

Chapter 6. Support from China

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Support from China enabled North Korea to make a limited recovery from the economic collapse of the 1990s.¹ It has also moderated the effect of international economic sanctions triggered by North Korea's weapons of mass destruction (WMD) development (sanctions also formally endorsed by China).² Despite admonishing Pyongyang, Beijing was reluctant to use its full economic leverage during the 2006–2016 decade. In this period, North Korea made major strides as a nuclear weapons state. At the United Nations Security Council (UNSC), China shielded North Korea from the toughest international sanctions on the grounds of respect for North Korea's "national development." This enabled North Korea to conduct five of its six nuclear tests and numerous ballistic missile launches without paying a substantial economic price. Under the regime of very strict sanctions since 2017, China has become North Korea's lifeline. While enforcing the strict sanctions in support of denuclearization, Beijing also acts to ensure that the pain of sanctions does not tip Pyongyang into economic collapse. This reveals that China holds a baseline position consisting of geopolitical interest (security) and solidarity with a neighboring communist state. If this baseline is threatened by potential economic collapse, China will provide sufficient economic support to ensure North Korea's survival.

Beyond maintaining the baseline of geopolitical interest and communist solidarity, what else motivates Beijing? This chapter seeks to identify the factors that explain the fluctuations in China's level of support for North Korea during the post-Cold War era. North Korea's Cold War era aid dependency has been replaced by increasing market dependency on China in the twenty-first century. The transition in part reflects circumstance. The economic crisis of the 1990s spurred North Korean society into spontaneous marketization involving cross-border trade. This

has also occurred by Chinese design. Instead of maintaining traditional socialist aid, China used both incentives and pressure to draw North Korea into market transactions. By assimilating Chinese practices, North Korea would share the benefits of China's miraculous development. North Korea's degree of assimilation shapes the degree of Chinese support. If North Korea conforms closely with Chinese practices, then China provides incentives. If North Korea is reluctant, then Chinese support is more parsimonious. China can even resort to pressure but never to the extent of inducing collapse. North Korea's readiness to assimilate Chinese practices depends on whether there is a match or mismatch on two variables: North Korea's material interests and its sacred monolithic leadership system. These variables can also be applied to explain fluctuating relations in the Cold War era (and the corresponding fluctuations in Chinese support).

Economic Support During the Cold War and Transition

From the inception of the two states to the end of the Cold War, Chinese economic support for North Korea was motivated by socialist solidarity as well as ideological competition with the USSR. As such, market factors did not enter into Chinese calculations. Shen and Xia's study of Chinese aid during North Korea's postwar economic reconstruction period (1953–1961) identified some constant features of the aid relationship during the Cold War era (and beyond).³ First, North Korea's ambitious economic and political objectives required a constant and generous flow of aid from both the USSR and China. China supplied more food and consumer goods, while the USSR provided fuel and industrial machinery. Despite attempts to diversify, the USSR and China accounted for at least 50 percent of North Korea's trade throughout the Cold War era.⁴ Second, North Korea received aid grants (goods in kind) and loans on favorable terms with which it could import items from the socialist states. This enabled it to run persistent trade

deficits. Loans usually went unpaid and would eventually be written off as aid. Third, North Korea could not always keep in step with shifts in the Chinese and Soviet political line. In particular, Pyongyang was challenged by those policy shifts that called into question the status of Kim Il Sung (e.g., Soviet de-Stalinization of 1956; China's Cultural Revolution of 1966 to 1969) or North Korea's military security (e.g., Soviet "peaceful coexistence" doctrine of 1955). This led to fluctuations in its aid relationship with its benefactors.

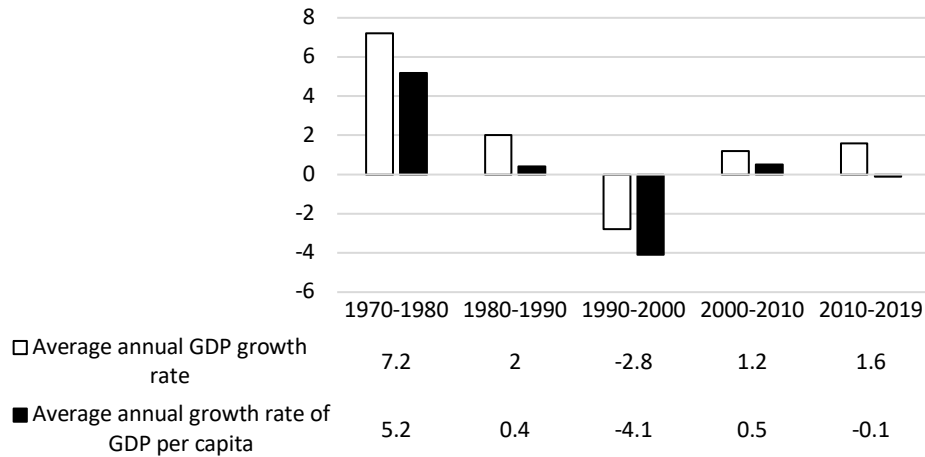
Despite tensions, North Korea always adjusted its position sufficiently to sustain aid from both benefactors. It would tilt toward the one whose political line it was more aligned with in the hope of inducing more aid from the other. For their part, the Chinese and Soviet benefactors considered North Korea a valuable strategic and ideological ally worthy of continued support. Pyongyang's aid relationships were able to withstand major transformations (e.g., US-Soviet détente from 1969 to 1979; Mao's tilt toward the United States from 1972; Deng Xiaoping's "reform and opening" in 1978 and diplomatic normalization with the United States in 1979). Things started to shift with the arrival of Soviet leader Mikhail Gorbachev in 1985. In foreign policy, Gorbachev introduced "New Thinking" aimed at ending the Cold War with the West as well as the Sino-Soviet dispute. From the late 1980s, the USSR also reappraised its relationship with North Korea. This resulted in Moscow's 1991 decision to discontinue all aid to Pyongyang while normalizing relations with Seoul, a stance maintained by the new Russian Federation that succeeded the dismembered USSR.

With China, the aid relationship looked more hopeful initially. Jiang Zemin's maiden visit as general secretary of the Chinese Communist Party (CCP) in March 1990 was to North Korea. This reflected the Chinese authorities' gratitude for Pyongyang's staunch support during the Tiananmen Square crisis of 1989. But this was only a temporary respite. Witnessing the

collapse of the Soviet bloc between 1989 and 1991, the post-Tiananmen Chinese leadership reaffirmed its commitment to continuous market reform as the path to regime survival. Beijing increasingly viewed Pyongyang as a laggard in economic reform and sought to steer it toward the Chinese economic path. In 1991, it announced a three-year schedule for the termination of “friendship prices” (subsidized trade for North Korea) and imposition of market prices using hard currency. Reform also led Beijing to embrace Seoul as an economic partner and reference point of modernization. Normalization of relations in 1992 aligned not only their economic needs but also their diplomatic ones (i.e., Seoul’s *Nordpolitik* and Beijing’s need to escape from post-Tiananmen international isolation).

