

Beijing Can Do More Than Stop Buying Coal to Squeeze Pyongyang

February 21, 2017

If China really wanted to pressure North Korea, it could go a lot further than a ban on buying the isolated country's coal.

Fuel and commodity exports to North Korea, worth at least about \$450 million last year, may be more vital to Kim Jong Un's regime than the cash it will lose after Beijing pledged on Saturday to halt coal imports. Despite pressure from the U.S, it's unlikely China will clamp down on the trade it views as livelihood assistance because that would risk destabilizing its neighbor, according to Jonathan Berkshire Miller, a fellow at the Council on Foreign Relations.

"The Chinese have no interest in really applying the type of pressure that some are expecting," said Miller, who is based in Tokyo. "When you are talking about a lifeline -- what is the sustenance that is keeping the regime going -- it's the aid and livelihood assistance. It's the support from China, rather than the money that North Korea gets from selling coal."

China, North Korea's main ally and trading partner, called last weekend for a renewed round of talks with the U.S. over its neighbor's nuclear program. While President Donald Trump has urged on China to apply more pressure on North Korea, Beijing is wary of triggering the regime's collapse -- in part to prevent having a U.S.-backed unified Korea on its border.

China sent North Korea about \$2.8 billion in exports last year, Chinese customs data show, and Beijing provides up to 90 percent of the country's energy supplies, according to a December report from the Cato Institute. The shipments included more than \$100 million in steel, almost \$50 million of fuel oil and tens of millions of dollars worth of rice and fertilizer, according to data from China's General Administration of Customs.

"The Chinese government and the Western countries have different understandings on how to pressure the North," said Yang Xiyu, who oversaw China's North Korean policies at the foreign ministry in 2004 and 2005. "For China and North Korea, economic sanctions are not as

important as political sanctions. The lack of leadership meetings and high-level dialogues are how China exerts political pressure.”

Coal Ban

Chinese President Xi Jinping has yet to travel to Pyongyang or allow North Korea’s leader to visit Beijing since the two came to power. After Liu Yunshan, a member of China’s Politburo Standing Committee, attended a Workers’ Party celebration in North Korea in October 2015, no other Chinese official that senior has visited Pyongyang.

Authorities in Beijing announced Saturday that China would halt all coal purchases from North Korea until the end of the year in compliance with UN Security Council resolutions over the north’s nuclear program.

China, the world’s biggest producer and consumer of coal, previously bought the fuel under exemptions that allowed trade for “livelihood” purposes. The sales accounted for more than 50 percent of North Korea’s exports to China last year and about a fifth of its total trade, according to Yang Moo-jin, a professor at the University of North Korean Studies in Seoul.

China Trade

“About 85 percent of North Korea’s external trade is with China these days,” Victor Cha, senior adviser and Korea chair at the Washington-based Center for Strategic and International Studies said in an e-mail. “Never has the trade composition been so lopsided in China’s direction.”

China will continue to take effective measures based on the requests of the UN Security Council, China’s Commerce Minister Gao Hucheng said Tuesday at a briefing in Beijing when asked if the country would further restrict trade with North Korea.

China last year imported from North Korea 22.4 million metric tons of anthracite coal, compared with total inbound shipments for all varieties at 255 million tons, according to customs data. The shipments were worth almost \$1.2 billion, the data show.

Imports make up a fraction of total coal supplies in China, which is targeting production of 3.65 billion tons this year, the National Energy Administration said Friday. The restrictions also come as China’s peak winter demand season begins winding down and regulators weigh reinstating domestic mining output limits to avoid the reemergence of a supply glut.

China’s customs office is scheduled to release January energy and commodities trade data this week. The \$450 million in shipments last year to North Korea, according to Chinese customs data, include: