

Session I:

ROK-China Political Relations

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By: **Byung Kwang Park**

Research Fellow, Research Institute for International Affairs

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Introduction

It has been over 11 years since the establishment of diplomatic ties between Korea and China on Aug. 24, 1992. The recent 11 years cannot be so long compared to the history of thousand years that have connected the two countries. In that short time, however, exchange and cooperation between the two countries have increased explosively. Now, the two countries have put an end to the hostile relationship formed after the Korean War and are trying to develop 'a complete cooperative partnership'.

The reasons that the relationship between both nations is developing rapidly are first, a geographical closeness, second, cultural identity accumulated over a long time, and third, mutual complementarities in their respective economies. However, another important factor is strategic joint benefits. In other words, Korea and China share mutual gain and loss in terms of stability, peace and mutual prosperity on the Korean peninsula in the post-cold war era. Because of these reasons, even in a short period such as about 10 years, the two countries could improve their relationship with marvelous speed and seem likely to keep it based on strategic benefits for a considerable time in the future, too.

However, cooperative and conflicting factors co-exist in the relationship between the two countries. Despite frequent exchange and cooperation between the two countries, considerable potential conflict-causing elements are underlying inside. For example, there are sensitive problems such as matters on North Korean defectors, Chosun Tribes (Chinese Korean), Dalai Lama's visit to Korea, Taiwan issues, disagreement on recognition of ancient history between Korea and China etc. In addition, on an economic dimension, Korean and Chinese economies are already showing competitive and partially tangled aspects. China is entering the stage as a great market and a dangerous competitor to Korea at the same time. In political and diplomatic aspects, China's policies toward the Korean peninsula and its other foreign policies are not always compliant with the unification policy of South Korea.

While the relationship of the last 10 years between the two countries can be compared to a "honeymoon" period, the future will be a period in which China emerges as a target of 'expectations' and 'worries' from the Korean view. In this writing, after evaluating the developing relationship of both countries, I will analyze factors that promote or constrain the relationship development between the two nations and discuss tasks and problems for the future towards the end.

Evaluation of relationship between Korea and China

Political and diplomatic fields

Development in the relationship between Korea and China was triggered by economic motives in the early stages of the diplomatic relationship. But by extension of economic cooperation and changes in the international environment and foreign policy of China, it is evaluated that there has been considerable development in political and diplomatic areas. Relationship development in political and diplomatic areas can be confirmed in active exchange of leaders. Four presidents in Korea have visited China since opening of diplomatic ties and the highest-level Chinese leaders past and present (Jiang Zheming, Li Peng, Zhu Rongji, Hu Jintao, Zheng Qinghong) visited Korea. Active exchanges and contacts at high level between the two countries have more significance compared to exchanges of high levels between China and North Korea. Even if the frequencies of mutual visits cannot entirely speak to the degree of relationship development of the two countries, they are definitely a sign of relationship development, considering that China gives great meaning to summit talks.

Development of political and diplomatic relationship can mean that benefits and aims on the Korean peninsula are progressing in a direction agreed by both countries. Based on this relationship, both nations are cooperating on peaceful solutions for nuclear and missile matters, reform, and opening of North Korea. However, Korea and China basically have similar ideas but different strategic aims on the Korean peninsula. And more, Korea and China relationship is potentially connected with the alliance of Korea and America, and change of relations between China and North Korea, and China and U.S. Therefore, exchange and cooperation between the two countries in political and diplomatic areas are relatively kept at low level compared to economic and trading areas, which can be an obstacle in the long term.

Economic and trading fields

Exchange and advancement in economic and trading areas have been the most outstanding since opening of diplomatic ties between Korea and China, and are working as an important motivation to induce cooperation and development in other areas. By 2002 statistics, for Korea, China is rising to be the second largest partner in exporting, the first in investment, and the third in trading. The trading amount of both countries, which was 6.4 billion in 1992 when diplomatic ties began, was over 40 billion in 2002.

The trading amount of the two countries is prospected to reach 100 billion dollars due to policy of opening to foreigners as a result of Chinese registration at WTO, holding of 2008 Beijing Olympics and 2010 Shanghai exposition. Backed by economic exchange, human interchange has increased from 88,000 people in 1992, which was the first year of diplomatic ties, to 2.26 million

people in 2002. Both countries shared recognition that mutual economic exchange and trade will work as significant factors for relationship development in future. Possibility for a free trade agreement in Northeast Asia is an element that is making economic cooperation and exchange so close in the middle- and long-term.

Korean trading surplus from trade with China and competitive power enhancement of Chinese industry have possibility of influencing the economic and trading fields in both countries, and Korea needs to strategically prepare for this. Korea has been continuing its profit in mutual exchange since 1993 and profit range has tended to increase. In 2002, Korea recorded about 6.4 billion dollars in trade surplus with China, which shows great contrast to the trade deficit of 14.7 billion dollars that Korea made with Japan in the same year. Difference in importing and exporting structures of the two countries such as in electric power, electronics and general machineries is getting similar with trade increase between Korea and China since opening of diplomatic ties, which means that competition among same industries is accelerating.

Military and security fields

Exchange and cooperation between China and Korea in military and security fields has gradually increased since mutual exchange installment of military attach to the embassy. But development in military and security field is the slowest one compared to other fields that are developing rapidly since opening of diplomatic ties between Korea and China. This is caused by differences in structure and ideas between China and South Korea, but most of all, it is because China is extremely conscious of North Korea.

Through military exchange with China, Korea is focusing first, on creating bases for prevention of war and peaceful unification, second, on contributing to relationship development between Korea and China through favorable military relationship, and third, on relaxing ties between China and North Korea that has continued from previous times. For these, they have concentrated on building reliability and obtaining human power through personnel exchange at high-level. Consequently, talks between Ministries of National Defense of the two countries was held for the first time in August 1998 since the Korean War and officials from China's Ministry of National Defense visited Seoul in January 2000. In addition, in October 2001, Korean naval vessels visited Shanghai and Chinese battleships came to Incheon in May. 2002, which created a symbolic chance to improve military exchange between two countries.

However, since Korea and China established diplomatic ties, military exchange and cooperation between the two countries has been first, very slow compared to other fields. Second, it has given weight only to personnel exchange at military high level. Third, it has a problem in unsettlement of systemization and mutualism. Therefore, both countries in the future need to strengthen and extend their relationship to security fields from political and

economic fields. For this, they need to regularize mutual visits and working level talks between respective Ministries of National Defense from the two countries and carry out joint military training to prevent crimes such as drug smuggling at the open sea.

Factors that promote and factors that constrain development of Korea-China relations

Factors that promote

When we look back to the past, mutually favorable aspects were maximized since Korea and China established diplomatic ties, as the period immediately following can be seen as a “honeymoon” period. Generally, Korea and China have a mutually complementary and mutually beneficial relationship rather than a competitive or conflicting one. Thus, for a considerable time in future, the relationship between both countries will continue to develop. As essential factors in optimizing the relationship between Korea and China, the two reasons below explain a great deal.

First, both Korea and China have common benefits from and aims for peace and stability of Northeast Asia and Korean Peninsula, and agree with this basic recognition. The fact that relationship of the two countries can repeatedly develop and improve is due to the fact that the benefits that the two countries can get from peace and stability in Northeast Asia are great. Both nations share the recognition that peace and stability in Northeast Asia, specifically that of the Korean peninsula, is the least political requirement to proceed with continuous economic growth.

By making sure that building a peaceful structure in the Korean peninsula is a common goal for Korea and China, the two countries are altering their view of the North Korean variable that has been an element limiting development of relationship between the them. At this point, they are showing considerable agreement on the North Korean matter as below.

In other words, 1) to impede military adventurism, 2) to not employ policy that stimulates or blockades North Korea, 3) to not induce internal collapse of North Korea, 4) to induce North Korea to innovate and open in the Chinese way and 5) to proceed with approval by four powerful countries near the Korean peninsula. The main point of above agreement between Korea and China is to build a peaceful structure in the Korean peninsula by acknowledging the political existence and ensuring the stability of Kim Jong-il’s regime. A common belief that spread of nuclear weapons or WMD threatens stability and peace in East Northern Asia and agreement on the political benefits of resolution of conflict will be an important supporting point to maintaining future relations of the two countries. As Korea and China are showing change

and mutual agreement on policy toward North Korea, the partnership between both countries will go through new transitions and improvement.

Second, Korea and China have a great development possibility based on mutually complementary and mutually beneficial on economic characteristics. Opening of Korea and China diplomatic ties 11 years ago was accompanied by recognition that increasing mutual dependence and benefits should not be limited any more by political and ideological factors.

Actually, after opening of diplomatic relations, the trading amounts of Korea and China has been increasing very much every year and for Korea, China is arising as the largest market for Korea's exports with 17.7% of total exports, overtaking the U.S. (17.6%) as of September 2003. Trading amount between Korea and China multiplied 1030 times in 20 years from 40 million dollars in 1980 to 41.2 billion dollars in 2002. Exports to China increased by a yearly average of 39.6% in the same period and imports increased by 34.5%. However, in terms of the relative importance each country occupies in total exports of both countries, while Korea got smaller, China got bigger, which means China is taking a predominant position in competition with Korea.

Although the appearance of strong China due to economic development provides Korea with both threat and opportunities at the same time, there are more opportunities than threat. The reason is that China should pursue continuous economic growth for social stability and in this regard, they will try to acknowledge Korea's efficiency of experiences, technology and capital, and maintain mutually cooperative relationship with Korea. From the Korean view, China is a gigantic market and important partner to solve economic crisis and to maintain development. Economic development brings out a political effect that cannot be limited to cooperative economic relations as China had intended, based on separation of politics and economy. In other words, as economic exchange and development between Korea and China unavoidably change the shape of political relations, future relationship of two countries will advance the political and military conjunction.

Factors that constrain

There is no doubt that relations between Korea and China will move toward beneficial exchange and cooperation incomparable to that of the Cold War era. However, the problem is that relationship between Korea and China in the future cannot be seen only optimistically. The honeymoon period enjoyed since establishment of Korea and China's diplomatic ties will soon give way to dispute that generates mutual feud and distrust not just mutual cooperation. Among factors that limit the development of relationship between Korea and China, there are various matters like change in domestic situation of China, relations between China and North Korea, differences in political systems of Korea and China and differences in social and political ideology in Korea and

China. Indirectly, these factors are involved in alliance between Korea and U.S, and in variation of China-U.S relations. But of many factors, particularly important constraining factors are the next three.

First is North Korea. The North Korean matter in Korea and China relations will suggest two tasks. One is North Korea and China relations, and the other is a matter about unification of Korean peninsula.

As a direct constraining factor of Korea and China relations, North Korea as a traditional factor is gradually weakening or changing. For example, China's one-sided supply of materials that proved a specialty of relationship between North Korea and China is being limited to the minimum supply of food and energy, and joint exercises and support in the military field are being minimized. Particularly, appearance of new leaders centered around Hu Jintao is working as a factor to weaken human and ideological bonds greatly. Fundamental liquidation is possible and national benefit can be outstanding and mutual principles strong. Finally, for China, the 'North Korea' factor is important because of the usefulness of the 'North Korea Card' for extending Chinese influence on the Korean peninsula, among other powerful countries, rather than being an obstacle between China and Korea.

The North Korea factor is related to the unification of Korean peninsula. What Chinese want to gain in the Korean peninsula is not 'a unification of Korean peninsula' but stability of it. From the Chinese view, unification means just phenomenal change and can be connected with North Korea's collapse. Korea ultimately plans on the unification of Korean peninsula while China considers unification as a local unstable element. Thus, China has potential cause for conflict with Korea because China gives first priority to North Korea's regime maintenance.

Even if China announced its formal opinion that "China supports independent and peaceful unification of the Korean peninsula", the important thing for China is not unification the result but the process and methods of 'independence' and 'peace'. By emphasizing a principle of 'independent solution', China stresses that there should not be overseas intervention that can damage Chinese influence in the unification process. Next, 'peaceful unification' can be an expression that they want to avoid phenomenal change on the Korean peninsula and appearance of unstable elements. But because of the existence of the U.S. Armed Forces in Korea, independent and peaceful unification by Korean people is very difficult actually.

Considering steady military threats from North Korea, the unification in Korean peninsula cannot exclude possibility of proceeding in an unharmonious way. In this case, China can hold or oppose their support on the Korean peninsula unification. Therefore, definite differences of opinion between Korea and China will stand out as unification discussion is activated, which have high possibility of being resolved.

Second, relation change between China and U.S. can be a complicated challenge for development of Korea-China relationship. But in the future, as China-U.S. competition develops towards a confrontational structure, Korea has much possibility to be compelled by inevitable choices. The likelihood of these worries is seen from the viewpoint of the U.S. Armed Forces in Korea and the MD(Missile Defence)planning process. And the MD matter is a sensitive problem, because while U.S. requires support and participation of Korea by the Korea-U.S. alliance relation, China is repelled with the thought that it is aimed at China. Thus, at this point, it is such a difficult situation that Korea's reaction to MD plan has no choice but to keep strategic ambiguity for a moment until MD proceeds concretely.

Because competition between China and U.S. is getting intensive, the cases will be increased where Korea will be required to select on policies an alternative which Korea does not want. Basically, by strengthening various human bonds and obtaining exchange channels before power competition between China and U.S gets accelerated, Korea needs to build trust that Korea will not stand on the hostile side in times of emergency. And this effort can be a chance for Korea to gain a new diplomatic role as a mediator between China and U.S.

Third, in the 11-year development of Korea and China relationship, as the range of exchange and cooperation increases, problems that have been sealed and hidden are being revealed. In this process, the domestic factors such as politics, economic environment and social issues faced by China and Korea are surfacing as main source of variation between Korea and China.

For instance, the 'garlic conflict' that happened in the first half of 2000 is a representative case that shows how domestic element can influence the future of both countries. The garlic conflict appeared to be a conventional trading dispute on the outside and the trade unbalance that has continued for the last 10 years was the beginning of this problem. But if we analyze in detail, we can find that it became more complicated as a political game of both countries. As Korea made steady pay off from Korea and China trade, Korea made an exceptional decision to levy special high tariff, and political pressure was operated in which they were conscious of votes from garlic farms prior to general elections in April 2000. Behind China's decision to place an embargo on Korean polyethylene, which is an extreme revenge policy, was consideration for farming villages that can be called an explosive warehouse of instability in Chinese society.

The garlic conflict case as above indicated that various beneficial relationships can be main variables of conflict and development for both countries. Because especially China is under whirlpool of dynamic reform, variable domestic processes of politics, economy and society can influence relationship with Korea by diverse methods.

Conclusion

Korea and China relationship has continued rapid quantitative growth in the economic area with gradual and stable growth in politics and security fields. For example, political relationship between China and Korea has developed from separation of politics from economy in early stage, to diplomatic balance and, finally North Korea variation, which was considered as the most important factor in the past but is now fading as time goes by.

In addition, China-Korea relation is different from that of China-U.S. or that of China-Japan, which are conflicted and competitive with each other on strategic dimensions. Korea and China have no reason to regard each other as a strategic competitor or a hostile authority. Rather, in the post cold war era, both countries know well that they have more to benefit through mutual cooperation. Therefore, in the future, mutually complementary and cooperative relationship will go on for quite some time.

But different from these conditions, it is essential that Korea should consider various complex problems that emergence of a strong China will possibly bring out. Recently China is trying to change itself from 'poor major power nation' to 'wealthy major power nation' and on international politics, to influential strong core nation. The problem is that the Korean peninsula can be an arena of struggle among the world powers, which will mean that Korea and China will face more delicate and complicated situations. Therefore, Korea and China need to form a concrete network and to make efforts to build mutual reliance with a positive attitude.

The Sino-ROK Political & Diplomatic Relations: A General Assessing

Dr. Piao Jianyi

Executive Director, Center for the Korean Peninsula Issues Studies, IAPS, CASS

Introduction

Since the normalization in August 1992, China and ROK have undergone a rapid development in bilateral relations in political, economic, social, cultural, and personnel exchanges fields, etc. To make further improvement in bilateral relations and to promote peace and development both on the Korean Peninsula and in the Northeast Asia, it is of great importance to analyze the impetus of the development since 1992, to clarify some latent problems and to put forward practicable solutions.

The author starts with a general review over the development of Sino-ROK relations since the normalization in 1992, analyzes the foundations and the impetus of the development, then discusses some latent problems which may harm the bilateral relations in the future, and at last puts forward some solutions in principle.

I. The Development of Sino-ROK Political and Diplomatic Relations since 1992 and Its Foundations and Impetus

1. The Development of the Bilateral Political and Diplomatic Relations

On August 24, 1992, ROK severed diplomatic relations with the Taiwan authorities, stated formally to abide by the One-China policy, and established diplomatic relations with China. The normalization was in fact a great strategic action that was taken by both sides to adapt to the post Cold War situation. Ending the abnormal bilateral relations for nearly half a century, it also started a new era of reconciliation and cooperation on the Korean Peninsula and even in the Northeast Asia.

Since the normalization, China and ROK have resumed the bilateral communication for the past thousands of years, and have laid a new foundation for the bilateral relations. The most conspicuous developments have been in trade, investment and personnel exchanges fields, which even look more obvious than the development in political and diplomatic fields does. However, compared with the nearly half-century's mutual hostility, the political and diplomatic relations haven't lagged. And the development, indeed, have been accelerated especially during the recent years.

After the normalization, leaders of both sides exchanged visits frequently, frankly discussing the development and some problems that interested both sides. That has made a profound political foundation for the bilateral cooperation in various fields. After the normalization, China's highest

leaders Jiang Zemin, Li Peng, Zhu Rongji paid visit to Seoul, and ROK's presidents Roh Tae-Woo, Kim Yong-Sam, Kim Dae-Jung, Roh Moo-Hyon visited Beijing.

Along with the frequent mutual visits by the leaders and development of the bilateral political and diplomatic relations, the two countries have been sharing a common understanding in maintaining peace and stability on the Korean Peninsula, and made a diplomatic cooperation institution for that purpose. China and ROK cooperated closely to settle some difficult problems like the Hwang Jang-Yop occurrence, that Taiwan tried to transfer spent nuclear fuel into the DPRK, and the several cases that illegal aliens from the DPRK demanded to go to ROK.

Moreover, the two sides maintained cooperation in the 4-party talks on the Korean Peninsula Issues. China stated definitely understanding and supporting of Kim Dae-Jong administration's reconciliation and cooperation policy towards DPRK, and emphasized China's constructive role in promoting peace and stability on the Korean Peninsula.

The Sino-ROK political cooperation was not only limited in areas of bilateral relations and the Korean Peninsula issues. In international organizations like UN, APEC, ASEM, ASEAN+3, the two countries also cooperated on many global and regional issues such as environment, human rights, and non-proliferation, etc.

Since 1998, when the Kim Dae-Jung administration took office, the Sino-ROK relations have developed more rapidly in political and diplomatic fields. During Kim Dae-Jung's visit to China in November 1998, both sides agreed to establish the Sino-ROK partnership of cooperation for the 21st century. In October 2000, Zhu Rongji visited Seoul, and both sides decided to upgrade bilateral cooperation to an all-round level. Since then, leaders of both sides agreed to maintain regular exchange visits.

In July 2003, when Roh Moo-Hyon paid state visit to Beijing, the PRC and ROK have issued a joint statement, in which the two countries said they had reviewed the development of their relations during the past 11 years, and announced a desire to build an all-round cooperative partnership.

Judging from the facts since 1992, the Sino-ROK relations have undergone a more rapid development in political and diplomatic fields than their relations with other countries have.

2. The Foundation and Main Impetus for Development of the Sino-ROK Political and Diplomatic Relations

Analyzing the rapid development of the Sino-ROK political and diplomatic relations, it is clear that there must be some positive elements as the foundation and impetus to play an active role. Generally speaking, if two countries are close in location, similar in culture and traditions with a long history of communication, they will probably have more positive factors to help to establish a healthy political and diplomatic relationship. But those factors can also play an active role in

developing mutual economic, social, cultural, and personnel exchanges. So there must be some other factors playing more positive roles in the development in political and diplomatic fields.

Considering the most concerned field to both sides since 1992, it is easy to find the factors are related to following common interests: the two countries have the same or similar stances on establishing a new equitable international political and economic order, pursue the maximum development of bilateral economic and trade relations on the basis of mutual benefits, maintain peace and stability on the Korean Peninsula and in the Northeast Asia.

China is an emerging major power and the biggest developing country in the world, while ROK is a new industrialized country. And both sides emphasize the necessity and benefits of establishing a new equitable international political and economic order, firmly support democratization in international politics and economy, and oppose power politics in dealing with international political and economic relations. Just based on this point, the two countries might touch a principle consensus in fields of environment, human right and nonproliferation of weapons of massive destruction and etc, and provide help and support each other. This point is believed a most main political foundation for the rapid and stable development of the Sino-ROK relations.

On the other hand, the rapid development of bilateral economic relations is not only the result of the development in political and diplomatic fields, but a positive factor to enhance the political and diplomatic ties. At the beginning, economic communications and cooperation between China and ROK were considered to be of political meaning to the situation on the Korean Peninsula. However, after a period of time's development of economic relations, the two countries saw more clearly the importance of the development through which the two countries could learn from each other in many fields. And both felt more urgent to upgrade political relations in order to further promote bilateral economic and trade relations.

In special, before and after the ROK's financial crisis, China learned a lot from ROK's countermeasures on one hand; and on the other hand, China provided direct financial aids and opened its huge market to ROK to help it escape from the crisis as soon as possible. After the September 11th Event, both the US and Japan, as the 1st and 2nd largest economic bodies in the world, suffered from low economic growth, while China maintained its high GDP growth. And at that time, China opened its market again to ROK, which made ROK understand China more. Therefore, it can be said that now China and ROK have had a more comprehensive understanding of their economic exchange and cooperation for the political relationship than ever.

Compared with the aforementioned two factors, the situation on the Korean Peninsula is a direct impetus to the development. In a sense, the comparative lagging in political and diplomatic fields at the beginning was mainly due to the separation and opposition between ROK and DPRK. At that time, the DPRK-US and DPRK-Japan relations didn't get improved, and the inter-Korean talks were bogged down, which naturally affected the relationship between ROK and DPRK. And it was impossible for China to rapidly enhance political and diplomatic relations with ROK, since China was making efforts to maintain good neighborly friendship with both ROK and DPRK.

However, since the Kim Dae-Jung administration, ROK stuck firmly to the reconciliation and cooperation policy towards DPRK, thus bettering the situation on the peninsula. What's more, the inter-Korean summit meeting in June 2000 made a good foundation for the independent and peaceful reunification, and enhanced their relationship greatly. Therefore, China began to take positive measures such as establishing the "Sino-ROK partnership of cooperation for the 21st century" and upgrading bilateral relationship to the "all-round" level.

II. Some Latent Problems for the Sino-ROK Political and Diplomatic Relations and their Solutions

1. Some Latent Problems that May Affect the Political and Diplomatic Relationship

Probably due to the significance of problems in economic and trade fields, many people haven't recognized some latent but serious problems that may also harm the bilateral political and diplomatic relationship.

Indeed, as the Sino-ROK relations develop rapidly in all fields, especially in personnel exchange, some problems have emerged. In the political and diplomatic fields, they mainly are the following: ①transnational crimes like making and transferring drugs, illegal migration, smuggle and etc; ②ROK's environmental problem caused by sandstorms from China; ③illegal activities of some ROK's religious and nongovernmental organizations organizing illegal aliens from DPRK to go to ROK; ④ROK's stand to the Korean native in China; ⑤the Taiwan issue; ⑥the issue of the US station troops in ROK.

Among those problems, China and ROK have common stand to the first one, although it is a serious one. Therefore, the problem of transnational crimes can't directly harm bilateral relationship in political and diplomatic fields—the diplomatic trouble caused by death execution of ROK drug criminals in China was actually another kind of problem.

As to the sandstorm problem, although the sandstorms affect badly on the ROK's ecological environment, ROK knows that the real sources are not only in China, and there're regional climate factors, too. So the problem can't be solved only by China's efforts. In a word, now that problem can't be a major one on the agenda. And to China, the last four problems need serious attention:

1. Illegal Activities of Some ROK's Religious and Nongovernmental Organizations in China

According to a report of a ROK's NGO, there are thousands of ROK's religious and nongovernmental organizations taking activities in China. Covered by their legal religious and charity activities, many of them are organizing illegal aliens from DPRK to go to ROK. In April 2001, some illegal aliens went to the UNHCR's Office in Beijing, demanding to be sent to ROK as refugees. And in March 2002, a similar thing happened in the Spanish Embassy to China. Some investigation showed that those incidents were supported and organized by some ROK's religious and nongovernmental organizations.

Those activities break China's laws, and have seriously damaged, in a way, China's international prestige by providing some international anti-China groups with a pretext to attack China's human rights situation. Those activities also harmed benefits of most illegal aliens from DPRK who are still in China, and even harmed the political and diplomatic relationship between China and ROK.

2. ROK's Stand to the Korean Native in China

In recent years, some ROK's NGO often point out that the Korean native in countries like China and Russia have to face a lot restriction on entering ROK, compared with the Korean people living in North America and Europe. Some Korean people, who are from China and have opportunities to work in ROK, even choose to stay illegally in ROK, for the complicated procedure of visa application. Therefore, those NGOs advocate that overseas Koreans should have equal rights and treatment; and even asked the ROK government to modify the laws on overseas Koreans, giving citizenship of ROK to the Korean native in countries like China and Russia. And the Supreme Court of ROK had demanded that the government modify the laws within a limited period.

The Chinese government has firmly stated its stand on that problem – those cases only available for the Koreans who migrated to China after the establishment of ROK, while the Korean native in China are Chinese citizens that can't own double nationality. However, those NGOs haven't given up. It was related to this, in last year, some members of ROK National Assembly asked to be allowed to make an inspection in some areas of the Northeast China, where many Korean people live. And unavoidably, that unreasonable application was rejected by the Chinese government.

If the laws are modified as those NGOs wish, that will unavoidably arouse separation and uneasiness in the society of the Korean native in China, even start chain reaction among other minorities in China. That will threat China's domestic security as a unified multinational country.

3. The Taiwan Issue

Although ROK thinks of its normalization with China as a rational reaction to the change of the international situation in 1990s, ROK still feels necessary to settle some problems in civilian trade and transportation with Taiwan, especially for being criticized by the Taiwan authorities -- the Taiwan authorities think that it was perfidious and unfaithful of ROK to break ties with Taiwan in 1992.

Besides, some influential scholars in ROK are finding financial supports from Taiwan in order to hold international academic conferences, and the most astonishing thing is that they even want scholars from the Mainland of China to be present on those conferences, which makes people doubt if there are really ignorant or have some other purposes. It is well known that the Taiwan issue is one of the most important problems the Chinese people care about and that any violation of the One-China Policy will deeply hurt their feelings. Besides, any rash activity like that may probably be used by the separatists in Taiwan to make troubles; and if there really come serious troubles, the Sino-ROK relationship will definitely be harmed in all-round ways.

4. The Issue of the US Station Troops in ROK

This issue has become a sensitive one especially in recent three years. ROK insists that the US troops should remain stationed even after the reunification of the Korean peninsula. In a sense, it can be thought as a way to satisfy the US, or a hope the US troops provide peace keeping in a period after the unification. In another sense, it can be interpreted as a measure to contain China, Japan, Russia and other neighboring countries. If the real intention is for the latter purpose, it is unavoidable that the Sino-ROK political and diplomatic relationship will encounter troubles sooner or later.

Judging from the development of the situation on the Korean Peninsula, the reunification of the Korean Peninsula may be a fact in not too long future. If China and ROK do want to maintain their friendship for a more long time, this question should be solved at a proper time to both.

2. Some Possible Solutions in Principle to Those Problems

To the Sino-ROK political and diplomatic relations, the aforementioned problems are of different nature and of different seriousness. The 1st and 2nd problems are similar, and if there's no good solution to them, it may be harder to settle the last two problems.

The common nature of the first two problems lies in the following two aspects: First, some over-reaction due to the domestic democratization of ROK. Although ROK's NGOs really play a very positive role in the domestic democratization, some of them over-value themselves, even regarding their domestic politics as higher than international politics, thus violating laws of other countries.

Second, the ROK's people don't well understand the fact that China is a unified multinational country, since ROK is a country of one nation. They don't realize that some of their activities may harm other countries' domestic happiness, by emphasizing only their own interests. Therefore, if these two problems can't be solved considering these two factors, the ROK's people can hardly understand China's reasonable and just stand on the last two questions.

In order to solve the aforementioned problems, the author boldly puts forward some solutions in principle:

First, China should firmly crack down on illegal activities of those NGOs within its territory, while ROK should pay more attention in educating its citizens – make them respect and abide by the laws of other countries. In addition, both governments should cooperate more actively, supporting the main stream of mutual exchanges and communication – through major groups of bilateral friendship like the Sino-ROK Friendship Association and its corresponding partner in ROK, etc.

Second, both sides should enhance bilateral understanding and knowledge between their people. China should arrange more tourist activities in its Northwest and Southwest areas for tourists from ROK, making them get more comprehensive knowledge about China and better understand China as a multinational country.

Moreover, China should, through various ways, state clearly its stand on the Taiwan issue to the academic circles in ROK, making them know the difference between the Taiwan issue and the inter-Koreas issue. And China should especially emphasize to them that any trouble on the Taiwan issue between the two countries will definitely harm the Sino-ROK relationship.

Finally, for the issue of the US station troops in the ROK, both China and ROK should regularly exchange opinions on the situation on the Korean Peninsula, to avoid any abrupt change from causing new troubles to the bilateral relations, since the inter-Korean reconciliation and cooperation have made them put the reunification on the agenda.

(The End)

Session II:

ROK-China Economic Relations

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The Rise of China and the Korean Responses:
Changes in the ROK-China Economic Relations

Keun Lee

Professor of Economics, Seoul National University

e-mail: Kenneth@snu.ac.kr

1. Threat or Opportunity?: Korean Perception of China's Economic Rising:

In 2000, Mr. Jin, the deputy-prime minister of Korea, pointed out the rise of China as one of the major shocks to Korea. The Shock has been perceived in diverse respects, ranging from imports of so many consumer and food items (even Kimchees) from China to increasing competition in the US market, and to rush of the Korean firms to China. It is not surprising that Korea finally realized China as a major shock because economic integration between the two countries has ever been escalating since the diplomatic normalization in 1992. In a sense, it was a belated shock as the China experts in Korea has long been warning this and called for the need for Korea to be prepared for this.

The China shock can be comparable to the Japan shock of the 1965 diplomatic normalization of the Korea-Japan relations. The economic nature of the Japan shock has been the ever-increasing dependence of the Korean economy on Japan. That dependence has been symbolized by the persistent trade deficits of Korea in her trade with Japan. The deficits is rooted in the structure of the Korean manufacturing and exports specializing on final goods assembly which had to import capital and intermediate goods from Japan.

Having put forward some comparison with the Japanese shock, we have to ask what is the nature of the China shock. Regarding the impact of the rise of the Chinese economy, the Korean perceptions have been divided. The one perception is that the rise

of the Chinese economy poses a serious threat to the Korean economy as it not only replaced the Korean products in the export markets which is vital to the Korean economy but also killed many Korean factories in domestic market competition. The opposite perception is that the economically viable China implies a new economic opportunity for Korea as it means a new market for the Korean products.

As of today, more and more Koreans seem now takes the latter view, namely opportunity view. There are two reasons for this. First, the Koreans are now realizing that even if we perceive China as our threat, there is nothing much can be done to check the rise of China. One notable example was the “garlic accident” in which the Korean move to check the imports of the Chinese garlic resulted in the disgrace of the Koreans as the Chinese backfired with the control of the imports of more expensive items, such as mobile phones. Second, the Koreans are now realizing that while China takes away some of the former Korean markets, China itself emerges as much bigger markets. This recognition was reinforced especially during the 2001 and 2002 period. During this periods, despite the fact that Korea’s two biggest markets, the US and Japan, are in recession, the Korean economy did very well and it has to do with the boom of the Chinese economy. As of fact, with the year of 2002 as the watershed, China surpassed the US as the Korea’s no. 1 trading partner and FDI destination country.

For Korea, while it is definitely better to have two big markets (US and China) than to rely on only one big market (US), a long-term problem has to with the fact that China is different from US as it commands a very strong sucking power toward factories in neighboring countries. In other words, the true and serious nature of the China shock to Korea is the eventual hollowing-out of the Korean economy. While this paper deals with several aspects of the Sino-Korea economic relations, the discussion will center upon this issue.

2. From Complementarity to Rivalry and New Dimensions of Complementarity:

Sino-Korea Trade Relationships

One hot issue in the Korea-China economic relations is the persistent trade deficits of China, and the Chinese side has been complaining about this and resorted to several protectionist measures against Korean imports (see table 1). This issue needs to be

subject to deeper analysis.

Table 1: Trends in the Korea Trade with China and Japan (unit: 100million)

year	China			Japan		
	export	Import	Balance	export	Import	balance
1990	5.8	22.7	-16.9	126.4	185.7	-59.3
1991	10	34.4	-24.4	123.6	211.2	-87.6
1992	26.5	37.2	-10.7	116	194.6	-78.6
1993	51.5	39.3	12.2	115.6	200.2	-84.6
1994	62	54.6	7.4	135.2	253.9	-118.7
1995	91.4	74	17.4	170.5	326.1	-155.6
1996	113.8	85.4	28.4	157.7	314.5	-156.8
1997	135.7	101.2	34.5	147.7	279.1	-131.4
1998	119.4	64.8	54.6	122.4	168.4	-46
1999	136.8	88.7	48.1	158.6	241.4	-82.8
2000	184.5	128	56.5	204.7	318.3	-113.6

Source: Korea Trade Association (www.kotis.net)

During the early days of the Sino-Korean trade up to the early 1990s, the trade was regarded as very much complimentary, with China exporting primary goods and Korea exporting manufacturing goods. In other words, it was what economics calls inter-industry trade, namely between different industries. However, since then, China became industrialized and substantially increased its manufacturing exports and thus the Sino-Korea trade became more competitive as both countries exports manufacturing goods. This period up to the end of 1990s can be called the second stage in the development of the trade between the two countries.

To understand the persistent trade surplus of Korea, one should note one important underlying pattern in the Sino-Korea trade. During the early 1990s, the Korean trade with China was very unstable between surplus and deficits. Change of this pattern into a more lock-in pattern with the Korean surplus has to do with the emergence of intra-industry trade. While both sides exchanges manufacturing goods, a more important thing is the fact that the trades are happening in the same industries (Lee and Kim 2001). In other words, in an increasing part of the trade, Korea exports intermediate or capital goods while China exports final goods which are made by assembling the imported intermediate goods.

Now we can understand why the Chinese side incurs deficits. As shown in table 2, the share of intra-industry in total trade balance has increased from less than 10% to almost 30%, similar to the level in the Korea-Japan trade. The Sino-Korea trade has become similar to the Korea-Japan trade. For the last three decades the Korean side had to incur trade deficits in her trade with Japan as she had to import more of the Japanese made capital goods whenever Korean production and export of final goods increases. The same pattern has been emerging in the Sino-Korea trade. Increased intra-industry trade between Korea and China does reflect the enhanced degree of economic integration between the two countries as well as the enhanced manufacturing capability of the Chinese firms. In other words, it reflects the success of the Chinese economy. The faster it grows the more it needs to import intermediate goods.

Table 2: Share of different types of trade in trade balance of Korea (%)

Year	China			Japan		
	inter-industry	vertical intra-industry	horizontal intra-industry	inter-industry	vertical intra-industry	horizontal intra-industry
1991	91.5	5.4	3.1	73.6	19.6	6.7
1992	89.7	7.9	2.4	72.2	19.3	8.4
1993	96.7	2.8	0.4	67.7	18.4	13.9
1994	93.5	4.6	1.8	73	15	12
1995	92.4	5.1	2.5	75.8	19	5.2
1996	77	17.6	5.4	74.9	16.2	8.9
1997	77.4	15.1	7.5	70.8	24.5	4.6
1998	84.7	11.7	3.6	58.2	39.1	2.7
1999	81.8	13.6	4.5	68.1	27.5	4.5
2000	72.3	22.4	5.3	64.7	30.1	5.1

Source: Lee and Kim (2001) p. 122, table 6.

The imbalance in the Sino-Korea trade can also be considered in terms of tripartite trade relations among Korea-Japan-China. The current pattern is that Japan has surplus with Korea, Korea has surplus with China, and China has surplus with Japan. From the point of view of this tripartite relation, the current pattern of successive deficits looks more fair and inevitable as it corresponds to the different degree of economic development of the three countries.

On top of this, we have also take into account the enormous amount of the Korean FDI(foreign direct investment), which tend to import lots of intermediate goods from Korea and less exports to Korea but tend to generate overall surplus to China as they export a lot to third countries.

As a matter of fact, the Korean Traders' Association conducted a survey of 1,280 Korean FDI firms in China in 2003 (Institute for Trade Research of the KTA 2003). This survey reveals an interesting fact that about 38.5 percent (in dollar terms) of their intermediate goods are imported from Korea and 44.3 percent of them are purchased within China. On the other hands, on average only 15.8 percent of its final goods (in dollar terms) are exported to Korea and 40.6 percent of them are sold within China. In other words, these firms are contributing to Korean surplus. In aggregate terms, all the sample firms together invested 4.93 billion US dollars in China and generated a trade surplus of 3.05 billion dollars by buying more of Korean-made intermediate goods (6.38 billion dollars) and selling less to Korea (3.33 billion dollars) (see table 3 for details). If we divide this total amount of surplus by the total amount of their investment, we get how much dollar of surplus each invested dollar generates. That is 0.62 dollar (3.05 divided by 4.93).

If we multiply this figure by the total amount of the Korean manufacturing FDI in China (12.77 billion dollars: the Chinese estimation), we get the amount of trade surplus owing to the trading activities of Korean firms in China, and that is 7.90 billion dollars. This is equivalent to 60.9% of the Chinese estimated amount of Korean surplus in 2002 (13.07 billion \$). After taking this part out of the total surplus, the net trade surplus (5.17 billion \$) of Korea is only 11.7% of the total trade volume (44.09 billion \$: Chinese estimation) of the two countries, which is considered quite normal in international standards. If we use the Korean-estimated amount of Korean manufacturing FDI in China (5.58 billion \$)), then the surplus effect of the FDI is 3.46 billion dollars, which is 54.5% of total trade surplus. After taking this part out, the net trade surplus (2.90 billion \$) of Korea is only 7.0% of the total trade volume between Korea and China (41.15 billion \$: Korean estimation).

This survey and the calculations show that more than half of the trade surplus of Korea has to do with the intermediate goods import from Korea by these FDI firms within China. But, these firms import less from third countries and export a lot to third

Table 3: Impact of FDI on Trade Balances (unit: billion US dollars)

	Using Chinese figures	Using Korean figures
A. Trade surplus owing to FDI		
Total Korean investment (a)	15.20	
share of manufacturing (b)	84.0%	
total manuf. Investment (c = a*b)	12.77	5.58
sample firm's trade surplus (d)	3.05	3.05
sample firms' total investment (e)	4.93	4.93
trade surplus by one dollar (f = d/e)	0.62	0.62
total trade surplus by total investment(=c*f)	7.90	3.45
B. Net Trade Balance without FDI effects		
Exports	28.58	23.75
Imports	15.51	17.4
Balance (g)	13.07	6.35
Balance owing to FDI effects (h)	7.90	3.45
as % of the balance	60.4%	54.3%
Net trade Balance (i = g - h)	5.17	2.90
share in total trade sum	11.7%	7.0%

Notes: Regarding the amount of Korean FDI, the Korean figures tend to underestimate the real amount because it takes only voluntarily reported cases and do not include reinvestment within China, small size investment and so on. Discrepancy in trade figures has to do with how to deal with the trade via Hong Kong and the practices involving FOB and CIF definitions and adoptions.

Source: Summary based on the original estimation reported in Institute for trade research (2003),

"Survey Report on the Situations of the Korean FDI firms in China."

countries, and thus contribute to trade surplus of China. The sample firms imported 2.85 billion from third countries and exported 9.19 billion dollars to third countries, and thereby generated a China's trade surplus of 6.34 dollars, which should be compared with 3.05 billions (their contribution to the Chinese deficits with Korea; or Korean surplus with China). In other words, balancing their impacts on the trade deficits with Korea against the impacts on the trade surplus with third countries, the net trade effect of these Korean firms in China is the surplus to China.

3. Hollowing-Out and Marginalization of Korea by China?

The preceding section points as one of the reasons for the Korean trade surplus the imports of intermediate goods by the Korean FDI firms in China. This implies that how long Korea will have trade surplus depends upon how soon China will build its own manufacturing basis of capital goods industry as well as how long Korea will be able to keep the capital goods producing firms within its territory. The current and near future trends appears to suggest that it will be not be long that Korean-China trade will be balanced. One of the reasons for this has to with the recent recognition that hollowing out of the Korean economy has been accelerated to include the important capital or intermediate goods industries. To discuss this issue let me start with some review of the evolution of Korean FDI in China (see table 4).

The evolution of Korean FDI in China can be discussed in terms of several stages. The first stage was the period from the late 1980s to 1994 (two years after the diplomatic normalization). During this period, newly opened China emerged as an attractive site for Korean outward FDI substituting Southeast Asia (the so-called investment diversion effects). Mainly small sized Korean firms in labor-intensive sectors relocated their assembly line to China to take advantage of cheap labor. In this stage while there was no trade-replacing effect of FDI, exports from Korea to China rather increased because the FDI imported intermediate goods from Korea. The processed products were re-exported back to Korea or other third countries with few targeting local Chinese market.

The second period is from 1994 to 1998 (peak of the crisis). This period is featured by the large Korean firms, so-called Chaebols, conducting investment in capital-intensive products targeting both local Chinese and overseas markets. With 1994 as the peak in terms of the number of the cases, the Korean FDI in China started to decline while investment amount per projects started to increase (see table 4). At the same time, some of the small Korean FDI firms, who made early success in managing their factories in China, now started to relocate their intermediate goods producing lines.¹ While this move is important and should be taken as a kind of hollowing out, the scales and impacts were small in terms of dollar amounts.

¹ Of course, there was a continuing flow of small firms who first entered China, during this period, with only assembly line moved.

Table 4: Evolution of the Korean FDI in China, 1988-2002

	Year	FDI cases	actual investment (1000 US \$)	amount per case (1000 US \$)
Stage 1	1988	1	10	10.0
	1989	7	6,360	908.6
	1990	22	15,474	703.4
	1991	63	41,224	654.3
	1992	160	117,326	733.3
	1993	355	251,217	707.7
	1994	703	581,389	827.0
Stage 2	1995	651	713,862	1096.6
	1996	637	713,488	1120.1
	1997	547	493,009	901.3
	1998	223	585,406	2625.1
Stage 3	1999	410	288,013	702.5
	2000	663	460,272	694.2
	2001	887	533,163	601.1
	2002	1,135	777,092	684.7
Total		6464	5577305	

Notes: The number of cases and investment amount include those cases that investments were made actually.

The third and current stage is the recovery period since 1999 up to now. Korean FDI plummeted in 1998 as the financial crisis swept the economy and also the big firms finished the first round of their investment in China. After the recovery of the economy, Korean FDI regained the momentum, and this final stage is featured by the new wave of the Korean firms entering China. They are the SMEs (small and medium sized enterprises) who were partners or subcontracting firms to big Chaebols. As you see from the table, the investment amount per project decreased again compared to the second period led by big firms. The businesses of these SMEs are in relatively more high value-added and relatively capital or technology-intensive, and thus felt less need to go to China. They are different from old labor-intensive firms who had to go China during the early stages. Despite this, they were called into China by their main customer

firms, namely the big corporations, who made their roads into China in earlier periods. These big firms operating in China found other cheaper suppliers than their old partner firms still in China, and told their long time partner to come to China so that they do not have to switch their order to local firms in China. Or, these big firms wanted to bring their old partner as their China business grows and they realized the Chinese market is very competitive and it is important to reduce whatever costs possible. I would call this new stage as a hollowing-out stage as the relocation of important capital goods industries started with massive scale.

As you see from table 4, the case of Korean FDI in China accelerated since 1999. It is estimated that about one third of Korean manufacturing firms had invested in foreign countries. As a results, the ratio of the outstanding FDI balance to GDP has reached the level of Japan (5.8%) whose GDP per capita is four times of Korea. The ratio of outward FDI to investment in domestic production facility has reached 10% or so (Bank of Korea). The share of manufacturing in domestic value-added is 29.6% in Korea, which is higher than the USA (14.1%), UK (16.7%), Japan (19.7%) and Germany (22.2%). Thus, we can say that the Korean economy is not yet hollowed-out. But, while it is natural for an advanced country to get hollowing out, Korea seems to be on that road too early, given its low per capita GDP.

In response to this situation, the Korean “wish” is to keep high-value added industries or segments within Korea while relocating others to China. In other words, there can be two possible division of labor between Korea and China. The one is to keep intermediate and capital goods within Korea and to let final goods assembly line to go to China. The other is for Korea to specialize in R&D and logistics and for China to specialize in manufacturing. While this strategy sounds good, the Taiwan experience suggests that the things will not happen exactly as you wish.

Chen (2003) discussed the rapid hollowing out of the Taiwan economy as the share of manufacturing in GDP was as high as 33.3% in 1999 and plummeted to mere 26.3% in 2000, within two years. He observes that at least until 1999 Taiwan FDI in the mainland China has also brought in more jobs in Taiwan as FDI firms import intermediate goods from Taiwan and relied on R&D and logistical services from Taiwan. But, after 1999 he find that more and more functions are done locally within mainland. Now, it is reported that about 40% of Taiwan DFI firms in China have established local R&D

centers in China He argues that on the contrary to Taiwan's plan or wishes, Taiwan has been failing to hold logistics and R&D activities, and thus that FDI-induced trade is unsustainable and is not reliable engine of growth.

In next section let me explore this issue with focus on high-tech industries.

4. Korea and China in IT

Korean firms response to rising China had better be discussed separately, depending upon the size of the firms. First, regarding the large corporations affiliated with the Chaebols, they are considered to have made a remarkable success in China market despite their late entry compared to other MNCs; they entered China only after the normalization since the mid 1990s. Within a very short period of time, the Korean firms, like Samsung and LG, have set up more than 10 FDI firms in China and consolidated their business bases to earn profits with large market shares in consumer electronics. One of the success factors for them has to do with the group-style organization which provides mutual support and jump-start functions in imperfect markets like China. Also, these big corporations came to China together with many of their small partner firms or subcontractors and thereby transplanted their production network to the Chinese soil. Of course, such behavior of inviting their small partner firms is causing hollowing out of the Korean manufacturing.

Large Korean corporations in IT have recently been observed to have established not only production lines but also R&D centers although the R&D conducted in China is mainly to modify the existing products to suit the Chinese market. For example, the two representative firms, Samsung and LG, have their R&D center in China. While their main function is to develop a product for China market, they are also considering using their China R&D center to develop products targeting non-China market, including Korea.

If we goes down to smaller IT firms, the picture is more diverse with many stories of both success and failure. Given smaller size and capabilities, they are rather struggling to find a suitable mode of business in China. While big Korean firms are maintaining strategy of doing everything, smaller ones are taking the strategy of getting alliance and seeking a suitable division of labor with local Chinese firms. For example,

while Samsung and LG are producing and selling their own brand of mobile phones, smaller Korean firms are playing the role of technology provider and/or subcontractor to large Chinese companies. Big consumer electronics companies, like Haier, needs collaboration from the Korean SMEs when they wanted to enter mobile phone business without solid technological capability. From the point of view of small SMEs, since they do not have financial capability to do everything from production to marketing in China, they find the alliance with Chinese firms more suitable. These smaller but technically very capable Korean firms emerged as the major channels for technology transfer to Chinese firms.

For example, in mobile phone business, Zhongxing (one of the top 10 companies in China) has an ODM relationship with Telson, Korea. Haier (the no. 1 consumer electronics firm in China) has ODM relations with Sewon Korea to produce mobile phones. In Lingbo Bird's sudden rise as one of the top 5 makers in mobile phone is critically helped by a small Korean firm (Bellwave co.) in providing key technology.

In these collaborations between Chinese and Korean firms, it is often observed that the Chinese side commands more bargaining power and tend to get good deals. The major sources of its bargaining power is the huge size of market and the fact that China looks at Korea (or any other country) only as one of the many possible sources of technology. In this regards, this strategy is called "trading market for technology (shichang huan jishu) strategy, and has been adopted in many sectors including telephone switches as is analyzed in Mu and Lee (2003).

A search for a suitable mode of cooperation between China and Korea can be discussed with game industry as an example.² In 2003, the share of the Korean-made game is estimated to about 70-80% in game market of China. The Chinese are not happy about such situation, and the government newly introduced the regulation that any foreign firms entering game business have to do it through one of the 8 Chinese firms authorized for business by the government. About 30% of the revenues is regarded as being turned over to the Korean side as royalty. Game industry is basically labor intensive and most players in this industry are small-sized firms, both Korean and Chinese sides. Not having enough resources to do large-scale business in China market

² What follows is based on the field work in Beijing in October 2003.

with enormous potentials, the Korean firms are concerned about the possibility that the Chinese firms will soon catch-up them. However, they have been finding that it is not easy to strike a good deal with China.

Typically, the Chinese side wants the Korean side to enter with them in a equity joint venture but the Korean side usually just want sell technology or games in return for royalties. Because they are small firms, they tend to want immediate cash earnings whereas they do not have much financial resources to make equity investment. Then a possible solution would be to recognize the value of the Korean technology as a share in the JV. But, then the issue is the difficulty in agreeing with the value of the technology. So, a typical pattern is that the two sides meet many times often without reaching agreements.

My opinion is that despite this difficulties and possible short run losses, the Korean side should push the JV agreement with China with a more long-term perspective. Given the huge potential of the Chinese market, we had better have a stake in the EJV (equity joint venture) than receiving royalties for a couple of years. One more supporting rationale for this option is that even if the two sides fail to reach an agreement of the value of technology, a still remaining option for the Chinese side is to scout key technicians from the Korean companies and to try to build its own technology base. It is already reported that there are some Koreans working in the Chinese game and software companies. If monthly salary is about 2,500 \$ or above it is not difficult to hire Korean engineers who are willing to work in China, especially after the 1997 crisis.

This reasoning can be applicable to other industries in the bargaining between China and Korea. The Korean SMEs had better capitalize their technology in the form of the JV rather than licensing them, and they have to do this when there is a demand for them as it is the Korean side who are running out of time. It is better than the possible scenario that the Chinese firms rise to dominate the market and the Korean firms have no stake in the business.

5. Summary and Concluding Remarks

The Korean perception about the rise of China has been gradually changing from a China as a threat to China as a window of opportunity. In trades, the bilateral trade started with inter-industry trade with more complementarity, but the recent

situation is that while both countries are increasingly competing with manufacturing goods, economic integration between them is deepening with the rising share of intra-industry trade. Thus, Chinese deficits with Korea has to do with the fact that Chinese final goods assembly need to import Korean-made intermediate goods as well as the fact that the Korean FDI firms in China import more from Korea and export less to Korea than to third countries, like US. On the hand, the Korean manufacturing base has been undergoing the process of hollowing out as more and more factories are relocated to China. The Korean response to this trend is the new division of labor with Korea specializing in R&D and logistics while holding the basis for intermediate goods. The prospects of this strategy is not certain as seen from the Taiwan experience, and depends on how successfully Korea become more open and knowledge-and business-friendly environment so that it can hold and attract knowledge intensive activities and human resources within its territory.

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Evaluation of Sino-Korea Economic Relationship and Assessment for Its Future

By: **Cao Shigong**
Seoul Bureau Chief, *Economic Daily*

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Introduction

Since the establishment of diplomatic ties in 1992, the economic relationship between China and South Korea has achieved impressive progress. When describing this development, people have used words such as, “jumping-style,” “explosive,” and “compressive,” none of which are an exaggeration. In fact, the fast speed of the two countries’ economic development is very unusual in world economic history. . The opening up of political relations led to the development of economic relations, and conversely, bilateral economic cooperation simultaneously provided the foundation and the momentum for their political relationship. The fact that the two nations shifted from a barren relationship to the cooperative partnership during the past decade or so proves this point well.

The rapid development of the bilateral relationship cannot be conceived without consideration of the unique internal geopolitical and geo-economic factors or it would be hard to analyze why such a rapid development has occurred only between China and South Korea. On the other hand, there must be more universal factors contributing to the growth of the bilateral relationship. Sino-Korean economic relations cannot be separated from greater environment of global economic development, and must abide by its rules. Due to these reasons, Sino-Korea economic relations will continue to grow through internal forces. Without a doubt, there will be difficulties and barriers in the process of developing new engines of growth, and the two nations will have to come together to overcome such hardships.

The purpose of this paper is to explore the direction of the Sino-Korean political and diplomatic relationship by assessing the ongoing development of bilateral economic ties.

The History of Economic Relationship Development

As China promoted reform and liberalizing policies in 1978, people in China and South Korea started to conduct business unofficially. In 1984, China’s open policy to foreign states spread to 14 coastal cities. Around the same time, South Korea began its “west coast development strategy” in addition to its “North policy,” which triggered the opening of relations with socialist nations, thereby facilitating the expansion of Sino-Korea economic ties. In this context, China’s Shangdong Province, Liaoning Province, and other areas around Bo Hai Sea gradually accelerated their economic exchanges with South Korea, increasing indirect trade, conducting limited direct trade, and exploring small-scale and limited investment opportunities. Since the two countries set up Trade Representative Offices in 1990, Sino-Korean bilateral economic exchange has further accelerated.

During this period, the economic relationship was restricted by the policy of “separating economics and politics,” yet still attracted attention from the rest of the world. Whereas direct and indirect trade between the two countries was only US\$ 75 million in 1981, it reached US\$ 4,400 million in 1991, more than 58 times greater than the 1981 trade volume. In terms of the speed, 1984 was the fastest year of growth during

this period, when trade increased by 200 percent over the previous year. The year 1985 ranked second, 133.3 percent higher than 1984, and in 1988, bilateral trade increased by 63.3 percent, which ranked third. In 1991, the base volume had increased dramatically at the same time there was 58.8 percent increase. The dramatic development of economic exchange between China and Korea served as the foundation and the motivation for normalization, and played one of the most crucial roles in establishing bilateral diplomatic relations in August 1992.

The establishment of diplomatic relations pushed bilateral economic exchanges to a new phase. Sino-ROK economic cooperation has not only acquired the necessary political and diplomatic conditions, but also effective legal protections through the signing of trade, investment, and technology cooperation agreements. At the same time, China's economic structural reform policy that seeks to develop a "socialistic market economy," and has provided a good environment for deepening the bilateral economic relationship. In terms of the development of bilateral trade, the annual average increase in volume was 35.3 percent between 1992 and 1996. In 1993, a year after diplomatic recognition, the trade volume was US\$ 2.7 billion higher than the previous year. In 1994, for the first time, it surpassed US\$ 10 billion and reached US\$ 11.666 billion.

The development of the Sino-Korea economic relationship has been influenced by changes occurring in the global economic environment and the two countries' economic conditions, and their relationship has not always been smooth. The Asian Financial Crisis of 1997 not only hit the South Korean economy hard, but also severely affected Sino-Korea economic cooperation. The bilateral trade growth in 1997 dropped below 20 percent for the first time since 1981 and plummeted to minus 22.2 percent in 1998.

However, the deterioration of bilateral economic relations did not last long. The complementary nature of the two nations' economies and the efforts of both governments and people enabled the economic relationship to recover and continue the trend of further development. Notably, China's decision not to depreciate its currency contributed greatly to the stable development of the bilateral economic relationship. As a result, in 1999, three years after the financial crisis, growth in bilateral trade bounced back to 22.1 percent. The trade volume exceeded US\$ 20 billion and reached US\$ 22.552 billion that year. Again in 2000, the trade volume between two nations broke the US\$ 30 billion level and set a new record of US\$ 31.25 billion.

In 2001, the Korean economy experienced another financial crisis. Export growth declined to minus 1.4 percent, and import growth came to a halt at 3.9 percent. Influenced by this trend, Sino-Korea trade slowed and bilateral trade growth dropped to 0.8 percent.

However, opportunities are born out of instability. Two big events in the second half of 2001 brought new opportunities for the development of Sino-Korea economic relations. First, Chinese and South Korean leaders met at the Shanghai APEC summit in October 2001 and, in commemoration of the ten-year anniversary of Sino-Korea diplomatic ties, agreed to strengthen and develop their "overall cooperative relations." Second, China officially joined the World Trade Organization (WTO) in November of

the same year, committing to significant tariff reduction and import expansion. Stimulated by these events, Sino-Korea trade in 2002 experienced a rapid growth of 30.7 percent, and trade volume broke the US\$ 40 billion mark and reached US\$ 41.154 billion.

Evaluation of Sino-ROK trade development

Thus far, I have provided the overall picture of the development of Sino-ROK trade. Below, I will present details of the current situation.

1. Current status of development

Since diplomatic ties began 11 years ago, Sino-Korea trade has maintained a very high pace of development and the trade volume has continuously expanded. According to the Chinese data survey, bilateral trade in 2000 reached US\$ 34.5 billion, growing 27.2 percent annually, and in 2002 hit US\$ 44.07 billion, a 22.8 percent increase from the previous year. Compared to US\$ 5.03 billion in 1992, the total trade amount in 2002 grew almost eight fold. Beginning in 2001, China replaced Japan as South Korea's second largest export market and Korea's total export amount to mainland China and Hong Kong in 2002 outpaced Korea's exports to the United States, thereby making China South Korea's biggest export market.

In 2003, the growth rate of Sino-Korea trade is increasing more rapidly. According to statistic sources from Chinese government, the volume of trade in the first half of 2003 reached US\$ 27.459 billion, a 44.1 percent increase over the same period in 2003. Of the total trade amount, Chinese exports to Korea grew 2.7 percent, US\$ 8.683 billion, and Korean exports to China marked a 53.7 percent increase, US\$ 18.776 in value.

Trade quantity not only grew rapidly, but also improved in quality. China's eight main exports to Korea before 1993 were agriculture products, fabrics, mining products, chemical engineering products, electronics, steel, everyday consumer goods and machine transporters. However, between January and May in 2003, ten years later, China's main exports were clothing, computers, coals, microchips, plants, electronic appliances, delicate chemical fuel, aluminum. The ratio of primary products, natural resources and heavy industrial products in total exporting goods are decreasing. Korea, on the other hand, is exporting more and more chemical products, finished goods, and technical engineering products to China. Korea's eight main exports to China before 1993 in order of importance were steel and metal products, machines and machine transporters, fabrics, chemical engineering products, non-metal mine products, electronics and electrics, plastic and rubber, and daily appliances. However, between January and May in 2003, the order changed to wireless communication appliances, computers, steels, integrated fuels, gasoline products, microchips, electronic pipes, and gasoline chemical integrated products. Especially since the latter half of last year, Korea's IT industry products exported to China skyrocketed. Among those exports were cellular phones, which grew 1,216 percent, and computers and microchips, which grew 145 percent and 110 percent respectively. Electronic parts and industrial electronic products covered 2.6 percent in

1992 but increased to 10.1 percent in 2002. South Korea's exports to China also showed a trend of quality improvement as well.

2. Reasons for development

While the rapid and steady development of the Sino-Korea trade cannot be considered outside of the global economic environment, but, in my opinion, internal factors between the two nations seemed to have played a more important role.

Of course, the geographical proximity and similar cultural backgrounds played crucial roles for Sino-Korea economic cooperation and development by cutting the cost of transportation and trade. However, these are only indirect factors. More important are the nations' motivations and strategic efforts of China and South Korea.

(1) Both China and South Korea share a firm commitment to speed up bilateral trade cooperation. Both countries also mutually acknowledge that continuous development of economic trade cooperation benefits both sides and helps both nations' development and prosperity. Not only did China and South Korea make an important decision to open diplomatic ties, they also elevated their relations from "friendly cooperative relations" to "completely cooperative relations," and later to "completely cooperative partnership relations." This suited the indirect necessities of the bilateral economic development and provided powerful and continuous energy to sustain its development. In every meeting and visit, leaders on both sides continuously defined their bilateral economic trade relations as the most important issue between them, discussed the most updated plans with new blueprints, and promoted Sino-Korea economic relations to a newer and higher level.

(2) Both states' economies have fairly big differences and comparability. Based on economic logic and realistic practices, the wider the economic gap that exists in terms of factors such as labor capability, markets, money, and technology, the bigger the economic comparability will be between them. Having experienced a high degree of growth for 30 years, South Korea had attracted a great deal of investment and had built a solid technological foundation. Most notably, South Korea created a market for industrial technology. In contrast with South Korea, China has an abundance of natural resources, huge market potential, and plenty of cheap labor with relatively high quality. China also surpasses South Korea in basic science research and some high technology areas. Therefore, Sino-Korean bilateral economic ties are based on specialization and comparative advantage, and as such, China and South Korea can both benefit from each other's unique strength in their cooperation. Even after the pre-existing compatibilities weaken or cease to exist, both nations' continuous economic development will produce other new comparative advantages.

(3) The rapid development of both nations' economic potential became a gigantic energy driver. In its experience in the Asian financial crisis, South Korea focused on restructuring its economic and industrial systems. As a result, its economic dynamic improved and the growth potential strengthened. At this point, the Korean government set a target goal of "the era of GDP US\$ 20,000" and opened the door for the steady

development of the Korean economy by planning the establishment of a transparent and fair market economy, Northeast Asia's economic recovery, the education of the next generation's industrialization, and the accomplishment of balanced national development. On the other hand, China has maintained a high annual growth rate of 9.4% between 1978 and 2001 due to its unremitting efforts of increasing economic reform and opening up to the outside world (or liberalization). The capacity of the Chinese market to accommodate the global economy strengthened at the same time, as capitalization accelerated, the opening to the outside world widened, and individual income levels and purchasing power increased. For instance, the rapid expansion of China's exports stimulated its growth in imports. Korean exports to China in 2002 reached US\$ 23.8 billion, marking a high growth rate of 30.6 percent. The main cause was that, after joining the WTO, China lowered the tariff tax from 15.3 percent to 12 percent and stimulated the import of product parts and raw materials through a rise in exports, thereby creating the cycle of infrastructure building and import expansion simultaneously.

3. Problems of coexistence

Sino-ROK economic relations experienced problems at the same time that it achieved rapid development. The greatest concern in the bilateral trade is the serious trade imbalance, with China facing a huge deficit every year. According to Korean statistics, Korea's export to China achieved a surplus in 1993. The surplus in 1993 was only US\$ 1.22 billion, but since then, the surplus increased every year. Over the next ten years, the accumulated surplus reached US\$ 37.167 billion. According to Chinese statistics, China's exports to Korea in 2002 reached US\$ 15.497 billion, and Korea's exports to China reached US\$ 28.574 billion. China's deficit in bilateral trade with South Korea reached an unprecedented US\$ 13.077 billion, a 20 percent increase over the previous year. In the first half of this year, China's deficit in trade with South Korea already reached US\$ 10.1 billion, an 87.2 percent increase compared to the same period last year.

As the above statistics show, the imbalance in Sino-Korea trade is getting worse. China and Korea have both acknowledged the seriousness of the problem and have attempted to fix it but have failed to solve the fundamental problems. The current situation shows that this imbalance problem will only worsen in the future, eventually becoming a severe obstacle to the steady and stable development of bilateral trade relations.

Of major concern is the trend of anti-dumping cases. According to the South Korean industrial resource department's research, China has enacted 21 import bans on South Korean products since 1997 – three in 2000, 15 in 2001, and 9 in 2002, and until May this year, already eleven anti-dumping cases against Korean imports have been filed. Investigated products have ranged from traditional products, such as steel boards, petroleum chemical products, and paper, to high technological products, such as optical fibers and cellular phone. Both countries have approached these problems from a state-to-state standpoint and have so far solved trade frictions according to international trade laws. However, more and more frequent trade conflicts will undoubtedly negatively influence the current steady bilateral trade.

Assessment of Mutual Investment Development

1. Continued increase in quantity and scale of investment

Due to both countries' economic circumstances, the level of their economic development, and differences in their industrial systems, Korea's unilateral investment in China has to date been the only form of investment in Sino-ROK investment cooperation until recently. However, this trend has slowly begun to turn around.

Like bilateral trade, Sino-ROK investment cooperation has evolved quickly. Defining year 1988 as a turning point, Korean investment in China changed from indirect to direct investment. Until 1990, total investment only reached 52 projects. However, starting in 1990 with the establishment of bilateral trade representative offices, Sino-Korea economic trade relations attained a new level in which investment cooperation was highly promoted. Beginning in 1991, Korean investment in China expanded, and 112 projects worth some US\$ 54.5 million were allowed in the same year. Following the establishment of Sino-Korea diplomatic ties in August 1992, trade treaties and an investment protection agreement were concluded, and a wider door of opportunities was opened for the expansion of bilateral investment. As a result, Korean investment in China until the end of 1993 accumulated to 1,042 ratified projects of US\$ 960 million and 646 actually actual projects of US\$ 470 million. From 1993 to 1997, the fifth anniversary of Sino-ROK diplomatic ties, investment in China by Korean enterprises added to 3,311 projects of US\$3.189 billion. The volume of Korean investment in 1993 and 1997 are respectively 19.5 times and 22.6 times of the total investment in 1992.

Influenced by the economic contraction after the Asian Financial Crisis, Korean investment in China experienced an abrupt downturn. The year after the Asian Financial Crisis, in 1998, Korean investment in China decreased by 59.1 percent in the number of projects and by 5.4 percent in value. The number of investment projects slightly increased in 1999, but the value greatly decreased by 48.6 percent.

As the economy recuperated, Korean investment in China turned positive again beginning in 2000, marking investment projects and amount growth of 65.4 percent and 73.9 percent, respectively. After experiencing a drop in 2001, Korean investment in China bounced back to 1,279 projects of US\$ 860 million, an increase over the previous year of 25.1 percent and 47.8 percent respectively. According to Chinese statistics, Korean investment in China in 2002 reached 4,008 projects of almost US\$ 2.7 billion, an increase of 37.8 percent and 26.4 percent respectively over the previous year. Entering this year, Korean investment in China continued to rise. In the first half of 2003, the total of 1,025 projects of US\$ 963 million in investment marked a big leap of 475 percent and 136 percent respectively.

2. Expanding the invested areas and improving the investment system

South Korean investment in China was initially limited to the coastal areas and three provinces in the northeast. Investment in Shantung constituted approximately 40

percent, with Liaoning, Tianjin, Beijing and Heilongjiang following in order. These cities are not only close to Korea, but also were the first locales that opened up to Korea.

Immediately following the establishment of diplomatic ties, the expansion of China's reform and opening up and the deepening of both countries' economic trade cooperation relations pushed Korean investment in China beyond the initial areas, expanding from north to south and from east to midwest. Inspired by China's western development strategy, Korean investment in midwest China has begun to increase in recent years. It is not an exaggeration to say there is no important area in China where Korean investors have not put their footsteps. However, because regional differences still exist in investment environment, infrastructure development, and labor capabilities, Korean investment in China still remains primarily in the eastern coastal areas, while investment in the mid-west areas is still awaiting further expansion.

The structure of Korean investment in business has changed gradually. Until June 1993, Korean investment in China was mainly in labor-intensive manufacturing industries, which constituted over 90 percent in both number and amount. As time passed, capital and technology-intensive investment began to increase. According to the Korean import-export bank's statistics, until September 2001, fiber and clothing ranked number one in number (22.6 percent), but the technology-intensive categories, such as electronic communication tools, ranked one (25.9 percent) in invested amount, surpassing the labor-intensive category, such as fiber and clothing. At the same time, capital-intensive investment, such as petroleum chemicals, machine equipment, transportation equipment, and assembled metals, constituted a large portion (about 28.5 percent).

3. Rapid development of bilateral investment and industrial technology cooperation

Another characteristic of Sino-Korea economic trade cooperation is that South Korean investment in China has shifted from unilateral investment to bilateral investment and from vertical to horizontal specialization, thereby shifting from the primary investment purpose of reducing production cost into developing higher bilateral industrial cooperation level.

As mentioned above, for a long time, Sino-ROK investment cooperation simply has been shaped by Korea's "one-way" investment in China. However, as China's economic strength grew stronger, this one-way pattern began to change, and the pattern of mutual investment gradually formed. According to South Korean industrial resources department's statistics, China's investment in Korea increased from 323 projects of US\$ 265.86 billion in 1999 to 1,165 projects of US\$ 764.96 billion in 2000 and to 441 projects of US\$ 249 million in 2002. A notable case is the takeover of the Korean firm Hydrix (or TYDIX in Chinese) by the Chinese enterprise "Kyungdongbang," (or "Jingdongfang" in Chinese) for US\$ 380 million. This is by far the highest investment by a Chinese enterprise in South Korea and has boosted hopes for the future of Chinese investment in Korea.

In terms of industrial cooperation, the two countries signed the “Agreement of founding Sino-Korea industrial cooperation committee” in June 1994 and began their cooperation in areas of mutual interest, such as automobiles, HDTV, and electronic converters. In April 2001, the two nations established the Sino-Korean investment cooperation committee, and following the first meeting in Seoul last May, the second meeting was held in China during President Roh Moo-hyun’s visit in July 2003. Both nations agreed to expand the areas of cooperation in high technology co-development (such as IT, BT, and NT) and energy (such as power industry and capital development). They also exchanged views on other issues such as the expansion of Korean firms’ investment in China’s western development project, Sino-Korea construction industry cooperation, and establishment of “the Sino-ROK technology training center” to support Korean firms entering the Chinese market. “The Sino-Korean electronic parts industrial technology cooperation center” was set up within China’s Qinghua University on July 15, forecasting the development of the bilateral IT high technology industry cooperation to a new level.

Forecast and Assignment

1. Entering a new level in progressive economic cooperation

Bilateral trade is targeted to reach US\$ 100 billion in total trade over the next five years. The reasons are as follows. The ROK will continue to promote export expansion in order to achieve the GDP US\$ 20,000 goal. Korea will aggressively enforce the industrial system improvement project, and this will enhance the development of the high technology industry, including IT, on the basis of the original export industry, thereby strengthening export competitiveness and potential. From China’s perspective, a long-term vision to achieve “an entirely sufficient society” by increasing the GDP of year 2020 to four times the GDP of 2000 was presented during the Sixteenth Party Congress last year. In addition, a development planning strategy for the three main areas of the east coast, northeast and mid-west was identified and initiated, and the Beijing Olympics and the Shanghai Expo will also be held. All these projects will add more momentum to the ongoing high growth and will open up more opportunities of grand expansion for Sino-Korea bilateral trade. More specifically, China’s expansion in infrastructure construction investment will stimulate the import of brand construction materials. The expansion of the export industry will promote an increase in import demand of the export-purpose raw materials and parts. The tariff and import ban reduction will create a good environment for the development of the bilateral trade.

It is estimated that if the annual average rate of increase of Sino-ROK trade reaches sixteen percent, bilateral trade total amount will exceed US\$ 100 billion in five years. As a matter of fact, during the last eleven years, the average rate of increase in bilateral trade was 24 percent. If this trend continues, the annual average rate of 16 percent increase during the next five years will not be too difficult to achieve.

In terms of the mutual investment, the total amount during next five years will steadily expand, the investment system will improve, and the situation where investments flow both ways simultaneously and expand will occur. Based on the comprehensive

situation, China's large investment scale and relatively cheap labor force will improve China's investment environment. Therefore, it will be difficult to expect a change in the situation in which South Korean investment in China surpasses Chinese investment in South Korea. Due to China's steady economic growth and its joining the WTO, China's investment reform area has expanded, the market is more transparent, and the domestic market has become more active. Therefore, South Korean investment in China will continue to rise. More specifically, investment in the traditional industrial areas will increase at the same time as investment rises in high technology, precision machineries, car industry, and capital and energy development areas. Moreover, investment in the service industry, such as currency, finance, and communications, will grow, and the investment in the mid-west development project will expand. By then, China will safely position itself to become Korea's most preferred destination for investment. On the other hand, Chinese firms will acknowledge the compatible strong South Korean industries and invest in stable and potentially profitable South Korean industries, thereby correcting the situation of one-way investment.

2. Problems to be solved

At the present time, the entire Sino-Korea cooperation partnership relationship is developing smoothly, and there were no major barriers. However, it is also true that unavoidable problems occur along with the rapid growth in the economic relations. In order for both nations' economic relations to achieve rapid and stable prosperous growth, the following issues should be emphasized and addressed.

First, to increase mutual understanding in both countries and strive for a win-win situation in bilateral trade to benefit both sides.

Although some countries have warned of the "China threat," there has been no support in Korea for such an absurd thesis. Korean mainstream opinion on this issue is that China's rapid development is not only considered non-threatening, but also good news. However, it is also true that some degree of concern regarding China's economic growth exists. One worry is that China could narrow South Korea's export market by becoming South Korea's competitor in the global market. The other is the concern that transferring technology to China would have a "boomerang" effect on Korea.

In fact, these concerns are understandable, but worrying is unnecessary and counterproductive. First, as China's economy grows, Korean domestic market demand will concomitantly increase, and Korea's exports to China will expand simultaneously. Compatibility and competition exist in Sino-ROK economic relations at the same time, but compatibility is greater than competition. Although competition is obviously unavoidable, as long as competition is rational and is under the framework of WTO rules and regulations and international customs, each nation can stimulate economic progress, and the possibility of a life or death competition in the global market will not occur between China and South Korea. At the same time, competition does not always have to be the opposite of cooperation. Competition and mutually benefiting cooperation have to coexist. As the corroborative evidence of Sino-ROK economic interchange cooperation

exemplify, the very strengthening of this cooperation aided economic development in both nations and formed and strengthened the new compatibility.

Next, transfer of advanced industrial technology has brought the effect of inducing goods/services export to China and has become a beneficial factor by stimulating South Korean economic development. Let's look from a different angle. If Korea hesitates about transferring technology to China, other nations will try to fill that void, and it will be too late for South Korea to win gains. China is not a purely technology absorbing country that only knows how to accept advanced technologies from abroad. China itself has superior technologies, too. Both China and Korea can adapt each other's strengths and cover each other's weaknesses in industrial technology cooperation and form a win-win relationship.

Second, to promote sustainable development in trade and investment.

The increasing Chinese deficit will inevitably hamper the healthy development of continuous bilateral trade expansion. Therefore, a high degree of caution is recommended. Luckily, both governments have acknowledged and paid great attention to the trade imbalance and confirmed the rules to "achieve the balance while continuing to develop."

Regarding the factors that contribute to the trade imbalance, we cannot ignore the fact that China's increasing import demand of Korean parts and middle raw materials continue, but on the other hand, South Korea's trade protection policy is also an important factor. South Korean tariffs and technological barriers exist and Chinese exports to Korea are restricted by South Korea's non-tariff barriers. The ROK government, empowered by the NGOs and media to block the imports of foreign goods, praises domestic goods and criticizes foreign goods, influencing consumers to despise imported goods, especially imported agricultural products. In addition, the ROK government strictly monitors and punishes firms and consumers that import "sensitive products" through elaborate product inspections and tax evasion investigations resulting in the barring of foreign agricultural products from entering the consumer market, and hindering the advertisement of imported goods through actual operation procedure. Therefore, while mutual efforts by both countries to solve the trade imbalance problem in the Sino-Korea trade is needed, it is especially important for South Korea to show sincere effort in market reform.

In the area of mutual investment, as China's economic technology capability improves, a policy to encourage Chinese firms to invest in South Korea should be aggressively promoted. Through the expansion of Chinese investment in Korea, the one-way direction of South Korean investment in China can become more balanced. Korea, on the other hand, should expand investment and increase the technological content of the investment, accelerate high-tech transfer to China, and strengthen the investment in China's midwest area thereby assisting China in solving the investment preponderance in the east coastal area.

Third, to develop mutual gains between the bilateral cooperation of the two countries and regional cooperation.

Globalization regional decentralization are occurring simultaneously, and the development of Sino-ROK bilateral economic relations cannot be separated from these external trends. Both China and South Korea should use this trend to elevate the cooperative bilateral economic relationship to a higher level, and, at the same time, work together to achieve cooperation in Northeast Asia, especially to establish a China-Korea-Japan Free Trade Agreement.

Since the creation of the WTO, inter-state and regional FTAs have not become less prominent on the global scale, but is instead developing quickly. This proves that decentralization, with FTAs as the main component, have become a useful instrument to accelerate the development of trade and investment. In Northeast Asia, the systemic framework of regional cooperation is still missing. A China-ROK-Japan FTA therefore may become the entry point and an effective platform for regional economic cooperation. Since China, South Korea, and Japan are highly dependent on each other for trade and yet have big differences in their tariffs, the establishment of an FTA among these three nations will bring the benefits of tremendous economic development and trade investment expansion. From now on, these three nations will need to collaborate to achieve these goals. Both China and South Korea will have to continuously develop their bilateral economic exchange cooperation relationship and simultaneously play a leading role in establishing a systemic framework for Northeast Asia economic cooperation.

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Session III:

Trends in Chinese-DPRK Relations

Uncommon Past, Uneasy Present, and Uncertain Future: Chinese-North Korean Relations in Flux

By: Taeho Kim

Professor and Chair, Department of Diplomacy and Security Studies, GSIS, Hallym
University

[ROUGH, ROUGH DRAFT: NOT FOR CITATION]

A paper prepared for the conference “Assessing Key Trends in U.S.-China-Korea Relations:
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While China is probably the world's last remaining major country which still has the stakes in sustaining a beleaguered dictatorial regime in Pyongyang and remains the latter's number-one trade partner, it no longer maintains the traditional "lips-to-teeth" relationship with North Korea. Since the early 1990s, moreover, both countries have experienced a series of domestic and international developments that have negatively affected their bilateral ties to an extent and in a way that by the end of 2003 their relations are graphically depicted in the media as "Bitter Friends," "China Breaks with Its Wartime Past," "Time to Act, China Tells North Korea," "Preparing for the Worst," and "Soldiers Head for Frontier."¹

For over a decade by now major developments on the Korean Peninsula and beyond have adversely affected North Korea's interests, putting its long-term political and economic viability in doubt. For instance, the disintegration of the Soviet Union, South Korea's diplomatic ties with Moscow and Beijing, and the death of Kim Il Sung have all tipped the longer-term balance of power on the peninsula in South Korea's favor. In brief, North Korea is a failed state whose future is increasingly tied to its military muscle—especially its nuclear and missile capability—and to economic assistance and aid from the international community.

As long as China holds fast to its ongoing reform drive, on the other hand, continued stability on the Korean Peninsula is a key to its economic and other interests so that it would try to prevent a renewed conflict on the peninsula. In the near future China would retain its lingering economic influence over North Korea, but it is highly likely that their economic ties would be increasingly subject to economic logic, structural trade problems, and the state of other issue-areas. In the mid- to longer term, moreover, China would seek to transform its traditional "special" ties with Pyongyang based on ideological affinity and particularistic bonds to a more normal, state-to-state relationship based on hard-nosed national interests and mutual benefits.

Less clear yet equally consequential are the future evolution of China's relationships with North Korea and its strategic implications for the region, including U.S.-China relations. This brief essay attempts to shed some light on this important yet little understood relationship between Beijing and Pyongyang. After identifying some principal trends and major developments in the interactions between China and North Korea in the post-Cold War era, it examines actual and likely future role of China in a host of contingencies in North Korea. Finally, it addresses the future evolution of their bilateral ties and their possible implications for the peninsula and beyond.

¹ See, for example, "China Breaks with Its Wartime Past," *Far Eastern Economic Review*, August 7, 2003; "Time to Act, China Tells North Korea," CNN.com, August 25, 2003; "Soldiers Head for the Frontier," *Asia Times*, September 4, 2003; "China and N. Korea: Bitter Friends," *Newsweek*, August 31, 2003; "North Korea Become China's Bete Noire," *Asia Times*, September 12, 2003; and "Preparing for the Worst," *The Economist*, September 18, 2003.

Analyzing Beijing-Pyongyang Ties by Issue-areas

Throughout the 1990s and continuing to date, China has pursued a set of identifiable and consistent policy goals toward the Korean peninsula. They include: a) stability and tension reduction; b) traditional ties with North Korea and economic cooperation with South Korea; c) its own role and influence, which often come at the expense of the ubiquitous U.S.; and d) harmonization of its peninsular interests with its global and regional ones—most notably its own unification agenda with Taiwan.

Seen from this perspective, a series of major developments on the peninsula throughout the last decade such as the simultaneous entry to UN by both Koreas, South Korea's diplomatic normalization with the Soviet Union and China, and the latter's opposition to North Korea's attempt to replace the Armistice Agreement with a peace treaty with the U.S. further demonstrated the strained relationship between North Korea and China.

North Korea's domestic situation does not fare any better. Its economy has contracted by an annual average of over four percent since 1990, notwithstanding the recent signs of recovery. Food shortages remain pervasive and severe, especially in rural areas. Lack of energy has already forced its industry's utilization rate below 25 percent of its full capacity. Moreover, the continuing flow of North Korean "illegal entrants" to China also indicates the severity of living conditions in North Korea. It is this larger context, against which the recent state of Sino-North Korean relations should be understood.

Economic and Trade Issues

Reflecting the depth of North Korea's overall economic problems, the size of its economy, its total trade, and the volume of its trade with China have shown an overall decline since 1990. North Korea's total trade of \$4.17 billion in 1990, for example, was sharply reduced to a meager \$1.96 billion in 2000.² Equally important as the change in trade volume has been the nature of trade relationship. In 1990 over 70 percent of North Korea's trade was conducted with the USSR/Russia (53.3 percent), China (10.9 percent), and Japan (10 percent). Notwithstanding the precipitous decline of Russia, the other two trading partners of North Korea had occupied a steady share in the latter's total trade over the years and recorded 60 percent in the 1990s, indicating North Korea's continuing trade dependence with them, the difficulties of marketing its goods, shortage of hard currency, and other factors.

In particular, Sino-North Korean economic relations have been severely constrained by different economic structures, North Korea's economic and financial problems, and North Korea's self-imposed diplomatic isolation. Even if China remains North Korea's largest trade partner accounting for 25-30 percent of the latter's total trade, their two-way trade fell from the highest \$900 million in 1993 to \$656 million in

² Unless noted otherwise, North Korea's trade data in this essay are primarily based on *1990-2000 nyun bookhan ei daewoe mooyuk donghyang* [Trends of North Korea's External Trade, 1990-2000] (Seoul: KOTRA, 2001) and publications of MOFAT.

1997, \$413 million in 1998, \$379 million in 1999, \$488 million in 2000, \$740 million in 2001, and \$739 million in 2002.³ Throughout the last decade, in brief, two-way trade between China and North Korea showed a descending stair pattern (See Figure 1 below.)

As to the trade of such strategic material as petroleum and food, it should be noted at the outset that it is exceedingly difficult and often frustrating to differentiate China's outright free-of-charge assistance from its "normal trade," which is in fact a form of assistance. It is also worthy of note that the level of China's economic assistance to North Korea is often exaggerated in the media.

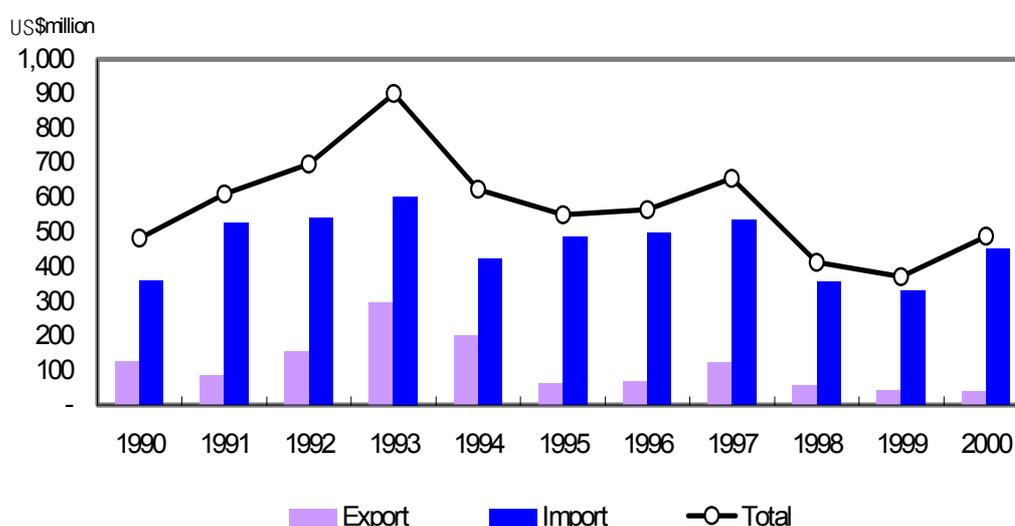


Figure 1. Trend of North Korea's Trade with China, 1990-2000

China supplied an average one million tons of petroleum per year in the period 1989 to 1996 but cut it by half thereafter. For the past three years (i.e., 2000-02), its annual average did not exceed 300,000 tons—which is far below the level of petroleum North Korea requires. Nonetheless, in light of the fact that North Korea

³ A slight increase in China's export to North Korea for the past few years should be interpreted as a form of China's assistance. The question of North Korea's dependency on Chinese oil and food has recently taken on new relevance in the discussion of possible international sanctions against North Korea. According to various official documents of the ROK, North Korea imported an average one million tons of oil from China in 1991-96 and it fell to a half million tons and below since 1997. Its grain import from China is far more complicated to account due in part to China's own harvest level and export policy, but approximately 300,000 tons of grain have been imported from China since 1997. For a series of recent but higher-level accounts of North Korea's oil and grain imports from China, see John J. Tkacik, Jr., "China Must Pressure Pyongyang (December 17, 2002)," available at www.heritage.org/Press/Commentary/ed123102b.cfm; Phillip P. Pan, "China Treads Carefully Around North Korea," *Washington Post*, January 10, 2003, p. A14; Phillip C. Saunders and Jing-Dong Yuan, "Korea Crisis Will Test Chinese Diplomacy," *Asia Times*, January 8, 2003; Matthew Forney, "Family Feud: China vs. North Korea," *Time*, December 23, 2002; and Mark O'Neill, "Beijing Faces a Stern Test Over Nuclear Crisis in Its Back Yard," *South China Morning Post*, January 3, 2003.

currently does not have other any major petroleum suppliers other than China, the latter's importance is obvious. The supply of food is a different story, as the annual amount depends upon many domestic factors in China. At least, however, a statistical glance strongly indicates that while China has consistently maintained a minimum level of assistance to North Korea, the latter remains dependent on China's supply of petroleum and food—an increasingly important factor given North Korea's energy and food shortages. In other words, China does possess some level of economic leverage over North Korea, even if whether or not it actually wishes to use it—as some people and groups have argued that it should—is a different question.

Taken together, a set of structural economic problems such as chronic fiscal and trade deficits, low competitiveness of its export goods, lack of hard currency has long prohibited the improvement of North Korea's trade relationships with China and other countries. In fact, North Korea's principal export items to China such as non-ferrous metals are in short supply within North Korea as well, again demonstrating the gravity of its economic predicament. As long as the principles of market economy reign in China, prospects for future trade relationship between the two look bleak for the foreseeable future. Parenthetically, Sino-South Korean trade of \$6.3 billion in 1992, the year diplomatic relations were established, more than doubled in three years to \$16.5 billion in 1995 and surpassed the \$40 billion mark in 2002.⁴

Political and Diplomatic Ties

Chinese strategists point out the Korean Peninsula as a potential flash point in East Asia that could draw itself in an unwanted conflict. Not only is the Korean Peninsula one of the world's most militarized areas, but its future stability has been further clouded by North Korea's nuclear gambit, the sudden death of Kim Il Sung, and the ensuing political and economic uncertainties in North Korea.

Chinese attempts to strike a balance in its approach to both Koreas and to maintain traditional ties with North Korea have so far produced a mixed result due to a combination of factors, including North Korea's closed nature, external hostility and self-imposed isolation. In fact, the course of actions North Korea followed in the 1990s reveals that its interests diverge from those of China and demonstrates their strained relationships between North Korea and China and the latter's overall "convergence" of interests with South Korea's.

As a matter of fact, among many possible reasons for a flurry of China's recent diplomatic activities to resolve the renewed nuclear standoff on the peninsula has been the Chinese perception (or its change thereof) that the level of North Korea's nuclear program is now more advanced than it was in 1993-94 and that its war rhetoric, coupled with the Bush administration's resolve on WMD counter-proliferation, could jeopardize its primary peninsular interest—peninsular stability.

⁴ *China Statistical Yearbook 2001*, p. 591.

Furthermore, even if China maintains the July 1961 Treaty of Friendship, Cooperation, and Mutual Assistance with North Korea, it has long been widely interpreted in Beijing to be operative only when North Korea faces an unprovoked attack from an outside enemy. Recent publications by such Chinese scholars as Shi Inhong and Shen Jiru on the necessity of revising the treaty or the whole alliance relationship with North Korea should be taken as different from a more authoritative interpretation from the government. But one may still wonder that, given their institutional affiliation with the government, whether their voices were allowed to air without official permission. Finally, it is ironic to note that many Asian security analysts and officials now believe that having China's treaty obligations to a vulnerable North Korea would almost certainly help contribute to stability on the Korean Peninsula.

Military and Security Ties

Throughout the 1990s overall political and military contacts between China and North Korea showed a gradual yet unmistakable decline. Even the military-to-military contacts were made mostly goodwill visits and were of a symbolic and ceremonial nature, not task-oriented meetings on salient military and security issues or the ones geared for military modernization programs in each country.

In fact, their political and military contacts have undergone several different phases. From April 1989 to August 1992, General Secretaries Kim Il Sung (three times), Zhao Ziyang, and Jiang Zemin and all their defense and foreign ministers had visited the other's capital. Even the period from Beijing-Seoul normalization in August 1992 to the death of Kim Il Sung in July 1994, ranking Chinese officials such as Hu Jintao, Qian Qichen, Chi Haotian and North Korean military officers such as Choi Kwang and Kim Il Chul made mutual visits. But there were no summit meetings. In particular, since the death of Kim Il Sung till June 1999, when Chairman of the Supreme People's Assembly Kim Young Nam visited China, there had been an appreciable decline in the frequency and level of Chinese visitors.⁵

North Korean leader Kim Jong Il's visit to China in May 2000—his first since June 1983—and again in January 2001, coupled with North Korea's ensuing feverish diplomatic activities revolving around Pyongyang (which no doubt he has in part orchestrated), are intended to alleviate the growing pains of deepening economic and diplomatic vulnerabilities. Recent visits by such top Chinese leaders as Jiang Zemin (September 2001) and Wu Bangguo (October 2003) helped to restore the level of Chinese visits, but its practical significance should not be exaggerated. Finally, it is entirely possible that having maintained mutual contacts of little substance over a decade both Chinese and North Korean militaries are now undergoing a serious yet little-publicized version of their own "alliance fatigue."

⁵ For a detailed analysis of their mutual visits up to 1997, see Taeho Kim, "Strategic Relations Between Beijing and Pyongyang: Growing Strains and Lingering Ties," in James R. Lilley and David Shambaugh, eds., *China's Military Faces the Future* (Armonk: M. E. Sharpe, 1999), pp. 295-321.

China and Korean Contingencies

Over the longer term, China's geostrategic interests on the peninsula will likely survive the fate of the current North Korean regime. As noted above, China and North Korea no longer maintain the traditional "lips to teeth" relationship, but Chinese leaders do have significant security concerns over the consequences of the sudden collapse of the North Korean regime—e.g., refugees, armed conflicts, and production disruptions in China's industrial Northeast region. After all, North Korea is the neighbor located closest to China's capital, Beijing, and China still sees North Korea as its strategic *cordon sanitaire*.

The same Chinese goal of continued stability on the Korean peninsula seems to have led to the conclusion that further isolation of North Korea from the outside world would be detrimental to China's interests. Thus China has vigorously pursued a geo-economic strategy towards Seoul, while maintaining a geostrategic policy towards Pyongyang, which Chinese leaders believe to be in China's best interests, at least for the time being.

This conclusion, however, does not rule out the possibility of various forms of Chinese involvement if unexpected conflicts were to occur on the peninsula. In particular, China could offer various kinds and levels of support to North Korea under several particular circumstances, including (a) if Chinese security were perceived to be directly threatened due to a conflict in the peninsula; (b) if the instability in the peninsula were to spread to China, jeopardizing its national interests; (c) if China's influence over the peninsula were to rapidly decline, whereas an external power's influence over the peninsula sharply increased; (d) if the collapse of the North Korean regime were engineered or furthered by an external power; (e) if allied troops moved far northward beyond the DMZ in a military, political, or social contingency; and (f) if the Chinese leadership perceived that a unified Korea, allied or aligned with an external power, was hostile to China.

Chinese history, especially that since 1949, does suggest that China has been willing to use force against its neighbors, mostly in limited and selected manner. China, however, seldom conquers and occupies its neighbors' territory, except in the South China Sea and Taiwan over which it lays claims; it usually pulls back from the enemy's territory after unilaterally declaring political victory. Nor is China an expansionist power in the sense of the Soviet Union or 19th century Great Britain. Despite its long-held "people's war" doctrine, China has in fact adopted an active frontier defense strategy since 1949. In most cases in which China employed force, it gradually escalated warning signals; tried to achieve deterrence or an early conclusion of conflict; and, if deterrence failed, took swift, decisive actions. China is also highly situation-dependent.

A non-military contingency in North Korea can be defined as an emergency situation in peacetime North Korea in which a power vacuum erupts because of internal causes such as palace coup and civil uprising and the overall social order and functions are paralyzed due to the loss of central control. There are a great many potential events

for such non-military contingencies including the death of Kim Jong Il, coup d'etat, and uprisings, but China would be far more interested to know about the consequences of such events on the peninsula and China than their individual causes. These events may not be mutually exclusive, either; they could be closely intertwined almost simultaneously. It seems appropriate not to include a leadership change or a short-term power struggle in a non-military contingency. It is often assumed that the non-military contingency in North Korea could lead to two different levels of change: one is the regime change and the other the system change.

In any kinds of non-military contingency in North Korea, China is likely to pursue the following policy goals. First and foremost, China would want to achieve an early and conclusive resolution of the situation and prevent the spread of its negative impact into China, the failure of which could lead to an increased threat to China's national and security interests. Second, China would attempt to minimize or interdict the involvement of outside power in the situation, which could maximize the advantages of China's geographical proximity and traditional influence. Third, a North Korean contingency could offer China an opportunity to enhance its peninsular and regional influence. The fourth, related to the third, are China's attempts to bring South Korea back into its orbit; to set the tone for the future Chinese-unified Korean relationship; and to undercut the U.S.'s leadership role in the region.

Critical to the Chinese assessment of post-unification relations with Korea would be the latter's attitude toward the former, the likelihood of maintaining China's influence in peninsular affairs, and the state of Sino-U.S. relations. Like the other large nations, but especially the United States, China would carefully calculate whether or not Korean unification leads to a rise in its influence over a unified Korea relative to that of others. In short, China's strategic views of a unified Korea will be shaped by an amalgam of factors noted above, but most critically by its perception of Korean unification's implications for Beijing's interests. The overall Chinese-U.S. relationship will remain a very important factor affecting Chinese attitude toward Korean unification.

Future Direction of Beijing-Pyongyang Relations

China is the world's last major country which maintains relatively close ties with North Korea, at a time when the latter is experiencing the most difficult times since the Korean War. China's influence over North Korea can thus be said to have been increased compared to the Cold War period; but it is an asymmetric interdependence focusing on the economic and trade issue-areas. China's post-Cold War relations with North Korea in the historical/ideological (not discussed in this paper), the economic/trade, the political/diplomatic, and the security/military issue-areas show steady but unmistakable signs of growing strains and even disenchantment.

For the sake of continued stability on the peninsula, China still offers subsidized export and free-of-charge assistance to North Korea, while asking the North Korean leadership to take reform measures aimed at more fundamental resolution of their economic problems. In addition, China's on-again, off-again attempts to strike a balance

in its approach to both Koreas and to preserve the traditional relationship with North Korea have proved difficult due to a combination of factors, including post-Kim North Korea's internal rigidity, external hostility, and self-imposed isolation. Lack of mutually beneficial agenda has played a role as well.

While China's economic imperative would likely emphasize a stable, nuclear-free Korean Peninsula and it would pursue a pro-Seoul attitude, much will depend on future domestic developments inside China and North Korea, which remain unsettled.

Finally, domestic developments in post-Kim Jong Il North Korea will be the most significant determinant on the future course of the peninsula. Pyongyang may of course try to continue the *juche* line without systematic reform, but its prospects for success are slim.

Contrary to Chinese officials' wishful utterance on the resilience of its Communist neighbor, the depth of North Korea's economic problems is real and could become much worse in the years to come. For the sake of its own interests including peninsular stability, China encourages the North Korean leadership to take reform measures aimed at more fundamental resolution of their economic problems. If a new North Korean regime indeed takes a fundamental reform path, however, it will surely be the most perilous moment for regime survival. Pyongyang's choice has so far been "deterrence through instability." This, in short, constitutes China's longer-term strategic dilemma as to the North Korean question. Moreover, preparing for future contingencies arising out of North Korea's dilemma will not only be the immediate concern for the ROK government, but will constitute the most pressing challenge for eventual Korean unification.

From Alliance to Normal Relationship: Historical, Present, and Future PRC-DPRC Relations

By: **Huji Zhao**

Professor, Division of Politics and Law, Central Party School of the Chinese Communist
Party

A paper prepared for the conference “Assessing Key Trends in U.S.-China-Korea Relations:
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On September 26th, 2003, Cai Wu, Vice-Director of the Chinese Communist Party (CCP) Central Committee International Liaison Department, announced at a State Council press conference: “Rivers and Mountains in the People’s Republic China (PRC) and the Democratic People’s Republic of Korea (DPRK) are connected, peoples in the two countries have had a long history of friendship. However, since the reform and opening, our party has dedicated to developing a new party-to-party relationship.” In my opinion, the “new party-to-party relationship” refers to the transformation from a special relationship to a normal one. More specifically, the CCP wants to put its relationship with the Korean Workers’ Party (KWP) under the same framework as its relations with other political parties in the world (400 parties and organizations in 147 countries have interaction with the CCP), and, under the basic principle of inter-party interaction, the CCP is willing to become the DPRK’s friend, neighbor, and partner. The change not only indicates a changing relationship between the parties but also between the two countries. However, several factors influence the establishment and maintenance of the normal PRC-DPRK relationship.

Cold War, Emotions, Political Values and the Alliance

From the 1950s to 1970s, the PRC and DPRK were allies. This alliance can be analyzed from three angles.

Cold War, National Interest and the Alliance: During the Cold War, the socialist camp confronted the capitalist camp, and the socialist camp was inferior to the capitalist camp. Under such conditions, the member countries of the socialist camp could overcome divergences to protect their common interests and maintained the alliance. So did the PRC-DPRK alliance, which was based on opposing the U.S.- Japan- ROK alliance system.

Emotional Ties between Elite Groups and the Alliance: From the 1950s to 1970s, elite groups within in North Korean party, government and military were composed of people who had joined revolutions in four periods: graduates from the Huang Pu Military Academy who had joined the Great Chinese Revolution in 1921-1927; revolutionists who had joined the Anti-Japanese War in northeast China; leaders who had joined the revolution with Kim Il-song in the Soviet Period; and heroes in the Korean War. The elite had strong emotional ties with the core members of the Chinese elite groups, and the emotional ties strengthened the PRC-DPRK alliance.

Similar Political Views and the Alliance: Having grown up in the same geographic and cultural environments, the two countries’ elite groups developed extremely similar political values.

The elite groups shared similar geographic background. Initially, the two countries’ elite groups experienced parallel war and semi-war environments, and had similar experiences. The CCP was engaged in war constantly from the time it was established until it assumed power. From the birth of the PRC to the end of the Cold war, the CCP

was always under semi-war conditions. Similarly, Kim Il-Song experienced a war environment from the time of his participation in the revolution until he seized power. After he set up the DPRK, he remained in a semi-war situation for a long time. The process in which Mao and Kim seized power was characterized by weaker powers confronting stronger powers. Even after they came to power, the socialist camp was inferior to and had to oppose the capitalist camp. Furthermore, both Mao's and Kim's living conditions were extremely poor during the revolutions. Challenging the government, the CCP expanded by conducting secret movements and the Long March, during both of which Mao's living standards were low. Similarly, Kim Il-Song, hid in the mountains and forests, suffering hunger and cold to preserve the revolutionary force.

Moreover, the elite groups share similar cultural background. Confucianism, military culture and Marxism are the common cultural background, from which Mao and Kim developed their political values. During the wars, poor living conditions and opposing the powers from an inferior position mixed the three cultures and nurtured Mao and Kim's political values.

Consequently, the two leaders' political views were similar. First, they paid great attention to spiritual power. Despite the poor living standards, the members of the revolutionary forces exemplified the power of spirit. After seizing power, Mao and Kim exaggerated their spiritual power and demanded their citizens self-sacrifice for their countries. Second, they adhered to collectivism. In the war environment, individual rights gave way to group interests. After setting up their respective governments, Mao and Kim still did not tolerate individual rights and insisted on placing group interests first. Third, they simplified everything into "black and white" and went to extremes. In Mao's and Kim's view, all things centered around two poles and could not co-exist. For instance, socialism and capitalism; the capitalist and proletariat classes; socialist and capitalist systems; and proletarian thought and capitalist thought. In conclusion, Mao's and Kim's political views can be characterized as idealism, conceptualism, and collectivism.

The similarities between the two countries' elite groups upheld and strengthened the alliance.

Changes in International Environment, Political Attitudes and the Changing Alliance

Since the late 1980s, PRC-DPRK relationship has experienced substantial changes, on three levels.

Changes in World Environment and the Changing Alliance: At the beginning of the 1990s, China's international environment experienced a fundamental change when the Cold War drew to an end. China's foreign strategy moved from the "Two and a Half" strategy toward peaceful coexistence and co-development. The "Two and a Half" strategy means one hand deals with the U.S., the other hand handles the Soviet Union, and a half hand deals with sub-regional threats. However, due to several reasons, the DPRK did not

get rid of the Cold War situation and still confronts the U.S. Consequently, the PRC-DPRK alliance lost its most important foundation.

Changes in Political Values and the Changing Alliance: When the international environment changed, Deng Xiaoping replaced Mao Zedong as China's top leader and China's political view changed fundamentally (See Graph 1). In contrast, the DPRK leaders' political view remained the same. Thus, the bilateral alliance's second most important base disappeared.

Graph 1

Mao Zedong	Deng Xiaoping
Idealism	Realism
Conceptualism	Pragmatism
Collectivism	Socialism

Changes in Emotional Ties and the Changing Alliance: Since the 1980s, particularly in the 1990s, the two countries' first generations have gradually retired from the political stage. Therefore, the alliance lost its emotional support.

Redefining PRC-DPRK Relations and A Possible Trend

The dissolution of the alliance does not mean a breakup of the bilateral relationship. Instead, it indicates a change in the strength of the two countries' relations. Currently, the PRC and the DPRK are redefining their relationship in the context of a changing international environment and a changing foundation. On the Chinese side, normal nation-to-nation and party-to-party relations, which means "good friends, good neighbors, and good partners," is the new direction of the PRC-DPRK relations. How to develop the new relationship and its possible future trend will be analyzed from three tiers.

Traditional Friendship and Bilateral Relations: During the long period of war and the Cold War, Chinese and North Koreans have developed strong friendship between the parties, the countries, and the peoples. Particularly, the peoples who fought shoulder to shoulder have developed a friendship that is sealed in blood. The friendship is deeply rooted in the peoples' hearts and will influence the bilateral relationship. In addition, the two countries' common interests in anti-American unilateralism and anti-Japanese militarism, as well as their common cultural heritage will influence the two countries' relations for a long time.

National Interests are Fundamental Determinants of Bilateral Relations: On the nuclear issue, China insists on a nuclear-free Korean Peninsula, peaceful resolution of the North Korean nuclear issue, and a resolution that contributes to Northeast Asia regional security. First, China is firmly against the DPRK acquiring nuclear weapons, which

would trigger a Northeast Asia nuclear contest and affect China's national security and economic development strategy. Second, if the U.S. decides to solve the North Korea nuclear crisis by war, China will be faced with a dilemma. Third, China sincerely wishes that North Korea will safely overcome the nuclear crisis, become a responsible member of the international community, and surmount its economic difficulties in its own way.

The Following Factors Will Influence PRC-DPRK Relations: First, whether the DPRK will adopt a flexible foreign policy and can safely overcome the nuclear crisis. Second, whether the DPRK will change its political values and become a responsible member of the international community. Third, the trend of radical South Korean nationalism. In the last few years, radical nationalism has emerged in South Korea. For instance, some ROK congressmen signed a proposal, asking China to "return" China's northeast region to South Korea. This kind of radical nationalism will definitely influence China's policy toward the Korean Peninsula.

Session IV:

The Future of U.S.-ROK Relations

The Future of US-ROK Relations*

By: **Joel S. Wit**

Senior Fellow, The Center for Strategic and International Studies, Washington DC

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Introduction

For fifty years, the alliance between the United States and the Republic of Korea has stood as an important success story for American foreign policy and for the Korean people. There is no need to replay the accomplishments of that alliance in detail. It is sufficient to say that the security alliance with the United States—which protected Seoul from the threat posed by Pyongyang--has provided the bedrock for unprecedented economic development in South Korea, helping to create Asia's third largest economy and the twelfth largest in the world. It also has fostered one of the most rapid transitions in political history from authoritarianism to democracy, a transition that has been seen by some as a model for many newly democratizing countries. The alliance has had benefits for Washington as well, helping to ensure the defense of Japan and facilitating a forward force presence in Northeast Asia.

To be sure, there are still good reasons for the United States and the Republic of Korea to maintain close relations. Security cooperation still remains important given the continued threat posed by North Korea and the fact that the bilateral relationship still serves as an important pillar for the U.S. alliance system in Asia.

Economic ties continue to be important and vibrant. And finally, the two countries share common values, a commitment to liberal democracy, open economic markets, universal human rights, anti-terrorism, peacekeeping, open society, free press and the rule of law. All of these factors help define the bilateral relationship.

2003, however, also marks a particularly troubled time for the alliance. The most immediate problem is, of course, the contentious issue of dealing with North Korea. But there are also other developments that, at best, represent temporary disconnects and, at worse, are long-term trends that may erode the foundation of the alliance and perhaps even end the bilateral relationship. The purpose of this paper is to briefly examine five such developments, comment on their implications for the future of the alliance and end with some suggestions for how the two allies should try to cope with change.

Five Trends

The threat posed to alliances by domestic, regional and international change, is nothing new. For example, since the collapse of the Soviet Union, the North Atlantic Treaty Organization (NATO) has been seeking to redefine itself in the face of changes in its security environment. This process has proven difficult as NATO decision-makers have struggled with whether the alliance should be preserved and reformulated. In the case of the U.S.-ROK relationship, the alliance has adapted to considerable changes, for example the retrenchment of US military power in the wake of the Vietnam War, the demise of the Soviet Union and increasing North-South contacts leading to rapprochement during the 1990's. As part of that adjustment, South Korea has taken increasing responsibility for its own defense and has emerged as an important player on the regional and international scene.

The question remains, however, whether recent developments augur the need for further adjustments or the beginning of the end of the U.S.-ROK alliance. It is difficult to answer this fundamental question as this point although government officials in both countries can ill-afford to ignore these disconnects. Important developments are:

- *A diversification of US interests in Asia beyond peace and security in Northeast Asia and a growing perception that Washington is less friendly to alliances.* The dramatic shift in US foreign policy since 9/11 has brought a sharp focus on a new priority—the threat posed by terrorist groups and the danger that they may secure weapons of mass destruction. While some might argue otherwise, this has been accompanied by a greater emphasis on maintaining America’s scope for unilateral action, including preemptive strategies in dealing with terrorists and rogue states. The implications are two fold. First, this shift towards unilateral action has undermined the strength of some alliances and caused a backlash in key countries. In South Korea, that means fueling the ever present fear that Washington will sacrifice Seoul’s security interests for its own. Second, this new emphasis has raised questions about the durability of American’s longstanding alliance commitments in Asia as fighting terror becomes just as, if not more important, than these commitments.

Whether this development represents a long-term trend or not remains unclear. For example, the pendulum of unilateral action may swing back as Washington realizes that acting in coalition with others may be the only way to effectively deal with perceived security threats. That may be one important lesson of the Iraq War and it seems to be the Administration’s strategy in dealing with North Korea although the jury is still out on whether the multilateral approach can be sustained. Much will also depend on domestic attitudes towards working in alliance with others. In the case of South Korea, public support in the United States has never been stronger for the alliance although knowledge of events on the peninsula remains shallow, indicating that attitudes could shift dramatically in a positive or negative direction as a result of future events.

- *Growing Korean nationalism and anti-American sentiment.* While anti-American sentiment is a global phenomenon, in Korea it is more than a temporary eruption caused by recent events such as the unfortunate deaths of the two schoolgirls last year or conflicts at the 2002 Winter Olympics. It reflects a number of developments, including a rising sense of national pride, some that have been in train for many years. The consolidation of democracy has stripped away the veneer of a compliant, conservative populace and allowed the emergence of a fairly large progressive segment of South Korean society. Progressives may not be dominant but neither is the right anymore. Also emerging have been cultural and demographic changes that expose generational fissures in terms of attitudes towards the alliance and the United States. Another factor is the constant South Korean fear, reinforced by historical experience going back to the Taft-Katsura Treaty of 1905 which essentially handed Korea to Japan, that the United States will sacrifice Seoul’s interests for its own. But once again, the picture is not entirely black and white. For example, while generational change has been highlighted as one potential problem for the future of

the alliance, the key “386” generation exhibits a “jumble” of positive and negative images of the United States. Moreover, recent polls indicate negative attitudes towards Washington declining among the 20-30 year old group. In short, South Korean attitudes towards the United States remain conflicted. Moreover, there also seems to be a considerable segment of society that is undecided when it comes to future relations with Washington. Therefore, it remains difficult to tell whether that translates into a future environment hostile to the continuation of the alliance or just more critical of the bilateral relationship.

- *A policy and perception gap on how to deal with North Korea.* While differences between Washington and Seoul over how to deal with North Korea are nothing new, they were often resolved because of the glue that held the alliance together—the mutual perception of a threat from Pyongyang. That perception began to change in the South with President Kim Dae Jung’s “Sunshine policy,” the result of which was a growing view that Pyongyang was more of a poor relation than a danger. As long as Washington and Seoul shared the same approach in dealing with Pyongyang—a policy of engagement—this change appeared to be manageable. But the election of an American Administration in 2001 less interested in engagement, the emergence of another nuclear crisis on the peninsula and the election of a new South Korean leader committed to engaging Pyongyang have created serious problems in the bilateral relationship. The Bush Administration’s perceived interest in fostering the collapse of North Korea or in using military force, magnified by other tensions in the relationship--such as anti-American sentiment and concerns about American unilateralism--has become the prism through which South Koreans view U.S.-ROK security relations.

Once again, whether this development represents a long-term trend or just a momentary problem remains unclear. The Washington summit between Presidents’ Bush and Roh and subsequent interactions between the two allies—including the ongoing Beijing Six Party Talks on the North Korea nuclear issue-- may have begun a process of closing that gap. Moreover, perceptions may be changing. President Roh seems to more clearly understand the need to preserve the possibility of tough measures against Pyongyang while President Bush seems more firmly committed to a peaceful resolution to the current crisis. Much will depend on how the crisis with Pyongyang plays out. A well-managed process of negotiation—which will require shifts on the part of both Washington and Seoul—could reinforce the alliance. On the other hand, the escalation of North Korea’s nuclear threats could become so obvious—for example through the conduct of a nuclear test—that threat perceptions and policies could converge once again. The worst outcome would be a mounting crisis accompanied by the perception in Seoul that Washington was at fault.

- *China’s growing influence on the peninsula.* There can be no doubt that China’s influence on the peninsula has grown steadily since Beijing normalized relations with South Korea early in the last decade. Ties with Seoul are reflected in everything from the “Korean wave” of pop culture in China to the 1.5 million Koreans and Chinese who visit each other’s countries to the thousands of Korean students studying in

China. They are also reflected in the growth of economic links with China--now Seoul's primary trading partner--as well as the perception that Beijing is a new and important economic frontier. Coupled with this growth of ties, Beijing has played an important role in promoting inter-Korean reconciliation and has managed to maintain some influence in the North—certainly more than most other outside players. As a result, it has played a central role in trying to resolve the current crisis over the nuclear issue.

While there are a number of factors that may pull South Korea away from the United States and towards Beijing, there are also others that may serve to limit the relationship between Seoul and Beijing. For example, in spite of rapidly growing economic ties, Beijing's increasing competitiveness could have a negative impact on Seoul's export industries, eventually outweighing the gains of getting into the Chinese market. Regime type may also matter; there are natural limits to how closely liberal democracies like South Korea can tie themselves to non-democracies. Third, geographic realities (surrounded by great powers) dictate that the best approach for South Korea is to ally itself with the biggest power that is farthest away.

But beyond trying to predict the future of China's influence on the peninsula, it may be premature to assume that Washington and Beijing are engaged in some zero-sum contest with the future of the U.S.-ROK alliance hanging in the balance. Whether the current U.S.-Chinese relationship focused on close cooperation in the war on terrorism will continue remains unclear. If the two continue to find common ground, then growing Chinese-Korean ties may not matter that much. Moreover, while Beijing may not want a peninsula dominated by the United States, it probably also sees the value of maintaining a strong American presence on the peninsula, if only to guarantee against weapons proliferation and to act as a buffer against Japan. Much will also depend, once again, on the resolution of the current nuclear crisis. It will test the ability of the United States and China both to forge a common, negotiated settlement to the North Korean nuclear issue or, if that fails, to work together in dealing with an overtly nuclear North.

- *Japan's uncertain future.* While Japan has been a staunch ally of the United States for decades—and some would argue that the security tie has never been closer than today—there are widespread uncertainties about Tokyo's future, in sharp contrast to the rise of China. Japan's steadily aging population, its continuing economic difficulties which have implications for Tokyo's political influence in the region, and the potential rise of Japanese nationalism all could have important implications, both for the future of the U.S.-Japanese alliance and other interested regional players, particularly South Korea.

All of this does not mean that these trends are immutable; for example, if recent signs of economic recovery continue and right-leaning voices are replaced by more moderate views, Tokyo may move in a positive direction. But a series of important questions arise if Japan continues to encounter difficulties and the answers—unknowable at this time—will have important implications for the future of the

region, the U.S.-ROK alliance and Washington's relationship with Tokyo. These questions include; 1) what are the implications of a Japan that is more assertive in international affairs and more frustrated at home; 2) will Japan revise Article 9 of its constitution to allow a more assertive military role; 3) how serious will Japan be about its nuclear weapons option should North Korea move forward with its program; 4) how committed will Japan be to the alliance with the United States and vice-versa in the coming years should Tokyo's ability to contribute to the alliance substantially decline, or tensions between the two mount.

