

Sino-ROK Political Ties

Since the two countries normalized diplomatic relations in 1992, China and South Korea have rapidly expanded their relations in the political, economic, social, and cultural spheres. Top-level political leaders have exchanged visits frequently and bilateral communication on a broad range of issues has increased. In July 2003, South Korean President Roh Moo-Hyun made a state visit to Beijing and the two countries signed a joint statement announcing their shared desire to build a comprehensive cooperative partnership. Successful bilateral cooperation has taken place on key security issues such as the handling of North Korean refugees who entered foreign consulates in China seeking safe passage to South Korea. The two sides coordinated in the four-party talks in the early 1990s and are consulting in the six-party talks to ensure the preservation of peace and stability on the peninsula. China and South Korea have also enhanced their cooperation in multilateral organizations such as APEC, ASEAN + 3, ASEM, and the United Nations.

Conference participants agreed that the first decade of Sino-ROK relations was a “honeymoon” period, in which cooperative and complementary factors far exceeded competitive and conflicting elements. In the future, although there are many positive impulses that will likely continue to promote the bilateral relationship, there are also latent problems that could adversely affect the Sino-ROK political relationship and thus require attention. One Korean participant reproached the South Korean government and media for focusing on the rosy aspects of Sino-ROK relations, while overlooking its troubles. China and South Korea don’t see eye to eye on several issues, the expert maintained. From Korea’s perspective, problems in the bilateral relationship include: 1) the issue of Korean unification, 2) the handling of North Korean refugees, 3) differences in political systems, and 4) drug smuggling, illegal migration and the intrusion of Chinese fishing boats into South Korean waters. From China’s perspective, bilateral problems include: 1) activities of some ROK’s religious and nongovernmental organizations in China; 2) the stationing of U.S. forces in Korea, 3) missile defense, and 4) the handling of the ROK’s relationship with Taiwan.

A latent territorial dispute between China and South Korea persists and could become a serious point of friction in bilateral ties in the future. Some South Koreans dispute a “secret” 1962 boundary treaty that divided Changbai / Paekdu mountain on the China-North Korean border and lay claims to other ethnic Korean areas in Manchuria. Chinese participants said that once unified, Korea would be emboldened to press these claims. A South Korean expert also raised the prospect of friction emerging between South Korea and China over the ethnic Korean population residing in China, which shares a common heritage with the Chosun tribes. The expert noted South Korean objections to China’s Northeast Asian Project, a five-year government research program, that seeks to prove that the Goguryeo Dynasty (37BC to 668AD) was a Chinese state and its people originated from China’s Han tribe.

Chinese Concerns About US Troop Relocation

The repositioning of U.S. forces to Pyongyang may raise Chinese concerns that South Korea has acquiesced in the expansion of the US-ROK alliance to take on regional missions, including the possible projection of forces beyond the peninsula to contain China. A Chinese participant asserted that the relocation of U.S. forces further south might “give them an offensive position against China” and “pose a military threat to China.” He noted that Pyongyang is the site of a strategically important Korean naval base and is situated geographically close to China. Another Chinese expert contended that China would not attach much importance to the relocation of U.S. forces, but would continue to worry about U.S. intentions in bolstering its alliance relationship with South Korea. From Beijing’s perspective, Washington is trying its utmost to preserve the Cold War framework of relationships in Northeast Asia, the expert maintained. China remains ambivalent about the continued presence of U.S. forces on the Korean peninsula, asserted another Chinese participant. The deterrence of a North Korean attack on the South is in Chinese interests because it prevents war on the peninsula, he averred, but “may pose other problems.” An American participant suggested that proximity to China is not a U.S. consideration

in selecting the site for the relocation of U.S. troops, adding that if U.S. forces were intended for use against China, they would be vulnerable if deployed too close to the Mainland.

