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Asia's China Debate

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Tilting toward the Dragon: South Korea's China Debate

SEONGHO SHEEN

Executive Summary

- Since diplomatic normalization in 1992, after a half century of animosity, South Korea's debate about China has become increasingly favorable. Historical and cultural affinities, as well as recent burgeoning trade, are important drivers in this phase of South Korea's China debate. North Korea's nuclear provocation also drives Seoul's favorable view of China as Seoul looks to Beijing to play an important mediating role between North Korea and the United States.
- In South Korea's China debate, China's economic rise is viewed as largely a positive factor. China has emerged as the principal trading partner of South Korea, whose export-oriented economy has become increasingly dependent on the fast-growing China market. Notwithstanding the fear of growing Chinese competition, Korean industries tend to see the rise of China as a business opportunity rather than a threat.
- Burgeoning trade has improved political relations between the two former enemies. As South Korean public opinion toward China grows favorable with expanding exchange between the two societies, South Korea's politicians and government officials today praise China as a new partner in building peace and stability in Northeast Asia.
- Growing China-South Korea ties lead to an emerging debate on whether South Korea should consider forging a new strategic alliance with China at the expense of the U.S.-ROK alliance. Despite the public's largely favorable perception of China, the South Korean foreign policy elite, especially the military, seems to be less optimistic about China's intention and thus prefers the status quo of maintaining a strong alliance with the United States.
- The United States will likely remain South Korea's most important partner as long as the United States provides security against the North Korean threat, high technology, and a large export market.

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INTRODUCTION

Despite a half century of antagonism during the Cold War, South Korea's view about China since normalization in 1992 has become increasingly favorable. Most Koreans tend to see relations with China in terms of thousands of years of friendly bilateral exchanges involving cultural, economic and political activities that preceded Korea's modern history. Compared to public indignation against perceived American arrogance in the half-century alliance with the United States, South Koreans seem to be relatively accepting of Korea's long history of tributary relations with China acting as a superior "Middle Kingdom." And despite the fact that Korea has suffered numerous aggressions from Mainland China, including the Chinese intervention against the U.S.-ROK coalition during the Korean War, most South Koreans appear to be comfortable with the prospect of sharing a border with China after unification, although the genuine intentions of China remain unclear.

This is in direct contrast to the deep mistrust of and resentment toward Japan after five decades of virtual alliance based on bilateral treaties with the United States against the North Korean threat. The positive view of China by the public—probably a reaction to anti-American sentiment and Japan's colonial past—has contributed to a favorable debate about China in South Korea. Most Koreans believe China will emerge as the next hegemon and that Sino-Korean ties are destined to grow. The emerging debate deals with how far South Korea or a unified Korea should pursue a partnership with China at the possible expense of the U.S.-ROK alliance, given the underlying rivalry between Washington and Beijing.

BURGEONING TRADE

Since the two countries ended their Cold War enmity and established diplomatic relations in 1992, China has emerged as the leading trade partner for South Korea—with trade growing at an annual rate of more than 20 percent and exceeding \$40 billion in 2002. Increasing numbers of South Korean companies and businesspeople see new economic opportunities in the fast-growing Chinese economy. South Korea's export-oriented economy is becoming more dependent on China than ever. China's rapidly growing economy increasingly overshadows the prominence of the U.S. market for the South Korean economy. China became the number one export market for Korean products in 2002. According to a South Korean government report, 20.9 percent of Korea's total exports went to China, while the United States, ranking second, imported 20.2 percent.

Increasing numbers of South Korean companies find China a favorite destination for overseas investment. China's fast-growing economy, with cheap labor and low product cost, has created a rush of South Korean companies establishing a local product line. Since 1992, South Korean businesses have poured \$30.31 billion in direct investment in China, making South Korea China's sixth-largest overseas investor. In 2002, China became the top investment destination for South Korean companies, replacing the United States. Thousands of small- and medium-sized firms have been leading Korean foreign direct investment in China, primarily focusing on northeastern China, including Shandong, Heilongjing, Jilin, and Liaoning.

Manufacturing a wide array of products—including textiles, information and telecommunication equipment, electronics, automobiles, machinery components,

and chemical/petroleum products—South Korean companies, recently joined by big conglomerates, are expanding their market share in China as the middle class in cities grows. South Korea's largest conglomerate, the Samsung Group, has invested about \$2.7 billion in China and employs more than forty-one thousand people in the country. It has built twenty-six factories to manufacture everything from color televisions and cell phones to flat-panel displays and notebook computers. Encouraged by China's World Trade Organization (WTO) membership and the 2008 Beijing Olympic Games, the South Korean business community expects its investment will most likely continue to grow.