Conclusion

Clearly, the U.S.-ROK alliance is facing an uncertain future. Each of the developments cited above has important implications for its future but whether they represent important sea changes in the domestic, regional and international environment that doom the alliance remains to be seen. Compounding the challenge facing both American and South Korean leaders is the near-term uncertainty presented by the current North Korea nuclear crisis. How that crisis is resolved—in terms of process and substance—can also have a significant impact on the bilateral relationship.

Taking a long-term perspective, the US-ROK alliance will remain in the interests of both countries. Looking out over the historical horizon to beyond reunification, there are a number of possible outcomes on the peninsula. A reunified Korea could remain in alliance with the United States. Or it might return to the historic pattern of a state within China's orbit. Another alternative is that Korea could become strategically independent, friendly with neighbors and strong enough on its own to deter aggression. A different model might be a neutral Korea with its security guaranteed by the regional powers in return for maintaining a limited defense capability.

Most of these alternatives should not be particularly attractive for the United States, a reunified Korea or other countries in the region. For example, the domestic politics of reunification could expel the United States from the peninsula. A reunified Korea might seek a continental accommodation with China, perhaps creating heightened tensions with Japan as resurgent Korean nationalism and new military capabilities incites new tensions. Or a demographically old Japan might become isolated from Korea but at the same time uncomfortable as the last remaining U.S. outpost in the region. The resulting instability would not serve anyone's national interests.

On the other hand, the arguments for a continued close relationship are compelling. First, the alliance would ensure that geo-strategic currents do not expel the United States, isolate Japan or heighten tension between Korea and its neighbors. It would also help insure against the rise of other dominant regional powers and a possibly intense and destabilizing competition between Japan and China, or even Japan and Korea. Second, the alliance would continue to serve a non-proliferation function as well as dampen security dilemmas that might escalate into tensions. Finally, the alliance with the United States could provide Korea with a security blanket, allowing it to address the many and difficult issues arising from reunification.

All of this does not mean that the alliance will continue in the same shape and form as the past fifty years. The long-term objective will be to transform the relationship to make it broader and deeper in ways other than security—assuming the threat posed by Pyongyang is successfully addressed--where it may become less operationally important. In part that will entail maintaining a close but scaled back security tie while building up other aspects of the bilateral relationship such as a deep mutual commitment to common values and human security in the region.** It may also entail deepening economic ties as a key component of bilateral efforts to foster prosperity and stability in the Asia-Pacific region.

This vision for the future of the alliance will be extremely challenging for the two countries to implement. Policy-makers will confront the age-old question of how do we get from here to there. Part of the answer may lie in taking a number of steps while keeping in mind this long-term vision of the alliance. These steps could include; 1) use the current nuclear crisis to demonstrate a commitment to peaceful coexistence, multilateral cooperation and strengthening of the alliance; 2) plan for inter-Korean reconciliation while maintaining preparedness for the failure of the Six Party Talks; 3) issue a joint U.S.-ROK declaration on the alliance in the 21st century; 4) enhance the Republic of Korea's primary role in its own defense with the cooperation of the United States; 5) strive for a more equal partnership, buttressed by effective consultation and alliance management; 6) build public support for the alliance; 7) formulate a political agenda based on common values and human security, and; 8) strengthen economic ties between the two allies.

** The concept of human security builds on common values as well as a mutual commitment to democratic development, human rights, freedom of the press, rule of law, good governance, sustainable development and social equity.

Challenges for the Future ROK-U.S. Alliance

By: **Woosang Kim**

Professor of Political Science, Yonsei University

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A paper prepared for the conference “Assessing Key Trends in U.S.-China-Korea Relations: Implications for Korean Peninsula Stability,” co-sponsored by the International Security Program, Center for Strategic and International Studies and Seoul National University’s Center for International Studies, at the JW Marriott Hotel Seoul, November 18-19, 2003.

Introduction

Since the end of the Korean War, the Republic of Korea (ROK)-U.S. alliance has played a major role in deterring North Korean aggression and in maintaining stability on the Korean Peninsula. I have no doubt that this ROK-U.S. alliance will also play a central role in the peaceful unification of North and South Korea. Nevertheless, possible changes in North-South Korean relations, U.S.-North Korean relations, and public opinion both in South Korea and the U.S. indicate that the ROK-U.S. alliance must be adjusted according to changing internal and external environments.

In this paper, I review anti-American sentiment in Korean society and its impact on the shaky alliance relationship. I also investigate factors that influence the longevity and dissolution of the alliance and analyze the ROK-U.S. alliance situation. Finally, I briefly suggest policy implications for the future of the ROK-U.S. alliance relationship.

Anti-American Sentiment and Challenges for the ROK-U.S. Alliance

In this section, I present the results of surveys conducted to identify and analyze the perceptions of Korean people on security issues around the Korean Peninsula and on the future ROK-U.S. alliance relationship. The 1st survey analysis is for college students and the 2nd one is for the elites group in Seoul.

The 1st survey analysis was conducted to investigate how college students, the future leaders of Korean society, perceive security-related issues concerning the Korean Peninsula. The subjects used in the survey analysis came from Yonsei University, Hanyang University, Chung-Ang University, Kyung Hee University, and Inha University in and around Seoul. The majority of subjects were freshmen. Two survey analyses were conducted, and each consisted of two parts. The first survey, with 750 total respondents, was conducted during the Fall semester, 2001 while the second survey, with 374 total respondents, was conducted during the Fall semester, 2002. In each case, the same questionnaire was distributed and collected twice: once in the first week of the semester and the second time in the last week of the semester. Most students included in the survey analyses were taking an introductory international relations course for the first time.

I examined the pre-lecture and post-lecture results to see if public education and provision of correct information really matter for changing students' perceptions about security issues around the Korean Peninsula, including the ROK-U.S. alliance. I also investigated and compared the 2001 and 2002 results to see if a series of U.S. Forces in Korea (USFK)-related incidents that occurred during the period and the Bush administration's "unilateral" foreign policy positions had anything to do with anti-American sentiment in Seoul.

Indeed, anti-American sentiment in Seoul has been growing. In 2002 many events and incidents occurred that had direct or indirect impact on the rise of anti-American sentiment. Recent media publicity given to the Nogunri incident, U.S. Army personnel dumping toxic waste into the Han River, the death of two Korean teenage

girls run over by a U.S. armored vehicle, a subway scuffle between a U.S. serviceman and Korean activists, including a former National Assemblyman, and the U.S. Embassy's plan to construct a new embassy building and high-rise apartment near the old Deoksu Palace site in the heart of Seoul have shaped anti-American sentiment among Korean people. Among these various incidents, the series of candlelight vigils since late November 2002 is believed to have had the most significant impact on the rise of anti-American sentiment in Korean society.

When the student respondents were asked the question, "Which country do you think is the most important country for South Korea's national interest," the results of the 2001 survey showed that 50 percent during the pre-lecture answered China, while 30 percent chose the United States. Interestingly, the post-lecture results show a drastic change in the respondents' views. More than half of the respondents (51 percent) answered that the U.S. is the most important country for South Korea's national interest, while 34 percent chose China. The results of the 2002 survey showed the same pattern. 35 percent during the pre-lecture answered China, while 24 percent chose the U.S. The post-lecture results, however, showed that 22 percent answered China, while 53 percent chose the U.S.

Another question asked about the necessity of the ROK-U.S. alliance for South Korean security. The 2001 results showed that 58 percent of the pre-lecture respondents believed that the alliance is necessary. The post-lecture results showed similar but strengthened views. 69 percent of the student respondents believed that the alliance is necessary for South Korean security¹. The 2002 results paralleled those of 2001. The only difference that I noticed is that the percentage of students who strongly believe that the ROK-U.S. alliance is necessary for South Korean security in the post-lecture results increased to 27 percent from 20 percent in 2001. This finding suggests that the majority of future leaders in Korean society still think that the ROK-U.S. alliance is necessary for South Korean security.

On the issue, "for South Korea's security, the ROK-U.S. alliance should be maintained even after the two Koreas are unified," the 2001 pre-lecture results indicated that 28 percent of the respondents agreed, 40 percent disagreed, and 30 percent were neutral. However, at the end of the semester, supporters of the Korea-U.S. alliance after Korean unification increased from 28 percent to 40 percent, while the percentage of students who opposed the maintenance of the Korea-U.S. alliance decreased from 40 percent to 26 percent. Slightly more than 30% remained neutral. On the other hand, the 2002 results noted that only 18 percent of the respondents agreed while 55 percent disagreed and 24 percent were neutral in their stand during the pre-lecture period. These numbers are very different from the 2001 results. Compared to the pre-lecture results of 2001, those of 2002 seem to tell us that the recent series of USFK-related incidents and related Korean civic group movements have made a considerable impact on public opinion toward the USFK.

¹ In fact, 49 percent of the student respondents *believed* that the alliance is necessary, and 20 percent *believed strongly* that the alliance is necessary.

Nonetheless, at the end of the semester, supporters of the Korea-U.S. alliance after Korean unification increased drastically from 18 percent to 52 percent, while the percentage of students who opposed the maintenance of the alliance decreased from 55 percent to 29 percent. 19 percent of students remained neutral. This finding seems to suggest that those who seriously think about the importance of the ROK-U.S. alliance for South Korean security protection worry very much about the potential for deterioration of the alliance, due to recent events and Korean social mobilization. The large-scale candlelight rallies, for example, can be seen and understood very differently by different groups of people who have different concerns or knowledge on the related issues. And many may be misled by mass media or NGOs' aggressive campaign. The survey results demonstrate that students tend to change their views after they are exposed to serious discussions of important security issues and that aside from those in the neutral position, more than 70 percent of college students still believe the ROK-U.S. alliance is necessary after Korean unification.

On the issue of U.S. troop presence on the Korean Peninsula after Korean unification, the results showed a similar pattern to that of the question related to the maintenance of the ROK-U.S. alliance after unification. When students were asked with the wording, "do you support the U.S. troop presence in unified Korea?," the 2001 results showed that the majority of college students did not support the idea of U.S. troops on the Korean Peninsula after Korean unification. Only 14 percent of the respondents in the post-lecture survey supported the idea. However, in 2002 students expressed relatively more favorable views toward unified Korea's hosting U.S. troops when the questionnaire wording was revised to "do you support the U.S. troop presence in unified Korea on the condition that their roles and size are properly adjusted according to the new Northeast Asian security environment?" The post-lecture results showed that as much as 54 percent supported the idea of the U.S. troop presence.

Both 2001 and 2002 results during the pre and post lecture sessions imply several interesting points. First, some of the findings demonstrate that public education significantly influences public opinion on security related issues including the ROK-U.S. alliance relationship. For example, on the issue of the necessity of the ROK-U.S. alliance for South Korean security, of the Korea-U.S. alliance after Korean unification, and U.S. troop presence in the Korean Peninsula after Korean unification, the percentage of supporters increased after students were exposed to public education. Here, I do not exactly know what made the difference—teaching skills, textbooks, peer group discussion during the class, or correct information about security issues on the Korean Peninsula. Nevertheless, the results seem to tell us that students tend to change their views on issues studied and discussed during the semester. These findings demonstrate the importance of public education in Korean society as well as that of public relations efforts from both the Korean and American sides.

Second, the results indicate that college students somehow feel comfortable and closer to China given other options such as the U.S., Japan, and Russia. Moreover, the pro-Chinese group in South Korean society is growing and their favorable opinion towards China is mainly based on the feeling of historical and cultural bonds.

Historically, China was the most recent invader of the Korean Peninsula. But, Korean students somehow do not seem to remember which country South Korea fought against during the Korean War. Instead, they seem to have historical animosity only toward Japan. U.S. forces have been providing security protection on the Korean Peninsula since the end of the Korean War, but college students who never had a chance to think about the issues tend to feel much closer to China than to other countries, including Japan and the United States. Although these views could be adjusted by means of education,² the growing tendency of a pro-Chinese atmosphere in South Korean society is a very important point to consider.

The 2nd survey analysis was conducted on issues of foreign relations with 120 experts during the period October 21 to November 5, 2002. The list of experts was carefully chosen according to purposive sampling method and all data was collected in face-to-face interviews. The composition of respondents was as follows: 30 bureaucrats (10 from the Ministry of Foreign Affairs and Trade, 10 from the Ministry of National Defense, 10 from the Ministry of Unification), 30 politicians, 30 scholars, and 30 journalists.³

Results of the survey indicated that majority of Korean leaders who directly or indirectly exert influence on national foreign policy still believe that the ROK-U.S. alliance relationship is the most important security mechanism and that the U.S. forward deployment on the Korean Peninsula continues to play a critical role for regional stability. As high as 93 percent of Korean elites answered that the U.S. troops' stationing in South Korea at present is indispensable for national security; 45 percent supported keeping the current level of U.S. forces, and 48 percent endorsed the U.S. troops' continuous stay on condition that they be gradually downsized. Regarding the same question for post-unification era, a smaller but still a majority of opinion leaders (68 percent) supported U.S. troops' staying on the Korean Peninsula; the support rate for downsizing was increased from 48 to 57 percent. The general finding we can draw from this survey result is that although more people support a gradual adjustment in the size of U.S. troops' presence, the elite group is more supportive than college students of a continued U.S. military presence after unification.

The reason why I pay careful attention to public opinion for Korean security issues is that, after all, as Joseph Nye points out, "in a democracy, the national interest is simply what citizens, after proper deliberation, say it is."⁴ What is currently most noticeable in Korean society is of course the growing trend in anti-American sentiment. It has become the most destructive challenge against the ROK-U.S. alliance, and, in turn,

² For example, when the student respondents were asked which country is the most important country for South Korea's national interest, the 2001 pre-lecture results indicated that 50 percent said China while 30 percent said the United States. However, the 2001 post-lecture results showed a drastic change in the respondents' view. 51 percent answered the U.S. while 34 percent said China. The 2002 survey results were very similar to the 2001 results.

³ Woosang Kim and Tae-Hyo Kim, "A Candle in the Wind: Korean Perceptions of ROK-US Security Relations," *Korean Journal of Defense Analysis*, forthcoming in Spring 2004.

⁴ Joseph Nye, "The American National Interest and Global Public Goods," *International Affairs*, vol. 78, no. 2, 2002, pp. 233-244.

the South Korean government should be responsible to take measures to counter this problem. For Koreans, Korea-U.S. relations naturally produce ambivalent attitudes: one view of the U.S. is as the most responsible, close, and important country for Korean security, while the other side is that the U.S. is an arrogant great power that always puts its selfish national interests first.

At a critical stage such as the present time, public opinion could easily be bipolarized. South Koreans are now divided between liberal and conservative views regarding the SOFA and the USFK. Another survey results demonstrate that as of December 2002, two thirds of Koreans favored a wholesale revision of SOFA, and more than half of all Koreans believed that the U.S. troops should be withdrawn someday, whether it occurs gradually (45 percent) or immediately (6 percent).⁵ Factor analysis on this poll tells us that anti-American sentiment is stronger among the younger generation with higher education. The unusually high anti-American feeling in December 2002 seems to reflect the social atmosphere during this particular period, but we have to observe that anti-American feeling among the younger generation has been growing for the past several years.

For the new generations in their twenties and thirties, the internet (and so called “on-line networks”) are the main source of news and mutual communications, while newspapers and printed periodicals are read mainly by older generations, the ‘minority’ group of opinion leaders in terms of population distribution in Korean society. On-line networks are rapidly being established as a more popular and influential source of public communication, but they are more vulnerable to flaws, unbalanced interpretation, and unnecessary contagion compared to printed materials. What is worrisome is the scenario in which supporters of radical views openly express their opinions and fervently defend their views. Opponents may begin to feel left out, leaving them to withdraw from the public scene and become silent. Then there is fertile ground for misconceptions that the views receiving vocal support are stronger than they really are and that the opposing views are weaker. The “spiral of silence”⁶ leads to one view dominating the public scene and the other disappearing from public awareness as its supporters become silent. The spiral of silence may manifest itself when newspapers, televisions, and online media voice one opinion to the exclusion of other opinions in a redundant manner.

⁵ A public opinion poll conducted by *Joong-Ang Ilbo* against 1030 nationwide random samples during December 15 to 16, 2002.

⁶ The term and its implication are well discussed in Elisabeth Noelle-Neumann, *The Spiral of Silence: Public Opinion and Our Social Skin* (Chicago, IL: The University of Chicago Press, 1984). According to Noelle-Newmann, public opinion’s linkage to action can be understood by examining four variables: (1) one’s opinion on an issue; (2) one’s perception of the predominant public opinion; (3) one’s assessment of the likely future course of public opinion; and (4) one’s willingness to support one’s opinion with action, verbal statements, or other forms of commitment. By showing how Ostpolitik in the 1960s became majority opinion in the German society, she argues that the threat of isolation is the primary driving force in the formation of public opinion.

Another concern is possible anti-Korean backlash in the U.S. in this day of swift and vivid communication. Pictures of anti-American demonstrations in South Korea are in the newspapers and on the television screens of American families. Events in Korea can have an immediate reaction in the U.S. Congress and public. We may even begin to see arguments from isolationist advocates for breaking the U.S. alliance with the ROK and bringing U.S. troops home.

The principal policy implication is quite clear. Unless policymakers in Seoul and Washington do something about the anti-American sentiment in Korea well in advance, the two countries may lose the best security option available to them. In public relations management, they should emphasize the vitality of the continued alliance between the U.S. and Korea and the necessity of U.S. troops' remaining in Korea even after unification. Given that the U.S. Forces in Korea may gradually be adjusted to reflect the changing security environment in Northeast Asia and that there remains a salient rationale for Korea-U.S. security cooperation given neighboring great powers, the ongoing Korea-U.S. alliance will certainly remain a win-win strategic option for both countries: for Korea, its comprehensive alliance with the U.S. would maximize its security at least 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.

The Korean government should stress to its people that condemning the problems originating from the ROK-U.S. alliance does not necessarily imply the logic of denying the existence of the alliance. That is, while appreciating the positive role that public pressure makes in improving the Korean say in running the ROK-U.S. alliance, possible misunderstanding or conflict of interests with the U.S. should not damage the fifty year-long partnership and friendship between the two countries. For public opinion not to become "single frame," the flow of information and communication on national foreign policy issues between the government and the public should be more transparent and dynamic. In particular, the government needs to establish close and regular communication channels with major opinion leaders, including journalists, intellectuals, and NGO leaders, in order to deliver accurate information and share a grand vision of national policy toward the United States.

American society also faces similar challenges in public relations. As a society becomes more democratic and plural, public opinion on foreign relations tends to become more diverse, sometimes largely indifferent and uncertain. Just as in Korea, there may be a divergence between the attitudes of the public and those of political leaders in response to economic and security related questions. Even if leaders in Washington D.C. appreciate the strategic importance of the Korean Peninsula both now and after unification, American citizens may demand the withdrawal of the U.S. forces from the Korean Peninsula. U.S. policymakers should attempt to conduct active security dialogue with the mass media and the public to prevent anti-Korean feeling from spilling over into American society.

In addition, the U.S. should take more proactive measures to enhance pro-American sentiment in Korean society. Korea has been drastically changing in terms of

economic development, self-esteem, demographic distribution, and views toward North Korea. The U.S. needs to increase its public relations efforts in Seoul. The U.S. embassy in Seoul should have more occasions to meet various elites groups in the Korean society, particularly the newcomers in the Roh administration, and explain the U.S. positions, its policy toward North Korea and to East Asia in general. The U.S. should also demonstrate its willingness to pay special attention to South Korean concerns about ongoing issues related to sporadic anti-American movements or demonstrations. By showing its willingness to remedy problems and misunderstandings at the right moment, the U.S. can promote pro-American sentiments in Korea. If the U.S. grasps the main forces that are driving change in Korean society, and if the U.S. correctly catches the psychology and cultural connotations of Korean people, effective measures may be taken to improve Koreans' view of the United States.

Longevity of the ROK-U.S. Alliance

This year is the fiftieth anniversary of the Mutual Defense Treaty between the ROK and the United States. The success of the fifty-year long alliance should be cause for celebration. Yet neither party seems to be in a celebratory mood. The ROK-U.S. alliance seems to be on shaky ground, in the midst of an identity crisis. Before it is too late, both parties to the alliance should make efforts to re-strengthen the shaky alliance relationship.

The ROK-U.S. alliance has been a classic type of the asymmetric, autonomy-security trade-off alliance in which the stronger great power provides security protection to the weaker small power partner in return for influence over the domestic and/or foreign policies of its weaker partner. Indeed, for the last fifty years, the U.S. provision of extended deterrence in the Korean peninsula has been successful. However, as the capability relationship between the great power ally and the weaker power ally becomes less and less asymmetric, i.e., the weak power partner becomes stronger now than fifty years ago, the small power partner is likely to request adjustment of the existing alliance relationship. When the request is not met, the alliance relationship can become very unstable.⁷

Recent studies on alliance have shown that during the 19th and 20th centuries about 75% of the alliance commitments were fulfilled.⁸ Leeds et al. suggest that those alliance commitments not honored were usually the ones that were signed very long time ago.⁹ During that time, changes in regime type and power might occur and they affect the relationships among the alliance members. When a previously autocratic state democratizes, or a previously democratic state experiences an autocratic takeover,

⁷ James D. Morrow, "Alliances and Asymmetry: An Alternative to the Capability Aggregation Model of Alliances," *American Journal of Political Science*, vol.35, no.4, 1991, pp.904-933.

⁸ Brett Ashley Leeds, Jeffrey M. Ritter, and Sara McLaughlin Mitchell, "Reevaluating Alliance Reliability: Specific Threats, Specific Promises," *Journal of Conflict Resolution*, vol.44, no.5, 2000, pp.686-699. See also Alan N. Sabrosky, "Interstate Alliances: Their Reliability and the Expansion of War," in ed. J. David Singer, *The Correlates of War II* (New York: the Free Press, 1980); Bruce Bueno de Mesquita, *The War Trap* (New Haven: Yale University Press, 1981).

⁹ Leeds et al. (2000).

changes in foreign policy may be expected. When a new system of governance emerges, state leaders may not feel bound by the alliance commitments of their predecessors and thus call previously secure alliance commitments into question. Or a democratized leadership may pay more attention and more accountable to the public in case the public opinion views the existing alliance relationship as not necessary.

When a weaker party becomes stronger, it may think that it is in less need of a strong party's support and come to value the existing alliance less.¹⁰ Walt adds that when perceptions of common threat among alliance partners are different, the change of power in a weaker side may have a significant influence on the existing asymmetric alliance. He also suggests that domestic politicization of the existing alliance relationship is likely to deteriorate the alliance. First of all, demographic and generational changes in the society could undermine its traditional alliance commitment. Second, an existing alliance may be jeopardized if influential elites decide that they can improve their internal positions by attacking the alliance itself. Third, when the regime change or leadership change occurs and consequently, the basic nature, identity or ideology of the regime changes, then the alliance is likely to be dissolved.¹¹

Indeed, there is a perception gap between the alliance partners on North Korea. The common perception that North Korea represented a serious security threat was the glue that bound the alliance together. But, there is a growing difference over the North Korean threat perception. That is, recently many South Koreans tend to think that North Korea has changed and believe the possibility of war between the two Koreas has disappeared. There is also a difference over how to deal with North Korean nuclear weapons crisis between the alliance partners. These changing perceptions of threat and policy gap may deteriorate the existing ROK-U.S. alliance relationship.

Recently Korean society is experiencing changes in the demographic and generational composition, especially in the elites and leadership groups. Together with the advent of Roh Moo-Hyun administration, the new generations in their twenties and thirties, especially the so-called 386 generation, have become the key players in domestic political and foreign policy decision-making processes as well as in the opinion formulation processes. In general, they are ideologically more progressive and liberal compared to the old generations, and their values and objectives in relation to many important issues including the alliance issue may be very much different from the old generation leaders who have vested interests in the status quo. In fact, wide-spread anti-American sentiment among the younger generations right before the 2002 presidential election period has made a significant influence on the election result. As is suggested by alliance theorists, the existing alliance may be jeopardized if influential elites group decides that they can improve their domestic political positions by criticizing the existing alliance relationship.¹²

¹⁰ Brett Ashley Leeds, "Alliance Reliability in Times of War: Explaining State Decisions to Violate Treaties," *International Organization*, forthcoming.

¹¹ Stephen M. Walt, "Why Alliances Endure or Collapse," *Survival*, vol.39, no.1, Spring 1997, pp.156-179.

¹² For example, French President Charles de Gaulle reinforced his domestic political position by removing France from NATO in 1967, and left-wing politicians in New Zealand

Walt suggests several factors that strengthen the existing alliance relationship. First of all, he suggests that the hegemonic power can discourage dissolution of the alliance by bearing a disproportionate share of the costs, by offering material inducements to make alliance more attractive. He also suggests the institutionalization of the alliance. The greater the level of institutionalization within an alliance, the more likely it is to endure. If the alliance generates a large formal bureaucracy, a high level of institutionalization may create capabilities that are worth keeping even after the original purpose of the alliance is gone.¹³

As Bueno de Mesquita suggests, when an alliance is already as close as it can be, then if there is any change in the alliance relationship, the alliance partners will move away from each other and consequently, the existing alliance relationship may be in danger.¹⁴ Fifty-year long ROK-U.S. alliance has survived many changes in domestic and security environments. It seems to be very natural for the existing alliance relationship to be in a shaky condition after fifty-year long longevity. As long as both alliance partners share common interests in keeping the alliance and therefore have willingness to strengthen the alliance, they can successfully manage to do so. It is about a time to review the relationship and re-adjust it to the changing environments.

As suggested by Walt, the hegemonic power has its own share of the role to strengthen the shaky alliance relationship. Americans could show their willingness to pay special attention to South Korean concerns about ongoing issues related to sporadic anti-American sentiment. Protest or demonstration against the U.S. alliance policy or unilateral positions by Koreans may be the weaker partner's prerogative. Through the channels of protest and demonstration, Koreans can let Americans know what the growing differences are between the two sides and give the two governments chances to adjust and resolve the problems before they become out of control.¹⁵ By showing its willingness to remedy problems and misunderstandings at the right moment, the U.S. can promote pro-American sentiments in Korea. If Americans correctly catch the psychology and cultural connotations of Korean people, they could find effective and easy measures to improve their relationship with South Korean people.

Some Koreans criticize the U.S. unilateralism and worry about the U.S. potential preemptive strike against North Korea without consultation with the South Korean government. They tend to think that the ongoing U.S. force restructuring on the peninsula has something to do with the U.S. strategic plan for preemptive strike against North Korea. To tackle this kind of unnecessary misunderstanding it may be a good idea to issue a new joint declaration on the ROK-U.S. alliance in the 21st century or a new guideline between the ROK and the U.S. on how to readjust and strengthen the existing alliance with the changing environments and how to deal with the potential crisis

undermined the ANZUS in 1985 by declaring that U.S. ships with nuclear capability could not enter its port. See Walt (1997), p.161.

¹³ NATO will be a good example. See Walt (1997), pp.166-168.

¹⁴ Bueno de Mesquita (1981).

¹⁵ As a matter of fact, in 70's and 80's both Japanese and German societies have experienced the anti-American protests and demonstrations.

situations around the Korean peninsula including the North Korean nuclear weapons problem. Since institutionalization of the alliance is supposed to be helpful in strengthening the existing alliance, a new joint declaration or a new guideline will be a good idea for reviewing the fifty-year old Mutual Defense Treaty and for increase in the level of the institutionalization of the alliance.

Conclusion

The ROK-U.S. alliance has been a cornerstone of peace and security on the Korean Peninsula, and it will continue to play a central role in the peaceful unification process. A robust ROK-U.S. alliance not only contributes to deter North Korean military adventurism, but it also restrains potential regional power competition among China, Russia and Japan. Nevertheless, possible changes in North-South relations, U.S.-North Korea relations, and public opinion both in South Korea and the U.S. demand for the ROK-U.S. alliance to adjust to changing internal and external environments.

To maintain a robust, future-oriented ROK-U.S. alliance and the U.S. military presence in Korea after Korean unification, it will be necessary for the ROK and the U.S. governments to contemplate restructuring the USFK, the command and control, and roles and missions of the ROK-U.S. alliance. With the lingering North Korean threat caused by its pursuing nuclear weapons, the ROK-U.S. security alliance must be modified to cope with different forms of potential threats from North Korea: infiltration, limited armed conflict, Weapons of Mass Destruction (WMD), and regime or state collapse. The alliance should also look beyond the Korean Peninsula and contribute to facilitating peace and prosperity in East Asia. In other words, the alliance should gradually be expanded geographically and functionally to better respond to a new strategic environment and rising issues, including international refugees, securing sea lines of communication (SLOCs), terrorism and international crimes, environmental protection, etc. The alliance must move from a political/military alliance to a comprehensive security alliance. This is the direction to take in the future. Especially, the ROK and the U.S. governments must develop the *raison d'etre* of the alliance after North Korean threat actually disappears.

