



China-Korea Relations:
Establishing a “Strategic Cooperative Partnership”

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The Lee Myung-bak administration committed to the establishment of a “strategic cooperative partnership” with China during Lee’s inaugural visit to Beijing as the new president of South Korea. The visit occurred on schedule in late May, coming only weeks after the tragic Sichuan earthquake and in the midst of protests in South Korea over Lee’s decision to allow imports of U.S. beef. Those events also quickly overshadowed a late April flap during the Olympic torch relay in Seoul over Chinese students who came to cheer the torch but reacted violently to Korean groups protesting Chinese government treatment of refugees and political suppression in Tibet. PRC Vice President Xi Jinping, China’s designated successor to President Hu Jintao, made his maiden international visit to Pyongyang where he met with North Korea’s top leaders, including Kim Jong-il and affirmed the importance of the Sino-DPRK relationship. As host of the Six-Party Talks, China received North Korea’s declaration of its nuclear programs on June 26 in what really was a formality given the critical role of U.S.-DPRK talks in paving the way for the declaration. Nevertheless, the submission of the declaration did set the stage for the reactivation of Six-Party Talks in Beijing. Hyundai-Kia opened a new factory in Beijing and SK Telecom responded to strategic changes in China’s telecommunications market by diversifying its investments in various Chinese multimedia companies in pursuit of a “convergence strategy” for delivery of multimedia, computer, and telecommunications applications to Chinese consumers.

Sino-ROK ‘strategic cooperative partnership’ and its implications

While the Roh Moo-hyun administration sought greater distance from Washington and wooed Beijing with the promise of a strategic relationship to no apparent effect, the Lee Myung-bak administration seemed to turn its back on Beijing by announcing plans for a “U.S.-ROK strategic alliance for the 21st century” during Lee’s visit to Camp David in April, only to be wooed by Beijing to upgrade the Sino-South Korean relationship to the level of a “strategic partnership” during his visit to Beijing in May. Despite the tragedy of the Sichuan earthquake and preparations for the Beijing Olympics, the Chinese leadership welcomed Lee and consolidated the relationship at a higher level than before.

The announcement of a “strategic partnership” by Lee followed in a line of South Korean presidents who have claimed a closer relationship with China. From a “friendship and cooperative relationship” when relations were normalized in 1992 to a “full-scale cooperative partnership” under Kim Dae Jung, to a “comprehensive cooperative partnership” during the administration of Roh Moo-hyun, successive South Korean presidents have returned from trips

to China claiming better relations. If the upgrading in terminology reflects growth in bilateral economic interdependence, the term is surely justified. The Sino-South Korean trade relationship continues to grow at double-digit rates and represented almost one-fifth of South Korea's overall trade, reaching \$145 billion in 2007, up from \$100 billion in 2004.

When it comes to political relations, however, the idea of a "strategic partnership" seems more an aspiration than a reflection of reality. The political side of the relationship remains relatively shallow and is overshadowed by chronic irritants such as the Koguryo history issue, Chinese handling of North Korean refugees, the future of North Korea, and most recently violence by Chinese students during the Olympic torch rally in Seoul. These issues are manifestations of Sino-South Korean differences in world view, systems, and social values that impose real limits on the level of partnership that can realistically be expected between the two at this stage in the relationship.

On the eve of Lee's meeting with President Hu Jintao in Beijing, the PRC Foreign Ministry spokesman stated that "the Korean-U.S. alliance is a historical relic. The times have changed and Northeast Asian countries are going through many changes and transformations. We should not approach current security issues with military alliances left over from the past Cold War era." The statement created controversy in Seoul and stimulated a debate over whether South Korea should issue a formal protest (South Korea's spokesman said that "China should know how South Koreans feel about the incident, but the point is that the issue should not develop into an unnecessary diplomatic dispute"), while Chinese officials minimized the significance of the statement. Nonetheless, the statement suggests some frustration among Chinese officials regarding the Lee administration's renewed priority on strengthening the U.S.-ROK alliance.

Some Chinese scholars have also criticized the Lee administration's efforts to strengthen trilateral coordination with the U.S. and Japan. Gong Keyu of the Shanghai Academy of Social Sciences warned that U.S.-Japan-ROK triangular coordination has negative effects on inter-Korean relations, does not help settlement of the DPRK nuclear issue and peninsular stability, and will not benefit security and stability in Northeast Asia. Chinese leaders are also concerned about the development of inter-Korean relations and are particularly pressed to understand the "true intentions" behind Lee's more conditional approach to the North, especially as it relates to North Korea's food situation and near-term economic stability.

