this is an exception to the rule, and China will increasingly prioritize its trade relationships higher in its foreign policy.

One of the most prominent examples of China using its economic leverage to achieve other foreign policy priorities occurred in 2017. In the first quarter of the year, China reported a substantial and mostly export driven increase in trade with North Korea of 37.4%, despite a ban on coal imports put in place in February.<sup>3</sup> In the following months, the North Korean regime initiated several missile tests, and by the end of the year China-DPRK trade saw a reduction of 10.5% compared to 2016.<sup>4</sup> Furthermore, the DPRK Budget Report for 2017 noted a slow down in economic growth in special economic zones, which are an important source of economic interdependence with China.<sup>5</sup> While it seems clear from this example that China does not hesitate to use its trade relationships as tools to achieve its foreign policy priorities, this is some of the strongest evidence to support such an idea and there is good reason to believe that these events are the exception rather than the

rule. Trade with the North Korean regime is only a small portion of China's economy, and in a situation with more economic interdependence the results may be quite different.

In 2017, China also attempted to use economic leverage against the Republic of Korea in response to the deployment of the THAAD missile defense system.<sup>6</sup> However in this instance, the effort had considerably less impact and the sanctions were removed in a short time frame. Before reconciliation of the dispute, China claimed that the RoK made three commitments. Called the 'three nos', the commitments ruled out US missile defense system integration, a trilateral military alliance with the US and Japan, and no additional deployments of THAAD. According to the RoK, these commitments were not promises made to China, but instead long standing foreign policy. Importantly, the 'three nos' did not include a walk back of the existing THAAD deployments in the RoK. In the case of the DPRK, there have been commitments to close nuclear test sites.<sup>7</sup> While China may attempt to use economic leverage to its advantage, the success of this policy is limited for trade relationships that are highly interdependent.

There are convincing theoretical perspectives that support the notion of economic interdependence being an incentive for cooperative relationships and a goal unto itself. For example, the democratic peace theory stresses that interdependence and strong trade relationships create opportunities for communication by fostering cross-border social and business ties.<sup>8</sup> In this perspective, well connected interests have too much to lose from instability and pressure their respective states to deescalate economic conflict. However, this only occurs when the economies in question are sufficiently well connected and integrated. Thus, China may selectively continue to use economic leverage only on states and actors it is only marginally connected with. The United States, Japan, and South Korea do not fit this description. According to Avery Goldstein, the economic and institutional ties between China and these other North East Asian actors are so central to China's continued economic development that it is unlikely they will be sacrificed for other foreign policy priorities.<sup>9</sup>

denuclearisation

- components
  - different definitions for different actors<sup>1011</sup>
- priority
  - striving for achievement<sup>12</sup>
    - China can operate more aggressively in pursuing its priorities and goals
  - conflicting priorities for US<sup>13</sup>
    - US has several priorities, and there are trade offs between them

- China may see similar tradeoffs
- brief on current situation<sup>14</sup>
  - stability seems to be top priority
  - 2010 defense of NK
  - hesitance to place sanctions

## Research Design

For the topic of economic interdependence, the first test will aim to determine China's willingness to use economic leverage as a tool to achieve other foreign policy goals. The dependent variable in this test is the China-DPRK trade relationship. From the UN Comtrade Database, yearly data for imports and exports in dollars between China and the DPRK is available. Representing geopolitical circumstances undesirable to China, provocations by the DPRK regime serve as the independent variable. The exact date of these provocations is available, so they will be grouped in years to make comparison with the trade data simpler. Then, exports and imports will be regressed on provocations in the same year and lagged years. While the dataset of provocations compiled by BeyondParallel has a long time span and is very precise in its event times, the trade statistics are more challenging. The first issue is that the data is not precise, since only annual totals are available through the UN Comtrade Database. Secondly, data for 2017 has not been reported yet.

