

# China pushes North Korea to accelerate free market policies

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Following a visit to China last month by North Korean leader Kim Jong-Il, there are signs that Pyongyang is preparing to accelerate its free market reforms. The South Korean news agency *Yonhap* reported on January 31 that a congress of the ruling North Korean Workers Party—the first in 21 years—will be held this year to officially launch a “reform and opening” agenda modeled on the free market policies implemented by Beijing since 1979.

Kim Jong-Il's trip to China with an entourage of leading North Korean military and political figures was unscheduled and unofficial. Its public focus was to showcase to wider circles of the North Korean elite the impact of pro-capitalist reforms in China. Over four days, the Korean delegation toured commercial and industrial facilities in Shanghai, including the stock market, a joint-venture car assembly plant between General Motors and a Chinese state-owned corporation, and a joint-venture semiconductor plant operated by NEC.

In 1983, when he last visited Shanghai, Kim Jong-Il denounced China's free market policies as a “revisionist” turn. During the recent visit, however, he was reported by the Chinese press as “emphasising that the earth-shaking and huge changes in China, and especially in Shanghai, since reform and opening up adequately prove that the policy adopted by the Chinese Communist Party was correct”.

North Korea is aiming to attract investment, particularly from South Korea, to overcome the country's severe economic decline over the past decade. By most accounts, North Korea's outdated industry, lacking spare parts and fuel, has all but collapsed. Successive natural disasters have devastated agriculture. At least 200,000 people have died from starvation since the mid-1990s and thousands more

have fled as refugees across the Chinese border. Pyongyang is now dependent upon international donations to feed its population.

Economic projects were the central feature of the rapprochement agreements reached during last June's inter-Korea summit between Kim Jong-Il and South Korean President Kim Dae-jung. South Korean corporations are expected to be the largest source of investment in a proposed special economic zone outside the city of Kaesong, just to the north of the South Korean border. Rail lines between north and south are being reconnected and extended to join the Chinese and Russian rail networks to facilitate trade. South Korea is examining the provision of electricity to the North.

Kaesong is expected to be the first of several such trade zones where export companies can profit from North Korean wages of \$US70-100 per month and the Pyongyang regime's police-state repression of the working class. One-third of South Korean companies, both large and small, have declared their interest in establishing operations in the North. The development of North Korea is also expected to fuel the development of China's north-eastern Manchurian provinces and Russia's port city of Vladivostok.

More was discussed between China and North Korea than economics, however. On the final day of the visit, Kim Jong-Il met with Chinese President Jiang Zemin for closed-door talks on the implications of the new US administration's policies. A Chinese source quoted by *Reuters* stated: “The new US government may make some changes to its policies toward the Korean peninsula. It is important for both China and North Korea to reach certain agreement on the new situation.”

Despite the general pattern of overtures made by North Korea toward the US and South Korea over the

past 12 months—including an offer in December to reduce its standing army and permanently end the development of long-range missiles in exchange for compensation—key figures within the Bush administration have indicated that it will increase diplomatic and military pressure on Pyongyang.

Speaking before his swearing in as the new US Secretary of State, Colin Powell declared: “So long as the North's dictator continues to field far more conventional military forces than self-defense would warrant and develops missiles and unconventional weapons, we and our allies in the Pacific will remain vigilant”.

The new Defence Secretary Donald Rumsfeld has justified the development of a National Missile Defence (NMD) system in part by claims that North Korea is developing long-range missiles capable of striking the American west coast. The alleged threat posed by North Korea is one of the justifications for calls by Bush's proposed Deputy Secretary of State Richard Armitage that Japan dispense with its pacifist constitution and play a more prominent military role in the region.

The Bush administration has established a task force, to be headed by Armitage, to review US policy toward the Korean peninsula. Armitage regularly accused former president Clinton of “appeasement” for failing to be aggressive enough against North Korea. The thrust of US policy will become clear by March or April at the latest, during a visit to Washington by Kim Dae-jung, but may include provocative demands for Iraq-style weapons inspections of alleged missile or nuclear sites in North Korea.

The Bush administration's attitude to North Korea has little to do with Pyongyang's potential military threat. Rather it is bound up with broader concerns about blocking any challenges, particularly from China, to US political and economic hegemony in North East Asia, which is emerging as an arena of growing major power rivalry.

The opening of North Korean markets with Beijing's support could provide an incentive for Japan, the largest economy in the region, to seek far closer economic and political ties with China and the Koreans. The rail links through North Korea, combined with major road networks being constructed across Central Asia to China's east coast, will open up new transport

routes between Europe and Japan and facilitate the exploitation of markets and resources in Central Asia.

Russia also has interests in the Far East and is consolidating its emerging alliance with China. Moscow is already interested in piping natural gas from Siberia to China and is now examining piping gas through North Korea to supply South Korea and potentially Japan. Russian President Putin is scheduled to visit Seoul next month.

By putting pressure on North Korea to open up to international investment, Beijing appears to be trying to defuse the potential for immediate conflict with the Bush administration. China has also been seeking to ease tensions over Taiwan—the other flashpoint in East Asia.

Beijing has made substantial political concessions to Taiwan in recent months, in order to advance the re-opening of talks over a future reunification of the island with China. (See: Taiwan and China act to open direct contacts and ease tensions, <http://www.wsws.org/articles/2001/jan2001/taiw-j12.shtml>). On February 6, the first-ever direct visit to Taiwan-controlled territory from the mainland will be made.

In the US figures such as right-wing Republican Senator Jesse Helms, the chairman of the Senate Foreign Relations Committee, are insisting that Washington sell Taiwan state-of-the-art destroyers equipped with Aegis air defense systems during the annual arms sales in April. The Bush administration has said little, except that it “will help Taiwan defend itself”.

Chinese vice-premier Qian Qichen will visit the US in March and is expected to argue that due to improving relations the Bush administration should back off on arms sales to Taiwan. Chinese sources have hinted that Beijing will consider recalling its US ambassador and beginning military exercises in the Taiwan Strait if the arms sales go ahead.



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