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Economy: China's trade with North Korea is set to soar with a Trump-Kim deal

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HUNCHUN, CHINA (NYTIMES) - In the Chinese border town of Hunchun, garment factories gladly employ squads of North Koreans, who are valued as skilled and dutiful workers.

Live crab from the North wriggle in huge tanks in the fish market. Informal bankers promise to deliver the equivalent of thousands of dollars in Chinese currency to North Koreans across the border in a matter of hours.

Up and down the 900-mile border, Chinese businesspeople export and import things like Chinese-made street lighting and exotic North Korean-grown mushrooms.

By all indications, China has at least officially enforced the international sanctions that have been imposed on the North to curtail its nuclear weapons programme. But on the border, the signs of North Korea's economic dependence on China are evident in a shadow economy of cash couriers, short-term workers and grey-market trading that has persisted despite the sanctions.

And with President Donald Trump's summit meeting with North Korean leader Kim Jong Un back on track, excitement is growing about the opportunities that could open up should the sanctions be eased.

Should a deal emerge from the Trump-Kim meeting on June 12 in Singapore, China is ready to extend its dominance over the North's small and decrepit economy, where signs of an emerging market economy are also strengthening China's hand.

Trump seemed to concede China's leading role Friday after a meeting in the White House with North Korea's spymaster-turned-letter-bearing envoy from Kim. Trump told reporters that he would leave it to China and also South Korea to help the impoverished North rebuild.

"That's their neighbourhood; it's not our neighbourhood," said Trump, leaving aside the fact that US troops have been stationed on the peninsula for decades.

Much of the business is driven by demand from a nascent North Korean middle class, which Chinese traders said could become a group of avid new consumers once sanctions are eased.

The changes in the North are largely the work of the young leader, Kim. He has lifted the controls of the command economy to allow small-time trading, smuggling and "shuttle traders" who move with ease between China and his nation, economists and Chinese businesspeople say.

In a New Year's speech in January, Kim said that having developed a nuclear arsenal, he would now turn his attention to improving the lives of his people.

Inside North Korea, the markets that Kim has allowed to grow have become an essential part of everyday life, offering many people a higher standard of living, said Byung-Yeon Kim, an economist

who wrote a recent book, "Unveiling the North Korean Economy."

While this growth has bolstered popular support for the Kim family dynasty, the North Korean leadership is aware that it can also be a two-edged sword, he said. Having set itself on this road of economic improvement, North Korea must continue to find ways to expand and develop a national economy whose output is still just US\$20 billion - half the size of that of South Korea's sixth-largest city, Gwangju.

"North Korea is now a place where you can enjoy a normal life compared to the 1990s," said Kim, the economist. "Money has become very important. People there are saying if they can have money they have no reason to flee to South Korea."

The support of the middle class is vital for the North Korean leader and so far he seems to have gained it. That holds true not only in the capital, Pyongyang, but in other towns to the north, said Andrei Lankov, a Russian expert on North Korea who has lived in the North and maintains ties there.

"Kim Jong Un is popular," Lankov said. "Everyone supports him."

China is anxious to repair its tattered alliance with the North and is determined to play a dominant role, along with South Korea, in any reset of the North's economy.

In perhaps the most telling sign of a revival in trade, Air China announced Tuesday (June 5) that it would resume regular flights from Beijing to Pyongyang on Wednesday. The sudden resumption came after flights were suspended last November because of negligible demand, the airline said.

Chinese leader Xi Jinping met in Beijing last month a delegation of North Korean mayors and governors, an unusual gesture by the powerful Chinese president to meet such low-ranking foreign visitors.

The North Koreans were given a grand tour not just of Beijing but also of Shanghai and the rural central province of Shanxi, travelling on state-of-the-art bullet trains and receiving tutorials on how China rapidly built up its cities and industries.

Since Kim's surprise meeting with Xi in the Chinese city of Dalian last month, where economic development was reported to be at the top of the agenda, there have been suggestions that China might help rebuild the North's primitive roads and ports.

Such aid may become part of the Belt and Road Initiative, Beijing's signature effort to extend its influence by helping other countries finance large-scale infrastructure projects.

For now, China is providing visible help to the North in smaller ways. One is by serving as a conduit for money transfers back home by North Koreans living abroad who are trying to help family members maintain their improved living standards despite the sanctions.

A restaurant owner in Pyeongtaek, South Korea, who fled the North several years ago said she sent the equivalent of US\$5,000 a year to her mother, husband and school-age son who stayed behind in Pyongyang.

She uses a money dealer here, not far from the border, to send US\$2,500 twice a year.

The money has gone to pay for a tutor for her son and also to buy him a US\$200 secondhand Japanese bicycle, the restaurant owner said. She asked that her name not be used for fear of attracting the attention of South Korean security services, who she fears might not welcome such

money transfers.

While her husband has a good job as a manager at a state-owned enterprise, she said, they need the money because food is short after the long winter and the price of rice is rising. She said she sent the money in Chinese currency, the yuan, which is used in the North to buy consumer goods.

Other North Koreans living in Seoul said relatives had been requesting more money over the last year, not only to ride out the sanctions but also to cover what they said was the growing cost of bribes paid to North Korean officials, who are also trying to profit from the new cash economy.

In Hunchun, one of China's biggest garment manufacturers, Younger, recently built a sprawling factory complex where North Korean workers make men's suits for the Chinese market. The North Koreans work alongside Chinese workers, receive the same wages and live in apartment blocks about three minutes from the plant, a manager said.

Even though the sanctions require that North Korean workers return home, those working in Hunchun are most likely doing so legally, local businesspeople said. Their contracts appear to be written for short-term work, which is not covered in the sanctions, they said.

In Hunchun, seafood sellers said they were still fetching top prices for North Korean live crab, considered a delicacy because it comes from the North's unpolluted waters.

The crabs were trucked on a short trip from North Korea into the port of Vladivostok in Russia, then south over nearly 60 miles of bumpy road to Hunchun, a journey of up to 10 hours.

They said the detour through Russia gave the crabs a cover of legality and the Chinese are building a new road that will allow them to arrive more quickly.

The customs paperwork needed to resume direct shipments of crab and frozen seafood has already been completed and is ready to be submitted as soon as sanctions are lifted. That will make the Russia detour unnecessary, said one seller as he watched over a dozen tanks filled with green crabs.

"We have been told it will be soon," he said.

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