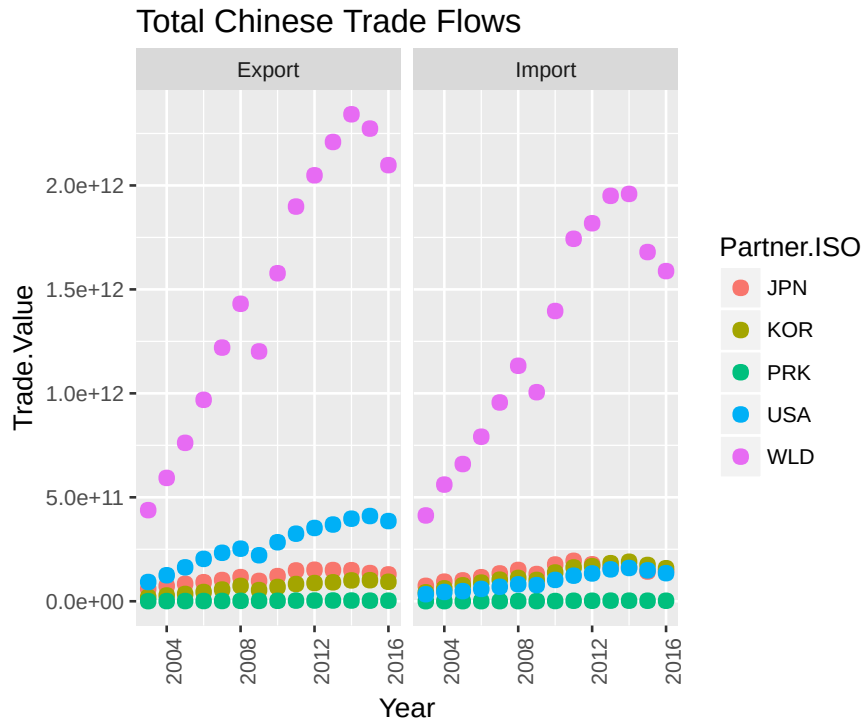
The second test will focus on China's trade relationships with other North East Asian actors, particularly the Republic of Korea, Japan, and the United States. Similarly, the UN Comtrade Database will be a source for annual US dollar denominated export and import totals. However, this test will use said data as the independent variable. The dependent variable will attempt to measure China's desire for a peaceful relationship with the North East Actors in question and specifically in regards to the Korean peninsula. Using several sources, including China's UN Security Council speeches, DPRK ambassador press releases, and state news articles, strength of messaging will be evaluated lexicographically and serve as the dependent variable.

denuclearisation

- components
  - descriptive analysis of mentions of related terms, could possibly relate to provocation data
- priority
  - strength of messaging using lexicographical analysis as a function of provocations

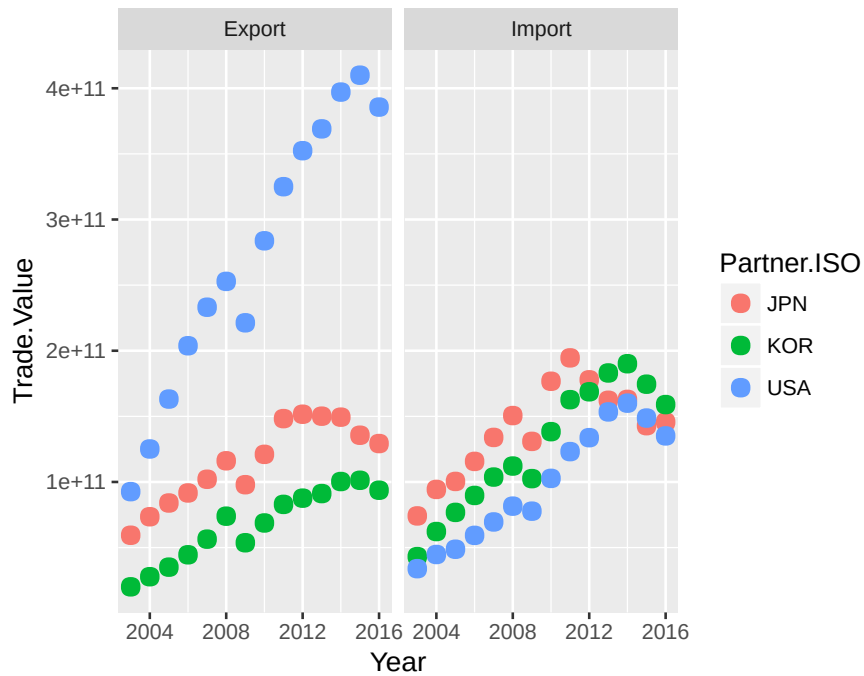
## Data and Results

In evaluating the data, I will first frame the results with descriptive analysis of the individual datasets, then test the hypotheses and relate the datasets to each other. The data on trade flows has a wide scope, and I have gathered annual flows from 2003 to 2016. In the first two graphs, total flows and flows with the US and its North East Asian allies are shown.



This figure is important because it demonstrates the magnitude of Chinese exports and imports, which peak at \$2.3 trillion and nearly \$2 trillion, respectively. Another notable detail is that while US, Japanese, and South Korean trade flows are discernible in comparison to China's total flows, Chinese trade with the DPRK is minute relative to China's flows with the rest of the world.