Sino-ROK Military Ties

Sino-ROK military and security relations have generally lagged behind the development of political and economic ties, primarily due to China's consideration for North Korea's interests. In the past few years, however military ties have begun to deepen, with exchanges of defense ministers, military delegations, and ship visits. Korean participants observed that the expansion of Sino-SOK defense ties would aid in easing tensions on the peninsula. They expressed South Korea's desire for regularized and institutionalized high-level visits, increased exchanges of working level defense personnel, and joint military exercises to enable both sides to jointly respond to drug smuggling in the open sea.

Sino-ROK economic ties

Sino-ROK economic ties have achieved impressive progress since the establishment of diplomatic ties 11 years ago. In 2002, bilateral trade volume exceeded US\$41 billion and is targeted to reach US\$100 billion in the next five years. China is now the largest export market for the ROK. Both China and South Korea share a firm commitment to accelerate their bilateral trade and economic cooperation and their economies have a high degree of compatibility. From a Chinese perspective, the greatest problem in Sino-ROK bilateral trade is the trade imbalance. According to Chinese statistics, in 2002 China's deficit in bilateral trade with South Korea reached an unprecedented US\$13 billion, a 20% increase over the previous year. This imbalance will likely worsen in the future, maintained a Chinese expert, and may eventually pose a serious obstacle to the steady and stable development of bilateral trade relations. China hopes that South Korea will remove its non-tariff barriers to trade, which restrict Chinese exports to Korea. As China's technological level advances, Beijing should encourage Chinese firms to invest in South Korea to balance the currently one-way direction of South Korean investment in China. Korea, on the other hand, should expand investment and increase the technological content of its investment, while investing not only in the coastal areas, but also in China's hinterland.

Korean perceptions are divided on the implications for South Korea of the emergence of the Chinese economy. One view holds that the rise of China poses a serious threat to the Korean economy because it not only supplants Korean products in export markets, but also threatens to eliminate many Korean domestic factories in domestic market competition. The opposite and more prominent view is that China poses new and vast economic opportunities for Korea, especially in the provision of a new market for Korean products. A Korean participant maintained that while South Korea benefits from having both the U.S. and China as big markets instead of relying only on the U.S. market, the disadvantage is that that China is "sucking in" factories from neighboring countries. In the long run, South Korea therefore faces the trend of the hollowing out of some of its industries as more factories are relocated to China. Korea's response to this challenge is to attempt to keep high-value added industries or segments within Korea while relocating others to China. One strategy for maintaining a division of labor between Korea and China is to keep intermediate and capital goods within Korea and let final goods assembly take place in China. Another strategy is for Korea to specialize in R&D and logistics and for China to specialize in manufacturing. While both approaches sound feasible, an ROK participant noted that the Taiwan experience suggests that the situation does not always succeed as planned.

Prospects for a Free Trade Agreement

The possibility of a free trade agreement among Japan, China, and South Korea was also touched upon. A Chinese participant outlined several obstacles to an FTA, including political distrust among the three countries and difficult to resolve issues in the agricultural sector. South Korea would benefit most from such an FTA, he observed. The analyst predicted that an FTA

would be established between South Korea and Japan prior to the creation of an FTA between South Korea and China. He urged South Korea to more actively seek an FTA with China, which would facilitate the eventual establishment of an FTA among all three countries.

A South Korean participant noted that ROK interest in creating an FTA with China would evaporate in the event of a North Korean collapse. South Korea companies would move a large portion of its manufacturing base to North Korea. A Chinese analyst maintained that it is premature to predict a North Korean collapse, although such an eventuality is possible. An increase in South Korean investment and business activity in the North is desirable, he added, noting that such decisions should be determined by the market, not by politics. An American participant noted that for an extended period following a collapse of North Korea, investment in the Shandong peninsula in China would remain more attractive to South Korean companies. Over time, however, as North Korea's labor force became more highly trained and acclimated to the international business environment, North Korea would become a more appealing destination for South Korean investment and manufacturing.