South Korea's foreign relations are traditionally most effective when Seoul maintains positive relations with all its larger neighbors, as was the case in the early part of the Kim Dae-jung administration. In contrast to the Roh administration's "balancing" approach motivated by concern about renewed Sino-Japanese rivalry, Lee's senior advisors appear to see the U.S.-ROK alliance both as a hedge against China's rise and a necessary platform by which South Korea might be able to enhance its strategic weight and leverage with its immediate neighbors. Ironically, however, the net result has been that Lee has accepted the type of upgraded relationship with Beijing that the Roh Moo-hyun administration sought but was unable to achieve. Lee also made the case that an improved Sino-South Korean partnership will "eventually be beneficial to North Korea."

Given that Sino-U.S. relations are stable and Sino-Japanese relations are on the upswing following Hu Jintao's early May visit to Japan, there is every reason to expect that Sino-South Korean relations should also improve. By the end of his visit to Beijing, Lee commented that "It is not desirable for Korea to lean toward a South Korea-U.S. alliance, particularly from the perspective of a power balance in Northeast Asia. South Korea-U.S. relations and South Korea-China relations should be complementary to each other." One indication of the development of a "strategic partnership" with China may come in the form of mutual intent to engage in more active high-level bilateral diplomacy. A return visit to Seoul by Hu Jintao, originally expected to come in July, has been postponed to September due to the aftermath of the Sichuan earthquake.

During his visit to Beijing, Lee Myung-bak was accompanied by an entourage of top Korean business leaders who sought to promote mutual investment and encourage Korean participation in Chinese infrastructure inland development projects and to expand cooperation in knowledge-based sectors including finance, IT, software, and logistics. Lee and PRC Prime Minister Wen Jiabao discussed initiating negotiations on a free trade agreement and expanded cultural exchanges, while also discussing the idea of a leased industrial complex in China for Korean companies seeking to enter the Chinese market. Lee also visited Sichuan Province to express condolences to earthquake survivors, but received criticism at home for visiting victims of a crisis-stricken area of China while being oblivious to rising public frustration in Seoul over his leadership.

Carrying the torch for and against China

The Olympic torch passed through Seoul on April 27, generating many of the same tensions and protests that accompanied torch processions in other cities around the world following the March protests and crackdown in Tibet. Two special and controversial features of the torch run in Seoul were the addition of North Korean human rights activists to the pro-Tibet demonstrators and the surprisingly large contingent of more than 6,000 Chinese students reportedly mobilized by the Chinese Embassy from universities around the country. Reports that the Chinese students violently attacked peaceful demonstrators enraged the Korean public and stimulated a strong public backlash.

The South Korean government called in the Chinese Ambassador to the ROK Ning Fukui to deliver a message of "strong regret" over the violence by Chinese demonstrators and the South Korean government undertook initial steps to punish four demonstrators who were caught on camera committing violence against the demonstrators. Civic groups sought to hold the ambassador responsible for mobilizing Chinese students from around the country, including 1,400 Chinese students studying in Busan.

The police issued an arrest warrant for a Chinese student surnamed Chen who had been caught on camera assaulting a Korean man and throwing stones at anti-China protestors. The ROK government mulled possible expulsion of Chinese nationals involved in violent acts, but ended up waiving charges against the student after he expressed remorse for his actions. PRC Assistant Foreign Minister He Yafei expressed verbal regret for the incidents during a meeting in Beijing with ROK Deputy Foreign Minister Lee Yong-joon, but as usual China offered no formal written acknowledgment or apology. The PRC Foreign Ministry spokesperson declined to condemn the

behavior of Chinese students, stating that “some Chinese students came out to safeguard the dignity of the torch. I believe that’s natural.”

The incident and the number of Chinese students who participated in the rally highlight the rapid growth in the number of Chinese students studying in South Korea, which grew more than five times from 6,419 in 2004 to over 34,000 this year according to the ROK Ministry of Education, Science, and Technology. The rapid growth of Chinese students means that over half of all international students in South Korea are from China. In June, the privately run Sangmyung University decided to limit the number of Chinese students admitted (over 90 percent of the international student body is from China) to provide opportunities to applicants from other countries.