## Chinese Trade Flows with US, Japan, and RoK



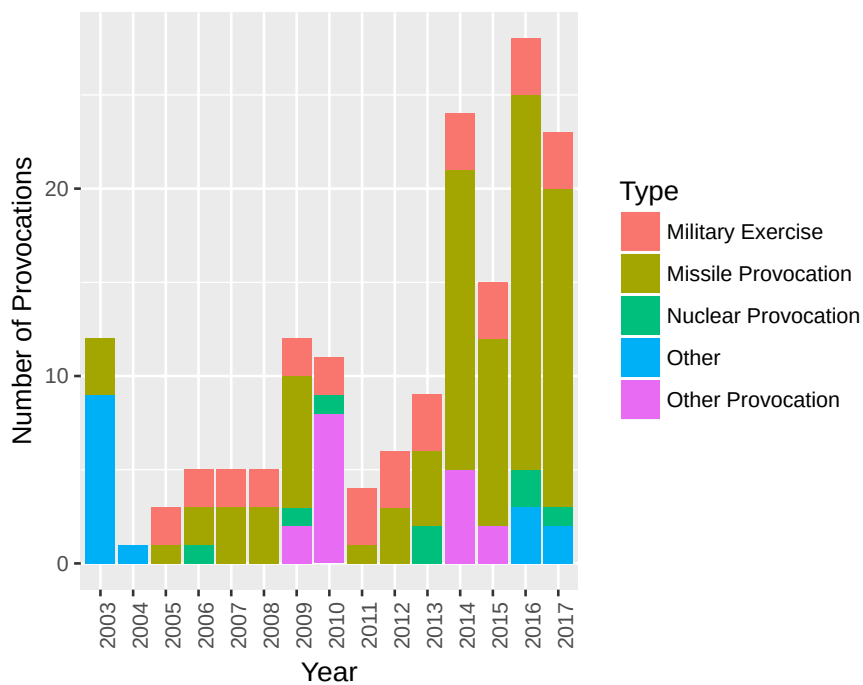
With a more detailed view of Chinese trade with US and its North East Asian allies, two important facts become apparent. The first is that growth in exports to the US has far outpaced any other flow. Second, flows have mostly declined since 2014 in line with the trend for China's total trade flows. An important implication of this is that it decreases incentives for maintaining peaceful conditions. I would expect that this decrease in flows would lead China to be less susceptible to external influence and less likely to compromise.

## China-DPRK Trade Flows

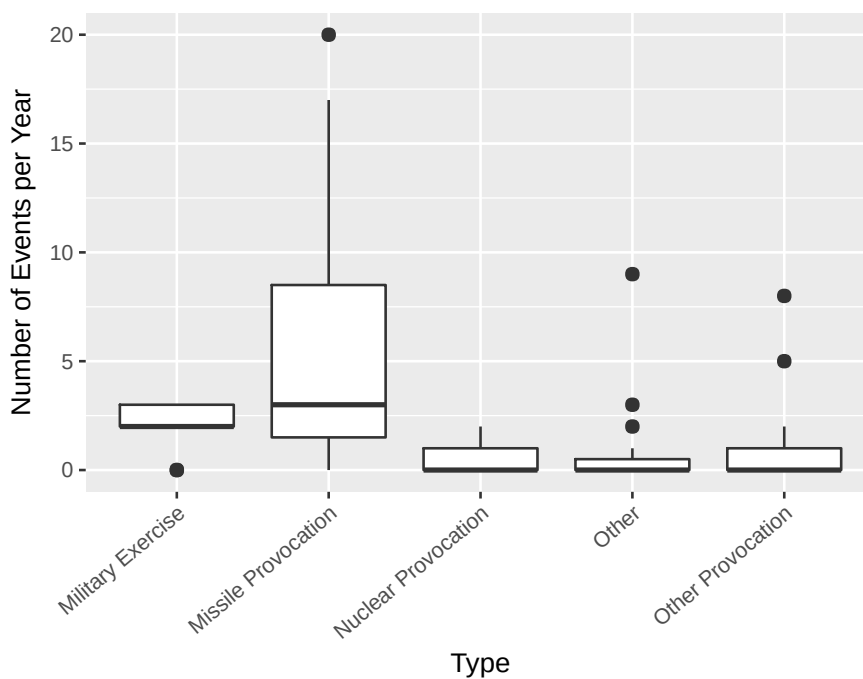


Since 2003, China-DPRK trade flows have grown substantially. The largest bumps occurred between 2010 and 2011 for both imports and exports. One possible explanation for this increase is a reduction in DPRK-RoK trade following the sinking of the Cheonan, but the figure below shows that fewer missile provocations occurred in 2010 and 2011 than the years prior. Another critical note is that China-DPRK trade flows did not decrease substantially in 2014, 2015, or 2016. Instead, they mostly followed the trend of China-World trade. This is surprising, since during these years, the DPRK initiated a substantial amount of missile provocations. Despite these high levels of provocation, China did not put severe sanctions in place until 2017.