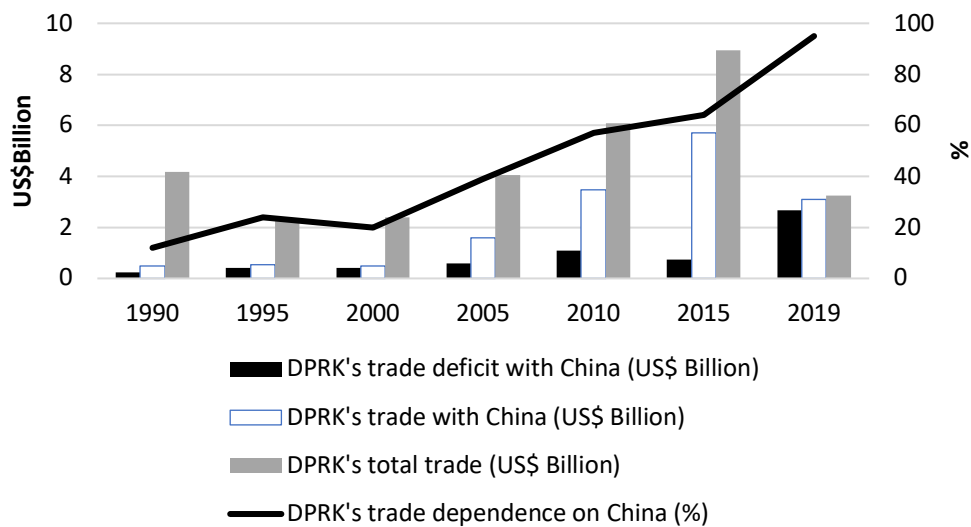
Despite slowdown in the 1980s, the North Korean economy still managed an annual gross domestic product (GDP) growth rate of 2 percent with the help of external aid. The impact of the loss of Soviet and Chinese aid after 1990 is illustrated by the negative per capita growth rates for both GDP and GDP per capita (Figure 6.1).⁵ They reveal a GDP contraction of almost 30 percent during the 1990s and very weak recovery since 2000. In terms of trade, the 1990 level was not exceeded until 2006 (Figure 6.2).

Figure 6.1 North Korea's Average Annual Growth Rate of GDP and GDP per Capita, 1970–2019 (in 2015 constant prices)



Source: United Nations Conference on Trade and Development (UNCTADStat).

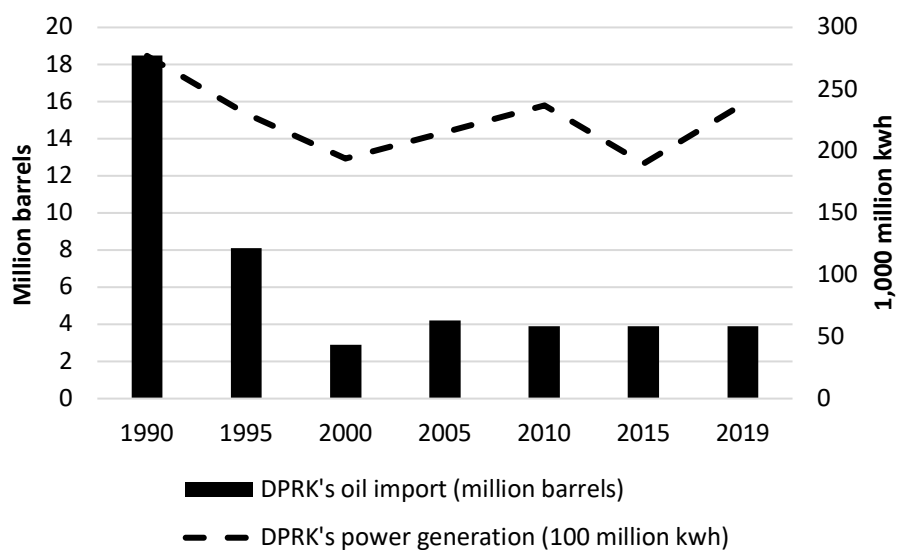
Figure 6.2 North Korea's Trade with China, 1990–2019



Source: National Statistics Office, *Major Statistics of Korean Economy* (several issues).

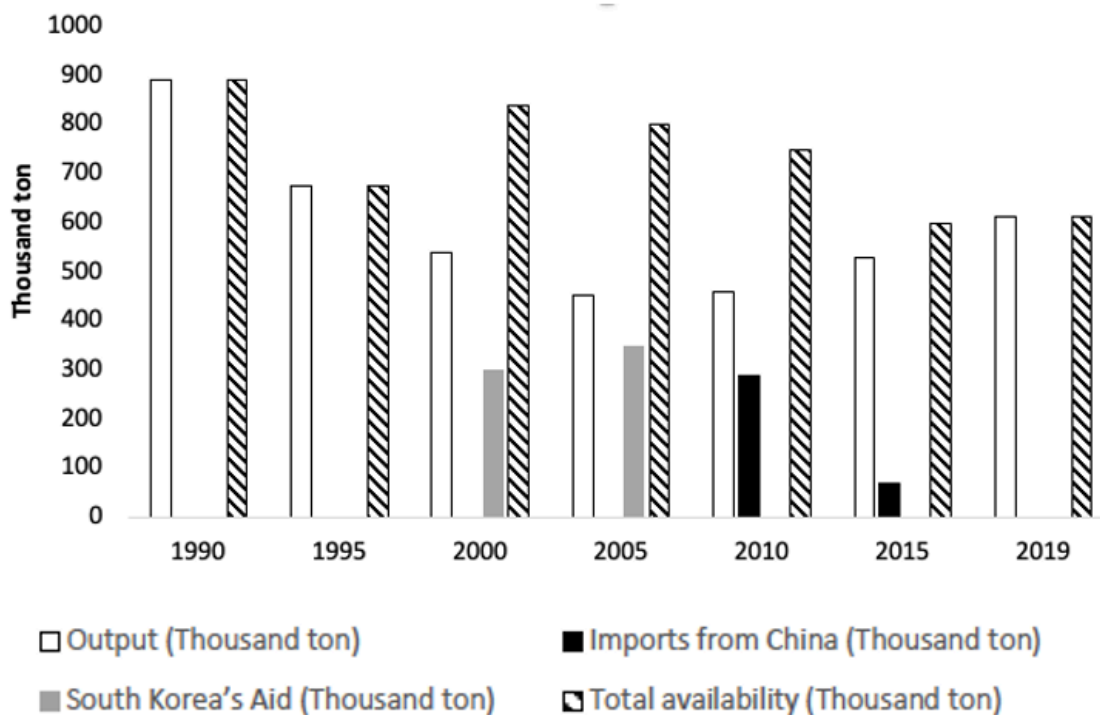
The loss of Soviet aid led to continuous reduction of crude oil imports from the peak level of 18.47 million barrels in 1990 to 6.67 million in 1994 and a low of 2.33 million in 1999 (Figure 6.3). The subsequent level of import has never exceeded 4.38 million barrels (2002). The decline of crude oil imports was also reflected in the decline of power generation from 27.7 billion to 18.6 billion kilowatt hours between 1990 and 1999. The 1990 level of power generation has not been attained again in the subsequent two decades. Shortage of crude oil also severely impacted chemical fertilizer production (Figure 6.4), which declined from an annual average of 820,000 tons per annum (1990–1994) to 521,000 tons per annum (1995–1999). Fertilizer was vital to North Korea’s chemical-input-intensive agriculture.

Figure 6.3 North Korea Crude Oil Imports and Power Generation, 1990–2019



Source: National Statistics Office, *Major Statistics of Korean Economy* (several issues).