Sino-ROK economic relations

The Chinese government’s restructuring of the telecommunications sector poses new challenges for SK Telecom, a strategic stakeholder of China Unicom. SK Telecom invested \$1 billion in 2007 to gain a 6.61 percent stake in the company. The restructuring will merge China’s six telecommunications firms into three in an attempt to improve their competitiveness by allowing them to compete in both fixed-line and mobile markets prior to opening third-generation wireless services to Chinese consumers. In 2008, SK Telecom acquired a 30 percent stake in Magicgrids Networks, a China-based company specializing in developing and publishing online games, a 42.2 percent stake in TR Music Co. Ltd., and a 65.52 percent stake in Shenzhen E-eye High Tech Co. Ltd., which provides global positioning system services in China. The acquisitions are designed to “enter the convergence business” by giving SK Telecom a stake in application and hardware delivery of telecommunications services to the end-user. LG Electronics is betting on the release of new touch screen “music phones” to enhance market share. Meanwhile, Samsung Electronics recorded a record high share of China’s mobile phone market – 16.3 percent in March – on the strength of monthly sales of over 2.4 million.

Significant new South Korean investments in China have been made in the petrochemical, energy, and automobile sectors. Samsung Total Petrochemicals Co. has opened a \$10.5 million petrochemical plant and has announced that it would establish production and sales subsidiaries to promote sales of polypropylene compounds to automobile and electronics component manufacturers. SK Energy plans to join with Sinopec Corp. to construct an ethylene plant in Wuhan, joining Exxon Mobil and BP who have already invested in the sector. KEPCO’s business in China has expanded with the acquisition or construction of fourteen power plants in Shanxi Province, the heart of China’s coal country. Hyundai Mobis Co. has completed construction of a new transmission testing center and Hyundai-Kia celebrated the opening of its newest auto plant in Beijing in April, bringing Hyundai Motors’ annual production capacity in China to 600,000 units. A study by the Export-Import Bank of Korea based on an examination of the balance sheets of 933 Korean companies operating in China shows that it takes about three years for Korean companies operating in China to generate a net profit.

South Korea’s stock market is a beneficiary of increasing Chinese investments through sovereign wealth funds, which totaled over \$300 million in the first four months of 2008. South Korea’s Financial Services Commission Chairman Jun Kwang-woo urged Chinese firms to consider

going public in Seoul, following three Chinese firms that have already raised \$87 million in South Korean equity markets. Several South Korean firms are positioning themselves to trade Chinese stocks and bonds, but none has yet received approval from Beijing.

Nagging negatives

South Korea initiated a 70-day crackdown on immigration law on April 1, arresting over 8,000 violators. Chinese nationals represented the largest group of those arrested at 2,744 people. Forty-five percent of the violators had married illegally to obtain Korean citizenship. Gangwon provincial police shut down a broker group consisting of 33 Chinese who had arranged false marriages and fabricated passports and other official documents. An additional group of about 1,000 ethnic Koreans from China faced deportation for overstaying their visas on the eve of Lee Myung-bak's visit to Beijing.

The South Korean movie "Crossing" directed by Kim Tae-kyun opened in Seoul in June. The movie dramatizes the tragic story of a North Korean husband and father who came to China in search of tuberculosis medicine for his starving, pregnant wife, and finds himself trailed by Chinese police and eventually deported to Seoul. Once there, he saves to pay a broker to reunite his family, an effort that ends in tragedy. The fictional account pales in comparison to the real-life tragedies of thousands of refugees from the North who arrive in South Korea. The tragedies are playing out daily in China and on the border, especially as border guards crack down by conducting house-to-house checks prior to the Olympics. After a long hiatus, border guards have allegedly resorted to the traditional methods of halting defections by shooting those who dare to cross the border. This deadly policy is all the more tragic as desperation motivates North Koreans to search for food to survive.

China is the point of origin for 54 percent of all cyber-attacks against South Korean computer networks, according to the Korea Institute of Information Security and Cryptology. South Korea's National Cyber Security Center (NCSC) reported that hacking attacks on South Korean government agency computer networks surged to 2 million per day in March from about 800,000 per day in February. A China-based hacking group was reportedly successful in breaking into computer networks at the National Assembly, Maritime Policy Agency, and the Agency for Defense Development. In addition, China-based con artists and "voice phishing" rings have actively sought to compromise Korean consumer databases in order to obtain personal data. According to the South Korea's Supreme Prosecutors Office, 6,192 cases of voice phishing were reported, resulting in losses of over \$61.5 million between June 2006 and March 2008. Authorities have arrested 558 Chinese and 308 Taiwanese nationals in connection with these types of crimes.