To meet the expanding scope of security cooperation between the ROK and the U.S. and to prepare for military operations other than war (MOOTW), it is necessary to have a light and mobile force structure. The reduction in quantity will be offset by qualitative improvements through acquiring sophisticated weapons and utilizing the “Revolution in Military Affairs” (RMA). A specific emphasis on air and naval components will enhance power projection and offensive strike capability. Weapons to be procured will extend the range of military operations and improve mobility and precision. Consequently, the force structure should be switched from an occupation-oriented mode to a distant precision strike and rapid reaction mode.

The ROK-U.S. alliance should be gradually transformed into a more equal mechanism. The ROK and U.S. forces should be linked together through a close consultative mechanism. Additionally, the harmonious coordination of strategic planning, joint military exercise, and information/intelligence sharing must be further

enhanced. It seems to be clear why the ROK-U.S. security alliance must continue to exist and function and how the ROK and the U.S. should cooperate to serve their respective security interests in the new security environment. It remains for the two countries to issue a new guideline and implement it in a way that minimizes confusion and misunderstanding.

Prior to this stage, however, consensus on future U.S. policy should first be drawn inside the new Korean Administration through serious discussion. And its immediate concern should be focused on how South Korea will coordinate with the United States in resolving North Korean nuclear brinkmanship. The new Roh Moo-Hyun administration seems to balance its North Korean nuclear task force team by including experts with balanced views toward North Korea and the United States. How and in what capacity the two allies will coordinate on the North Korean nuclear crisis will be the critical litmus test that will show the direction of the ROK-U.S. alliance for the next years.

Here is where public opinion factors in again. The public's different view compared with policymakers' strategic choices may cause tensions in the decision-making process, and in reverse, state leaders may attempt to manipulate public opinion so that the people will become supportive of the leaders' policies. One thing that must be avoided, however, is to take advantage of public opinion to further one's political agenda.

In existence of North Korean threat perception gap, the ROK-U.S. alliance inevitably has to try to adjust to the new circumstances. The *raison d'être* of the alliance for the 21st century should be based not only on common threats but also on common values and interests. For that matter, a more effective management mechanism for the ROK-U.S. alliance is needed. The alliance is likely to persist when the allies share common values of democracy and free market system and when the relationship is highly institutionalized. The alliance will find it easier to adapt to new situations and will be better equipped to handle the conflicts of interest that inevitably arise.

Session V:

Sino-U.S. Relations and the Korean Peninsula

U.S.-China Relations and the Korean Peninsula: Managing the Current Crisis and Future Change

By: **Bonnie S. Glaser**

Senior Associate, Center for Strategic and International Studies

A paper prepared for the conference “Assessing Key Trends in U.S.-China-Korea Relations: Implications for Korean Peninsula Stability,” co-sponsored by the International Security Program, Center for Strategic and International Studies and Seoul National University’s Center for International Studies, at the JW Marriott Hotel Seoul, November 18-19, 2003.

It is often said that the United States and China share important security interests on the Korean peninsula. To some extent this is true. Both countries seek to avoid another Korean War and hope for the eventual signing of a peace treaty that will

eliminate the danger of military conflict that has persisted for half a century. Beijing and Washington also favor a Korean peninsula that is free of nuclear weapons and does not pose a security threat to any of its neighbors. Beyond these basic common interests, however, U.S. and Chinese security requirements vis-à-vis the Korean landmass diverge and in some cases may even clash.

Since the Agreed Framework signed by North Korea and the United States in 1994 began to unravel, China and the U.S. 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 differing interests, priorities, and concerns, however, it remains uncertain whether Washington and Beijing will be able to sustain their cooperation. The extent to which the U.S. and China can work together to achieve a positive and 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.

This paper will begin by closely examining overlapping and differing U.S. and Chinese interests and priorities on the Korean peninsula and assess their implications for Sino-American relations. It will then explore various alternative futures for Korea and analyze how each might affect Sino-U.S. ties.

Overlapping, but not Identical Interests

In the near-term, Beijing places its highest priority on the maintenance of stability in North Korea. At 1,416 kilometers or about 870 miles, the Sino-North Korean border is North Korea's longest border and is more than three times the length of the boundary between North and South Korea. China worries that economic or political instability might trigger the collapse of the North Korean regime, producing a flood of refugees into northeast China and chaos on the Korean peninsula. China already faces a growing presence of illegal North Korea economic migrants who seek better opportunities across the border in ethnic Korean parts of northeast China. Although there is no reliable figure, by some estimates there are as many as 300,000 North Koreans illegally residing throughout the Chinese mainland. That number, and the challenges they pose to Chinese local and central authorities, would increase significantly were North Korea to undergo sudden economic and political collapse.

Concern about stability in North Korea has prompted the supply of considerable economic assistance to Pyongyang by the Chinese, some in the form of trade at "friendship prices" and varying amounts of free fuel and food on an annual basis as humanitarian aid. Upon request from North Korea, additional assistance is often provided to cope with emergency shortfalls. Even during periods of strained Sino-North Korean ties, Beijing has calculated that its interests were best served by continuing to prop up North Korea's regime, rather than risk chaos and anarchy on China's border.

From Washington's perspective, the preservation of stability in North Korea takes a back seat to the goal of removing the threat of weapons of mass destruction from the

peninsula. Since September 11, 2001, there is acute appreciation of the dangers posed to the United States by both conventional and unconventional means and there is far greater willingness than ever before to undertake risks to eliminate those threats. In the minds of some individuals, inside as well as outside the Bush administration, the maintenance of North Korean stability and the preservation of Kim Jong Il's regime is an anathema. Proponents of regime change are buoyed by President Bush's public comments deriding Kim for starving his people, while fortifying his military, catering to the elite and outfitting his personal playboy lifestyle.

Isolation of North Korea, touted by many Americans as a feasible and even advantageous policy in years past, is judged by most American experts to no longer be a viable option. The possibility that processed plutonium, enriched uranium, or other WMD materials would be transferred by Pyongyang to other rogue states or terrorist groups is too simply too high risk. For some who back regime change in North Korea, promoting instability is viewed as a desirable end and military conflict on the peninsula is no longer a horrific outcome to be avoided at all costs. By contrast, the Chinese continue to fear the consequences of instability and eschew the use of military means to achieve any meaningful political goals.

To ease the burden on Beijing of feeding large numbers of North Korea's population and reduce the risk of being dragged into another Korean conflict, China would prefer a North Korea that is integrated into the region economically and politically. If that goal were unattainable, China would favor a policy of international isolation of North Korea over a plan of overthrowing Kim Jong Il's regime through military force. Chinese analysts dismiss the notion raised by some Americans that regime change could be orchestrated in the North without great upheaval.

For China, North Korea's possession of nuclear weapons poses a clear, but not an imminent danger. After months of U.S. browbeating, many in Beijing are convinced that nuclearization of North Korea would quickly spread to South Korea, Japan and perhaps even Taiwan. The Chinese are loathe to see the emergence of yet another nuclear state on their periphery, but at least some Chinese analysts suggest that a nuclear North Korea is not intolerable. Indeed, some note that the acquisition of nuclear weapons by India and Pakistan has not significantly diminished China's security. Moreover, they say, North Korea may insist upon a nuclear deterrent to enhance its security, but it is unlikely to use nuclear weapons in any scenario, and certainly never against a target in China.

Thus, although the U.S. and China share the objective of eliminating North Korea's nuclear weapons programs, Beijing remains unwilling to cooperate with the United States to achieve this objective through reliance on coercive measures that would destabilize North Korea. It is difficult to foresee the emergence of a situation in which Beijing would be willing to sacrifice its priority of stability along its border for the goal of ensuring a nuclear-free peninsula.

Another major difference between the United States and China lies in their respective relations with the Koreans. The United States is deeply committed to its

alliance with South Korea, but has virtually no relationship with the North and attaches little importance to developing one. Reunification of the two Koreas under the South is widely viewed as inevitable in the coming decade. By contrast, since the normalization of Beijing-Seoul relations in 1992, China has meticulously crafted a two-Korea policy, balancing its ties between both North and South and accruing benefits from both. Although ties between Beijing and Pyongyang are nowhere near as close as “lips and teeth,” as leaders of the two countries frequently described them in the years following the Korean War, Sino-North Korea relations nonetheless remain amicable and North Korea has provided China with an important strategic buffer.

China has profited greatly from the continuing boom in China-South Korean trade, which has averaged over 20 percent growth year-on-year.¹ In 2003, China is poised to supplant the United States as South Korea’s number one trading partner. Politically, too, Beijing and Seoul have adopted common stances on a range of regional issues, including most recently an accommodating policy of political, economic, and diplomatic engagement with North Korea. Thus, avoiding outcomes that would set back its relations with either the North or the South will remain an important consideration for China in managing the North Korean nuclear weapons issue.

China played a decisive role in persuading Pyongyang to participate in the six party talks last August and again in convincing North Korea to consider Washington’s recent offer of multilateral security assurances. Beijing’s willingness to assume an active diplomatic role and employ carrots and even a few sticks in its relationship with North Korea in unprecedented ways has been welcomed by the United States and has provided a substantial boost to Sino-American ties. President Bush and his cabinet members have repeatedly expressed their gratitude to Chinese leaders both publicly and privately for their concerted efforts to promote a diplomatic solution to the North Korean nuclear weapons challenge.² U.S.-Chinese cooperation on Iraq and the war on terror have also been important in strengthening the bilateral relationship, but Beijing’s involvement in those issues has been limited and surpassed by other nations. In dealing with Pyongyang, however, China is uniquely positioned to exert its influence. The willingness of Chinese leaders to abandon the role of bystander is therefore especially valued by Washington.

If the U.S. and China, in collaboration with Russia, Japan and the ROK, can successfully defuse the North Korea nuclear weapons crisis, Sino-American ties will unquestionably benefit. The six-party process might evolve into a dialogue mechanism for managing Northeast Asia security problems, which would create new opportunities for U.S.-Chinese cooperation in the region. However, given the wide gap in U.S. and North Korean demands and the reasonable doubts that Pyongyang will abide by its commitments, it is premature to forecast a lasting agreement. A solution that will satisfy

¹ Scott Snyder, “Middle Kingdom Diplomacy and the North Korean Nuclear Crisis,” *Comparative Connections*, July- September 2003.

² See, for example, the speech given by Secretary of State Colin L. Powell At The Conference on China-U.S. Relations Texas A & M University and The George Bush School of Government and Public Service, November 5, 2003, College Station, Texas, Bureau of International Information Programs, U.S. Department of State. <http://usinfo.state.gov>.

the Bush administration's requirement for complete, verifiable and irreversible destruction of North Korea's nuclear programs remains a long way off, if attainable at all. 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 China's interests. Use of force by the U.S. against the North—even if limited to a surgical strike on North Korea's Yongbyon nuclear facilities—would further sour U.S.-Chinese relations.

Future Korea Scenarios and Sino-US Relations

Change on the Korean peninsula is likely to take place in the coming decade. The process could be gradual or sudden; peaceful or violent. The emergence of new circumstances will unquestionably pose new challenges for Sino-U.S. relations. As changes unfold, Sino-American relations could be further strengthened or strained. Many variables would affect the bilateral relationship, including the nature of the inevitable revisions of the terms of the U.S.-ROK alliance and the deployment and missions of American forces that might remain on the peninsula. In this section, I will briefly outline some scenarios for change and comment on the implications of each scenario for relations between the U.S. and China. This is not intended to be a comprehensive assessment, but rather is aimed at outlining the key issues and stimulating discussion of the consequences of change on the Korean peninsula for Sino-U.S. ties.

Nuclear Crisis Resolved; North-South Division Persists

China's preferred future for the Korean peninsula is a stable, peaceful, non-nuclear and economically prosperous peninsula wherein Chinese influence is maximized. The safest means to achieve that goal without risking instability is through continued division of North and South Korea, the pursuit of economic reform and opening up by Pyongyang followed by steady economic growth and the narrowing of the gap with the South. Peaceful integration and unification of the two Koreas might follow, but would not occur in the near term. Beijing hopes for the normalization of North Korea's relations with the U.S. and Japan, thereby completing the cross-recognition the Chinese envisioned over a decade ago. From the U.S. perspective, this is not an undesirable scenario, but is considered exceedingly unlikely. The majority of the US elite believes that Kim Jong Il will balk at extensive economic reforms such as China has implemented since 1979 because he recognizes they would lead to the unraveling of his regime. North Korea can continue to be kept afloat by outside aid from China and other nations and, for some, as long as Pyongyang has no nuclear weapons or the means to develop them, this is could be tolerated for a considerable number of years.

This scenario is premised on agreement by Pyongyang to verifiably dismantle its plutonium and uranium enrichment programs. The implications of this scenario for Sino-U.S. relations would largely depend on: 1) whether North Korea adhered to its commitments and refrained from objectionable behavior in other areas such as supporting terrorism or proliferating weapons of mass destruction technologies and materials, and; 2) Beijing's response to a North Korean breach and/or other egregious behavior. If

evidence of a clandestine North Koreans nuclear program becomes known, will China agree to “all necessary measures” to eliminate it? U.S. expectations for Chinese cooperation will be high and the failure of Beijing to meet those expectations could be damaging to the relationship. A detected North Korea attempt to transfer weapons-grade plutonium through Chinese territory or air space would also pose a major challenge to bilateral US-Chinese ties.

Unification: Demise of the Buffer State

The preservation of a security buffer has long been a strategic imperative for Beijing. In recent years, however, some Chinese are beginning to re-think the assumption that Chinese security requires a buffer state. The dramatic improvement in PRC-ROK relations in the past decade, the growing friction between China and North Korea, and the pervasive pro-Chinese sentiments in South Korea that have emerged in tandem with the rise of extensive anti-American feelings, have increased Chinese confidence that Beijing would have sufficient leverage to protect its interests in a united Korea. Among a number of Chinese scholars and officials, the perceived need for a buffer state in the northeast has diminished and some even welcome a unified Korea under the South’s control that would eliminate the risk of war and provide greater stability and enhanced economic opportunities. In addition, many Chinese are confident that a united Korea would be closer to Beijing than to Tokyo and would strengthen China’s hand in guarding against any resurgence of Japanese militarism. Moreover, while there is no direct linkage between unification of North and South Korea and unification of the Chinese Mainland and Taiwan, union of the two Koreas might enhance prospects for a settlement with Taiwan.

One cannot ignore, however, the persistence of diehard elements in the PRC that believe a socialist North Korean buffer should be preserved at virtually any cost. Most notably in the military and the party, there is strong sentiment in favor of preserving North Korea as a viable, separate state. PLA interlocutors maintain that the demise of North Korea would present the danger of U.S. forces deployed close to Chinese territory, if not in peacetime, then in a Taiwan contingency. Some Chinese scholars are unsure that a united Korea would gravitate toward China. They do not rule out the possibility of a robust US-Korean alliance that is disadvantageous to Chinese interests and therefore feel more comfortable with the status quo. Some Chinese also express worries about Korean irredentism that could ignite a Sino-Korean boundary dispute. Others say that unification would siphon South Korean investment from China and divert it to the task of absorbing North Korea.

Even among those who believe that reunification under the auspices of a government in Seoul would best meet Chinese needs, there remains uneasiness about the process of changing the status quo. Most Chinese analysts of North Korean affairs expect that getting to a new end state will entail considerable chaos. They do not see evidence of challengers to Kim Jong Il who are waiting in the wings to replace him in a bloodless coup. Moreover, Chinese experts are convinced that China would not be immune from the destabilizing effects of a collapsing North Korean government and

economy. Contingency plans to close the border are in place, but Beijing worries that preventing an inflow of North Korean refugees could trigger protests in China by ethnic Koreans demanding assistance be provided to their brethren. Pressure from international human rights groups, South Korea and other countries to set up refugee camps along the border would create friction in China's external relations.

For the United States, Korean unification would pose both opportunities and challenges, but it would be unequivocally welcomed. Most importantly, completing peaceful reunification of the peninsula would remove one of the most dangerous lingering threats to U.S. interests in East Asia. Prospects for preserving a non-nuclear peninsula would be improved. Problems posed by North Korea's proliferation activities and other illegal behavior such as counterfeiting and drug smuggling would also recede. The elimination of the threat posed by North Korean missiles would considerably enhance Japan's security. The demise of a failed socialist regime and the establishment of a democratic, market-oriented nation on the peninsula would also be a plus for U.S. interests.

The role of the United States in a unified Korea is critical for China and Sino-U.S. relations. Assuming Beijing's cross-Strait problem remains unsettled, China will evaluate the U.S. role through the lens of its concerns about U.S. intervention in the Taiwan Strait. Concerns are likely already on the rise in China about the restructuring of U.S. forces in the ROK being undertaken by the Bush administration, including the expansion of the role of American troops into regional forces that will assist in stabilizing security in Northeast Asia.³ Unification would inevitably bring an even deeper reevaluation of the U.S.-ROK alliance and the presence of American forces on the peninsula than is being conducted now.

The U.S. would hope to maintain its treaty alliances as the core of its security approach, and the cornerstone of peace and stability in East Asia, even after change on the Korean peninsula. Washington would seek to preserve its special alliance relationship with Korea, redefined to support U.S. engagement region-wide as well as to maintain stability on the peninsula. Maintaining the alliance would also prevent Korea from leaning too far strategically toward China, which might jeopardize American and Japanese interests. The structure, nature, and level of U.S. forces in Korea will be negotiated with Korean authorities after unification. The U.S. will seek a combination of basing and access rights to support broad U.S. defense needs in the region, including sustaining domestic support in Japan for hosting U.S. forces.⁴ To meet U.S. regional needs, DOD may want to combine its military capabilities in the region to provide an integrated, joint force. The Chinese will be wary that the U.S. seeks to transform its

³ Yonhap, October 10, 2003 reported that South Korean and U.S. officials agreed to expand the role of American troops in the ROK into "regional forces" during defense talks held in October. A formal agreement on the expanded role of U.S. forces in Korea is slated for release during annual defense ministerial talks in mid-November.

⁴ *A Blueprint for US Policy Toward a Unified Korea*, Center for Strategic and International Studies, August 2002.

bases into power projection platforms for regional purposes, including containment of China and a Taiwan contingency.

How Beijing views any new military and strategic arrangements between Washington and Seoul after unification will depend on how the integration process occurred, as well as the status of Sino-American relations and China's assessment of U.S. intentions at the time of unification. A peaceful merger of the two Koreas that is realized through U.S.-Chinese cooperation will engender less Chinese concern about continuing close American ties with the peninsula than a violent process in which the U.S. and China have been on opposite sides, even if not engaged in direct combat. In a "soft landing" scenario characterized by a protracted period of peaceful coexistence and gradual integration, the U.S. and China could jointly facilitate and regulate the coexistence process between the two Koreas. This could include promoting confidence building measures between North and South and monitoring force reductions. Washington and Beijing could also ensure the non-nuclear status of the peninsula and provide external security guarantees.

If unification occurs by default, through state failure and sudden collapse in the North, some form of international intervention would likely be necessary to restore order. Mechanisms for mass population control such as border maintenance and control, refugee processing, and controlled labor migration will be required, perhaps under UN auspices. China may have concerns about the US role in the restoration of order and administering the North in cooperation with the South. Beijing will likely seek to promote reliance on multilateral institutions in which its own influence is maximized and the U.S. role is constrained.

Unification by war is an unlikely, but plausible scenario and is the most dangerous of all outcomes for Sino-US relations. If North Korea launches an attack on South Korea, Beijing would likely not send PLA units to fight alongside North Korean troops as it did in the early 1950s, but China might provide assistance through the provision of weapons and logistical support. The 1961 Sino-DPRK treaty, which remains intact, included the clause that if either were subjected to aggression by any state or group of states, the other would "immediately render military and other assistance by all means at its disposal."⁵ One Chinese scholar has recently advocated that the clause be excised from the treaty, but there is no evidence that this proposal has official backing.⁶ If

⁵ "Treaty of Friendship, Co-operation and Mutual Assistance between the People's Republic of China and the Democratic People's Republic of Korea, Peking 11 July 1961," in D.C. Watt, ed., *Documents on International Affairs 1961* (London: Oxford University Press, 1965), pp. 258-59.

⁶ Shen Jiru, director of the International Strategic Research Center of the Institute of World Economics and Politics under the Chinese Academy of Social Sciences, advocates amending the treaty. He maintains that "the clause was signed against a specific historical background. However, we should note that profound changes have taken place in the current international situation and the status, role played by China in the international community. It is unrealistic to cling to the clause concluded during the Cold War period under the new situation." Liao Ya-meing: "PRC Scholar Proposes Amending Sino-DPRK Treaty of Friendship, Cooperation," *Wen Wei Po (Internet Version-WWW)*, August 15, 2003, FBIS Document ID: CPP20030815000069.

military conflict breaks out, China might also take unilateral actions to protect its security interests, for example, by seeking to create a buffer zone to prevent refugee flows. Such a zone, if established on Korean soil across the Tumen and Yalu rivers, might elicit U.S. and ROK concern.

The most critical question for Beijing in any unification scenario is the future security mechanism in Northeast Asia and the role of the United States. China has been promoting a new security concept for the broader region since 1997 that envisions the abolition of military alliances and the establishment of relations among nations on the basis of the Five Principles of Peaceful Coexistence.⁷ This reflects China's general dissatisfaction with the prevailing security arrangements in the region and its desire to advance a different vision for a future post-Cold War security environment. Would China challenge a U.S. effort to preserve its role as regional balancer, maintain its alliances, and retain a robust military presence in the ROK and Japan? Or will Beijing seize the opportunity of change on the peninsula to press for the establishment of a multilateral security mechanism in the region? China might quietly discourage or openly oppose the continuance of a U.S. military alliance with a united Korea, preferring instead a neutral Korea or a Korea enmeshed in a regional security system. The United States, while unlikely to oppose the creation of a multilateral security institution in Northeast Asia, will probably not support such an institution as a substitute for its bilateral alliances.

Need for Dialogue

After Korean reunification, regardless of how it occurs, the U.S. and China will share an interest in the maintenance of peace and stability and in a nuclear-free and economically prosperous peninsula. Both countries would oppose any excesses of Korean nationalism that might be aimed at Japan or other countries. Despite these common interests, the potential will nevertheless exist for substantial mutual suspicion and competition between the U.S. and China. Beijing will be wary that a major U.S. objective will be to maintain a hedge against a rising China as a potential threat to regional stability. China will also be leery of U.S. efforts to maintain basing arrangements and will suspect U.S. motives to contain a rising China and bolster U.S. capabilities to intervene in the Taiwan Strait. The U.S. will also have concerns that Chinese efforts to forge a close partnership with Korea will be aimed at driving a wedge between the U.S. and Korea. .

The recent trend of regular dialogue and close cooperation between the US and China to peacefully resolve the North Korea nuclear issue is a welcome development. However, there is still a dearth of discussion by the two countries of how change on the Korean peninsula may take place and how their respective interests can be secured in different contingencies. Through such a dialogue, Beijing and Washington could seek to ease each other's concerns and suspicions, thereby mitigating the possibility of friction

⁷ David M. Finkelstein, *China's New Security Concept: Reading Between the Lines*, Issue Paper, Project Asia, The CNA Corporation, April 1999.

and competition, and increasing the prospects for Sino-American cooperation on the Korean peninsula in the future.

Session VI:

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

**Resolving the North Korean Nuclear Issue and Bringing Peace to the Peninsula: An
Appraisal of U.S. Strategy**

Alan D. Romberg

Prepared for the Meeting on “Assessing Key Trends in U.S.-China-Korea Relations: Implications
for Korean Peninsula Security”

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Introduction

I have been asked to discuss U.S. strategy for resolving the DPRK nuclear threat and bringing about enduring peace on the Korean Peninsula. From an American point of view, while these are separable topics, they obviously have a strong relationship to one another, although the effects are not necessarily equal. That is, while success in one of these areas can help success in the other, perhaps significantly, nonetheless it will not guarantee it; failure in either area, however, could well spell disaster in the other.

In this paper, I will first talk about American attitudes and policies toward the North Korean nuclear issue, then toward long-term Peninsula stability, and finally how they interact. I will argue that the lack of an American strategy—indeed, the lack of a serious U.S. policy—over the past thirty-four months has endangered the prospects at least for the first and perhaps for the second, as well. I will also address the interaction among the United States, China and South Korea on these questions as seen from an American perspective.

Resolving the North Korean Nuclear Threat—The Clinton Approach

As we now know, when Bill Clinton left office in January 2001, North Korea was already engaged in serious clandestine efforts to develop an alternative source of fissile material through uranium enrichment to continue its nuclear weapons program. In earlier years there had been signs of such efforts, but no evidence that the North had succeeded or that those efforts yet posed a serious risk to the substantial achievement of freezing the DPRK's plutonium program since 1994, making a rapid breakout extremely difficult if not impossible.

That the Agreed Framework had flaws was never in doubt. Among other things, it was not comprehensive, focusing almost entirely on the plutonium program associated with Yongbyon. It did not deal with the non-nuclear aspects of the nuclear weapons program, including high-explosives weapons tests that CIA now estimates have given the North confidence in the reliability of its nuclear deterrent even without a nuclear test. It did not provide for challenge inspections of "suspect sites" such as Kumchangni, even though access to that site was eventually granted (and nothing suspicious found). And it left unresolved the issue of the estimated one or two weapons worth of unaccounted-for spent fuel from the unloading of the 5MW research reactor in 1989. Moreover, and of great importance, it allowed the retention in North Korea of the five to six weapons worth of spent fuel from the unloading of that same reactor in 1994 until a

certain stage of construction in the Light-Water Reactor (LWR) program and the completion of Pyongyang's accounting of past nuclear activity to the satisfaction of the IAEA.

But the Agreed Framework did accomplish a great deal. It suspended the plutonium program with the prospect that it would be dismantled at some (foreseeable if indeterminate) point within the next several years; closed down the 5MW research reactor under seal; suspended construction on the 50MW and 200MW reactors, which could, if completed, produce enough spent fuel for use in dozens of nuclear weapons each year; safely canned the spent fuel unloaded from the 5MW reactor in 1994; and shut down the reprocessing facility—all under the watchful eye of onsite IAEA inspectors. It also promised to provide North Korea with a more proliferation-resistant light-water reactor nuclear energy technology than the graphite-moderated reactors being shut off.

However, going beyond the technical issues of the nuclear problem—which was always the DPRK's desire—the United States and North Korea had issued a joint statement in October 2000 that pledged that neither “would have hostile intent” toward the other and that both would work toward a new relationship freed from the enmity of the past. This represented, in a sense, a renewal of pledges already made (if not fully implemented) in 1993 and 1994, but which had lost a great deal of credibility in the U.S. after the Kumchangni issue arose and after the Taepodong missile launch in August 1998. Now, in the wake of those setbacks, and following a renewed effort under the “Perry Process,” the new statement seemed a major step forward, especially coming the context of Vice Marshall Cho Myong-rok's “direct and warm” meeting with President Clinton at the White House. And following Secretary of State Madeleine Albright's visit to North Korea in November, President Clinton even considered going to Pyongyang to conclude a missile deal, but he did not do so due both to the lack of specificity of what the deal would encompass and the complications introduced by the results of the U.S. presidential election.

...The Bush Approach

When President Bush took office, all of the momentum died. The North sought a reaffirmation of the October 2000 pledges, but the U.S. refused. In addition to the overall “ABC” (anything but Clinton) attitude of the incoming Administration, it had become an article of faith in Republican circles that the 1994 Agreed Framework was seriously—fatally—flawed, and that the North could not be trusted to live up to it or any other agreement.

As a result, the Bush Administration's approach to North Korea not only did not extend to embracing statements of no hostile intent, it was dismissive of any talks with the North at all. Many on the new team wanted to end the LWR project, which they deemed a proliferation danger, and to terminate the Agreed Framework, which they considered little more than appeasement. In the process, the Administration walked away from ongoing nuclear and missile talks with the North, foregoing what some closely involved believe was a reasonable chance on the former account to successfully address some of the known problems with the 1994 agreement.

The failure of ROK President Kim Dae Jung's March 2001 visit to the United States had multiple causes, but the Administration's attitude was chief among them. Still, after consultation with Japan and South Korea, the Administration agreed in June 2001 to meet with the North "anytime, anywhere" to talk about anything, but only under the principle of having a very broad agenda (including human rights and economic reforms) in which everything had to be agreed as part of a comprehensive package before anything was finally agreed.

As part of his decision, President Bush stated that the United States would abide by the terms of the Agreed Framework as long as North Korea did. This had what, for the President, in any case, may have been the unintended consequence of setting off a hunt by those seeking to sink the Agreed Framework for an excuse to do so. The infamous "anticipatory breach" argument arose in this context.