Figure 6.4 DPRK's Fertilizer Output, Imports from China, and South Korea's Aid, 1990–2019

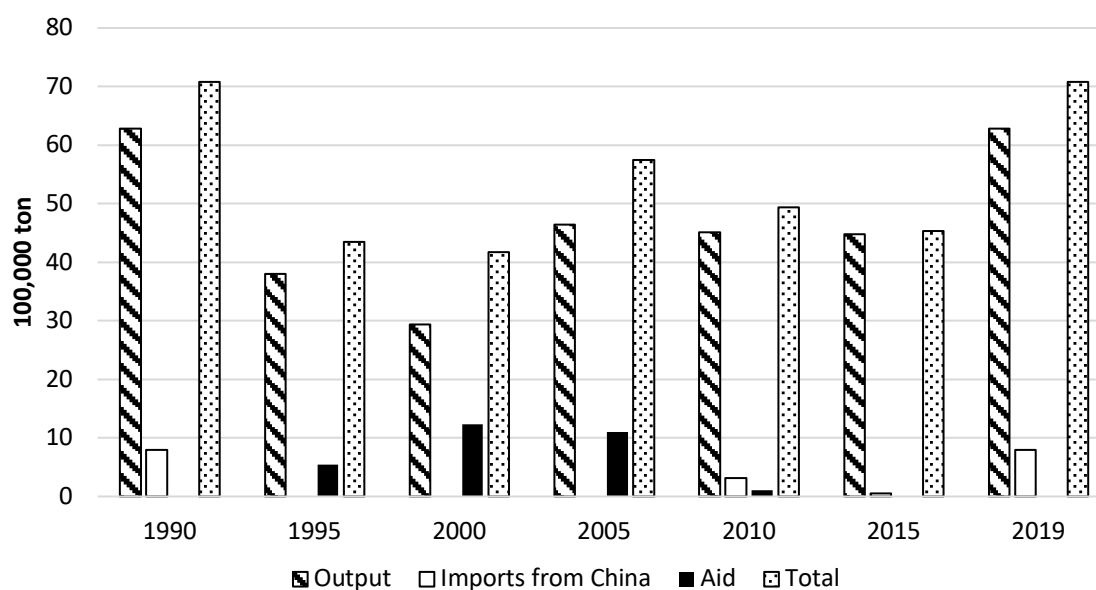


Source: Data on fertilizer output and South Korea fertilizer aid based on National Statistics Office, *Major Statistics of Korean Economy* (several issues); data on import from China taken from United States Department of Agriculture (USDA) Foreign Agricultural Service, *DPRK* (21 January 2020).

The loss of Soviet aid did not immediately impact North Korean grain production (Figure 6.5). Moreover, China continued to supply 800,000 tons of grain per annum up to 1993, an amount equivalent to 15 percent of North Korea's consumption requirement of 5.5 million tons. However, the level dropped sharply to 280,000 tons in 1994. This probably reflected China's transition in its economic relations with North Korea from barter trade to market trade using hard

currency.⁶ Short of hard currency, North Korea was unable to sustain food imports from China.

Figure 6.5 North Korea’s Grain Output, Import, Aid, and Total Availability, 1990–2019



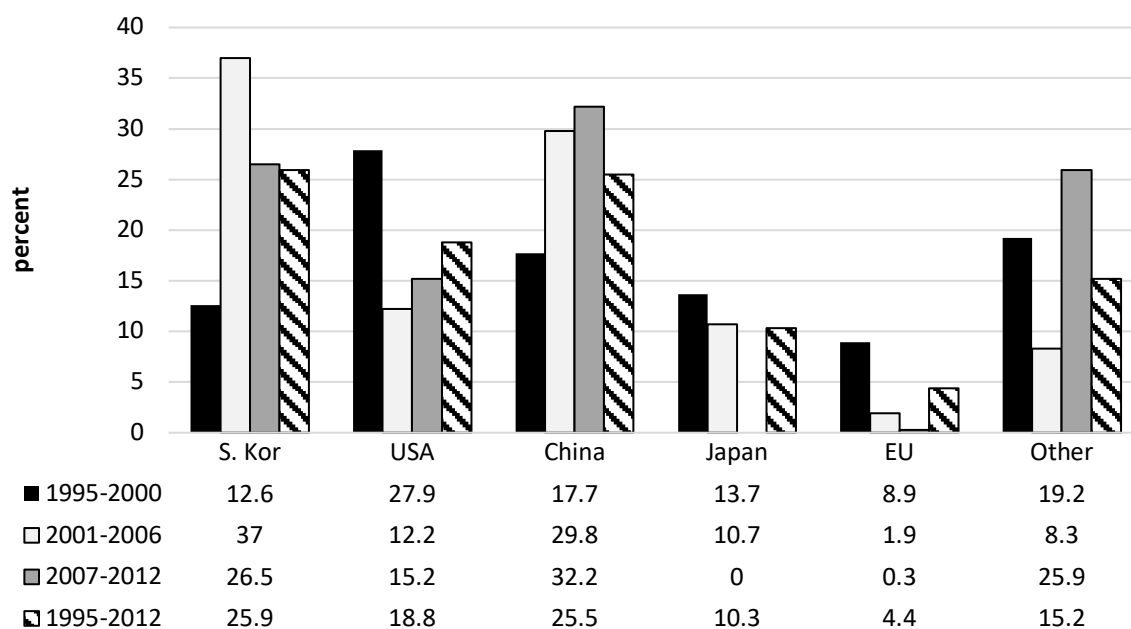
Source: Data on output based on “Democratic People’s Republic of Korea,” FAOSTAT; data on imports from China (1990–1994) based on Eberstadt, “North Korea’s Interlocked Economic Crises,” (1998); data on imports from China (2008–2019) based on National Statistics Office, *Major Statistics of Korean Economy* (several issues); data on aid from World Food Programme, “After worst harvest in ten years,” (3 May 2019).

This drop coincided with the sharp decline of fertilizer production (from 901,000 to 738,000 tons) owing to oil shortages. With three years of bad weather conditions (1995–1997), grain output fell to its lowest levels on record. Even the introduction of substantial international aid from 1995 was unable to prevent the availability from dropping below 4 million tons in 1996

Source: Chiang, Min-Hua (ed.) *The Political Economy of North Korea: Domestic, Regional and Global Dynamics* (Boulder: Lynne Rienner 2022)

and 1997 (i.e., to starvation levels). The continuation of international aid enabled North Korea to achieve a minimally adequate food supply (around 5 million tons) in the next four years (1998–2001). Domestic production did not manage to consistently surpass 4 million tons until 2002. Another external factor in improving grain output was the receipt of South Korean fertilizer aid between 2000 and 2007, which brought supplies back to pre-1995 levels of 700,000 to 800,000 tons per annum (Figure 6.4).

In compensating for the loss of Soviet aid in 1990, China took up some of the slack, as revealed by the growth of bilateral trade and the increasing trade dependence on China during 1991 to 1993 (Figure 6.2). However, in 1994, trade with China declined by 31 percent. This reflected the impact of China's replacement of "friendship prices" with market-value transactions based on hard currency and the decline of North Korea's productive capacity caused by shortage of inputs (especially oil). When adverse weather tipped the North Korean economy into collapse during the worst years of 1995 to 1997, the trade deficit with China increased again to exceed US\$400 million for each of those years (exceeding those of 1992 to 1994). This reflected the Chinese government's readiness to support North Korea during the worst of times. In addition to the trade deficit, China also contributed to food aid (Figure 6.6). Unlike South Korea, China did not begin direct food aid in 1995, but it nevertheless contributed 17.7 percent of total food aid during the period of most urgent need (1995–2000).

Figure 6.6 Composition of Food Aid to North Korea by Source, 1995–2012

Source: East-West Centre (Hawaii) and National Committee on North Korea, *North Korea in the World: North Korea's External Relations*.

<https://www.northkoreaintheworld.org/humanitarian/food-assistance>

From these trends, we learn the following lessons about the evolving aid relationship during the post–Cold War transition. China was prepared to provide support (allowing trade deficits and food aid) in order to stave off North Korean collapse. While that support was vital, it was not particularly generous when compared with past emergency support (as in the aftermath of the Korean War). The level of trade dipped again during 1998 and 1999 just as North Korea was emerging from the worst of the crisis. These represented the two worst years for bilateral trade. Chinese official food aid, though significant, was less than the amount provided by the United States during the 1995–2000 period. While supporting North Korea in the face of

collapse, Beijing was also expecting Pyongyang to modify its economic practices just as China had done a couple of decades earlier.