After a state visit to Beijing in July 2003, the South Korean president, Roh Moo-Hyun, proudly told reporters that bilateral trade would reach \$100 billion within five years. Although the overall two-way trade between Korea and China (16.8 percent) still lags behind that of Korea and the United States (17.7 percent), it seems only a matter of time before China becomes South Korea's largest trading partner. The rapid growth of China trade looks even more convincing given China's geographic proximity to South Korea. South Korea envisions building a Northeast Asian economic bloc by establishing a China-Korea-Japan Free Trade Agreement (FTA) in which Korea would play the role of a regional hub. The South Korean government expects a bilateral or a regional FTA will create synergy between the two most dynamic economies of the world by combining South Korea's advanced management and technology with China's abundant labor, low manufacturing costs and huge potential market.

There are concerns of growing Chinese competition in the world market and trade disputes, especially over Chinese agricultural products. However, South Korea's business communities tend to see China's economic rise as a business opportunity rather than a threat. Unlike the United States and Japan, South Korea runs a large trade surplus with China. South Korea's trade surplus with China is expected to reach a record high of \$6.3 billion in 2003. The perceived economic interest in China's booming economy is the foremost driver for South Korea to pursue a strong partnership with China.

GROWING POLITICAL TIES

On the back of robust economic ties, China and South Korea are building political bonds that make for one of Asia's most friendly bilateral relationships. The growing ties were well exhibited during President Roh's July 2003 visit to Beijing where he received a red-carpet welcome. The newly elected Roh had close consultations with China's new leader, President Hu Jintao, on issues ranging from North Korea's nuclear crisis to business and environmental cooperation. After the summit, Roh emphatically called for unity with China in efforts to usher in a new era of peace and prosperity in Northeast Asia, saying, "the age of Northeast Asia is arriving. On center stage are China and Korea." Hu responded with a commitment to build a "full-scale partnership" with South Korea. In his meeting with a delegation of South Korean politicians, Hu said the bilateral cooperative partnership had continued to grow under the joint efforts of the governments, political parties, and other sectors, and that friendship between the two countries had contributed to regional peace, stability and development.

As government officials shuttle frequently between Seoul and Beijing, ties at the public level have expanded as well. In 2002 more than 1.7 million South Koreans traveled to China, and the Korean tourism industry expects that China will replace Japan as its biggest customer. Presently some thirty-six thousand South Koreans (compared to fifty thousand in the United States) are studying in Chinese schools, making them the single largest group of foreign students in the country. Korean students see more opportunities for jobs and business in China and choose China as the place to study over Canada or the United States.

At the same time, Chinese teenagers reciprocate the interest and identify more closely with South Korea. Where a generation ago Chinese used to enjoy North Korean movies celebrating the communist struggle in the Korean War, they are now watching South Korean music videos and soap operas. The boom of the so-called "*Han-Ryu*" (Korean wave) is creating huge fan fever over South Korean pop culture and entertainers. South Korean pop groups, television shows, design, clothes, new art and culture are prized by Chinese youth.

As both societies exchange favorable views of one another, South Korea's political leadership has become more active in embracing China as an important regional partner. During his meeting with Hu, Roh emphasized that the objective of close bilateral cooperation—to build a peace structure in the Northeast Asia region, as well as economic cooperation—is the most important factor of the twenty-first century Asian order.

MANAGING NORTH KOREA

North Korea's nuclear provocation provides another important driver for South Korea to cooperate closely with China. South Korea appears to find more common ground with China than the United States in its policy objectives toward North Korea. During the Roh-Hu summit, the two leaders agreed to solve the North Korean issue through close cooperation. South Korea increasingly has looked to China to help broker a reduction of tensions between North Korea and the United States as Seoul and Washington exhibit different views on how to deal with Pyongyang's nuclear provocation. China has been taking an unusually vigorous and public step in trying to solve the nuclear crisis.

South Korea wants China to use its influence to encourage North Korea to change its confrontational course and adopt Chinese-style economic reform. Beijing appears to share a common interest with Seoul in preventing Washington from provoking Pyongyang into military confrontation on the Korean Peninsula. Although both Washington and Seoul pledged to cooperate closely to dismantle North Korea's nuclear program, different emphases—Seoul's focus on diplomatic engagement versus Washington's "no reward for bad behavior" position—have strained the U.S.-ROK alliance, coupled with rising anti-American sentiment among the South Korean public. While Seoul and Beijing agree that Pyongyang's nuclear development is unacceptable, they emphasize a negotiated settlement between Washington and Pyongyang, toward which Washington remains skeptical.