As we all know, it took the North a long time to agree to meet on the basis the U.S. laid out, and when it finally did agree to do so a year later, in July 2002, that was scuttled by a North-South naval face-off in the West Sea. And by the time a meeting was rescheduled in October, the U.S. had intelligence it believed was credible on the existence of an extensive and fairly far advanced HEU program.

The North, of course, bears basic responsibility for the current situation for pursuing a clandestine uranium enrichment program and continuing in other ways to develop nuclear weapons. Whether Pyongyang admitted to having an HEU program or not in October 2002 (and I believe that is not clear), the fact that there is a uranium enrichment program and that, at least in principle, it is inconsistent with a series of agreements is not in much doubt.

But the U.S. bears significant responsibility for the atmosphere created by the previous two years of posturing without a serious strategy or realistic goal. Moreover, the diplomacy of the year

since the HEU issue was first broached in Pyongyang has been affected in a major way not just by the U.S. belief that it heard a “confession,” but also by Washington’s refusal to accept the DPRK offer to talk and the decision to apply pressure, instead. Insistence initially that the North unilaterally, verifiably, and completely dismantle the HEU program—and only then would the U.S. talk—demonstrated that Washington still had an *attitude* but not a *policy* designed to move the situation from where we were to where we wanted to be, and it predictably failed to achieve its stated goal. Moreover, the cutoff of heavy fuel oil, as logical as it might have appeared in one perspective, triggered the unfreezing of the plutonium program, removal of the seals and ouster of the IAEA inspectors, the restart the 5MW reactor and the reprocessing facility and resumption of construction on the 50 and 200MW reactors and, so Pyongyang claims, the uncanning and reprocessing of the 8,000+ spent fuel rods theretofore in safe storage.

Looking for Solutions

Whatever the flaws of the approach up to that point, the effort to achieve a consensus of the other principal players in this drama—China, Japan, South Korea and, hesitatingly, Russia—has much merit. If harmony of views is achieved, then this will make it far harder for Pyongyang to slip around the edges of any demands. Moreover, it should actually reassure the North, which can count on the other players to bring pressure to bear on the United States to accommodate any reasonable North Korean positions and to moderate its own demands to meet the standard of reasonableness. Further, any assurances provided to North Korea, individually or on a broader basis, will carry the weight of the endorsement of the entire group and thus have a value that a guarantee by a single power could not have.

That said, the U.S. focus on multilateral process to resolve the issue *to the exclusion of any* serious bilateral component or even, to date, a substantive plan is unlikely to work, unless the goal is merely to stretch the process out for awhile. As viewed from Washington, this approach reflects two major factors: the attitude of the President of the United States and the serious splits within his Administration over objectives and methods.¹ The splits complicate the ability to come up with a serious substantive position, and I discuss those below. But the fact is that the President’s role is far more important to any future progress. This is seen by analogy in American China policy, where a deep divisions also existed—and no doubt still exist—within the

¹ To a certain extent, it may also reflect the realities Washington faces in Iraq, though one should note that the U.S. pressed for a multilateral approach on North Korea before the Iraq war and the harsh realities of winning the peace.

Bush Administration over how to approach the PRC and Taiwan, but where even before September 11th—and with renewed emphasis afterward—the President imposed discipline on his team. He has done no such thing on North Korea policy and, until and unless he does, progress will be hard to come by.

As to the splits, setting aside the deeply divided views in the United States over the value of the 1994 U.S.-DPRK Agreed Framework, there are also deep divisions within this Administration about whether there can and should be a serious U.S.-DPRK bilateral process *alongside or embedded in* the multilateral process; if there is such a bilateral process, what its content should be; and what specific verification and enforcement mechanisms are appropriate. There now seems to be some movement in the Administration on the question of “parallel steps”—i.e., the notion that the U.S. would do some things demanded by the North without requiring that the North first do everything demanded by the U.S. But it is unlikely that the gaps will easily be bridged either within the United States or with Pyongyang regarding *which* “parallel steps” are appropriate and what the exact sequencing should be. The DPRK notion of “simultaneity” has been dismissed by the State Department spokesman as a “buzzword” of little consequence, though “coordinated actions” does seem to garner approval all around, even if there is no agreement on the definition.

There are various gradations of opinion among Americans about how to resolve the nuclear issue, but for the sake of stimulating discussion—recognizing that the majority of American experts and policymakers embrace elements of both positions—let me try to illuminate the nature of the internal U.S. debate by describing two polar opposites.

On one side are those who believe that the only reliable assurance of the North’s dismantling its nuclear program and not engaging in either missile or nuclear proliferation is a change in the DPRK leadership. These people may accept the limits the President has set on the use of military force to overturn of the current regime in Pyongyang, but they favor squeezing the North economically and diplomatically until it either changes policy (which most in this camp believe it will never do) or an internal dynamic is precipitated that leads to a change in leadership. Some in this group would accept an agreement if it included “zero tolerance” of any nuclear (and, preferably, any other WMD) program, if substantial irreversible dismantlement steps were taken before the U.S. and others took any significant steps in the DPRK’s direction, and if that approach were verified by an “anywhere, anytime” inspection regime by the international

community. But, in fact, most do not believe North Korean agreement to such an outcome is a realistic prospect, so for them, therefore, the negotiation is a prelude to something else.

Some in that group would also insist on including human rights reform and economic reform in any package deal with Pyongyang on the grounds that without them there would not be a sufficient change in the political system to guarantee that the North was sincerely giving up its nuclear ambition. Among the more ideological of these people, the spread of democracy and market economy is also a high priority goal in itself because of the intrinsic value of these institutions, making them no less important than nonproliferation goals and, therefore, objectives that should not be sacrificed in the pursuit of nonproliferation.

On the other side, there are those who, like the first group, also seek the complete, irreversible and verified dismantlement of the North's nuclear program, but who believe that, whatever the facts about the North's responsibility for the current situation, one cannot resolve the problem without addressing on a truly parallel basis what most of our Six Party partners consider to be the North's own reasonable security requirements. This extends beyond purely military security to a sufficient level of DPRK economic security and interaction with the world to hold out some hope for at least medium-term stability in the North.

This latter group would tend to support an active diplomatic process with the North that includes not only multilateralism but also bilateral talks to explore in depth—and help meet—the needs of both sides; a willingness to provide at least temporary security assurances to the North while negotiations are going on—with those assurances to turn into permanent guarantees when final arrangements have been made. While holding no brief for the repressive regime in Pyongyang, people supporting this position would avoid what they see as gratuitous aggravation of the negotiation through use of counterproductive characterizations of the North Korean leadership by senior American officials or adoption of a goal of regime change. And although they would not exclude either human rights or economic reform issues from a broader dialogue with North Korea, they would focus in the short term on reaching accord on the nuclear and missile issues.

Wherever one stands on those questions, there is a broad consensus that returning to the 1994 approach is not possible. Now, most Americans concerned with this issue rule out either a strictly bilateral agreement or one that lacks stringent verification and enforcement mechanisms. Not only would such an agreement be of questionable reliability, but it would be a political liability

for anyone advocating it. Moreover, the Congress would almost certainly not fund any activities under it, making it a dead letter from the outset.

At this point, there is also general agreement that early and complete dismantlement of the DPRK nuclear weapons program—including facilities, fissile materials and any existing weapons—is required, as is the early shipment out of the country of the existing (formerly canned) spent fuel or any plutonium extracted from it. Most Americans rule out the use of force as an instrument of choice to bring about this result, though the consensus on this point only seems to apply to an actual military strike (rather than, for example, high-seas interdiction), and only then if the North does not provoke an attack by crossing redlines such as providing nuclear materials or weapons to foreign interests.

Coordination in the Six Party process

All in both groups also attach importance to coordinating well with our Six Party Talks partners. But it is clear that there are some significant differences between the current U.S. stance and that of the others, especially as regards how forthcoming the U.S. position should be. As long as the focus is on process, i.e., having the North return to the table and keeping the dialogue alive, those differences can probably be managed. But since the U.S. focus is also on keeping pressure on the North not to advance its program and on producing results in a reasonable time frame, the potential for serious rifts with the others exists.

Moreover, if things go badly with the North, while the net result will not favor the DPRK, and indeed could threaten its very existence, it will also likely lead to long-term strains in ties among the other Six Party participants. The “saving grace” so far has been the North’s outrageous behavior, which has convinced even those countries most sympathetic with the DPRK not only that the North’s nuclear program must be dismantled, but that Pyongyang must be required to behave better. And those who seemed most skeptical about the existence of a program in the past (i.e., China and South Korea) now seem to accept its reality, although there still are differences among the Six Party partners both about the priority of the nuclear issue vs. other peace issues and about the best way to go about the Six Party negotiation.

This is perhaps a foolish time to be speculating about or prescribing solutions, since all signs point to the resumption of the Six Party talks within weeks and the movement of the U.S. position toward some sort of multilateral written security assurance to the North “in parallel with” steps by

the North to dismantle its nuclear weapons program. But the fact is, it is far from clear whether what the U.S. has in mind will suffice to meet the North's position on "simultaneous" steps and abandonment of the U.S. "hostile attitude."

Looking Ahead

In my own view, some multilateral piece of this is quite helpful, even necessary. But what is unclear—indeed, what is doubtful—is whether it is sufficient. Although recent DPRK statements seem to indicate some flexibility on the form of a U.S. assurance (after all, the issue is not the words on a piece of paper), North Korean statements point to the continued DPRK focus on the problem as essentially a bilateral one.

In any event, the United States needs to have a specific and reasonable plan in mind for moving ahead²—including an inspection and verification regime that is reliable but also realistic. At the same time, North Korea needs formally and unambiguously to declare its willingness and commitment, if given credible security assurances, to dismantle its entire nuclear weapons program under international inspection, including giving up any weapons and fissile material it may have secreted away.

As discussed earlier, agreement among the others in the Six Party process will be necessary on the definition of some of these terms, including the sequencing of steps to be taken and the specific requirements for verification, to ensure that the North is not allowed to create ambiguities or loopholes for retaining some capability. That will be a difficult task. But even if agreement is reached among the five on these points, if agreement with the North still proves impossible, the U.S. and the others will then face another, more extreme, dilemma of whether they can "live with" a North Korea possessing at least some nuclear weapons capability. The five may have different answers.

² My own preference is for development of permanent peace arrangements to replace the Armistice, and to use this as a way of meeting the North's desire for security assurances as well as the U.S. goals. This would allow for a number of elements including a North-South agreement (which is absolutely critical), some kind of U.S.-DPRK agreement, and an agreement that involves China as well as, in some capacity, Russia and Japan. It would also necessarily address the question conventional forces, which has been a particular focus of some in Washington and which lies at the heart of long-term Peninsula peace and stability. However, despite some press reports that the U.S. is looking at just such peace arrangements, as I understand it those reports are misleading to the extent that they suggest that Washington's vision is to fashion such arrangements as a way to resolve the near-term nuclear problem. Rather, the vision is that permanent peace arrangements will eventually be possible to ensure long-term security, but this is a very long-term prospect and not a vehicle for dealing with the immediate issues.

On the one hand, we presumably have been living with that reality (at least according to recent U.S. intelligence estimates) for a number of years. But, on the other hand, the degree of ambiguity about North Korean capabilities was greater before and thus easier to finesse. Now, while not totally clear, the situation is significantly altered due to DPRK actions and claims. So the question becomes: is the continuation or the expansion of that semi-acknowledged capability *literally* “intolerable” or “unacceptable” as many of the governments involved have said, and, if so, what does that mean in terms of policy responses? And would that change if the North either tested a nuclear weapon or formally declared itself a “nuclear weapons state”?

Which requires at least a quick word on “redlines.” The U.S. has avoided specifying steps that would trigger a sharp U.S. response, including possible use of force. There is one step, however, that would clearly cross the line, whether formally stated or not: shipping fissile material or nuclear weapons abroad. DPRK Representative Li Gun seemed to suggest to Assistant Secretary James Kelly in April 2003 that the North might just do that “depending on U.S. actions.” Later statements out of Pyongyang strongly suggest, however, that the DPRK subsequently got the point that turning the nuclear issue from a national security problem into a homeland security problem for the United States was a strategic error. So, rhetorically, at least, that has been put back in the box by North Korean statements that it has no intention of providing its “nuclear deterrent” to others. Still, there should be no doubt that if there were any such action, the U.S. would respond with force.

Creating a Stable Peace on the Korean Peninsula

The issue of maintaining an enduring state of peace and stability on the Peninsula is related but not identical to resolving the nuclear issue. However, the issues come together especially in growing attitudes in certain segments of South Korean society that the principal security issue for the ROK is reunification, not the North Korean nuclear threat. This has led to a certain resentment and even dismissiveness among segments of South Korean society about the U.S.-ROK alliance. That does not, however, seem to be a majority opinion in the South, or the attitude of the ROK government. Moreover, there is not a likely scenario that will bring about reunification in the near future, so the reality is that the threat of war will remain.

But the situation has been complicated by U.S.-ROK differences over North Korea policy and, in my judgment, the mishandling of various troop-related issues. These differences have had the

paradoxical effect of stimulating some calls in the ROK for reducing or ousting U.S. forces, while at the same time raising fears of U.S. abandonment.

The latter concern has, in turn, given rise to two, almost opposite, charges: either that the U.S. is abandoning South Korea for other “more pressing” security concerns off the Peninsula such as the war on terrorism, or that Washington is clearing the ground near the DMZ to facilitate an attack on the North.

In my judgment, while one cannot deny the salience of these concerns among some groups in South Korea, both are seriously misplaced. The U.S. commitment to the security of the ROK should be in no doubt. Having sacrificed almost 34,000 battle deaths, close to 100,000 wounded, over 7,200 prisoners of war and more than 8,000 still missing in action in the Korean War, the United States has for the half century since then remained deeply committed to the security of the ROK and the maintenance of peace and stability on the Korean Peninsula. Although the U.S.-ROK Mutual Defense Treaty was originally negotiated with an authoritarian government in Seoul as a way of gaining Seoul’s agreement on the Armistice, it has grown into a strong bond with a democratic partner who now shares basic goals and values.³

Having advocated redeployment—and reduction—in U.S. forces in Korea over a decade ago, primarily to ensure the durability of the alliance by making their presence more acceptable to the Korean people, I still favor doing so now. But the domestic Korean political climate in which this is taking place, and the sense among many Koreans that this is being imposed on Seoul by Washington, in combination with serious disconnects that persist on North Korea policy, have led to the dual concerns noted above.

In my view, in order to ensure the maintenance of peace and stability on the Peninsula, one needs a combination of credible deterrence—and that in turn requires a strong sense of alliance between the U.S. and ROK as well as between the United States and Japan—and, increasingly, common cause with China. Stronger bilateral security cooperation between Japan and the ROK would also make a significant contribution to the climate of stability on the Peninsula.

As indicated above, the issue of Korean unification plays a key role here. I will not try to delve into it in any detail, but suffice it to say that it remains an important national objective, even

³ For Americans there is a certain irony here, in that the alliance was often viewed in the past by Americans as a check on South Korean ambitions to launch operations against the North; now many in the South see the alliance as a tool for the ROK to impose restraints on U.S. consideration of military options.

though most South Koreans understand it is not a realistic prospect in the near future, nor one whose heavy burdens they would readily welcome if it occurred suddenly. Still, Koreans suspect that all foreigners oppose unification (albeit perhaps for differing reasons) or that they at least throw unnecessary obstacles in the way for their own selfish reasons.

Others can speak to the views of the other countries involved. But, given that it is now assumed that unification would only take place on terms basically laid out by the South (rather than the previous fear that they would be imposed by the North), and although there are concerns about the social and economic impact, Americans basically would welcome unification of Korea and are mystified by the charge that they would not. However the fact that there is such a charge makes clear that work is needed to make the true attitudes known.

Interaction between the Nuclear Issue and Enduring Peace on the Peninsula

Although resolving the nuclear issue would not solve all issues among the Six Party participants, the effort to deal with the North Korean nuclear issue has begun to create habits of cooperation among them that can have an important stabilizing effect on the Peninsula—indeed, on the region—over the long term. Seoul has recently been testing the notion that the Six Party process can evolve into a more permanent “Track I” Northeast Asia security dialogue. Whether this proves feasible in the end or not, it speaks both to the progress made in developing patterns of consultation and nascent cooperation and to the need for a government-level regional security consultative mechanism. (The ASEAN Regional Forum, or ARF, is useful, but it is viewed by most Northeast Asians—and the United States—as of only marginal relevance to issues specific to the area north of the Philippines.)

Similarly, although success in stabilizing the Peninsula’s security situation through strengthening of alliance and other bilateral relations will not assure success on the nuclear issue—after all, the North has been successfully deterred from attacking the South since 1953, but it has not been deterred from pursuing its nuclear weapons program—it will make the forging of a common position easier in what will undoubtedly be a difficult and drawn out Six Party process, thus enhancing the prospects for peaceful resolution of that issue.

On the other hand, the breakdown of efforts to resolve the North Korean nuclear issue would almost certainly exacerbate tensions between and among the Six Party participants, making

successful management of Peninsula peace and stability relationships considerably more difficult. Indeed, failure could well lead toward the brink of war with the DPRK.

As well, failure of efforts to solidify the various bilateral relationships, and the generation of new tensions, would seriously undermine efforts to peacefully resolve the North Korean nuclear issue, as it would complicate the task of presenting Pyongyang with a united front, perhaps leading the North to believe it could afford to continue high-risk nuclear games that would, in fact, force Washington's hand.

Conclusion

Clearly, it is in everyone's interest that the North Korean nuclear issue be resolved peacefully, and for that it must involve a central multilateral component. But such nostrums are of little use if not backed up with strategies and substantive policy positions that hold the prospect of moving toward success including, in my view, a significant U.S.-DPRK bilateral piece. But if the predictions of some observers are correct that both Washington and Pyongyang will engage in a "slow walk" of the issue over the next year—that is, avoiding an intensive effort to reach a conclusion at least until after the U.S. presidential election—I view this as a highly risky approach. Too much can unexpectedly go wrong if progress is not being made.

Everyone on the U.S. side understands that the relevant issues are difficult and consequential. But there is a sense among many Americans that not all of our Six Party partners share that understanding and a feeling that some of the "cooperation" we have seen of late is for the sake of ensuring U.S. adherence to a peaceful approach rather than part of a serious effort to resolve the issues, even if only over a long period of time.

As long as things move along relatively smoothly, then such gaps may not matter very much. But if for any reason the North decides to ratchet things up a notch, although Pyongyang itself will not likely benefit in the end—indeed could suffer grievously—in the course of reacting, the other Six Party participants could find their relations strained and their interests seriously damaged.

It is also obviously in everyone's interest to promote long-term peace and stability on the Peninsula. But if everyone acts as though all of the relationships necessary for that are in sound condition, we could also very well run into serious trouble on that account, as well. Whatever the pace of progress on the nuclear issue, Seoul and Washington need to work hard to generate positive attitudes in both countries about their alliance relationship. That means each needs to

make serious efforts to understand and work with the concerns of the other, not to submit to the whims of the other alliance partner, but to manage the relationship in positive directions and not allow grievances on both sides to dominate the agenda. Much the same can be said of U.S.-Japan relations, which are in good shape at the governmental level but need serious work in terms of public attitudes.

With China, one is tempted to argue for a “steady on course” American approach. But here, too, I believe that things are more fragile than they appear if one only looks through the lens of recent cooperation in the Six Party process. Even there, the U.S. still thinks China can exert more leverage on Pyongyang, and China still thinks the U.S. can take a more reasonable stance on both the substance of North Korea’s requirements and in giving the North some “face” through bilateral dealings. Moreover there are other important unresolved issues—Taiwan principal among them—that could affect the willingness of both Washington and Beijing to continue on the same cooperative path on Korea.

Without trying to become too prescriptive, the lesson is obvious: none of these issues can be neglected or left to chance. Not only the fate of the nuclear issue, itself, but of long-term peace and stability on the Peninsula and throughout the region hinge on a more active, thoughtful and creative approach by all concerned.

South Korea's policy toward North Korea

By: **Chaesung Chun**

Assistant Professor, Department of International Relations, Seoul National University

A paper prepared for the conference "Assessing Key Trends in U.S.-China-Korea Relations: Implications for Korean Peninsula Stability," co-sponsored by the International Security Program, Center for Strategic and International Studies and Seoul National University's Center for International Studies, at the JW Marriott Hotel Seoul, November 18-19, 2003.

South Korea's policy under the present Roh administration toward North Korea follows two-track approach, the one bilateral based on the strategy of engagement and the other multilateral on the strategy of prudent and coordinated negotiation, under the grand design of the so-called "the Policy of Peace and Prosperity." The policy of peace and prosperity aims to "lay the foundation for the peaceful unification of Korea through the promotion of peace on the Korean peninsula and to achieve mutual prosperity for South and North Korea." It broadens the perspective of policy area by trying to "contribute to peace and prosperity in Northeast Asia." Emphasizing the continuity with the so-called "Sunshine Policy," a past version of engagement under Kim Dae-Jung administration, it holds on to inter-Korean economic, social and cultural interaction, that is, low-politics transaction. Roh administration plans to continue its cooperative momentum to high-politics issue-area by "resolving the pressing North Korean nuclear issue peacefully through cooperation with nations with an interest in Korea," which is confronted with tremendous challenges. If North Korean nuclear problem be dealt with successfully by interested powers, Roh administration might have a chance to pursue the next-stage policy objective, which is "the establishment of a durable peace regime on the Korean peninsula by promoting substantial cooperation and military confidence-building between the two Koreas as well as by supporting the normalization of relations between North Korea and the international community, particularly the U.S. and Japan."

Sources of South Korea's Policy toward the North: Changing worldview and belief system

South Korea, even with the achievement of rapid economic development resulting in the 11th or 12th largest economy, still remains a relative weak country in the region of Northeast Asia. Under the traditional diplomatic surroundings before the 19th century, the Korean Peninsula, even though it was a small country, could maintain a relatively independent status under the complex Sino-centric system. Also there has existed a security logic based on the recognition of reciprocal obligation among actors with different political and military powers. The idea of political autonomy or the desire for it coexisted with the reality of hierarchical regional order, with the help of "soft power" of neo-Confucianism which constituted collective identities of regional actors, especially China and the Korean Peninsula. There had been a trade-off between security and autonomy for the Korean Peninsula, allowing it to enjoy what I call "Confucian peace."

When a certain type of order has a strong foothold on a specific equilibrium and constitutes identities of actors, it can be said to be stable. Without serious power transition, that order persists regardless of the moral quality of it. In mid-19th century, Northeast Asian region experienced "the clash with another civilization and fundamental, international order" under the influence of Western imperialism, that resulted in tremendously violent process of accepting modern European international order. The concept of state sovereignty was foreign to all actors, but it has remains the ideal at least to Korean people to the present. Learning from the articles of modern, European international law, Korean people thought that they were permitted to have state sovereignty that means the absolute, and exclusive authority vis-à-vis foreign power, even traditional Chinese hegemony.

Due to traumatic experience of Japanese colonialization, unexpected foreign government and the threat of mandate system after independence, the Korean War under the Cold War setting, resulting Cold War confrontation with endless security threats from Northern communist countries, the desire for state sovereignty was substituted for the basic need for national survival. Anarchy and predation among great powers made a weak country's long-desired goal for political autonomy dormant for about a hundred years.

The breakdown of the Berlin Wall on Oct. 3, 1990 left a deep impression for South Korean people with jealousy and provided a wakeup call for the long-dormant desire for one, unified state with national power enabling the survival and prosperity. Especially young people who have not experienced the red scare, the cruelty of the Korean War began to cherish the ideal of nationalism which now seemed to overwhelm Cold War ideology. After ten years, they witnessed the touching scene of two Kim's hugging each other that seemed to end the long-standing Cold War confrontation, and the destiny of "divided and ruled" Korean Peninsula. That was the historic inter-Korean summit meeting in June, 2000. Now they are grown enough to have votes to support a new generation of leadership in South Korea.

Kim Jong Il, in that same scene, however, revived irrecoverable feeling of fury and sorrow for the older generation who experience the tragic war caused by the father of that person. The difference or cleavage among Korean people who look at the same events from very different perspectives is based on identity. Identity is constituted by experience, process of socialization, shared norms, and social understanding. They think differently and vote differently. The so-called "south-south conflict," or "bipolarization of public opinion between conservatives and radicals," looms large among Korean people, developing social cleavages and confrontation.

Identity based difference revolving around the policy toward the North, the prospect of the ROK-US alliance, troop dispatch to Iraq, and the desirability of inter-Korean economic cooperation, hardly allows South Korea to find out a well-coordinated strategy in dealing with the North, and actors in domestic politics fully manipulate this unhealthy situation.

South Korea's North Korea policy under Roh administration

Words or names hardly catch the exact meaning or components of a policy. Vaguely termed, the policy of "Peace and Prosperity" is not an exception. As I see it, ideas behind the new policy are that 1) the current administration inherits the "Sunshine Policy," but with important corrections and prudence; 2) it broadens the span of foreign policy to the level of Northeast Asian region with the mediation of possible peace regime on the Peninsula and economic networking; 3) it guarantees the survival and prosperity of Korea in the region by contributing to the creation of new concepts of security, such as "common or comprehensive security" and concerning multilateralism, for which six way talk might provide a possible springboard.

South Korea's North Korea policy has evolved from Nordpolitik, Sunshine Policy, to the policy of Peace and Prosperity, with the final destination of the policy of "engagement." There could be diverse versions of definition, strategies, and tactics for engagement, and many different engagers with different theoretical bases. Core elements of Korean version of engagement are thought to be as the following: 1) South Korea does not pursue the strategy of unification directly with coercive means, advancing tension reduction and peaceful coexistence as the most impending objective; 2) South Korea does not aim at absorption of the North; 3) the South should be very cautious of the possibility of unexpected, and sudden breakup of the North and be prudent for the process of coexistence; 4) military confrontation, the development of WMDs or the war is strictly to be avoided; 5) the South provides economic, social and diplomatic assistance to the North with the hope of transforming the economic and social structure of the North and possibly having the "spillover" effect toward political and military arenas; 6) the South persuades the North to give up any military and social threats to neighboring countries by giving promises of its efforts for future economic and diplomatic assistance from the international society.

The problem, however, is that these elements turned out to be too vague, unelaborated, and less strategically developed when thinking of rapidly changing policy environments. Lessons from the past administrations left the following conclusions: 1) the policy of engagements might be perceived as threatening to the engaged as the policy of unification, especially when the success of engagement imperils the regime security(that is, the status of Kim Jong Il leadership) rather than North Korean state security; 2) the South cannot provide necessary resources to the North, leaving the task of coengagement with other powers, especially the US and Japan which requires tremendous diplomatic efforts and other resources(e.g. Korean troops to Iraq to consolidate cooperation with the US); 3) North Korean leadership should react vehemently to the idea of engagement with military threat from conventional military confrontation to WMD threats and the South is not up to that provocations and “engagement with crisis management”; 4) conditions of reciprocity from diffuse to strict one should be clearly defined under domestic political environments colored with “South-South” conflict, as symbolically and painfully manifested in the case of assistance money scandal; 5) South Korea should be able to detect and persuade the genuine motives of North Korea’s reformism to other powers to lead the process of coengagement.

The current administration seems to be unprepared and divided for these detailed points. Bureaucratic politics model in foreign policy decision-making process, probably for the first time in South Korean political history, is to be applied in this “participatory government.” Surrounding crucial foreign policy issues such as concrete methodologies of engagement with the North, troop dispatch to Iraq, and restructuring the ROK-US alliance, bipolarization seems to occur, reflecting and linking with the social cleavages that were presented above. I might name two factions in the government including the assembly, “prudent realists” versus “nationalist reformists.” They differ on the issues of the pace and extent of engagement policy, the degree and direction of ROK-US cooperation and the future of the alliance, and the size and components of troops to Iraq.

When we recall that accumulation of small decisions determines the grand course of the future, each party should have his own long-term design for the future of the Korean Peninsula or Northeast Asia. But those visions are yet to be elaborated. Worse, as in other political groups in human history, those decisions have been made partly with the consideration of domestic politics. The political capital of the current administration came from the new, volatile trend reflecting nationalist, post-Cold War sentiment which causes tension with more conservative ideas and sections of the society.

So far, one consensus has been made on the issue of inter-Korean economic cooperation. Despite the worry of realist idea of “relative gain” problems, presented as “rice sent to the North from humanitarianism comes back as bullets or WMDs toward us,” aggressive liberal temptation to pursue engagement and spillover with the hope of structural transformation of the North is too strong. Hope to realize commercial peace or democratic peace worked as a boost to continue or even increase the amount of economic cooperation between two Koreas under the aggravating situation of nuclear crisis. The following table shows the situation under the current administration.