The Sino-ROK Garlic War

An interesting discussion of the "Garlic War" between the ROK and China ensued. An American participant portrayed Chinese retaliation against South Korea's imposition of tariffs on garlic imports as tougher than one would have expected based on the limited impact of the tariffs on the Chinese economy. He inquired whether the sharp response was intended for a domestic audience or perhaps for Japan, and additionally pondered why the ROK caved quickly to Chinese pressure. Several Chinese experts insisted that China had little choice but to react harshly due to the adverse impact of the tariffs on domestic producers. In China, the income gap between rural and urban areas is widening and dissatisfaction among farmers is on the rise. Thus, the garlic issue became a social and political question and posed a danger to domestic stability. The government took measures to avert an even more negative impact on Sino-ROK political relations, however, in part by controlling press coverage of the issue in Chinese newspapers.

China-DPRK Relations

Since the late 1980s, the PRC-DPRK relationship has undergone major changes. The end of the Cold War precipitated a shift in China's strategy from coping with the Soviet Union, the United States, and sub-regional threats to a strategy of seeking peaceful coexistence and co-development. North Korea, however, remained in confrontation with the United States and failed to extricate itself from the Cold War situation. Consequently, the PRC-DPRK alliance lost its most important function.

The rise to power of Deng Xiaoping, a leader with fundamentally different political views than both his predecessor Mao Zedong and North Korean leader Kim Il Song also dealt a blow to the PRC-DPRK relationship. The retirement of the first generation in both China and North Korea further contributed to an erosion of the alliance. At present, the Sino-North Korean relationship is being redefined in the context of a changing international environment. China is dedicated to transforming its special relationship with North Korea to a normal relationship. The CCP seeks to put its relationship with the Korean Workers Party under the same framework as its ties with other political parties in the world.

From a Chinese perspective, three factors will influence the future course of Sino-DPRK relations. First, whether the DPRK can effectively manage the nuclear crisis and will adopt a flexible foreign policy. Second, whether North Korea will change its political values and become a responsible member of the international community. Third, the emergence of radical South Korean nationalism and its manifestations.

In the economic realm, a South Korean participant observed that the volume of two-way trade between China and North Korea has declined since 1990 and Beijing's economic

assistance to the DPRK has been significantly less than is reported by foreign media. Nevertheless, North Korea remains dependent on China's supply of food and petroleum, and this provides some economic leverage over Pyongyang. Whether or not Beijing chooses to use that leverage, is another question.

China and North Korea no longer maintain the traditional "lips and teeth" relationship, but Chinese leaders continue to worry about the consequences of the sudden collapse of the North Korea regime—e.g. refugees, armed conflicts, and production disruptions in the China's industrial Northeast region. Beijing's unchanged goal of stability on the Korean peninsula has led the Chinese to conclude that further isolation of North Korea from the outside world would be detrimental to Chinese interests.

Buffer State

Conference participants expressed different views about whether the preservation of a buffer state along China's border is a priority for the government in Beijing, reflecting the ongoing debate in China. Some participants maintained that the vast improvement in China's ties with South Korea in the last decade and Beijing's estimation that its ties with the United States will remain relatively stable for many years have greatly diminished China's need for a buffer. In this view, the buffer-state concept is an anachronism left over from the Cold War. Others contended that China still prefers a divided peninsula and its cooperation with the U.S. to eliminate North Korea's nuclear weapons aims at achieving that objective. A Chinese expert admitted that there are differences on this issue among scholars, but he remained confident that Beijing would not stand in the way of unification. "If the worst case happens, China will be pragmatic and follow the international trend. China won't be on the opposite side of the rest of the world," he declared. More importantly, the analyst added, Beijing will attempt to shape the process of change on the peninsula in a direction that maximizes Chinese influence.

A Chinese analyst acknowledged that unification would bring uncertainty, but maintained that unification might provide benefits for China by creating more economic opportunities in Northeast Asia and increasing Beijing's diplomatic room to maneuver.

An American scholar disputed a South Korean participant's contention that China seeks to bring South Korea back into its orbit; to set the tone for the future relationship between China and a united Korea; and to undercut the U.S. leadership role in the region. Instead, he asserted that Beijing has long quietly acknowledged the value of the U.S. role and presence in the region, especially its contribution to stability on the Korean peninsula and to ensuring that Japan does not remilitarize. Rather than seeking to undermine the U.S. role in the region, China may be asserting its interest in making certain that either a divided or unified Korea leans more toward China as a partner, especially in economic and diplomatic areas.

