

China-Korea Relations:  
**Keeping the Eye on the (WTO) Prize  
While Containing Consular Crises**

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The fourth quarter always brings a heavy diplomatic schedule of high-level bilateral Sino-Korean exchanges in conjunction with the annual Asia Pacific Economic Cooperation (APEC) and ASEAN Plus Three meetings. These exchanges were overshadowed by an event that did not even occur in Asia: China's official entry into the World Trade Organization (WTO) in Doha, Qatar, after 15 years of negotiations. Widespread expectations are that China's WTO entry will revolutionize China's economic relations with the world and will powerfully transform Sino-Korean trade and investment relations, although not always in positive ways.

More remarkable testimony to the significance of that event for the Sino-ROK relationship, however, is that shocking consular developments between China and the ROK – including China's execution of an ROK citizen on drug smuggling charges without adequate representation provided by the ROK government; the discovery of over 60 illegal Chinese stowaways, including 25 dead, in a failed attempt at illegal entry into South Korea via a local fishing boat; and an ROK Constitutional Court ruling overturning a Korean law that selectively provided special rights to overseas Koreans that the Chinese government views as threatening to state sovereignty – hardly made ripples given the tidal wave of expectations for Sino-ROK economic relations. In addition, South Korean naval ships made their first port call to the Chinese mainland, and Defense Minister Kim Dong-shin met with his counterpart in Beijing during a week-long visit to expand Sino-ROK military exchanges in December.

Sino-DPRK trade volumes also grew exponentially, almost doubling during the first half of 2001, but that relationship remains insignificant in comparison with the over \$31 billion Sino-ROK trade volume in 2001, which allowed China to surpass Japan as South Korea's second largest trade partner. China also surpassed the United States as the largest site of foreign direct investment from South Korea in 2001. The true significance of recent crises in Sino-ROK consular relations is that they were so quickly resolved,

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with virtually no political impact on the burgeoning Sino-South Korean economic relationship.

### **Sino-Korean Consular Toll:**

#### **One Korean Citizen Executed; 25 Chinese Stowaways Dead**

The Oct. 26 news that a 41 year-old South Korean male surnamed Shin had been sentenced to death on drug trafficking charges and executed one month earlier by local authorities in Northeastern Heilongjiang Province without notice to the South Korean government was shocking to many South Koreans. It generated a strong domestic outcry, with ROK President Kim Dae-jung issuing a public appeal to the PRC to respect the 1963 Vienna Convention on Consular Relations, which stipulates that host governments have an obligation to inform other governments if citizens of their nation are detained or imprisoned. Even more shocking was the real story as it came out a week later: the PRC government had notified the South Korean consul general in Shenyang of this case on a number of occasions, but no action had been taken by ROK officials on behalf of their citizen, who had been detained on drug trafficking charges in 1997, to ensure proper legal counsel or equal treatment from Chinese authorities.

The PRC had notified South Korean officials in Beijing and/or Shenyang of the 1997 detention, the 1999 trial and the court ruling of an impending execution that was released on Sept. 25, 2001, the date of Shin's execution. However, Ministry of Foreign Affairs and Trade (MOFAT) mishandled its own internal communications, and these documents were not reported to supervisors within the ROK MOFAT. Foreign Minister Tang Jiaxuan also issued an apology to his South Korean counterpart for the PRC's handling of the incident in a Nov. 4 meeting on the sidelines of the ASEAN Plus Three meeting in Brunei. Foreign Minister Han Seung-soo publicly apologized before the ROK National Assembly on Nov. 7 and ordered that consulate staffs be increased through local hiring and that the current consular affairs system be overhauled so as to ensure proper communications and consular representation for overseas Korean nationals. Within one month of the incident, the ROK and the PRC began negotiations on an agreement on consular procedures in an effort to ensure that such an incident is not repeated. Five South Korean officials have been disciplined following the incident. Minister of Political Affairs Lee Kyu-hyung of the Korean Embassy in Beijing received a warning and Director General for Consular Affairs Kim Kyung-keun was reprimanded. In addition, four consular officials were recalled from Beijing and Shenyang and received salary cuts and warnings for their handling of the case.