PRC next generation leadership preview: Xi Jinping in Pyongyang

PRC Vice President Xi Jinping selected Pyongyang as his first international destination following his selection earlier this year at the 11th Peoples Congress as the likely successor to Hu Jintao. During his three-day visit in mid-June to North Korea, Xi unveiled a five-point proposal to maintain mutual exchange of high-level visits; the declaration of "China-DPRK Friendship Year" in 2009 to commemorate the 60th anniversary of bilateral ties; the deepening of

cooperation in the agriculture, light industry, information industry, technology, transportation and infrastructure construction sectors; promotion of bilateral cultural exchanges; and strengthening of bilateral coordination and cooperation in the Six-Party Talks on the DPRK nuclear issue and within the framework of the United Nations. In addition to the opportunity to emphasize the symbolic importance of relations with Pyongyang, North Korea's controlled environment is a safe venue for new Chinese leaders to gain experience with international diplomacy. *Xinhua* news reported a 16.1 percent increase in Chinese trade with North Korea during 2007 to \$1.97 billion and Chinese company investments of over \$445 million. Xi met Kim Jong-il and reportedly invited him to the Beijing Olympics. No doubt, another subtle message inherent in Xi's visit to Pyongyang is that North Korea should also consider introducing Kim's chosen successor to Beijing when the time is ripe.

Six-Party Talks/plus three talks

Following a long period of apparent inactivity, China received North Korea's declaration of its nuclear programs, materials, and facilities on June 26. Although the declaration was a result of intensive bilateral U.S.-DPRK diplomatic efforts, it opened the way for Six-Party Talks to be hosted in Beijing. Aside from meetings of the working group on provision of energy to North Korea, formal meetings among the six parties have been stagnant during the first half of 2008, but that is likely to change with the submission of North Korea's declaration. The parties are likely to establish a new working group on verification and to meet in Beijing in early July. According to the Feb. 13, 2007 implementing agreement, it is also likely that the Six-Party Talks will convene at the foreign minister-level in the third quarter of 2008. The establishment of a Northeast Asia peace and security mechanism appears to remain premature until it is possible for the six parties to verifiably confirm that North Korea has provided a complete and correct declaration. Verification would pave the way for North Korea's denuclearization, presumably in return for additional bilateral political guarantees from the U.S. and Japan as well as multilateral energy provision from the other parties involved in the talks.

In June, the foreign ministers of China, Japan, and South Korea met in Tokyo. They agreed to regularize the tripartite ministerial meeting and promote a three-way summit in Japan this September. Foreign Ministers Yu Myung-hwan and Yang Jiechi also discussed follow-up measures to implement agreements made during Lee Myung-bak's May visit to Beijing.

Balancing 'strategic partnership' and 'strategic alliance'

Lee Myung-bak's initial diplomatic forays have yielded two "strategic" phrases: "strategic alliance for the 21st century" to describe the U.S.-ROK alliance and "strategic cooperative partnership" to describe the relationship with China. Where South Korea actually makes efforts to go beyond rhetoric will ultimately determine the potential – and the priority – of each of these relationships. In view of the Chinese Foreign Ministry spokesman's description of the U.S.-ROK alliance as a "historical relic," a less-than-academic question might be how South Korea manages to ensure that its new "strategic partnership" with Beijing does not conflict with the 21st century "strategic alliance" with the U.S., and how Seoul responds in the event that the two relationships do conflict with each other. The Chinese statement suggests that Lee's vision of the two relationships as complementary and mutually beneficial may be overly optimistic.

If the need to ensure that China does not feel threatened by Korea's improving ties with the U.S. becomes paramount, there is a risk that such an approach might lead to the evisceration of the alliance. A further concern is whether Lee Myung-bak's domestic handling of the beef issue has resulted in the politicization of U.S.-ROK alliance relations to the degree that deepening of cooperation is constrained. A question that should invite serious reflection and concern among foreign policy elites is the extent to which future freedom of action to deepen the U.S.-ROK relationship may be constrained by an uneven or politically colored view among the South Korean public. Numerous consumer safety issues involving more direct health risks have periodically plagued Chinese food exports, but none have brought Koreans into the streets. South Korean public opinion – not necessarily the views of any single Korean administration – ultimately will guide the rudder of foreign policy. To the extent that South Korean political leadership is weak, the influence of public opinion will be magnified, and the ability of the Korean government to balance the two relationships or to chart its own path in Northeast Asia will become less sure.

Chronology of China-Korea Relations* **April – June 2008**

April 6, 2008: ROK Air Force Chief of Staff Gen. Kim Eun-ki begins trip to Russia, China, and Japan for talks with counterparts on bilateral ties.

April 7, 2008: LG Display announces plans to set up a research and development (R&D) center in Shenzhen, China, with Skyworth Digital Holdings, a Chinese TV set manufacturer.

April 9, 2008: The Export-Import Bank of Korea releases a study showing that it takes about three years for Korean companies operating in China to generate a net profit.

