Following last week’s execution of North Korea’s no.2 leader, Jang Song-thaek, the Pyongyang regime has recalled its business people from China, according to South Korea’s Yonhap news agency. “Large numbers of North Korean businessmen in Shenyang and Dandong have gone home in a hurry this week,” a source said.

Jang was in charge of economic relations with China, by far North Korea’s largest trading partner, including the establishment of special economic zones on the border between the two countries. Among the charges in Jang’s indictment was the accusation that he sold “off precious resources of the country at cheap prices”—an implicit criticism of China.

Pyongyang’s summons to businessmen to return from China could be the precursor to wider purges within the regime as the young leader Kim Jong-un consolidates his grip on power. It may also point to a further worsening of relations between the two countries. Another source told Yonhap that North Korea planned to recall all officials and staff in stages.

Relations between the two countries have deteriorated since the beginning of the year. North Korea ignored Beijing’s warnings not to proceed with a rocket launch last December and a third nuclear test in February that led to a new round of UN sanctions, which China backed. Tensions on the Korean Peninsula escalated dramatically in March and April, when Pyongyang responded to the sanctions and joint US-South Korean military exercises with a series of bellicose, but empty, threats.

The Obama administration has compounded the tensions in North East Asia as part of its “pivot to Asia,” directed at undermining China. In response to North Korea’s threats, the Pentagon provocatively flew B-52 and B-2 bombers into South Korea and expanded its anti-ballistic missile systems in Asia that are aimed primarily against China.

For China, North Korea poses a dilemma. Beijing does not want political instability on its border, far less a collapse of the Pyongyang regime. At the same time, North Korea’s belligerent posturing created a pretext for the US to continue its military build-up in North East Asia. Beijing is also concerned that Japan and South Korea could use North Korea’s nuclear weapons to justify building their own.

Over the past eight months, China has steadily increased the economic pressure on North Korea to de-nuclearise and re-join stalled six-party talks—involving the two Koreas, the US, China, Japan and Russia—over its nuclear programs. China has begun imposing some of the UN sanctions, compounding the acute economic crisis in North Korea. Trade between the two countries has dropped.

Jang was closely associated with Kim Jong-un’s father and predecessor, Kim Jong-il, who died two years ago. He accompanied Kim Jong-il on three trips to China in 2010 and 2011 that focussed on implementing Chinese-style pro-market restructuring. Jang made a further trip to China in August last year to meet with Chinese leaders on economic policy.

The sudden and dramatic loss of its top intermediary in Pyongyang has provoked concerns in ruling circles in China. Officially, the Chinese foreign ministry has declared Jang’s execution to be “an internal affair” for North Korea. However, Ta Kung Pao, a mouthpiece for Beijing in Hong Kong, described the execution as a “wake-up call” for China, declaring: “This incident reveals that China’s influence on the internal affairs of North Korea is close to zero.” It described “the possibility of instability in North Korea” as “far bigger and far more dangerous than South Korea.”
Zhu Feng, a Beijing University professor, told the New York Times: “Jang was a very iconic figure in North Korea, particularly with economic reform and innovation. He is the man China counted on to move the economy in North Korea. This is a very ominous sign.”

Other analysts in China were more cautious. Speaking to China Daily, Gao Haorong, a North Korean expert at the Xinhua Centre for World Affairs Studies, warned: “Following Jang’s execution, the DPRK (Democratic People’s Republic of Korea) is likely to review cooperation projects with China.” Chen Qi, an international affairs professor at Tsinghua University, said China and the DPRK might need some time to rebuild connections in order to continue cooperation on economic projects.

The official People’s Daily ridiculed the notion that Jang’s ouster represented a break with China, because that would cost North Korea its only consistent source of political and economic support. North Korea’s trade with China amounted to nearly 90 percent of its overall trade over the past year, and included key imports such as oil and food items. “For Kim Jong-un, this [a break with China] would be a suicidal choice,” the article declared.

The state-run Global Times reported that North Korea and China signed two economic deals on December 8—the day that Jang was purged—one for the development of a high-speed railway and parallel motorway, and the other to establish a special economic zone in the North Korean province of North Hamgyong. Although the newspaper claimed this was a sign of continued economic cooperation, neither deal has been officially announced.

While Beijing is playing down the implications of Jang’s execution, there is speculation in the Chinese and South Korean press and blogs that his demise was bound up with intrigues surrounding Kim Jong-nam, the elder brother of Kim Jong-un. Kim Jong-nam was tipped to be Kim Jong-il’s successor, before a bizarre incident in which he tried to enter Japan on a false passport, supposedly to visit Disneyland. He now lives in China.

According to the Yonhap news agency, Jang met privately with Kim Jong-nam, raising suspicions of a plot to remove Kim Jong-un. One source told South Korea’s Chosun Ilbo of speculation that China was grooming Jong-nam to take over if Kim Jong-un’s regime collapses. “Rumour has it that China is protecting Kim Jong-nam,” the source added.

These reports are highly speculative, but not beyond the bounds of possibility, given the intense concern in Beijing over the repercussions for China of a political upheaval in Pyongyang. Amid high tensions in April, the German news agency Deutsche Presse-Agentur cited a source who reported that a group of Chinese generals had drawn up contingency plans in case the Korean Peninsula went “up in flames.” These included “the possibility that Chinese forces could cross into North Korea, if a clash broke out, to secure nuclear facilities and prevent any nuclear disaster.” As in April, the Chinese army conducted training exercises in the border area last week.

A Global Times editorial on December 10 hinted at Beijing’s concerns. It emphasised that “a friendly relationship” was in both countries’ interests, then concluded with the advice that “China should help bring about Kim Jong-un’s visit to China as soon as possible.” Kim Jong-un has not been to China since taking office two years ago, and this is clearly creating unease in Chinese ruling circles.