Shin's execution and the brouhaha surrounding it overshadowed an even more tragic case this quarter involving the failed effort of a South Korean fishing vessel to illegally deliver over 60 Chinese nationals to Korea. During the night of Oct. 5, the Korean fishing boat took on its human cargo in the seas off of Jeju Island from a Chinese vessel after having spent a week at sea with almost nothing to eat. These individuals, already weakened from starvation, were jammed into a cargo hold, and the bodies of several who died during the voyage were thrown overboard by the Korean fishermen in charge. By the time the ship and its human cargo were discovered at noon on Oct. 7, 25 of the 60 Chinese stowaways had perished.

This event stimulated calls in the South Korean media for stronger measures to prevent illegal trafficking, including a more effective Korean Coast Guard, but there are many more instances of trafficking that have gone undetected, including the use of entertainment visas as vehicles through which international gangs have brought ethnic Koreans from China as well as women from Russia and Southeast Asia to work in Korean brothels. Ethnic Koreans from China (known as *Chosonjok*) have in recent years flocked to South Korea as a destination for high-wage employment where they had been able to earn as much as 10 times more than average salaries in Northeastern China in the mid-1990s, although now the wage differential has reportedly dropped to about three times the average wage in the ethnic Korean regions of Jilin Province. About half of the over 100,000 known illegal immigrants to South Korea (those who have overstayed their visas) are from China, and a large proportion of those individuals are *Chosonjok*.

South Korea had earlier this year been cited by a U.S. State Department report on the subject as a country with one of the least developed infrastructures for responding to trafficking in persons.

These cases also highlight the growing problems with drug trafficking into Korea, mostly from China. Although South Korea has been known as a country with a relatively low level of drug use, recent cases involving Korean TV and movie personalities have dramatized the increase in demand for illegal drugs, especially at certain clubs near major South Korean universities. This demand has been met at least partially by international organized crime links with groups in China and Russia. The Supreme Public Prosecutor's Office reports that the amount of methamphetamine confiscated from smugglers from China has increased three-fold during 2001 to over 150 kg.

### **Unconstitutional Act on Overseas Ethnic Koreans: Impact on the *Chosonjok***

In 1999, the ROK National Assembly passed a controversial Act on Overseas Ethnic Koreans, which gave preferential immigration and legal rights to Koreans who had emigrated from the ROK after its founding in 1948. By designating only ethnic Koreans who had emigrated following the founding of the ROK, the legislation privileged ethnic Koreans living in the United States over Koreans whose families had been forcibly taken to Japan during World War II or Chinese or Russian ethnic Koreans whose families may have left the Korean Peninsula during the Japanese colonial rule prior to 1945. The legislation had been a source of controversy among *Chosonjok* who had come to Korea in recent years, but could not enjoy the same preferential treatment that had been given to other overseas ethnic Koreans. In fact, the Rev. Suh Kyong-sok, a leader of a major South Korean non-governmental organization, the Korean Sharing Movement, called a hunger strike for 20 days in the fall and led a major demonstration among the *Chosonjok* in October to call attention to this issue. Likewise, the newly-established Korean Commission for Human Rights received many complaints from *Chosonjok* regarding this law during its first weeks in operation earlier this year.

The Constitutional Court ruling of Nov. 29 declares that the Act on Overseas Ethnic Koreans discriminates unfairly against certain groups of ethnic overseas Koreans and orders that the law be revised by 2003. While many overseas ethnic Koreans who could

not enjoy benefits under this law may be looking forward to equal treatment in the future, one consideration taken into account at the time the law was drafted was the PRC's likely objection to a law that would give special immigration privileges to a group of its own citizens on the basis of a particular ethnicity on the basis that those privileges might infringe on privileges of citizenship that flow from the authority of the state. Obviously, such laws might be perceived as setting precedents for other ethnicities in the PRC, including Mongolians and possibly even Tibetans. Since Korea has historically been ethnically homogeneous, the concepts of ethnic and national unity are not easily distinguished in Korean discourse. Certain nationalist Korean historical claims to large parts of northeastern China, including the Korean ethnic autonomous region of Yanbian in the PRC, have been made by Koreans on the basis of the concept of ethnicity rather than the state as the fundamental measure of national unity. The revision of this law and its implementation is likely to receive close attention from the PRC, and may become the source of additional consular disputes between China and South Korea in the future.