Economic Support from c. 2000 to the Present

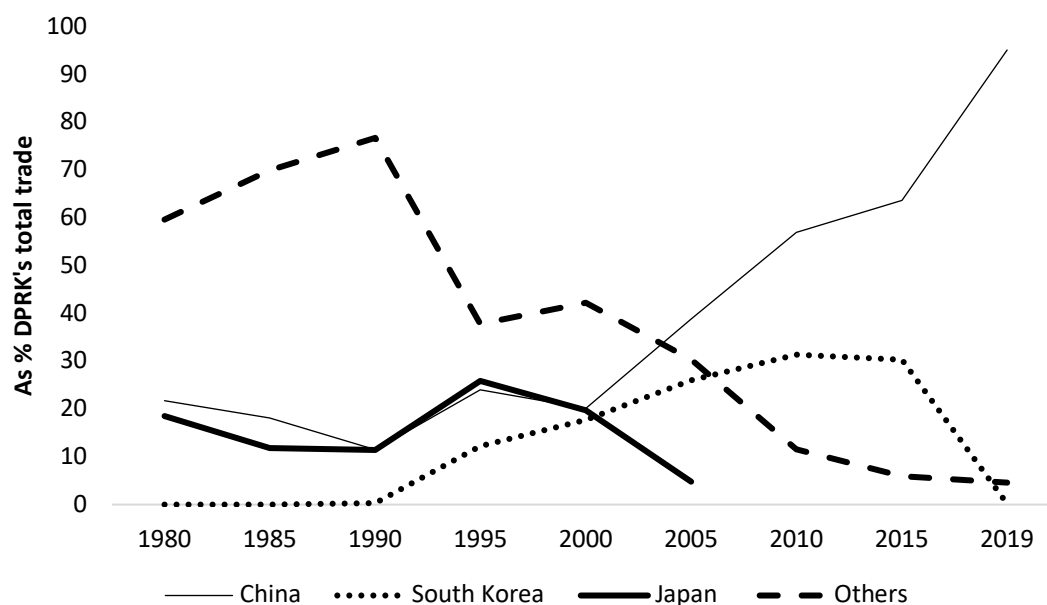
The inability of the state to provide sufficient food or inputs forced consumers and producers to look to the market to survive. As a result, North Korea underwent a spontaneous transition to a marketized economy. Merchants established informal trade links with China to supply the consumer goods and inputs that could not be provided by the state. In this way, consumption and production gradually recovered. Despite the retention of formal state ownership, the informal market economy was estimated to have exceeded the official economy by 2000.⁷ While it initially sought to discourage market activities, the leadership reluctantly came to terms with the de facto transition.⁸ Instead of overturning the market, it sought to control the most lucrative foreign exchange activities (by licensing them to the most powerful branches of the party-state, notably the military) and by formalizing other market activities in order to make them more taxable. For the market to be successfully molded into an instrument of regime survival, the spontaneous changes needed to be complemented with top-down policy measures.

Through the reforms of July 1, 2002, the Kim Jong Il regime introduced wage-price reforms and designated official marketplaces. The regime attempted to restore the planned economy from 2005, culminating in the predatory currency revaluation of 2009. However, elite and popular dependence on the market proved too strong. Assuming the leadership at a young age, Kim Jong Il's son and successor, Kim Jong Un, has been more accepting of economic reform. In his first public speech as supreme leader in 2012, he pledged never to repeat austerity. This was followed up by the reforms of June 28, 2012, and May 30, 2014, the most significant

reforms since 2002. Under the title of “our style of economic management” (*urisik kyŏngje kwalli*), these reforms enhanced the autonomy of farms and industrial enterprises in their transactions (market sourcing and distribution) and introduced a more favorable revenue-sharing formula (previously weighted to favor the center).

The “miracle economies” of East Asia (including South Korea) achieved their takeoffs during the 1960s on the basis of trade expansion. North Korea’s fledgling market economy, however, was still largely isolated from the international economic system owing to the absence of US diplomatic recognition. Given that constraint and the historical ties in the border regions, the logical course was increasing reliance on trade with China amid attempts to diversify. Beijing has consistently supported Pyongyang’s official turn toward reform since 2002. Another logical contender for trade with North Korea was South Korea. The liberal government (1998-2008) proactively pursued economic engagement with Pyongyang (under the “Sunshine Policy”) and Seoul’s trade with Pyongyang was second only to China’s to by 2010 (Figure 6.7).

Figure 6.7 North Korea's Main Trading Partners, 1980–2019



Source: National Statistics Office, *Major Statistics of Korean Economy* (several issues).

China, however, has been North Korea's most reliable trading partner in the contemporary era. By contrast, South Korea's economic engagement was more susceptible to shifts in domestic politics and by the constraining effect of Washington on Seoul's autonomy in inter-Korean affairs.

The ups and downs of inter-Korean relations highlight the importance of China as North Korea's trading partner of last resort. China and South Korea eclipsed Japan as North Korea's leading trade partners in the first half of the 2000s. Japan would eventually suspend economic relations with North Korea.⁹ The availability of China also compensated for the introduction of sanctions by South Korea in 2008 and 2010.¹⁰ For example, imports of fertilizer from China compensated for the loss of South Korean fertilizer aid in 2008 (Figure 6.4). North Korea's grain

output continued to increase for four straight years (2010–2014) despite South Korean sanctions. After South Korea's cutting of the last significant economic link in 2016 with the closure of the Kaesong Industrial Complex, trade with China enabled North Korea to maintain a trade level of US\$5.5 billion in 2017. This was almost double that of 2001 (US\$2.7 billion), on the eve of the launch of the first major market reform. Continuous trade with China has also facilitated marketization. Marketization has made North Koreans entrepreneurial and adaptable to conditions of shortage.¹¹

China has also allowed North Korea to run continuous deficits. In effect a subsidy, these deficits have enabled North Korea to consume and invest at a higher level than would otherwise be possible. The deficits have become particularly significant since stricter UNSC sanctions (which China voted to support) started to take effect in 2018.¹² Sanctions (especially under UNSC Resolution 2371 of August 2017) against the main foreign exchange earners, such as anthracite, iron ore, textiles and apparel, and marine products, led to the collapse of North Korean exports. Even though China enforced the UNSC sanctions, it continued to export oil (within UN limits) and non-sanctioned products (including food and fertilizer). North Korea's trade deficits with China reached record levels between 2017 and 2019 (Figure 6.2). For example, North Korea's exports to China were worth only US\$216 million, but imports were worth US\$2.88 billion in 2019. The level of China–North Korea trade, at US\$3.09 billion in 2019, was still higher than North Korea's level of trade in 2003. The trade deficit constitutes a Chinese subsidy that has become an important factor in North Korea's continuing economic viability. For example, while inadequate, North Korea's power supply has not collapsed as in the 1990s. China's role as North Korea's economic lifeline is reflected by the 95 percent ratio of trade dependency in 2019. As long as it can be maintained, North Korea will not likely relapse

back into the economic conditions of the 1990s, especially now that the market has also developed.