◆ **Intra-Korean Trade By Years**

[as of Jul. 2003]

(Unit:USD 1,000)

Year	Import	Export	Total
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	Cases	#of Items	Amount	Cases	#of Items	Amount	Cases	#of Items	Amount
1989	66	25	18,655	1	1	69	67	26	18,724
1990	79	23	12,278	4	3	1,188	83	26	13,466
1991	300	44	105,719	23	17	5,547	323	61	111,266
1992	510	76	162,863	62	24	10,563	572	100	173,426
1993	601	67	178,167	97	38	8,425	698	101	186,592
1994	827	73	176,298	495	92	18,249	1,322	159	194,547
1995	1,124	105	222,855	2,720	174	64,436	3,844	265	287,291
1996	1,648	122	182,400	2,980	171	69,639	4,628	280	252,039
1997	1,806	140	193,069	2,185	274	115,270	3,991	385	308,339
1998	1,963	136	92,264	2,847	380	129,679	4,810	486	221,943
1999	3,089	172	121,604	3,421	398	211,832	6,510	525	333,437
2000	3,952	203	152,373	3,442	505	272,775	7,394	647	425,148
2001	4,720	200	176,170	3,034	490	226,787	7,754	545	402,957
2002	5,023	204	271,575	3,773	495	370,155	8,796	572	641,730
Sub Total	25,268	1,607	2,066,292	22,709	3,085	1,504,613	47,977	3,964	3,570,905
2003.1	476 (444)	75 (90)	21,544 (20,008)	295 (218)	126 (122)	25,854 (7,392)	771 (662)	177 (187)	47,397 (27,400)
2003.2	313 (355)	81 (75)	15,176 (15,592)	338 (232)	165 (162)	26,176 (12,785)	651 (587)	221 (224)	41,351 (28,737)
2003.3	441 (335)	87 (87)	20,711 (15,302)	341 (264)	150 (155)	18,721 (16,579)	782 (599)	213 (215)	39,431 (31,881)
2003.4	453 (375)	83 (89)	18,012 (14,095)	328 (243)	195 (152)	19,973 (27,876)	781 (618)	244 (215)	37,985 (41,971)
2003.5	487 (461)	77 (82)	18,004 (15,208)	248 (284)	120 (154)	43,172 (41,071)	735 (745)	172 (213)	61,176 (56,280)
2003.6	415 (436)	78 (85)	17,929 (15,445)	377 (263)	177 (144)	41,726 (13,223)	792 (699)	231 (203)	59,655 (28,668)
2003.7	546 (191)	84 (59)	22,393 (7,800)	540 (321)	172 (133)	49,569 (18,602)	1,086 (512)	228 (180)	71,962 (26,402)
Sub Total	3,152 (2,597)	163 (161)	134,701 (103,809)	2,471 (1,825)	435 (407)	206,417 (137,529)	5,623 (4,422)	503 (473)	341,118 (241,338)

Grand Total	28,420	1,770	2,200,993	25,180	3,520	1,711,030	53,600	4,467	3,912,023
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Note 1. () indicates the figure of the same period in 2002

Note 2. the amount(USD 237,213,000) of rice aid was not included in the export amount of 1995

Source : the Ministry of Unification

Two-way inter-Korean trade came to \$406.8 million for the first eight months of this year, up 44.8 percent a year earlier. South Korea imported \$161.4 million worth of goods, 34.6 percent increase year on year, while goods valued at \$245.4 million were shipped to North Korea, a jump of 52.5 percent. Major items brought in were agricultural-forestry-fishery products and textiles, as were the case for many months. Major northbound shipments were agricultural-forestry-fishery products, chemical goods, textiles, steel and other metal products, according to monthly data released by the unification ministry Thursday (September 18). The increase in bilateral trade was attributed to a steady gain in commercial transactions, including deals on processing-on-commission arrangements, as well as to continuing "non-trade" transactions under inter-Korean cooperative projects, including humanitarian assistance and provision of food loans to the North. The trend is expected to continue in September on the strength of sustained increase in commercial trade and the northbound food loan.

Also through Inter-Korean Economic Cooperation Committee Meets for the 6th Round(August, 28, 2003), The South and the North agreed upon railway/road construction projects so as to first complete the Moonsan-Gaeseong route on the Seoul-Sinuiju Line, as well as track construction and road-bed work on the Jeojin-Onjeongri route of the Donghae Line, before the end of this year; the construction work of infrastructure facilities as soon as the drawing up of comprehensive blueprints is completed for first-stage development zones at the Gaeseong Industrial Complex; reinvigoration of the Mt. Geumgang tourism project, and cooperation so that agreements between the businesses on sea/overland tourism as well as tourist zone developments will be carried out smoothly. Also in the Third Meeting of inter-Korean Working-level consultations on October 12, 2003, the two parties discussed many matters including one concerning the formation and operations of a commercial arbitration commission, pursuant to the Agreement on the Procedures to Resolve Inter-Korean Commercial Disputes and adopted the Agreement on the Formation and Operation of a Commercial Arbitration Commission.

Whether or not this process of engaging with North Korea will help the future course of economic recovery and gradual transformation or the North and integration with the South is up to the high politics negotiation surrounding the issues of multilateral security guarantee of the North, and North WMDs. North Korea seems to be desperate for the economic help not only of the South but also from the international society, and it also seems to pursue two track approach in each area of politics and economy. It is yet to be seen whether efforts in different areas will produce win-win outcome for both Koreas.

For the Future

Bilateral engagement is a rather easier part, comparing with multilateral efforts to solve the North nuclear crisis. WMDs of the North Korea are a grave concern not only to South Korea but also other surrounding countries, especially to the US. South Korea is just "one of them" in dealing with this issue in a complex six-dimensional equation. The challenge here is whether multilateral solution will be finally in line with South Korea's policy of coengagement. Now diplomatic efforts should be given not only to the North, but also to the US, the only alliance partner, Japan, a partner in the TCOG process, China, one of the major trade partners and

regional power with growing diplomatic roles and leverages over the North, and Russia, a country with many shared interests.

South Korea is confronted with new tasks. South Korea should define its role in a multilateral setting dealing with nuclear crisis. Two essential aspects of the current nuclear crisis are: 1) there is a dilemma between the US and North Korea; 2) nuclearized Korean Peninsula would pose grave threat to all surrounding countries, possibly leading to nuclear dominoes. The dilemma between the US and North Korea might be a serious aggressive prisoners' dilemma or defensive security dilemma, depending upon the intents of each party. The development of military technology, in this case long-range missile and WMDs, created a new type of "asymmetrical security dilemma" in which even a weak state with only WMDs can pose a great threat to a hegemon. If the dilemma between the US and North Korea is an aggressive prisoners' dilemma in which one of two of them wants to be a predator or expansionist power, then South Korea should do every effort to transform this into security dilemma. Efforts to persuade each party to observe the status quo and find common interests by peaceful means are necessary. In the situation of security dilemma, efforts to assure two parties that they are defensive and there could be a monitoring and verifying process are essential. South Korea could assume a role of communication and facilitating a process for the creation of monitoring and verification.

To prevent nuclear arms race, proliferation, and possible transfer of WMD materials to terrorist groups, the South should participate in a norm-producing process with a firm determination. Relatively unexperienced in multilateral negotiations especially in the region of Northeast Asia, South Korea should be accustomed to respect, coordinate, and solve common problems. In this case, sticking to the tenet of non-nuclearization of the Peninsula, it can contribute to the process of multilateral negotiation.

Interests, Goals, and Approaches: A Chinese Perspective of Seeking A Stable Peninsula

By: **Wu Baiyi**

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A paper prepared for the conference "Assessing Key Trends in U.S.-China-Korea Relations: Implications for Korean Peninsula Stability," co-sponsored by the International Security Program, Center for Strategic and International Studies and Seoul National University's Center for International Studies, at the JW Marriott Hotel Seoul, November 18-19, 2003.

It is common knowledge that the Korean Peninsula has been a sphere of Chinese

interest throughout ancient and recent history. However, this sub-region has become increasingly explosive with the outbreak of two nuclear crises over the past ten years, thereby creating uncertainty for the PRC's domestic and regional agendas. To date, given the stagnating multilateral talks, delicate nature of each party's respective domestic politics, and the thorny problem of ending the Korean War in a legal form, the North Korean nuclear issue has yet to subside. Although there seems no imminent danger of a face-to-face conflict, players like the US and the DPRK are still entangled in the same animosity as they were at the height of the Cold War. A failure to cultivate positive trends may not only further destabilize the situation in the peninsula, but also hinder regionalization in Northeast Asia.

This paper will first present Chinese perceptions of the country's role on the peninsula, with a focus on China's strategic goals and their alignment with domestic and regional interests. Then it will sum up the current debate in China, with a view to its domestic context and policy implications. Finally, the paper will briefly discuss approaches for China, the United States and the Republic of Korea to forge a mutually beneficial partnership in the long run.

Chinese Perception of the Korean Affairs and Its Own Role

A key notion and belief in China's conceptualization of regional affairs today is "national interests," a code word for justifying its policy readjustments in face of drastic changes since the end of Cold War. Although not purely ideology-driven in Mao's time, Chinese policy toward the peninsula was apparently subordinate to its comrade-in-arms relationship with the North. Even when and after US-China rapprochement was realized in the late 1970s, the official one-sided policy remained intact for more than a decade. The normalization of PRC-ROK relations in 1992 proved to be a landmark that pragmatist thinking prevailed in foreign policy-making. From then on Beijing adopted a policy of omni-directional peaceful coexistence in the region. Its role was completely transformed from a radical advocate of Asian communism into an economic partner in this area. Many observers highlight the fast growth of transactions between China and South Korea in a short span of ten years, referring to intensive top-level official visits, huge trade and investment figures, enlarged education and cultural communications, quickly-restored social linkages etc. But the most significant change occurred in the domain of regional security.

PRC-ROK collaboration, from preventing war to pacifying North Korea, has exerted a profound impact on the peninsula security landscape. It has shaken the essence of the formerly bloc-versus-bloc structure. While keeping Pyongyang within its reach, Beijing now is closer with Seoul and Washington in seeking an enduring peace. Although premature in many senses, a new type balance of inter-state and multilateral relationships has already appeared and is propelling history forward in this area. The recent three- and six-party talks in Beijing seem to have provided evidence of such progress.

What made Beijing shift to the current strategic posture? The following Chinese stakes may account for it.

The incentives for a sustainable development. Reform and opening-up are two

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interdependent aspects of China's development. On the one hand, reform requires a sustained growth rate for two basic purposes: to enhance the government financial capability and to promote the marketization of the entire economy. Achieving these two goals would enable the nation to open further. On the other hand, opening-up has proved an indispensable means to accumulate capital, technology and institutional profit. Without foreign inflows as such, economic growth would be out of the question. A beneficiary of its unprecedented business tie with the outside world, 40% of China's annual GDP now comes from foreign trade. Since the 1990s, two-way trade between China and ROK has registered a robust increase. By 2002, China became the second largest export market for ROK while ROK became the sixth largest investment source for China. It is against this background that the country's peninsula policy has assumed a pragmatic design.

The need to maintain internal stability. China has a large Korean ethnic minority group of 2.19 million, mostly residing in its northeastern part. Therefore, its Korean policy also entails a special consideration for internal solidarity and development. On the one hand, the ties between this segment of China's population and the two Koreas are strengthening vigorously, and can be seen in economic cooperation, material assistance, education exchanges, immigration, religious activities and the links made through marriages and visits to family. However, these communications have developed unevenly as the stream to the south enormously exceeds that to the north. As a result, covert but intensive competition between the two Koreas to attract local ethnic people not only split the group and trigger some crime, but more delicately, create a problem of loyalty to the Chinese nation. An additional factor is the illegal immigration from North Korea. With a common border as long as 1,334 kilometers under low surveillance, swarms of hungry North Koreans fled to the Chinese side during the past famines, and more would flee if and when an all-out crisis breaks out in the future.¹ On the other hand, Northeast China is where most of the country's heavy and chemical industries are concentrated. But the reform of big state-owned enterprises has posed challenges and little progress has been made. As a result, the region remains underdeveloped in many ways and, at times, the resulting social tension has seriously challenged Beijing's legitimacy. As the central government has recently announced an ambitious program to "revitalize and reduce regional disparity", the northeast again has become a focal point of national and international investors. Therefore, China will highly relate a stable and friendly neighborhood to the region's bounce-back agenda.²

The concern to deter Taiwan's permanent separation. Another enduring theme of Beijing's domestic agenda is its reunification with Taiwan. Coincidentally, two historic events on the peninsula brought about disasters to Beijing's sovereignty over Taipei. This is mainly why successive Chinese leaders were preoccupied with potential unrest on the peninsula. For Chinese diplomacy in the new century, one central task will be to prevent any instability on the peninsula that may once again interrupt the Mainland's reunification with Taiwan.³

¹ Pan Zhenqiang, *Approach to the North Korean Nuclear Crisis*. Beijing: KAS-Schriftenreihe China. No. 22, 2003, p. 16; Shen Jiru, An Urgent Matter in order to Maintain Security in Northeast Asia—How to Stop the Dangerous Games in the DPRK's Nuclear Crisis. *Journal of World Economics and International Politics*, No.9, 2003, p. 54

² Wang Guifang, The Security Environment for the Revival of Northeast China. *World Affairs Bimonthly*, No. 19, 2003, p. 20.

³ Pan Zhenqiang, *Ibid.*

The concern to prevent proliferation of WMD. A nuclear-free Korea is no doubt in China's security interest in both the near and long term. First, given the existence of three major neighbors with nuclear arsenals (Russia, India and Pakistan, in addition to the United States that used to threaten China with its nuclear teeth), the Korean mastery of nuclear weapons would exacerbate Beijing's nightmare of nuclear encirclement. Second, an additional nuclear power could also reignited the arms race in East Asia. Antagonist players like Japan and Taiwan might find rationale and pretense to embark on the same track. The last but not least in China's strategic calculation is the proliferation of WMD to terrorist groups and individuals within and outside China.⁴ The "9/11" attack and the follow-up terrorist activities in the world reinforced the belief of Chinese leaders that Uigur separatists might be able to acquire more sophisticated weapons in their schemes against the country.

The desire to maintain its geopolitical influence. By and large, China was a full-fledged great power in history. The post-modern time once witnessed a regional structure centered on the Chinese Empire. The security order was forged upon the patriarchal clan tradition between China and tribute states. These arrangements broke down in the face of western as well as Japanese expansion in the 19th century. However, the failure and humiliation left unsolved psychological imbalance that drove generations of the Chinese political elite to restore the country's geopolitical influence, particularly on the peninsula. As a result, Chinese forces were involved in previous regional wars that originated from disputes over power and interference on the peninsula. It is in light of such mentality that the core of Chinese policy toward the peninsula still embraced the notion that "the teeth will be cold if lips are gone." This explains why Beijing has assumed a high profile in the latest Korean crisis.⁵

The need to consolidate power relationships. When the Cold War was over, the strategic importance of the Korean Peninsula became even more prominent not only for China but also for all relevant powers. This *de facto* interdependency helped stimulate Beijing and its partners to jointly cope with instabilities in the region. With overlapping interests evident, Beijing will reasonably take the opportunity provided by the Korean issue to fortify its ties with the other powers.⁶

In a broad sense, strategy refers to a nation's policy framework supported by its maximum political, economic, psychological and military resources. It strives for influence in general rather than for a specific gain.⁷ The core of Chinese strategy toward the Korean Peninsula thus aims to shape a benign circumstance in which peace can be preserved.⁸ Based upon the above-mentioned interests, this strategy should be spelled out at different levels though an officially-articulated strategy is still absent.

⁴ Pang Zhenqiang, *Ibid.*

⁵ Zhang Baijia, Changing China Itself as to Influence the World—A Discussion of Chinese Diplomacy in the 20th Century. Paper submitted to the Symposiums of Modern China and the World, CASS. November, 2001; Xu Weidi, Defusing the Nuclear Crisis and Moving the Korean Peninsula away from the Cold War. *Journal of World Economics and International Politics*, No.9, 2003, pp. 63-64.

⁶ Tan Zhong, Ten Contradictions as the Source of the Korean Nuclear Crisis. *China Review Monthly*, No. 2, 2003, pp. 18-21; Luo Yuan, Peace by Piece. *Beijing Review Weekly.* No. 37, Vol. 46, 2003, pp.12-13.

⁷ The USA Encyclopedia, quoted from Pan Shiyong, Reflections on Modern Strategy—Post Cold War Strategic Theory. Beijing: World Affairs Press, 1993, p. 121; Jiang Lingfei, On the Selection of State Security Strategy. *Journal of World Economics and International Politics*, No.11, 2002, p. 8

⁸ Pan Zhenqiang, *Ibid.*; Xu Weidi, Xu Weidi, *Ibid.*

At the international level, China insists on a nuke-free peninsula and cooperates with the United Nations and other institutions, upholding all arms-control and non-proliferation norms.

At the regional level, China ought to seek a multilateral mechanism to provide a peaceful solution to and control potential damage on the North Korea issue. Relevant parties are encouraged to participate on an equal-footing basis. When a multilateral mechanism is realized, it should eventually neutralize the military alliance on the peninsula. The current asymmetry of forces is a source of continuous suspicion and overreaction by each side. Only with its removal can confidence be built and tensions minimized. Meanwhile, this mechanism must also facilitate a long-term economic aid program in order to end North Korea's isolation from the regional community. This means that US-led international sanctions will have to be lifted when Pyongyang commits to and in real deeds dismantles its nuclear program.

At the state-to-state level, China is destined to the role of pressing North Korea to open and reform. Meanwhile, it is rebuilding a normal and transparent tie with Pyongyang and is avoiding any risk of being "pulled into boiling water."⁹ It also supports inter-Korean reconciliation and eventual unification at their own will and in accordance with their respective conditions and capabilities. As for the other parties, China encourages rapprochement between Japan, the United States and the DPRK while welcoming Russia's role, particularly in the field of energy supply to this poor region.

Finally, at the public level, China is obliged to invest its rich social and cultural resources to help forge a network of non-government players. Organized communications among think-tankers, interest groups, journalists, academics, students, humanitarian workers, athletes and artists from various nations, not only will produce a conducive atmosphere for reconciliation among nation-states but more importantly will alleviate pressures on policy-makers to take irrational actions.

The On-Going Debate and the Policy Trends

To a great degree, with the exception of a handful of discussions in the mass media, the policy debate on Korea has not been in the public. For most of the post-Cold War era, Beijing was rather prudent in involving itself in the Washington-Pyongyang dispute. Its sense of vulnerability was not urgent until last October when North Korea explicitly claimed to have developed a nuclear device. At the beginning, the Chinese worried primarily about the escalation of tensions in the peninsula. However, the rapidly eroding situation, particularly the DPRK withdrawal from the NPT, alerted many Chinese to the pending collapse of all agreed frameworks and a US military strike.¹⁰ The debate then broke open and unfolded in both vertical and horizontal directions.

Vertically, the debate includes arguments on the country's international

⁹ Guo Changlin, China and the US: To Enlarge the Common Ground. *China Reform Forum Newsletter*, No. 12, 2002, p. 3; Tan Zhong, *Ibid.*, p. 19; Shen Jiru, *Ibid.*, p. 57.

¹⁰ Zhang Liangui, An Impending Confrontation in the Korean Peninsula. *World Affairs Bimonthly*, No. 2, 2003, pp. 24-26; Shen Jiru, *Ibid.*

obligations, the trends of non-proliferation, global security etc. as the top layer; at the mid-level, it mainly covers such themes as North Korea's motivations and rationales, PRC-DPRK relations, American strategy and tactics and so on; at the bottom, experts' analyses capture the technical details but, due to limited evidence, fail to reach a reliable conclusion.

In another direction, the debate evolves horizontally, focusing on security implications. At the first layer discussion there are few differences. Most participants insist that China observe its pledges to the universal accords of arms control and non-proliferation. They call for a probe-style diplomacy to compel Pyongyang to freeze its nuclear development, saying this would not only enhance China's image as a responsible country, but would also help remove a formidable impediment that might derail the nation's modernization programs.¹¹ A minority of scholars points out that the nature of NPT was discriminative, hinting that Pyongyang has its legitimate right to have nuclear weapons. At the same time, however, they acknowledge the treaty's binding nature and describe it as a virtual balance of rights and obligations.¹²

At the in-between level discussion, arguments develop in a multifaceted way. In the realm of Pyongyang's incentives, some ascribe Pyongyang's program to its insecure surroundings and its perceived need for a deterrent strategy against a possible U.S. preemptive strike. These experts also consider North Korean brinkmanship as a wrong-headed effort to get rid of the Cold War.¹³ Others disagree, contending that that the DPRK nuclear plan embodies multiple missions, not only to "modernize" the country's defense to reinforce the regime's legitimacy, but also as a bargaining chip for compromise with the US-led alliance.¹⁴

More discussions are concerned with the regional relationships. Apart from the Japanese and Russian roles, US objectives and capability remain a central component. One school asserts that Washington wants to retain its manipulating position through playing a game of tension and control.¹⁵ Its major interests in the peninsula, namely the military alliance, its geopolitical influence, forward projection of American values, etc, has very much hinged upon the success of its long-term "divide-and-rule" strategy. The nuclear crisis provides a chance instead for the US to regain its leading role.¹⁶

The opposition group argues for a broader vision. It contends that the counter-terror campaign is the supreme task for all nations and the solution to the Korean nuclear issue should not be separated from this cause. As the sole

¹¹ Shi Yinhong, Nuclear Crisis and China's Supreme Strategic Interests. *China Review Monthly*, No. 2, 2003, pp. 14-18; Shi Yinhong, Nuclear Crisis, Six-party Talks and China's Diplomacy. *China Review Monthly*, No. 10, 2003, p. 31; Wang Jisi, China's Changing Role in Asia. *Journal of Internationale Politik*. No. 3, 2003, pp. 70-71

¹² Lin Guojong, The NPT and Nuclear Crisis in the Korean Peninsula. *Reference Information Daily*. No. 27511, August 28, 2003, pp. 1-4.

¹³Xu Weidi, *Ibid.*, p. 59; Yu Meihua, Dialogue is the Best Way of Solving the DPRK Nuclear Issue. *China Reform Forum Newsletter*, No. 1, 2003, pp. 26-27. Luo Yuan, *Ibid.*, p. 14; Piao Jianyi, How to Understand North Korea? <http://www.sina.com.cn> November 10, 2003

¹⁴ Zhang Liangui, The North Korea's Nuclear Weapon and US Role of Police. *Journal of Strategy and Management*. No. 5, 2003, p. 69.

¹⁵ Yu Meihua, *Ibid.*

¹⁶ Shi Yongming, Where could the Nuclear Issue head for? *China Review Monthly*, No. 3, 2003, pp. 62-3; Zhang Liangui, *Ibid.* p. 71; Zheng Yingping, Why the US Concerns about the Unification of the Korean Peninsula. *China Reform Forum Newsletter*, No. 3, 2003, pp. 16-18.

superpower, only the United States can lead the rest to global governance. Not blind to its growing interests in “taking the American cart,” China should not overreact to Washington’s intervention in the peninsula, but be careful of the latter’s return to isolationism.¹⁷

In addition, concerns and hopes grew immensely during and after the ROK presidential election, which triggered discussion of South Korea’s role in solving the crisis. In general, people are optimistic about Roh Moo-Hyun’s policy toward the North that places a peaceful solution ahead of to other options. They are also impressed by his pursuit of an equal partnership with the U.S.¹⁸ Such responses reveal how Beijing evaluates Seoul while mapping out its own strategy for the new millenium. On the one hand, the South obviously shares many similar goals with China such as denuclearization, providing aid to the North to maintain the status quo, providing security guarantees to and opposing the imposition of sanctions on Pyongyang. On the other hand, Seoul as an ally may help soften the US stance and arrest tension.¹⁹ However, some warn that the ROK’s role should not be overestimated. They point to the increased hard-liner critics in Seoul and the suicide of Chung Mong-hun as possible signs of a reversal of the *Sunshine* policy.²⁰ With notable differences prevailing, the debate has yet to reach a consensus.

Nevertheless, it has stimulated in-depth thinking about China’s foreign policy. As a consequence, a pluralistic trend has begun to arise and has this has provided ammunition to the moderates in the policy-making community. Although the foreign policy decision making process remains closed and centralized, at least on the Korea peninsula question the debate has identified a number of mainstream assumptions that can aid policy readjustment in the near future. This first assumption is that China cannot afford the deterioration of stability on the Korean Peninsula. Despite the *cliche* of needing a sustainable external environment for economic growth, there are other fundamental interests that underlie the Chinese approach. The utmost urgent goal for the country is to avert any possible use of force at the moment. This has become a conviction for the Chinese, especially when they observe the post-war chaos in Iraq.

Another Chinese assumption is that different views and interests regarding the peninsula should and will not obstruct a multilateral process for peace. A soft-landing of the nuclear crisis is possible through coordination and concession, especially as Washington is stalemated elsewhere while Pyongyang “may not have many cards up its sleeve.”²¹

Thirdly, regardless of how much sympathy China has for the North Korean people and the extent to which China devoted itself to the country to preserve a security buffer, the state-to-state relationship with Pyongyang should be based upon the changed national interests and it must be adapted to the universal values that exist

¹⁷ Yu Xilai, International Justice and Democracy. *Journal of Strategy and Management*. No. 5, 2003, p. 58.

¹⁸ Qi Baoliang, Trend of Foreign Policy under President Roh Moo-Hyun. *China Reform Forum Newsletter*, No. 1, 2003, pp. 28-29.

¹⁹ Shen Jiru, *Ibid.*, p.57.

²⁰ Pan Zhenqiang, *Ibid.*, p.19; Blows to the North-South Rapprochement. <http://cn.news.com.cn> August 5, 2003.

²¹ Tan Zhong, *Ibid.*, p. 21; Shi Yongming, Reappeared Chance to Solve the DPRK Nuclear Issue. *China Review Monthly*, No. 9, 2003, p.23; Fu Mengzi, Peace by Piece. *Beijing Review Weekly*. No. 37, Vol. 46, 2003, p.14..

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today.

In the final analysis, the crisis management process is not a zero-sum game. Every member including the US is indispensable and could contribute to the peace. China should make clear that it does not want to challenge US predominance in regional affairs. It has already become less perturbed by the American troops stationed in East Asia. Yet Washington also needs to respect Beijing's concerns and not take the latter's support for granted.²² As for its relations with the ROK, China will continue to consolidate a comprehensive partnership because of various strategic imperatives.²³

The Three-Side Relationship: Long March to Maturity

Apart from the paramount common goal to persuade the DPRK to relinquish its nuclear program, the United States, PRC and ROK have shared interests in maintaining stability on the peninsula. This is the foundation for the three parties to jointly prepare for a pacific transition there. Then a question naturally arises: how shall they proceed (if) with a new platform? In large part, the answer is with the three players. As major participants of the Korean War, they should at first improve and strengthen confidence between and among themselves. But before doing so, there are several prerequisites to fulfill: first, Washington has to stabilize its China policy to avoid frequent fluctuations in its bilateral relations with Beijing. With improved strategic reassurance, the two powers can hopefully have a positive interaction and cooperate with each other on regional as well as on global issues; second, Washington needs to readjust its Korean strategy. On the one hand, it should surrender some of its liabilities to Seoul and let the latter take more initiatives. On the other hand, Washington must give up any attempt to topple the regime in the North and co-exist with Pyongyang. Without a renunciation of former hostility, the US cannot be free of intrusive provocation from the latter in the long run; and finally, American policy-planners should also bear in mind the fragility of the current coalition. Should they hastily return to military means or impose a complete embargo (when no longer beleaguered in the Middle East and Iraq), not only the DPRK would react out of desperation, but also the ROK and China would probably retreat and object. Only when such conditions are met, even if not simultaneously, can a triangular relationship be on the horizon. Thus the nuclear issue can be effectively dealt with via concerted US-China-ROK actions and reactions. Let us contemplate the following points to determine whether the possibility exists for cooperation to perpetuate peace in the peninsula:

- Establishing a formal regular trilateral consultation to soon enable the resumption of US-DPRK negotiation, with joint support and supervision by the PRC and ROK separately for the US and DPRK;
- Restoring the four-party dialogue with the objective of transforming the armistice into a long-term peace agreement;
- Leading the peninsula nuclear-free process by the three countries, plus the North joined by Russia, Japan and the IAEA;
- Initiating an economic construction and energy assistance program for the peninsula with the participation of all six nations and the UN;

²² Guo Changlin, *Ibid.*

²³ Chen Yan, Why President Roh Moo-Hyun visits China after Going to American and Japan.
<http://new.sina.com.cn> July 7, 2003.

- Seeking to set up a crisis management mechanism to facilitate a complex of security dialogues among all nations, including at the summit, ministerial, mil-mil and track-2 levels.

China has great ambivalence about North Korea. Its nuclear program poses an immediate challenge to Chinese security. But without it the triangle would lose its current and future momentum. We have a long way to go to reach a final settlement. The next step is to pull the DPRK back to the negotiation table.