North Korea's Nuclear Weapons Programs

War on the Korean Peninsula must be avoided at all costs, maintained a Chinese participant. If North Korea acquires nuclear weapons, there will be a domino effect resulting in a nuclearized Japan and Taiwan. The whole order in Asia would change and Beijing cannot allow that to happen. North Korea's recent actions have been destabilizing and have boosted the influence of the conservatives in Japan, which China does not hope to see. These concerns explain why China has become actively involved in the effort to solve this problem through diplomatic means. In the meantime, China has to be prepared for any and all possible outcomes on the peninsula.

Several participants cited a proposal put forward by CASS analyst Shen Jiru's to amend China's alliance with the DPRK to eliminate the provision calling for military forces to support North Korea in a conflict. There was agreement that the mainstream in China as well as the Chinese government does not support revising the treaty. An American expert related that he

had been told by a Chinese specialist that Beijing would not consider a change to the Chinese treaty with the North without parallel changes in the U.S. security treaty with the South. One Chinese participant contended that a legal change in the treaty that absolved Beijing from any commitment to aid North Korea in the event of an attack would damage Sino-DPRK bilateral ties and would make the North Koreans desperate. Therefore, the language must remain intact, even if it is largely symbolic. Another Chinese analyst maintained that the future of the Sino-DPRK treaty would be influenced by the U.S. concept of preemptive attack.

Six Party Talks: A New Security Architecture

There is discussion in all three capitals—Beijing, Washington and Seoul—about the prospects for the six-party talks evolving into a mechanism for regional security cooperation. An American participant maintained that “the extraordinary developments we are witnessing in PRC-DPRK relations could prove to be the catalyst, missing up until now, in generating an environment favorable to a new architecture of broader security cooperation.” A Chinese expert noted that a precondition to the establishment of such a mechanism for security cooperation is the inclusion of North Korea. All parties should work to create a favorable security environment for North Korea to agree to participate or any efforts to launch a multilateral security dialogue mechanism in Northeast will fail, he cautioned. South Korean experts also endorsed the establishment of a permanent “Track I” security dialogue mechanism in Northeast Asia.

U.S.-ROK Relations

The alliance between the United States and the Republic of Korea has been a success story for fifty years, serving the interests of the peoples of both countries. It has protected Seoul from the threat posed by Pyongyang, facilitated unprecedented economic growth in South Korea, and fostered the transition of South Korea from authoritarianism to democracy. Moreover, the alliance has benefited Washington by providing a forward force presence in Northeast Asia and helping to ensure the defense of Japan.

In the past year, however, friction in the alliance has been mounting. There is a growing perception that Washington is less friendly to alliances and its attention to Northeast Asia has been diverted and distracted by the war on terror. Korean nationalism and anti-American sentiment has become manifest in some segments of society while ambivalence toward the future of alliance is evidenced in others. China’s growing influence on the Korean Peninsula and Japan’s uncertain future are also shaping South Korean attitudes toward their security and the alliance with the United States in particular.

American and South Korean participants agreed that the U.S.-ROK alliance would remain in the interests of both countries. A South Korean participant described the alliance as a “win-win strategic option” for both countries: for Korea, its comprehensive alliance with the U.S. would maximize its security at the lowest cost; for the U.S., it would maintain a forward base in one of the most crucial strategic regions in East Asia with reasonable burden-sharing on the part of Korea. He also envisaged that the alliance would play a central role in the peaceful unification of North and South Korea. The growing trend of anti-American sentiment in Korean society will pose a major challenge for the alliance, however. Both the U.S. and South Korean governments must educate their publics about the value of the alliance in advancing each country’s national security interests. Moreover, possible changes in North-South relations, U.S.-North Korea relations, and public opinion both in South Korea and the U.S. demand that the U.S.-ROK alliance adjust to changing internal and external environments.