Food import itself was not the subject of sanctions. Nevertheless, sanctions placed North Korea under tight foreign exchange constraint. Apart from that, restrictions on imported items affected food distribution (diesel for trucks) and food storage and processing (crude oil for electricity supply). Even before intensification of sanctions in December 2016, food supply was the weak spot of the North Korean economy. Assuming that North Korea needed at least 5.5 million tons of food per year, then it had been suffering continuous food shortage during the 2000–2015 period despite recovery, aid, and marketization. Domestic production peaked at 5.2 million tons in 2014, and total supply exceeded 5.5 million tons only once (5.85 million tons in 2012). Sanctions and adverse weather conditions led to a World Food Programme (WFP) assessment that food insecurity was “serious and could become critical.” The report estimated a food (grain) deficit of 1.36 million metric tons (against estimated domestic production of 4.9 million tons).¹³ According to Food and Agriculture Organization data, the food output for 2018 (4.43 million tons) was the lowest since 2002. Even with the inclusion of official Chinese imports, the total food availability was only 4.15 million tons, the lowest level since 2000. Against this background of difficulties and in the absence of WFP field visits since January 2020 (owing to the Covid-19 pandemic), the 5.6 million tons of estimated output for 2019 appears to be out of sync with the prevailing trend.¹⁴

Evidence of Chinese aid is mostly circumstantial. The rice price has remained stable despite declining access to inputs owing to sanctions.¹⁵ This suggests that unofficial food transfers from China, combined with an improved distribution system, were reducing the extent of the food deficit.¹⁶ According to one media report, China has been stepping up food aid despite

North Korea's introduction of tight border closure in response to the Covid pandemic.¹⁷ It stated that China sent the equivalent of 5.5 million tons of food aid in the form of grain and fertilizer (where one ton of fertilizer can produce ten tons of food).¹⁸ This is consistent with the reports of continued rice price stability amid the worsening economic situation caused by border closure since January 2020: per kilogram of rice, 4,300 to 4,500 won (January 1, 2020); 4,200 to 4,500 won (June 6, 2020); 3,500 to 4,100 won (January 11, 2021); 4,800 to 5,000 won (June 8, 2021).¹⁹ As for the wider political context, bilateral relations have been improving since 2018 after a five-year chill (the period of accelerated WMD testing). Between March 2018 and June 2019, President Xi Jinping and Chairman Kim Jong Un met five times. China is secretive about its aid to North Korea. Covert aid from China would suit Pyongyang, which prefers to maintain a nationalistic image of self-reliance over making international appeals.

Another focus of sanctions is the import of refined petroleum products. This should be distinguished from the import of crude oil, which was frozen at 4 million barrels per year under UNSC Resolution 2397 of December 2017. UNSC Resolution 2375 (September 2017) limited North Korean imports of refined petroleum to 2 million barrels per year. This was further tightened to 500,000 barrels in December 2017.²⁰ Initially sanctions caused North Korean petroleum prices (gasoline and diesel) to skyrocket for a few months in 2017 and 2018, but then prices stabilized at their former levels. Using UNSC Sanctions Committee Panel of Expert reports, Kim estimated that including illegal trans-shipments, North Korea received a total 200,000 to 450,000 tons of refined petroleum products in 2018 and 290,000 to 670,000 tons in 2019.²¹ North Korea's pre-sanction level of imported refined petroleum product was estimated at 600,000 tons (approximately 4.48 million barrels).²² The relative stability of the price of gasoline and diesel suggests that extra supply has taken some of the sting out of the sanctions.²³ As for the

source of illegal trans-shipments, media outlets implicated informal Chinese traders operating with the tolerance of their authorities, especially given the scale and complexity of the operations.²⁴ Further verification is required.

Another source of foreign exchange transfer is the presence of North Korean laborers in China despite the UNSC Resolution 2397 (December 2017) requirement that they be sent home. Using varied sources, a recent Organization for Economic Cooperation and Development report by Koen and Boem cited a 2019 US State Department estimate that there were about 90,000 North Koreans working in China, concentrated in construction and manufacturing.²⁵ The report also cited an estimated earnings figure of US\$200 million (2015–2016) from these activities. It is suggested that China has helped North Korean workers to get around the UN sanctions by allowing North Koreans to visit for up to ninety days without needing a work permit, thereby enabling rotation of short-term workers. According to one report, the North Korean authorities have used the Covid-19 outbreak not to recall their workers. With the easing of the pandemic in China, these workers have been returning to work and are required to remit more of their earnings back to the cash-strapped regime at home.²⁶

Explaining Support: Geopolitical and Ideational Factors

The obvious explanation is that China is motivated by geopolitics—namely, the immediate strategic costs of North Korea’s economic collapse (e.g., desperate survival measures, North Korean factional conflict, inter-Korean military conflict) and the political costs of losing a neighboring communist regime.²⁷ These considerations outweighed the negatives of North Korean regime inflexibility (resistance to economic reform, pursuit of WMDs). Whereas Western authors emphasize the negatives, Chinese thinkers stress the opposite.²⁸ This is

indicated by China's decision to resume aid when North Korea was at its most vulnerable in the mid-1990s and to restore friendly relations in 1999. In the aftermath of a second nuclear test (in April 2009), and with North Korea facing leadership succession, China again chose to enhance economic contact, thereby providing a stable material base for the new Kim Jong Un regime to emerge in 2012. These episodes suggest that China provided aid and limited the extent of any economic punishment in order to ensure a stable communist regime and prevent collapse and uncertain transition.

Geopolitics alone, however, cannot fully explain China's historical and contemporary economic support for North Korea. In recent years, China has had to pay a strategic price for its protection of North Korea. For example, by insisting on respect for North Korea's "national development," China managed to moderate UNSC sanctions in response to North Korean nuclear tests. Yet China's regard for North Korea's economic welfare was not reciprocated as Pyongyang accelerated WMD testing in 2016 and 2017. It did not pay attention to the Chinese proposal for "dual suspension" (suspension of North Korean WMD testing in return for suspension of joint US–South Korean military drills) and "dual track negotiations" (multilateral denuclearization talks and US–North Korea bilateral talks).²⁹ This led to South Korea's decision to deploy Terminal High Altitude Area Defense (THAAD), an advanced US antimissile defense system, in 2016, a move that threatened China's strategic position.

Worse was to follow for China. Actual deployment of THAAD in 2017 led China to impose informal economic sanctions on South Korea, causing considerable loss to Korean businesses.³⁰ This damaged the carefully cultivated relationship with South Korea, a country that had been designated a "fulcrum state" in China's neighborhood diplomacy.³¹ North Korea's brazen behavior brought it to the brink of confrontation with the United States when President

Donald Trump threatened to “totally destroy North Korea” (September 18, 2017). Adopting a policy of “maximum pressure with engagement,” the Trump administration was also less tolerant of the Chinese authorities’ oversights in the enforcement of sanctions. It imposed secondary sanctions on Chinese economic entities found to be illicitly dealing with North Korea.³²

The escalating strategic and diplomatic costs of restraint would suggest the presence of ideational factors behind China’s restrained approach.³³ As an example of ideational explanation, Noesselt emphasizes the tension between China’s emerging sense of being a “responsible great power” abiding by international norms (e.g., nonproliferation) and more established outlooks based on socialist solidarity.³⁴ In her view, China’s North Korea policy is shaped by competing “national role conceptions” as both a responsible global leader (i.e., a “responsible great power”) and a socialist power distinctive from liberal capitalism. When North Korea behaves provocatively, China is torn between these two role conceptions. It seeks global respectability but cannot abandon North Korea as a fellow socialist state without questioning its own socialist identity. For Easley and Park, North Korea belongs to China’s “near abroad,” where the traditional (i.e., Imperial-era) Sinocentric worldview prevails over international norms.³⁵ That worldview is built on the norms of stability, siege mentality, expectation of deference, and Confucian reciprocity. China’s policy depends on whether it considers North Korea to be respectful of these norms and which norms Beijing prioritizes at a particular time.

These alternative ideational accounts usefully highlight some constant motivations underlying China’s policy toward North Korea—namely, China identifies North Korea as a fellow socialist regime but also as a junior neighbor that should follow Chinese guidance. However, they cannot explain some important shifts in China’s post–Cold War policy toward North Korea. For example, the economic pressure applied to North Korea through the

commercialization of trade in the early 1990s is difficult to explain from the perspective of shared socialist identity as described by Noesselt, especially given Pyongyang's support to Beijing, particularly after the Tiananmen Square crisis of 1989. Pushing North Korea into economic crisis at this point did not conform to any of the traditional norms (especially "siege mentality" and "stability") identified by Easley and Park either.