April 9, 2008: Beijing Hyundai Motor Co. opens its second plant in Beijing in a ceremony attended by 600 dignitaries, including Hyundai-Kia Automotive Group chairman Chung Mong-koo and Beijing Mayor Guo Jinlong.

April 10, 2008: Seoul metropolitan government officials fail to approve the PRC Embassy's architectural plan to rebuild its compound in Myeong-dong, central Seoul.

April 11, 2008: Hyundai Mobis Co., an affiliate of Hyundai-Kia Automotive Group and South Korea's largest auto parts maker, completes a new transmission testing center in Beijing.

April 11, 2008: President Lee Myung-bak designates career diplomat Shin Jung-seung ambassador to the PRC.

April 21, 2008: Former South Korean President Kim Dae-jung asserts during a speech in the U.S. that North Korean leader Kim Jong-il fears possible subordination of its economy to China.

* Chronology compiled by Minha Choi

April 25, 2008: China-based hackers are reported to have invaded Internet Auction's server and stolen personal information of 11 million of the company's 18 million subscribers.

April 29, 2008: South Korea expresses "strong regret" and announces that it will take a stern measure against Chinese demonstrators who wielded bamboo sticks and hurled stones at anti-Chinese activists and riot police during the Beijing Olympic torch relay.

May 1, 2008: Civic groups request police investigate the Chinese ambassador to South Korea on charges of abetting student violence during the Olympic torch relay.

May 1, 2008: South Korea's National Cyber Security Center reports that hacker attacks on computer networks of major state institutions exceeded an average of 2 million per day in March.

May 2, 2008: A Korean court rejects the application for an arrest warrant for a Chinese student accused of assaulting a 49-year-old Korean man during the Olympic torch relay in Seoul.

May 6, 2008: Samsung Electronics Co. announces that it has recorded its highest ever market share for sales of Chinese mobile telephones.

May 11, 2008: "D-War," a science-fiction film directed by former comedian Shim Hyung-rae, is released in China at more than 500 theaters in about 100 cities.

May 8, 2008: Supreme Prosecutor's Office announces that between June 2006 and March 2008, authorities arrested 3,460 people including 558 Chinese for voice phishing and other internet-based crimes.

May 13, 2008: ROK chief nuclear envoy Kim Sook consults in Beijing with Chinese counterpart on the resumption of Six-Party Talks and North Korea's anticipated declaration of its nuclear programs.

May 14, 2008: South Korea announces that it will provide earthquake-hit China with emergency funds and aid materials worth \$1 million,

May 18, 2008: Chinese Ambassador to South Korea Ning Fukui expresses his appreciation for the government's support and aid in response to the earthquake that hit Sichuan Province.

May 25, 2008: North Korean and Chinese militaries are reported to have boosted border patrols to stem the outflow of North Korean refugees in advance of the Olympics Games.

May 26, 2008: Korea Electric Power Corp. announces that it will sign a contract to acquire 14 Chinese thermal power plants including four plants being built by the Korean firm.

May 27, 2008: During a visit to China, President Lee Myung-bak and President Hu Jintao agree to forge a "strategic cooperative partnership" between the two countries. Lee meets other top members of China's leadership and business community, including Wen Jiabao.

May 28, 2008: South Korea and China sign a memorandum to recognize courses academic transcripts to promote student exchange.

June 10, 2008: Busan police announce the arrest 10 people for arranging sham international marriage. Separately, Gangwon provincial police arrest 6 brokers and charge 188 others, including 33 Chinese, one South African and one Vietnamese.

June 13, 2008: Financial Services Commission Chairman Jun Kwang-woo calls on more Chinese firms to go public in the Seoul bourse.

June 14, 2008: South Korea, China, and Japan agree to regularize the foreign ministerial meeting as part of their efforts to systemize three-way cooperation. The ministers also agree to pursue three-way summit talks this September in Japan.

June 18, 2008: Lotte Mart opens stores in Beijing claiming to be the first Korean retailer to officially operate in Chinese capital

June 22, 2008: DPRK National Defense Commission Chairman Kim Jong-il is invited to attend the opening ceremony of Beijing Olympic Games during a meeting in Pyongyang with PRC Vice President Xi Jinping.

June 24, 2008: A prisoner of war (POW), Kim Jin-soo, who fought in the Korean War, escapes from North Korea 55 years after being captured.

June 26, 2008: North Korea hands over its long-overdue nuclear declaration to China.

June 30, 2008: Korea Kumho Petrochemical Co. announces the completion of construction of a petrochemical plant in Nanjing, China.