A Chinese participant predicted that friction between the U.S. and South Korea would increase as the ROK searches for its proper international role. Having improved its relations with China, Russia as well as North Korea, Seoul is better positioned to protect its security and is not as dependent on the alliance as it was in the past. “The ROK will not blindly follow the U.S. in the future,” he forecast. Nonetheless, the US-ROK alliance will continue to exist for some time, he

forecast, and therefore security in Northeast Asia and the Korean peninsula will continue to be influenced by the alliance. The analyst contended that existing bilateral alliances are inadequate to address the security problems in Northeast Asia. U.S. alliances with Japan and South Korea have done little to resolve the problems in this region, he maintained, and have hindered the development of multilateral security cooperation.

Sino-U.S. Relations and the Korean Peninsula

Since the 1994 Agreed Framework began to unravel, China and the United States have collaborated to confront the challenge posed by Pyongyang's breakout from the Nuclear Non-Proliferation regime and its development of a nuclear deterrent. Due to their different interests, priorities and concerns, however, it remains uncertain whether Washington and Beijing will be able to sustain their cooperation, cautioned an American participant. The extent to which the U.S. and China can work together to achieve a positive a mutually acceptable outcome to the current crisis will undoubtedly have a major impact on their future bilateral relationship as well as on the Korean peninsula. If the six-party talks break down and Beijing attributes their failure to Bush administration rigidity, Sino-U.S. relations could suffer, especially if the U.S. were to seek to squeeze North Korea in disregard of Chinese interests.

While U.S.-Chinese cooperation to peacefully resolve the North Korea nuclear issue is a welcome development, there is a dearth of discussion between Washington and Beijing about how change on the Korean peninsula might take place and how their respective interests can be secured in different contingencies. Through such a dialogue, the U.S. and China could seek to ease each other's concerns and suspicions, thereby mitigating the possibility of friction and competition, and increasing the prospects for sustained Sino-American cooperation on the Korean peninsula in the future.

A Chinese participant observed that the North Korea nuclear issue has served as a catalyst for the consolidation of cooperative relations between the U.S. and China. The nuclear crisis, however resolved, is likely to stimulate change on the peninsula, which, in turn, will inexorably affect Chinese and American interests and Sino-American ties. A discussion ensued of various alternative futures for Korea and how each might affect Sino-American relations. If a package deal is realized that results in dismantlement of North Korea's nuclear weapons and integration of North Korea into the international community, the U.S. and China could share in the peace dividend and jointly cooperate to promote North Korean economic reform. Military conflict on the peninsula would be the worst outcome for all parties concerned and would result in a major setback in U.S.-Chinese ties. Collapse of the North Korean regime would present uncertainties and dangers for Beijing, but China is not unprepared and if the U.S. is not cause of North Korea's demise, the impact on Sino-U.S. relations can be limited.

Asked if China is seeking to exploit its closer economic ties with South Korea to weaken the U.S.-ROK alliance, a Chinese expert maintained that Beijing may not overtly attempt to drive a wedge between the U.S. and South Korea, but the objective importance of Sino-ROK relations will influence South Korean policy. He predicted that the ROK would adopt more neutral positions on key issues in the future and would subtly lean toward China, even if the alliance remains intact.

According to a Chinese analyst, North Korea's objectives are to preserve the existing regime and avoid economic collapse. To achieve these goals, North Korea must pursue economic reform. The United States and China should work together to create the conditions that facilitate economic reform in the North. Security assurances must be provided before Pyongyang can accelerate the reforms that it began to cautiously implement in July 2002. Another Chinese participant echoed this view, urging the U.S. to be patient as North Korea gropes its way toward reform of its economic system.