Amid Pyongyang's continuing nuclear brinkmanship, Chinese diplomats engaged in active and well-publicized diplomacy in August 2003, shuttling back and forth between Pyongyang, Washington, Moscow and Seoul, to get North Korea to join the six-party talks (two Koreas, the United States, China, Japan, and

Russia) held in Beijing. Although the talks did not produce any breakthrough—both Washington and Pyongyang repeated their demands—the talks underscored the importance of Beijing as an active mediator between the United States and North Korea.

Should Beijing play a prominent role in solving the nuclear crisis, it will significantly enhance China's stature as an important party to the Korean issue and deepen the already growing political ties between Beijing and Seoul. Roh acknowledged China's emerging role saying, "the Chinese government has been playing a positive, constructive role in the process of resolving issues concerning Pyongyang's nuclear program as well as peace on the Korean Peninsula." In response, Hu expressed the Chinese government's support for inter-Korean reconciliation and cooperation—as well as support for an independent and peaceful reunification—and reaffirmed the constructive role China would play toward this end as it has in the past. South Korea and China appear to share a broad consensus on the policy of "no war, no regime collapse" with regard to North Korea.

ROOTING FOR THE DRAGON OVER THE EAGLE?

The U.S.-ROK alliance may pose serious questions about South Korea's drive for a strong partnership with China. Many South Koreans tend to take growing ties with China for granted given their cultural, geographical, and historical affinity, as well as the booming trade relationship. One could raise the question of whether the growth of China-South Korea relations would inevitably lead to a weakening of the U.S.-ROK relationship. Although the pressure is not there yet, there is a growing debate over how far South Korea should pursue a partnership with China vis-à-vis the United States. Will China replace the United States as the most important military and economic partner of South Korea? Or, should a unified Korea seek an option of allying with China as a new security arrangement?

The answer depends not only on improving China-South Korea relations but also—perhaps more importantly—on worsening U.S.-South Korea relations. Recent surges of anti-Americanism and tension over how to deal with North Korea's nuclear crisis have made many Koreans question the future of the U.S.-ROK alliance. They believe that the Bush administration's strong view on the Kim Jong-II regime and its skepticism about engaging North Korea have contributed to an escalating crisis with North Korea. The South Korean public increasingly perceives the United States as "either an obstacle to, or irrelevant for," the process of inter-Korean reconciliation and unification, while China is viewed as supportive and helpful. A recent poll shows that in a battle over the hearts and minds of South Koreans, the United States is losing badly to China. South Koreans see the United States as the second most serious threat (32 percent) to Korean security after North Korea (58 percent) while China came in at a distant fourth (2 percent) following Japan (5 percent). China's growing political clout over South Korea came partly as a reaction to increasing anti-American sentiment among Koreans.

Meanwhile, many analysts worry that a possible decrease or dissolution of the North Korean threat will drive a reconciled/reunified Korea to reconsider its alliance with the United States and seek more neutral and independent relations. Some even argue that a reconciled/reunified Korea might try to form a new strategic partnership with other powers in the region. Given Korea's historic

antagonism toward Japan and geographical distance from Moscow, the alternative would most likely be China. The prospect of a new China-Korea alliance is gaining popularity among the South Korean public based on two assumptions. First, most Koreans believe China's economic development will continue and China will emerge as a superpower in this century. Second, Koreans also tend to believe that a hegemonic China would not pose a security threat to Korea and would be more benevolent and friendly than the United States. From the South Korean perspective, it is in their national interest to build good relations with a powerful neighbor—especially one that might be the region's next hegemon.

NOT SO FAST

However, South Korea's almost blind euphoria over China's future and the prospect of China-Korea relations requires careful scrutiny. First, such optimistic views on China's future ignore the fact that despite its remarkable economic growth, China still faces serious challenges in political, social and economic development. Many experts are uncertain that China will sustain high-speed economic growth while making a smooth political transition to a stable democracy. Second, even if China manages to achieve economic development and emerge as the next hegemon, there is no guarantee it will act more friendly toward its neighbors. Indeed, as Roh noted, the history of Northeast Asia shows repeated confrontations and conflicts among countries in the region, and the Korean Peninsula has often been subjected to Chinese military intervention. Even in a period of relative peace during the Yi Dynasty from the fourteenth to the nineteenth century in Korea, the bilateral relationship was not on an equal footing, as China played more of a big brother role and demanded kowtow from Korea as a tributary state. The perception of a similar imbalance in the current U.S.-ROK relationship is the source of resentment among Koreans. For complex reasons, South Koreans appear more tolerant of historical unequal relations with China than what they view as unequal relations with the United States today.