In the same way, China's intensification of economic engagement with North Korea from 2009 is difficult to explain from these perspectives. This is difficult to explain from Noesselt's account, based on China's recognition of North Korea as a fellow socialist regime given that Pyongyang's provocative behavior during the first half of 2009 displayed little ideological solidarity with China (in what was supposed to be the official Year of China–North Korea Friendship). Easley and Park explain this turn toward intensified engagement in terms of the traditional norms of "stability" and "siege mentality" (i.e., the geopolitical concern with maintaining the "buffer state") owing to fear of inducing North Korean regime collapse. Even if Kim Jong Il's physical condition had deteriorated, the actions of the North Korean state in 2009 (permanent withdrawal from the six-party talks and a second nuclear test) demonstrated unity of purpose and enhanced material power rather than fragility.

Explaining Support: The Transfer of China's Political and Economic Model

On top of the aforementioned factors, I introduce another dimension of analysis. By this, I refer to China's readiness to support North Korea based on a belief in the transferability of its own political and economic model. Ideological developments within China—that is, its rethinking about the changing nature of "socialism" and what this means for how the ruling party-state should govern politically and economically—are mirrored in how it relates to North

Korea. China's attempt to convert North Korea to its "mono transition" political economic model is the latest manifestation of this mind-set. "Mono transition" refers to Deng Xiaoping's guidelines of reform since 1979—namely, adherence to the "four cardinal principles" and "reform and opening" (i.e., marketization).³⁶ North Korea's response to the pressure to absorb Chinese practices has been based on two criteria. The first is economic or material benefit—that is, whether assimilation of Chinese practices will deliver corresponding benefits in local conditions. Here, what works for China's mainly rural economy with its vast labor reserves may have less potential for urbanized North Korea. The second is ideology—that is, whether Chinese practices conform with North Korea's own beliefs about the nature of socialism and party-state governance. In particular, North Korea is sensitive to any developments that may threaten its sacred "monolithic leadership system" (MLS). These criteria have resulted in the North Korean regime's selective assimilation of Chinese practices. It can be observed that Chinese economic support also varies with the extent to which North Korea is ready to assimilate the prevailing Chinese political economic practices.

Building on the geopolitical assumptions that China would not accept the risks of a complete North Korean collapse, the interaction between China's impulse to transfer its experience and North Korea's readiness to assimilate (according to material and ideological criteria) helps us to understand the variations of Chinese economic support for North Korea. Their interaction has led to four types of scenarios, as represented in Figure 6.8.

Figure 6.8 North Korean Assimilation of Chinese Political and Economic Practices

		Ideology of MLS	
		Match	Mismatch
Material benefits	Match	<p>(1) <i>North Korean assimilation (generous Chinese support)</i></p> <ul style="list-style-type: none"> • Great Leap Forward (1958) inspires <i>ch'ollima</i> Movement (1958) • Reform and openness (2010s) inspires “Our Style” Socialist Management System (2012, 2014) and “economy first” (2018) • Xi Jinping governing style (post-2017) compatible with MLS 	<p>(2) <i>North Korean rejection or reluctant assimilation (improving economic relations)</i></p> <ul style="list-style-type: none"> • Reform and openness (2000s) compatible with Economic Improvement Measures (2002-5)
	Mismatch	<p>(4) <i>North Korean rejection or modified assimilation (enhanced support)</i></p> <ul style="list-style-type: none"> • Cultural Revolution (1969-76) inspires Three Revolutionary Teams Movement (1973) 	<p>(3) <i>North Korean rejection (minimal aid, pressure)</i></p> <ul style="list-style-type: none"> • Cultural Revolution (1966-68) incompatible with <i>Juche</i> • De-Maoization (1978-82) incompatible with hereditary succession • Reform and openness (1990s) incompatible with “socialism of our own style” (1990s)

Note: Chinese policy directions may **inspire** or be **compatible** with or **incompatible** with North Korean political and economic principles

Generous Chinese aid is dispensed only when there is a close match between the prevailing Chinese political-economic model and North Korea's material and ideological needs (quadrant 1). The opposite scenario is represented by quadrant 3. Here, North Korea rejects Chinese political and economic practices. In this situation, China is least inclined to support North Korea (but will prevent complete collapse), and it may even apply some economic pressure. Quadrants 2 and 3 represent the intermediate scenarios. These intermediate scenarios are usually periods of reset following a spell of deteriorated relations. In quadrant 2, North Korea understands the material benefits of assimilating Chinese economic practices, but there is tension with the prevailing ideology. As such, North Korea assimilates Chinese practices reluctantly. Reluctant reform by North Korea is met with Chinese approval and improved economic relations (e.g., easing of trade between market agents) but does not invite generous support, as in quadrant 1. In quadrant 4, Chinese political practices do not deliver direct economic benefit but may serve to consolidate the MLS regime. If useful enough, they may be assimilated by North Korea. Chinese approval of North Korean emulation may bring enhanced support but not at the most generous level.

This framework can illustrate variations of Chinese support. We can divide the discussion between the Maoist and reform (post-1978) periods. In the Maoist period, the closest fit (quadrant 1) occurred in the late 1950s when China's voluntarist Great Leap Forward directly inspired North Korea's Chollima Movement.³⁷ Politically, Kim Il Sung and Mao Zedong both resisted the de-Stalinization trend emanating from the USSR. Despite its own economic difficulties, China provided generous aid to North Korea. On the other hand, relations reached rock bottom when Chinese Red Guards ridiculed Kim Il Sung during the early phase of the Cultural Revolution (1966–1968). North Korea reaffirmed its doctrine of *juche* (national

autonomy) (quadrant 3) in response. Correspondingly, China's share of North Korea's trade dropped from 42.5 to 18.5 percent between 1965 and 1970.³⁸ As the Cultural Revolution eased in 1969, China made efforts to repair bilateral relations. Kim Il Sung found use for a Red Guard-type movement to reinforce the MLS he had formally introduced in 1972. This took the shape of the Three Revolutionary Teams Movement (TRTM) in 1973 (quadrant 4). Just as Red Guards were motivated by voluntarism, the TRTM was an instrument for the creation of "communist-type human beings," but without the same violent spontaneity.³⁹ With the regimes once again convergent, China became supportive (Mao's 1972 accommodation with the United States notwithstanding), and China's share in North Korea's trade ratio rose to 26.1 percent, its highest level until the early 1990s.

The episodes of tension in the relationship during the reform period are identified in quadrant 3. Here China's political and economic model is incompatible with North Korea on both material and ideological grounds. This sets the condition for minimal Chinese aid and even economic pressure. The scenario can be illustrated by two representative episodes. When the Chinese leadership sought to cleanse the "feudal" aspects of Maoism in the early reform period (1978–1982), it sent out many unwelcome signals to Kim Il Sung, whose personal style of rule resembled Mao's in many ways. These included a 1978 media attack on hereditary rule and Deng Xiaoping's 1979 criticism of Mao's arbitrariness and patriarchal style (*zhuanduan, jiazhangzhi*).⁴⁰ These criticisms implied disapproval of North Korea's ongoing hereditary succession plan, which would be officially unveiled in at the Sixth Congress of the Korean Workers' Party in 1980. When China reluctantly accepted the hereditary succession (marked by a visit of heir apparent Kim Jong Il in 1982), it expected economic reform in return. North Korea's reform, however, proved very superficial.⁴¹ Once he received improved terms of

concessionary trade following his visits to the USSR in 1984 and 1986, Kim Il Sung again tilted toward the USSR, which supported him generously without expectation of reform.⁴²

Another episode of material and ideological mismatch (quadrant 3) is represented by the regime divergence of the 1990s. North Korea's support for the Chinese authorities over the Tiananmen Square crisis of 1989 realigned the two regimes only temporarily. The two regimes diverged in their responses to the collapse of the Soviet bloc (1989–1991). China's post-Tiananmen leadership sought to regain its economic reform momentum. Beneath the lavish welcome, Kim Il Sung was advised to implement market reforms on his final visit to China in October 1991. China then followed through on its transition to commercialized trade with North Korea (announced in 1991). China's Korea policy experts justified the economic pressure on North Korea on the grounds that "those countries that live on aid cannot develop."⁴³ A defiant North Korea took pride in the survival of its hereditary monolithic system while the powerful Soviet bloc collapsed.⁴⁴ Even though China provided food aid when North Korea went into deep crisis in 1995, the level fell far short of North Korean expectations and did not invite gratitude in return.