U.S., ROK and PRC Strategies on the Peninsula

In the view of an American participant, the Bush administration bears significant responsibility for the current North Korea nuclear crisis because it failed to develop a serious strategy toward North Korea for the first two years after assuming power. The North, of course, must be blamed for pursuing a clandestine uranium enrichment program and continuing to develop nuclear weapons. The current multilateral approach deserves praise and should actually reassure Pyongyang, which can count on the other players to bring pressure to bear on the U.S. to accommodate any reasonable North Korean positions. Nevertheless, the multilateral approach may require an embedded bilateral component to produce sufficient progress. Americans are deeply divided on how to resolve the nuclear issue, but there is a broad consensus that a return to the Agreed Framework is not possible and any agreement must contain stringent verification and enforcement mechanisms.

The effort to deal with the North Korean nuclear issue has begun to create habits of cooperation among the six parties that can have an important stabilizing effect on the peninsula—indeed, on the region—over the long term. To promote long-term peace and stability in Korea, however, requires a recognition that not all of the relationships necessary for that are in sound condition. Seoul and Washington need to work hard to generate positive attitudes in both countries about their alliance relationship. U.S.-Chinese relations have improved, but remain fragile. In addition to differences in their approaches to the North Korea nuclear problem, unresolved differences over Taiwan could affect the willingness of both Washington and Beijing to continue on the same cooperative path on Korea.

A South Korean participant described the ROK's policy toward North Korea under the Roh administration as following a two-track approach: 1) a bilateral effort based on the strategy of engagement; and 2) a multilateral strategy of prudent and coordinated negotiation under the grand design of "the Policy of Peace and Prosperity." There are divisions in the Roh administration on concrete means to pursue engagement with North Korea, as well as on other crucial foreign policy issues such as the dispatch of troops to Iraq and restructuring the U.S.-ROK alliance. Two factions exist in the government that might be termed the "prudent realists" and the "national reformists."

On the issue of promoting inter-Korean economic cooperation, there is a consensus, however. Two-way inter-Korean trade reached \$406.8 million for the first eight months of 2003, up 44.8 percent over the same period in 2002. The Inter-Korean Economic Cooperation Committee has agreed upon railway/road construction projects, construction of infrastructure facilities for the Gaeseong Industrial Complex, and the reinvigoration of the Mt. Kumgang tourism project. It remains to be seen whether such efforts will produce a win-win outcome for both Koreas. The final outcome is dependent on the negotiations surrounding the issue of North Korea's WMD programs and the provision of multilateral security guarantees to Pyongyang.

To resolve the North Korea nuclear weapons issue, South Korea should persuade Washington and Pyongyang to preserve the status quo and find common interests through peaceful means. Seoul could assume a role of facilitator and aid in the establishment of a mechanism for monitoring and verification.

A Chinese participant discussed Beijing's evolving role on the peninsula, noting that China's policy toward the two Koreas has undergone drastic changes since the end of the Cold War. China's pragmatic stance toward South Korea has been driven by several factors. China's reform and opening up policy that strives to achieve sustainable development is one important factor in the shift in Chinese policy. Another factor is the priority concern for maintaining internal stability. China's large ethnic Korean population has developed close ties to the two Koreas, posing a delicate problem of divided loyalty. Illegal immigration from North Korea also presents challenges to the Chinese government. In the event of a major crisis in the North, swarms of North Korean citizens could flee across the 1,334 Kilometer border into China.

Yet another factor is Taiwan. Beijing is mindful of history and seeks to avoid any instability on the Korean peninsula that may again forestall the Mainland's reunification with Taiwan. Other considerations for China in formulating its policy toward the Koreans include concern to prevent the proliferation of WMD, the desire to maximize China's geopolitical influence, and the need to fortify China's relations with other powers.

Intense debates are taking place in China relating to the North Korea nuclear weapons issue, including on such topics as China's international obligations, the trends of non-proliferation, North Korea's motivations, PRC-DPRK relations, and US strategy and tactics. The debate has identified a number of mainstream assessments that can aid policy readjustment in the near future. First, China cannot afford the deterioration of stability on the Korean Peninsula. Second, a peaceful solution is possible through a multilateral process. Third, China's relationship with Pyongyang must be based on its national interests and not on China's sympathy for the North Korean people or the extent to which Beijing devoted itself in the past to preserving a security buffer on its border.