### **Sino-DPRK Economic Relations: A Dramatic Upswing**

Although PRC President Jiang Zemin's visit to Pyongyang was overshadowed by the subsequent global shift in focus caused by the events of Sept. 11, the visit did reaffirm the PRC's critical role as the DPRK's most reliable trading partner. Chinese scholars have recently estimated that the PRC's aid to the DPRK represents one-third of China's overall development assistance budget, up from one-quarter several years ago. The PRC continues to provide the DPRK with approximately 1 million tons of oil and 1.5 million tons of coking coal each year, in addition to the 200,000 tons of grain that were promised by the PRC earlier last year. The official numbers don't include assistance that might flow to Korea at the provincial or local level. The Korea Trade and Investment Promotion Agency (KOTRA) has estimated that the PRC gave \$23.9 million in assistance during the first half of 2001, an almost 80 percent increase over Chinese assistance during the previous year. The number of DPRK refugees to South Korea via China and other third countries has also nearly doubled to almost 550, compared to 312 in 2000. Newly-arrived PRC Ambassador to South Korea Li Bin has continued to defend the PRC's position of denying refugee status for North Korean defectors to China, despite pressure from various South Korean citizens' groups, which claim that there are between 30,000-200,000 North Korean refugees hiding illegally in the PRC.

### **China's WTO Entry: Who Will Get the Prize?**

Now that the PRC has officially entered the WTO, Sino-ROK trade, investment, and political ties have intensified noticeably and will likely have a mixed effect on Sino-ROK economic relations, as has been explored in past quarters (see "Economic Interests Uber Alles," *Comparative Connections*, Vol 3, No. 2). In the near term, there are valuable mutual benefits, as South Korea has positioned itself as a critical provider of materials and offshore capacity essential to China's continued modernization. One immediate pay-off is that the ROK economy has remained in positive territory despite negative growth across the rest of the region. In fact, the global recession has intensified the ROK economic flight to China as an engine for continued economic growth, as China has replaced the United States as the number-one destination for ROK foreign investment and

has edged out the U.S. as the second largest number of visitors to South Korea, behind Japan. China has also surpassed Japan as South Korea's number-two trading partner, and China's shares of South Korea's imports and exports are increasing dramatically year by year.

The negative influences of China's entry into the WTO will show themselves as cheap Chinese agricultural goods flood the Korean market and as China becomes a stiff competitor that may supersede Korean shares in third-country markets. In the absence of a bilaterally agreed *modus operandi* applied to specific contentious sectors, China and South Korea, as the number one and number two leading targets of dumping cases in the world, may become frequent users of WTO rules to settle bilateral trade disputes as they arise. The benefits of trading with China and of positioning to gain a share of China's domestic market are balanced, and perhaps eventually will be outweighed, by an erosion of Korean competitiveness with China internationally. Several *chaebol* including Samsung, SK, and LG continue to restructure themselves and adapt new management strategies in preparation for expanded roles as players in China's domestic economy.

The Korea Institute for Industrial Economics and Technology (KIET) projects that China's WTO entry will boost bilateral trade by 10 percent, and the Korea Institute for International Economic Policy has forecast an increase of \$1.3 billion in exports and \$300 million in imports, with the most promising sectors being fiber, clothing, plastic products, steel, automobiles and auto parts, electronics and electronic parts, and machinery equipment. In particular, POSCO has three joint-venture steel factories in China and plans to invest \$100 million by 2003. China's demand for Korean steel has increased by almost 20 percent this year. The Korean petrochemical and shipbuilding sectors are likely to experience increased demand from China in the near-term, but will face decreasing competitiveness after 2005 due to Chinese investments and international joint ventures in these sectors that are likely to make China into a fierce and probably dominant competitor in global markets. China Unicom placed a supplemental order with Samsung Electronics for 200,000 additional circuits in Hebei and Tianjin, and Korean companies hoped to capture half of all code-division multiple access (CDMA) handsets sold to China by foreign suppliers during 2002 while gearing up for additional CDMA systems bidding in early 2002.