A unified Korea would face an 800-mile long frontier with its giant neighbor. Whether it is a powerful China with continuing economic development or an unstable one with domestic political disruption—as often was the case in China's long history—a unified Korea may well perceive China as a new security concern and might seek enhanced security measures. Indeed, despite the widespread euphoria of promoting partnerships, as well as the favorable public perception of future relations with China, the South Korean foreign policy elite seems less optimistic about the rise of China. The military especially tends to be more cautious of China's intentions and prefers keeping a strong alliance with the United States. Members of South Korea's foreign policy and military elite are more likely to see an emerging China as potentially destabilizing and thus prefer the status quo. In his personal interview with twenty influential Korean elites, professor Jae Ho Chung, a China expert at Seoul National University, found that all twenty interviewees regarded the U.S. role in maintaining regional security as absolutely necessary.

South Korea may not see relations with China and the United States as a zero-sum game. Despite growing ties with China, as long as the United States

maintains its interest and commitment in the region, South Korea cannot simply ignore the most powerful nation in the world and an important provider of its own security. From the South Korean perspective, the best scenario would be to keep good relations with both China and the United States. However, this will largely depend on U.S.-China relations. As long as the United States and China maintain an amicable relationship, Korea will be happy to cooperate with both of them. It is encouraging that Beijing wants a stable economic partnership with the United States while the latter expects Beijing's cooperation in dealing with the North Korea issue. Yet, should there be a crisis between the two countries (e.g., over the Taiwan Strait), Korea will have a serious dilemma in choosing between two important partners. As an old Korean proverb goes, Korea may well find itself "a crushed prawn between two fighting whales."

IMPLICATIONS

It is inevitable that South Korea and China would build a closer relationship as they find growing common interest in political and economic cooperation. However, despite their burgeoning bilateral ties, it is unlikely that China will replace the United States as the most important partner of South Korea in the near future.

The United States will remain the most important provider of security for South Korea as long as the North Korean threat persists. Despite widespread anti-American sentiment, a recent poll shows that more than 80 percent of South Koreans said the U.S. military presence is necessary for Korean security. More importantly, it is likely that any unification process, especially in case of a sudden collapse of the North Korean regime, would require strong U.S. involvement in both the early period of securing stability on the peninsula and the ensuing economic reconstruction of North Korea. This could strengthen the U.S. position vis-à-vis a unified Korea.

The United States will also remain an important export market and high-technology resource as South Korea strives to compete in the international market. South Korea has been the main beneficiary of two-way trade with the United States. In 2002 alone, South Korea had a \$9.8 billion surplus out of \$55.8 billion in trade with the United States. South Korea will continue to develop economic relations with the United States by fostering strategic alliances between core businesses and ultimately pursuing a free trade agreement.

Meanwhile, one could expect that an overly optimistic view of China among Koreans would become more realistic and balanced as the two sides get to know each other. Although the experience of the past ten years has proved to be remarkably friendly, there is always potential for conflict. The South Korean public became angry when the Chinese news media and commentators downplayed South Korea's surprising semifinal performance during the 2002 World Cup Soccer Tournament. Despite a common approach on North Korea's nuclear issue between the two governments, many South Koreans question Beijing's harsh treatment of North Korean refugees. During the July 2003 summit between Roh and Hu, the Chinese strongly urged steps to help curb its expanding trade deficit with South Korea. As much as South Korea sees China as an economic partner,

there is also growing concern over increasing Chinese competition for the world market as Chinese companies catch up to their Korean counterparts. China's trade retaliation against South Korea's sanction on its agricultural exports in early 2003 and ongoing disputes over fishing rights on the Yellow Sea are other reminders of potential conflict between Seoul and Beijing.

Once a unified Korea has to face China directly over the northern border, it might consider the United States an important counterforce to a potential China threat. A decreasing North Korean threat, along with efforts to build a more self-reliant defense capability, might increase pressure to reduce U.S. military presence on the Korean Peninsula. Yet, many in South Korea also acknowledge the need for a continuing U.S. presence as a balancer of regional stability even after reunification of the Korean Peninsula. The United States should therefore remain committed to the stability of the Korean Peninsula and promote an equal partnership with South Korea to prepare for a long-term alliance in a changing security environment.

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