However, the economic crisis of the 1990s had also forced the North Korean leadership to tolerate grassroots markets and refocus on providing consumer goods. It took the first significant step toward wage-price reform and the formalization of markets for distribution with the reforms of July 1, 2002. These signs of gradual change from Pyongyang were appreciated by the Chinese side, as Kim Jong Il visited China twice in 2000 and Jiang Zemin made a return visit 2001 to cement improved relations (quadrant 2). Trade dependence on China once again increased, but this did not mark a return to the generous support of the late 1950s (quadrant 1). Although a subsidy element still existed (in the form of trade deficits), the form of economic

“support” from China was being transformed from direct benefits into an opportunity to earn profit in China’s growing market. To take advantage of this opportunity (i.e., to have something to sell), the North Korean regime had no choice but to continue with marketization.

Quadrant 1 represents the position in which North Korea’s material interests and ideology match most closely with China’s political-economic direction. In this situation, the Chinese state tends to be most proactive in its support. Here, North Korea’s economic reforms, especially those of 2012 and 2014, corresponded most closely to China’s “reform and openness.” They marked the change in economic ideology as well as economic policy. The lesson of the reform reversal (2005–2009) was that state support needed to reinforce the market momentum. The end of the market reversal campaign in 2009 marked the beginning of the North Korean regime’s ideological acceptance of market reform. China pledged to support North Korea’s reforms by all means possible (*lisuonengji*). To solidify Chinese economic support, Kim Jong Il visited China four times in 2010 and 2011, in the final stage of his life.

That momentum of economic cooperation survived Kim Jong Il’s death (December 2011), the third nuclear test (February 2013), and the purge of Jang Song Thaek (December 2013), North Korea’s chief interlocutor with China. The trend of economic cooperation was finally derailed by the escalating nuclear crisis of 2016 and 2017. Nevertheless, Kim Jong Un’s switch to the “economy-first” line in April 2018 (preceded by a meeting with Xi Jinping in March 2018) ensured that China would provide North Korea with a safety net during the period of sanctions and denuclearization diplomacy with the United States. Diplomatically, China (in coordination with Russia) also made proposals for the easing of the sanctions at the UNSC in December 2019 (and again in October 2021).⁴⁵ Historically, North Korea had always feared the destabilizing political effects of Chinese-style reform, but Xi Jinping’s regime appears the most

compatible with North Korea's MLS since the start of China's reform era. Enabled by advanced cyber technology, the Xi administration is simultaneously promoting economic modernization and improvement of governance while enhancing political centralization.⁴⁶ This ruling formula is consistent with the course that Kim Jong Un has been traveling since 2012.

Conclusion

The geopolitical (security) and ideological baseline (neighboring communist regime with deep historical ties) means that China will not accept a regime collapse. North Korea's geopolitical importance to China is also enhanced by the growing tensions with the United States that have stoked Chinese fears of economic sanction and military encirclement. China and North Korea are particularly sensitive to the prospect of enhanced US–South Korea military cooperation.⁴⁷ There are other uncertainties, including the potential for the emergence of a traditional conservative South Korean government in closer alignment with the United States. The China–North Korea mutual defense treaty of 1961 (China's only defense treaty) was renewed in July 2021. Announcing the renewal, China's spokesperson called on the United States to “attach importance to addressing the legitimate and reasonable concerns of North Korea, and support inter-Korean reconciliation and cooperation.”⁴⁸ Even though the North Korean economy is in a difficult situation, as its strict self-isolation measures in response to the Covid-19 pandemic exacerbate the effects of very strict international sanctions, the two regimes will likely find measures to prevent a return to the collapse conditions of the 1990s.⁴⁹

Above the baseline of preserving the communist regime in North Korea, the character and extent of China's economic support have fluctuated in accordance with North Korea's readiness to assimilate Chinese political and economic practices. In the post–Cold War era,

following the collapse of the Soviet bloc, China reaffirmed its commitment to the path of “mono transition” (economic reform with stricter enforcement of one-party rule), and it also expected North Korea to follow a parallel path for the sake of regime preservation. The extent of China’s economic support fluctuated with North Korea’s readiness to assimilate Chinese political and economic practices. North Korean assimilation, motivated by considerations of material interest and ideology (its unique MLS), has moved from rejection (Kim Il Sung) to rejection then reluctant assimilation (Kim Jong Il) to assimilation (Kim Jong Un). When North Korea broadly followed in the direction of Chinese political and economic practice, China was prepared to take a patient view of North Korean external provocations (e.g., during the 2006–2016 decade). This reflects the Chinese belief that assimilation of Chinese practices (especially marketization) will eventually also bring about moderation in the external sphere. The view that a prospering economy will ease the North Korean regime’s sense of insecurity has echoes of South Korea’s Sunshine Policy.

In the era of Xi Jinping’s consolidated power (i.e., after the Nineteenth CCP Congress of 2017), China’s political and economic practices are the most compatible with North Korea’s material and ideological interests since the launch of China’s “reform and opening” in 1978. Are there any destabilizing factors in the relationship? The North Korean government’s responses to the triple whammy of international sanctions, adverse weather conditions, and the Covid-19 pandemic have led to assessments that it is snuffing out the market and returning to the path of a centralized economy.⁵⁰ From this perspective, it is sliding away from the reform path relaunched by Kim Jong Un in 2012. Stronger centralized controls under emergency conditions, however, are not unusual. The crackdown on spontaneous market activities (especially the “grasshopper markets,” or *meddugi sijang*) is indicative of pandemic control but also the regime’s preference

that market activities be conducted at official (taxable) venues. Monetary stability is reflected by the informal exchange rate of the North Korean *won* to the US dollar. From the eve of the pandemic in January 2020 to October 2020, the exchange rate hovered around 8,000 won per dollar. Since then it has appreciated to between 6,250 and 6,300 won per dollar (April 5, 2021), then between 4,900 and 5,050 won per dollar (October 4, 2021).⁵¹ Since the authorities are maintaining a dollar-pegged won, enterprises (irrespective of ownership) have to pay their way by earning dollars or dollar-pegged won.⁵² In effect, they are subject to the discipline of the market.

Perhaps a more likely source of dealignment is North Korea's relations (or lack of) with the United States. Since the end of the Cold War, diplomatic normalization with the United States has been a key North Korean security objective. It represents Washington's acceptance of North Korea's legitimacy as a state and opens the door to the world economy. Despite a promising summit in 2018, the path to normalization with the Trump administration (2017–2021) was blocked by the different understandings of denuclearization (of the Korean Peninsula or of North Korea alone) and its process (by gradual synchronized exchange or by package deal). In the absence of progress, it is unlikely that sanctions can be eased despite proposals from China and Russia. Historically, North Korea has always sought diplomatic and economic diversification in preference to stable dependence on China.⁵³ North Korea has already indicated that if the United States persists with its "hostile policy" (i.e., sanctions), it is prepared to develop more WMDs and to resume critical testing. Even if North Korea does not cross the Chinese "red line" of nuclear testing, further missile tests may bring about the very US-led containment measures that China is seeking to avoid. For all its economic influence, China's goal of a stable and peaceful North Korea ultimately rests on the readiness of Pyongyang and Washington to

engage with one another.

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Notes

¹ “China” refers to the authoritative decisions of the Politburo Standing Committee based on the advice of the Foreign Affairs Leading Small Group and expressed via official outlets.