In early November, at the height of the consular crisis over the PRC's execution of a Korean national, ROK Deputy Prime Minister Jin Nyum met with his PRC counterpart, State Planning and Development Commission Chairman Zeng Peiyan, for comprehensive sector-by-sector discussions of the Sino-Korean economic relationship. The two economic leaders agreed to enhance economic cooperation in mobile services, finance, autos, nuclear power generation, and high-speed railway development. They affirmed the interest of companies such as Samsung, LG Electronics, and KT (Korea Telecom) in participating in China's CDMA systems and mobile telecommunications sector development, discussed the expansion of Korean financial and insurance service companies in China, expressed interest in participating in the construction of two to four 1 million kilowatt nuclear power plants set to be built by 2005, and sought approval for Hyundai-KIA to launch automobile factories in China. In addition, Sino-Korean trade promotion activities and information sharing/coordination continued to expand, including

consultations among Chinese and Korean financial securities regulators and financial supervisory commissions. In addition, the decision to launch three-way coordination meetings among Japanese, Chinese, and Korean economic ministers in Brunei is the first practical step toward pursuing a China-Japan-Korea free trade zone.

**Strategic Implications of China's Rise:  
Korean Balancer or Tripwire between the U.S. and China?**

China's rising share in Korea's external economic relations and cultural complementarity will inevitably constrain Korean political cooperation with the United States in the event of U.S.-PRC confrontation and could produce strains in the U.S.-ROK security alliance, although the alliance remains critical in Korean perceptions as a counterweight to rising future Chinese influence on Korea. Korean security specialists with a focus on China recognize that the rise of China is "the most serious security dilemma that the ROK will face in the mid- to long-term." When confronted with the contradictions inherent in balancing Korea's rapidly developing economic interests on the one hand with the requirements of the U.S.-ROK security alliance on the other, Korean analysts argue that the Cold War is over and it is no longer necessary to view political, security, and economic relationships in zero-sum terms. Korean analysts examine the level of economic interdependence between the U.S. and China and conclude that the nature of the U.S. relationship with China is different from the former Soviet Union, arguing that the possibility of a "partnership-like relationship" between the U.S. and China should not be excluded in the future. Given the stakes involved, many Korean analysts appear to be in denial regarding prospective Sino-U.S. confrontation, and the ROK government "has taken no concrete steps in planning on these issues."

South Koreans favor strategies that avoid escalation of U.S.-China disputes and emphasize cooperative relationships between Washington and Beijing. Given the intermittently confrontational track of the U.S.-PRC relationship, the issue of how to deal with China is gradually becoming a likely source of future differences in the U.S.-ROK relationship. It is important for diplomatic consultations and coordination on policies toward the PRC to be enhanced as a vehicle for minimizing alliance differences and building support within the alliance relationship. Despite Korea's growing trade with China, Seoul knows that the foundation for a prosperous trade relationship with China is its security relationship with the United States and under current circumstances will choose the relationship when pressed to do so. However, the PRC is developing new-found economic leverage as South Korean economic prospects are integrated with its own domestic economic expansion. Thus, the ROK's continued liberalization and a strong U.S. economic presence – as market for Korean goods, as investor in the Korean market, and as guarantor of regional economic and security stability – will increasingly become an essential underpinning to ensure that Korea's orientation and feelings of shared values remain strongly with the U.S., despite Korea's cultural affinity for China.

## **Chronology of China-Korea Relations**

### **October - December 2001**

**Oct. 7, 2001:** Twenty-five Chinese die among 60 stowaways seeking illegal entry into South Korea in a tiny storage room of a South Korean fishing boat off Jeju Island.

**Oct. 16, 2001:** PRC Foreign Minister Tang Jiaxuan and ROK Foreign Minister Han Seung-soo discuss President Jiang Zemin's early September visit to the DPRK on the sidelines of the APEC ministerial meeting in Shanghai.

**Oct. 20, 2001:** ROK President Kim Dae-jung meets with PRC President Jiang on the sidelines of the APEC Leaders' Meeting in Shanghai.

**Oct. 24-28, 2001:** A South Korean destroyer, an escort, and a support ship make the South Korean Navy's first port call to the PRC mainland in Shanghai.

**Oct. 26, 2001:** The PRC notifies the ROK Embassy in Beijing of the execution of a Korean national one month after his execution on Sept. 26 for drug trafficking.

**Oct. 29, 2001:** President Kim expresses regret over Beijing's execution of a South Korean citizen in late September without giving prior notification to the ROK government. ROK Foreign Ministry files official protest with PRC Embassy in Seoul.

**Nov. 1, 2001:** The ROK government requests that the PRC investigation allegations that two South Korean citizens imprisoned in the PRC on drug trafficking charges were denied rights to consular protection and were physically abused by Chinese authorities.

**Nov. 2, 2001:** ROK retracts its protest that the PRC had failed to provide notification to the national government as stipulated by a 1963 Vienna Convention after receiving confirmation from the PRC government that Heilongjiang Province officials had notified the Korean consulate in Shenyang that Korean nationals had been arrested and held in custody on drug-related charges.

**Nov. 2, 2001:** ROK Deputy Prime Minister Jin Nyum and PRC State Development Planning Commission Chairman Zeng Peiyan meet in Seoul and agree to enhance economic cooperation in mobile services, finance, autos, nuclear power generation, and high-speed railway development.

**Nov. 4, 2001:** FM Tang and FM Han discuss diplomatic incident involving the execution of an ROK national in northeastern China.

**Nov. 5, 2001:** At ASEAN Plus Three meeting in Brunei, President Kim, PRC Prime Minister Zhu Rongji, and Japanese Prime Minister Koizumi Junichiro agree to establish a trilateral forum among economic ministers to strengthen economic cooperation.

**Nov. 6, 2001:** Samsung Electronics wins a \$20 million order from China Unicom for code-division multiple access (CDMA) systems for 200,000 circuits in Hebei and Tianjin, China.

**Nov. 7, 2001:** ROK FM Han issues an apology at the National Assembly for his ministry's failure to protect Korean nationals in the PRC following the execution of a Korean national convicted in PRC courts of drug smuggling.

**Nov. 19, 2001:** The ROK recalls four consular officials based in China held responsible for failing to properly handle the case of an ROK national who was executed.

**Nov. 20-23, 2001:** Over 118 Korean small- and medium-size businesses are represented at the "Korea Product Show 2001," held at the China International Exhibition Center in Beijing in a KOTRA-sponsored attempt to promote Korean goods following the PRC's WTO entry.

**Nov. 28, 2001:** Outgoing PRC Ambassador to the DPRK Wang Guozhang pays a farewell visit to Supreme People's Assembly Presidium President Kim Yong-nam.

**Nov. 29, 2001:** The ROK Constitutional Court ruled that part of the 1999 Act on Overseas Ethnic Koreans unconstitutionally discriminated against ethnic Koreans from China and Russia, ordering the law to be amended by the end of 2003.

**Dec. 1, 2001:** The 2002 Japan-Korea World Cup soccer tournament first-round assignments are made in Busan. The Chinese national team is assigned to a first-round berth that will be played in Korea, with Chinese press reporting that 60,000-100,000 Chinese soccer fans may flock to Korea to see the national team play.

**Dec. 5, 2001:** The PRC State Economic and Trade Commission ruled that polystyrene imports from South Korea, Japan, and Thailand do not damage related industries in China.

**Dec. 6, 2001:** Newly-appointed PRC Ambassador to the ROK Li Bin supports efforts to promote peace and stability on the Korean Peninsula at the inaugural ceremony of the Korea-China Forum, composed of about 70 lawmakers.

**Dec. 12, 2001:** The ROK Ministry of Finance and Economy announces the easing of adjustment tariffs for imported seasoned cuttlefish, frozen pollack, loach, and cloth towels from China as part of an effort to lower trade friction with China.

**Dec. 13-19, 2001:** ROK Defense Minister Kim Dong-shin makes a one-week visit to China to meet with Chinese military and political leaders to discuss increased defense exchanges and cooperation.

**Dec. 16, 2001:** ROK Ministry of Information and Communication Kim Dong-sun announces following a visit with China Unicom Director Wang Jianzhou in Beijing that

South Korea and China may jointly push for developing a wireless Internet platform in the first half of next year.

**Dec. 17, 2001:** Beijing City Vice Mayor Liu Zhihwa arrives in Seoul to discuss coordination for international sporting events such as the 2002 World Cup and the Beijing Olympics and the possibility of establishing a Chinatown in Seoul.

**Dec. 18, 2001:** The Yeosu maritime police in South Jeolla Province hand over 35 Chinese illegal immigrants and the ashes of 13 individuals who suffocated on a boat while trying to enter China in early October. Another 12 victims remain unaccounted for.