Korean Peninsula Provocations



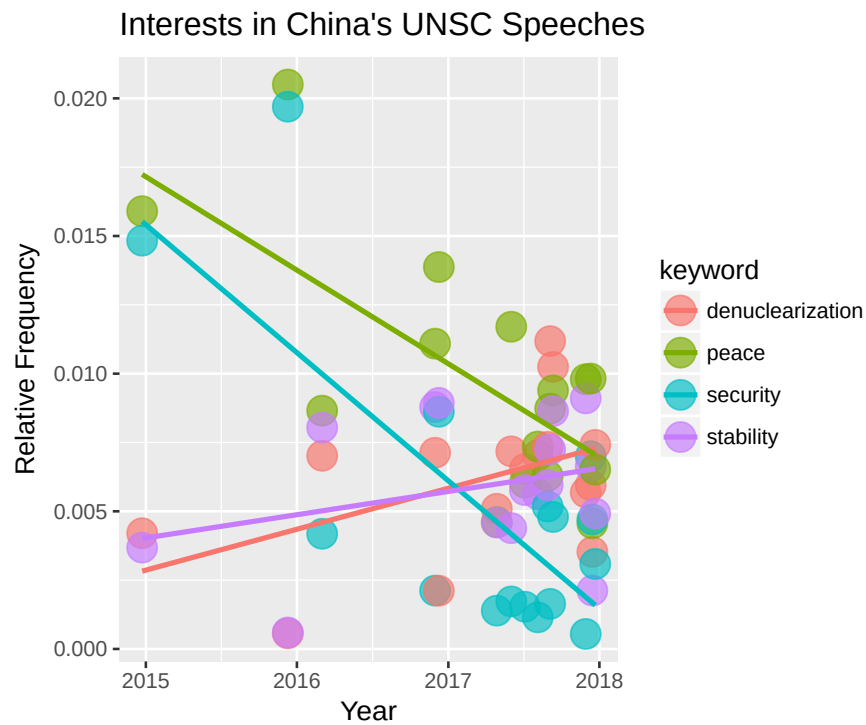
Annual Provocations by Provocation Type



Type	Mean	Std.Dev
Military Exercise	2.2000000	1.0141851
Missile Provocation	6.0000000	6.6116780
Nuclear Provocation	0.5333333	0.7432234
Other	1.0000000	2.3904572
Other Provocation	1.1333333	2.3563491

Starting in 2003, with the DPRK withdrawal from the NPT, this subset of beyondparallel's provocation events reveals several important features of provocation on the Korean peninsula. First, military exercises have been routine and consistent. Since 2005, there have been military exercises every year. Next, I would like to shift attention to nuclear provocations, which have been more intermittent in frequency but fairly consistent in amount. With the recent collapse of one of the DPRK's nuclear facilities, it is likely that nuclear provocations will be low frequency in the short term. Because there have not been significant increases in military exercises or nuclear provocations, there is some uncertainty how actors in the region may behave if this did occur. The final and most important detail I would like to highlight is the high degree of variation in number of missile provocations each year: the standard deviation for annual missile provocations is larger than the mean. The distribution is also skewed to the right, with a mean exactly twice its median. Between 2014 and 2017, missile provocations exploded in amount; in that period missile provocations are several times the amount prior to 2014. This is a substantial shift in behavior, and I would like to point out again that China only instituted severe economic leverage in 2017, which is considerably late compared to when the DPRK began accelerating its rate of missile provocations.





This final figure aims to map the frequency of mentions of Chinese foreign policy goals and interests in the state's UN Security Council speeches on the subject of the DPRK. The dataset consists of 16 speeches by Chinese officials between late 2014 and 2018. Eleven speeches occurred in 2017, three in 2016, and one each in 2015 and 2014. Prior to 2014, China had not spoken on the subject of the DPRK since 2009, and there have been no speeches on the subject in 2018 so far. This lack of data availability is challenging, but also telling. The UN Security Council meetings dedicated to the subject of the DPRK has rapidly increased as provocations have sustained high levels.

The keywords were chosen by examining the most common words used in proximity to the word "interest" and various variations and synonyms of the word, including "goal" and "concern". Then, the number of mentions of each of these keywords was counted for each speech. While the four keywords may ostensibly seem similar, a nuanced view would note that they are potentially contradictory. For example, denuclearization on the Korean peninsula may be extremely difficult to achieve without sacrificing short term peace and stability. For this reason, the substantial decline in mentions of peace and security with a simultaneous climb in mentions of denuclearization is quite worrying. Of course, these trends should be viewed with some important caveats in mind. The first, data availability, was mentioned above. If another round of UN Security Council meetings regarding the DPRK occurs in the future, there is reason to believe that China will have a different set of goals and interests. The other caveat is that this figure provides no information on the context of the keyword mentions. Lexicographical analysis would need to be used to determine subjective details about China's speech, such as strength or weakness of messaging.

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