² As of September 2017, this development consisted of six nuclear tests (in 2006, 2009, 2013, 2016 [twice], and 2017), five missile tests under leader Kim Jong Il (1994–2011), and twenty-five missile tests (twenty in 2016 and 2017) under Kim Jong Un (2012 to 2020).

³ Shen and Xia, “China and the Post-War Reconstruction of Korea.”

⁴ Lee, “North Korean Trade and Inter-Korean Trade,” 11. The shares for the USSR were 42 percent (1965), 58.9 percent (1970), 27.7 percent (1980), and 53.1 percent (1990); for China, the shares were 42.5 percent (1965), 18.5 percent (1970), 21.8 percent (1980), and 12.3 percent (1990) (ibid.).

⁵ Since North Korea does not publish meaningful official economic statistics, statistics are constructed from the published data of North Korea’s trading partners.

⁶ China’s new system of trade was announced in 1991 and implemented in 1994. See “Overview of China–North Korea Economy and Trade,” Embassy of the PRC in the DPRK.

⁷ The informal market sector supplied “60 percent of food grains and 70 percent of consumer necessities in the mid-1990s.” See Lim, *The Rise of Markets Within a Planned Economy*, 113.

⁸ Haggard and Noland, *Famine in North Korea*.

⁹ Japan introduced trade sanctions following the North Korean government's incomplete disclosure of information about the fate of abducted Japanese citizens.

¹⁰ South Korea suspended the Kumgangsan (Diamond Mountain) tourism project in 2008 after the fatal shooting of a South Korean tourist. In 2010, it suspended fertilizer aid following the sinking of the naval frigate *Chōnan*, for which it held North Korea responsible.

¹¹ Reilly, "China's Market Influence in the DPRK," 910–915.

¹² North Korea is subject to international sanctions on the basis of ten UN Security Council resolutions: 1718 (October 2006), 1874 (June 2009), 2087 (January 2013), 2094 (March 2013), 2270 (March 2016), 2321 (November 2016), 2356 (June 2017), 2371 (August 2017), 2375 (September 2017), and 2397 (December 2017).

¹³ "After Worst Harvest in Ten Years, 10 Million People in DPRK Face Imminent Food Shortages," World Food Programme.

¹⁴ FAOSTAT.

¹⁵ *Daily NK*, *pukhan sijang tonghyang*.

¹⁶ United States Department of Agriculture (USDA) Foreign Agricultural Service¹⁶; Kang, "Rice Prices in North Korea Remain Stable."

¹⁷ Asahi Shimbun, "China Bailout to North Korea."

¹⁸ Kang, "Rice Prices in North Korea Holding Steady."

¹⁹ *Daily NK* provides the exchange rate for three cities (Pyongyang, Sinuiju, and Hyesan). See *Daily NK*, *pukhan sijang tonghyang*

²⁰ United Nations Security Council, "Security Council Tightens Sanctions on Democratic People's Republic of Korea."

²¹ Kim, "Finding Loopholes in Sanctions," 15.

²² The conversion tables (tons to barrels, etc.) are available at United Nations Security Council, “Supply, Sale or Transfer of All Refined Petroleum Products to the DPRK.”

²³ Mun, “Why Are Fuel Prices Falling in North Korea?”

²⁴ Koetl, “How Illicit Oil Is Smuggled into North Korea”; Jang, “North Korea Appears to Have Received Supplies of Oil from China.”

²⁵ Koen and Boem, *North Korea*, 28.

²⁶ Mun, “North Korean Laborers Continue to Earn Foreign Currency Abroad.”

²⁷ This and the following section draw heavily on the discussion in Kong, “How China Views North Korea’s Readiness to Reform and Its Influence on China’s North Korea Policy in the Post–Cold War Era.”

²⁸ Zhu and Beauchamp-Mustafaga, “North Korea’s Security Implications for China,” 44–45, 51–52; Park, “Will Xi Jinping Give Up the Sino–North Korean Alliance?”

²⁹ Fu, *The Korean Nuclear Issue*, 25.

³⁰ “In the First Half of 2017, THAAD Retaliation Caused \$4.3 Billion in Losses for S. Korean Companies,” *Hankyoreh*.

³¹ Wu, “Cooperation, Competition and Shaping the Outlook,” 862.

³² “US Steps Up Pressure on China by Designating Dandong Bank a Money Laundering Concern,” *Hankyoreh*.

³³ The meaning of *ideational* is succinctly captured by Blyth’s observation that “who you are will say a lot about how you will probably act, irrespective of material capabilities.” See Blyth, “Structures Do Not Come with an Instruction Sheet,” 699.

³⁴ Noesselt, “China’s Contradictory Role(s) in World Politics.”

³⁵ Easley and Park, “China’s Norms in Its Near Abroad.”

³⁶ The four cardinal principles consist of the path of socialism, democratic dictatorship, the leadership of the party, and Marxism-Leninism and Mao Zedong Thought. For Deng, the most important principle was the leadership of the party.

³⁷ *Chollima* literally means “the horse that travels a thousand miles.” Shen and Xia, “China and the Post-War Reconstruction of Korea,” 21–24.

³⁸ Correspondingly, trade dependence on the USSR increased from 42 to 58.9 percent. See Lee, “North Korean Trade and Inter-Korean Trade,” 11.

³⁹ Cheong, “Stalinism and KimIlIungism,” 145.

⁴⁰ Isozaki, *Understanding the North Korean Regime*, 33; Wu, “Deng Xiaoping’s Talk on Reform of the Party and State Leadership System.” On his visit to Pyongyang in 1978, Deng reportedly complained about the erection of a twenty-meter, gold-plated statue of Kim Il Sung when North Korea was seeking Chinese aid. According to the story, the gold was subsequently replaced by bronze paint. See Martin, *Under the Loving Care of the Fatherly Leader*, 9.

⁴¹ For example, the 1984 law on special economic zones, though liberal on paper, lacked real government commitment. Kim Jong Il had pledged to return to China every year to study economic reform but returned only once, in 1983. He would not visit again until 2000.

⁴² Oberdorfer, *The Two Koreas*, 202.

⁴³ Garrett and Glaser, “Looking Across the Yalu,” 541.

⁴⁴ Oberdorfer, *The Two Koreas*, 233.

⁴⁵ “China, Russia Propose Resolution for Sanctions Relief for North Korea,” *Hankyoreh*.

⁴⁶ Chinese publications emphasized Kim Jong Un’s continued emphasis on people’s livelihood amid difficult conditions. This was reflected in his pattern of public activities in the first nine months of 2020, which focused on people’s livelihood (economy, disaster relief,

COVID-19 pandemic control) over military matters. See Wang and Niu, “Seeing North Korea’s Policy Direction from Kim Jong-Un’s Public Activities.”

⁴⁷ “China Says S. Korea–US Joint Statement Interferes in Its Domestic Affairs,” *Hankyoreh*.

⁴⁸ “China–North Korea Friendship Treaty ‘Remains in Effect’ All the Time: FM Spokesperson,” *Global Times* (July 07, 2021).

⁴⁹ “Chinese Trade Provides Boost to North Korea’s Battered Economy,” *Financial Times*.

⁵⁰ For example, see Kim, “North Korea Increases Workers’ Party Control over Markets”; “Fears Mount over North Korea’s ‘Great Leap Backwards,’” *Financial Times*; Lee, “North Korea’s Economy Is Re-Centralized and China-Reliant.”

⁵¹ *Daily NK* provides the exchange rate for three cities (Pyongyang, Sinuiju, and Hyesan). See *Daily NK*, *pukhan sijang tonghyang*.

⁵² Lee, “Overview.”

⁵³ Even at the peak of the China–North Korea alliance in 1958, Kim Il Sung continued to make overtures to the USSR (in the hope of obtaining material benefit) despite siding with China in the Sino-Soviet ideological dispute.