

China-Korea Relations:

Clash, Crash, and Cash:

Core Realities in the Sino-Korean Relationship

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The April 15 crash of a China Air flight from Beijing to Pusan in which 129 of 166 passengers died provided a tragic omen for a tumultuous quarter in the relationship between Seoul and Beijing. World Cup euphoria in Seoul and disappointment for a Chinese team that got shut out in three straight matches during its first World Cup appearance somewhat overshadowed a diplomatic imbroglio in Beijing over a steady flow of North Korean refugees seeking asylum in foreign embassies and consulates. The diplomatic standoff over the refugees that had arrived in the South Korean compound may mark a turn to a more complex and contentious relationship between Seoul and Beijing as the two countries celebrate the 10th anniversary of diplomatic normalization.

The level of public awareness of both good and bad aspects of the relationship continues to broaden through exports of pop culture, private sector, and citizen-led exchanges and dramatic footage of one North Korean refugee being forcibly dragged from the South Korean compound by Chinese public security officials. Governments struggle to construct the diplomatic and political infrastructure necessary to bear the weight of increasingly intensive interactions in a wide range of areas: foreign ministers met on the sidelines of the Asian Cooperation Dialogue (ACD) in June to discuss the diplomatic standoff over North Korean refugees in the South Korean compound and coordinated efforts to respond to the spring “yellow dust” syndrome got high-level attention. The two governments continued to support increased economic coordination, including the signing of currency swap agreements worth \$2 billion designed to forestall a repeat of the Asian financial crisis. Despite a more balanced view in recent months of China as a neighbor who may challenge basic South Korean interests, the underlying force in the relationship remains a widespread perception of China as an irresistible business opportunity and of South Korea as an economic model and significant investor in China’s economic growth.

Diplomatic Clash: North Korean Asylum-Seekers Overwhelm PRC Public Security

This quarter marked a sharp escalation of the confrontation between South Korea and China over the treatment of North Korean refugees who have sought political asylum by entering diplomatic compounds and consulates in Beijing and Shenyang. Following the

entry and transfer of 25 North Korean refugees into the Spanish Embassy in Beijing in late March (see “Transit, Traffic Control, and Telecoms: Crossing the ‘T’s’ in Sino-Korean Exchange,” *Comparative Connections*, Vol. 4, No. 1), North Korean refugees have sought refuge in the Beijing and Shenyang diplomatic compounds of Canada, the United States, Japan, and South Korea, among others. Over 39 North Korean refugees found their way to South Korea during this quarter via diplomatic compounds in China, despite Chinese efforts to crack down on this flow. With each case, the frustration of the Chinese public security officials has mounted.

Two dramatic cases ensued involving the entry of Chinese public security officials into first the Japanese consulate in Shenyang in May and subsequently the South Korean compound in Beijing in June. In contravention of the Vienna Convention, Chinese authorities entered the compounds in both cases and removed North Korean refugees who were seeking asylum.

China’s response to the initial flow of North Korean refugees into the Spanish Embassy compound in March has been comprehensive. The PRC government has tried to improve border security between North Korea and China so as to curtail the flow of North Korean refugees into China, enforced regulations that punish Chinese citizens for assisting North Korean refugees, denied entry visas to known international human-rights activists who have attempted to publicize the plight of North Korean refugees, detained South Korean nationals from religious organizations based in China that have been active in helping North Korean refugees and in proselytization efforts that are banned in China, and increased the level of security around diplomatic compounds in Beijing and Shenyang by sending notices requesting the cooperation and understanding of the diplomatic community and by constructing or adding barbed-wire fence areas to keep North Korean refugees from going over the walls. There is no doubt that the China’s response has made the plight of North Korean refugees already in China even more difficult. None of these measures has thus far proved adequate, and the aggressiveness of the PRC public security effort backfired badly in the case of the unauthorized entry of PRC security guards into the Japanese Consulate in Shenyang and the South Korean compound in Beijing.

The South Korean government initially cooperated with the PRC primarily to arrange safe passage of refugees from third-country diplomatic facilities via a third-country from Beijing to Seoul. However, the gradual entry of up to 23 North Korean asylum seekers into the South Korean compound in early June marked the first time that the South Korean compound had openly accepted political asylum-seekers from North Korea since Hwang Jang-yop’s defection in 1997. Given the PRC government’s intensive efforts to revamp public security measures to prevent such refugee flows, the government in Beijing attempted to use the South Korean case as an opportunity to enforce new precedents in its handling of the North Korean refugees, with relatively little success. The PRC government tried to require foreign embassies and consulates to allow an interview with Chinese public security officials prior to their departure from China, and once again insisted that the South Korean government turn over refugees for the interview.

China's frustration with the continuing flow of North Korean refugees through diplomatic compounds was sufficiently high that the Public Security Bureau rather than the Ministry of Foreign Affairs became the focal point for efforts within the Chinese government to stem refugee flows, a situation that contributed to China's miscalculations regarding pursuit by Chinese security officials into the Japanese and South Korean compounds. While South Korea was a passive observer to the dramatic footage of Chinese public security officials entering the Japanese consulate in Shenyang in mid-May, there was widespread outrage in Seoul when footage was shown of the June 13 incident at the Korean compound in Beijing. Chinese public security officials forcibly entered the compound and dragged away one of the North Korean refugees who was seeking asylum, despite protests, scuffles, and blows to South Korean diplomatic personnel and employees who tried to prevent the removal of the refugee, whose son remained inside the compound. Despite Chinese attempts to block transmission of the film taken by South Korean media inside the compound, the film was shown and evoked a strong negative reaction from the Korean public that was mitigated only by preoccupation with South Korea's historic World Cup performance.

Almost two weeks of intensive diplomatic negotiations ensued, including a meeting between foreign ministers of the two countries on the sidelines of the Asian Cooperation Dialogue meeting in Cha-am, Thailand. The PRC government finally agreed on June 23 to release all 26 defectors, including the man who had been removed from the diplomatic compound on June 13 and two other refugees who had entered the Canadian Embassy compound in Beijing, following an agreement in which both the PRC and South Korean governments expressed regret. In return for China's agreement to allow all the refugees safe passage to South Korea, the South Korean government expressed its regret over the incident and its "understanding" of China's request that diplomatic missions not be used as a channel for North Korean refugees to defect to the South. However, the South Korean government faced sharp criticisms at home for expressing regret. Within a day of that group's arrival in Seoul, yet another North Korean defector had entered the South Korean compound in Beijing.

Although the incident was finally resolved in only two weeks, it received a great deal of attention in the South Korean media and brought home to average South Koreans the diplomatic challenges in dealing with China. South Korean editorial and opinion columns expressed outrage that the PRC government would violate South Korea's sovereignty by entering the consulate and that the ROK government would admit any responsibility as part of the diplomatic solution to this issue. South Korean non-governmental organizations (NGOs) and the public criticized the government for its failure to stand up to the PRC more forcefully. South Korean intellectuals and the media reacted negatively to China's actions and portrayed the PRC government very negatively in the press. The PRC government and media responded in kind, with a decidedly negative turn in press reporting on South Korea's World Cup accomplishments. While the negotiations over the fate of the North Korean refugees were going on, Chinese reporting of South Korea's World Cup success emphasized the Italian and Spanish

criticisms of the refereeing and even alleged that South Korea had fixed the refereeing in its favor since the World Cup was being hosted by South Korea and Japan.

Immediately following the release of the 26 North Korean refugees to Seoul, South Korean media began to report on China's earlier detentions of key South Korean missionaries in China who had been aiding North Korean refugees, along with speculation that the Chinese government would be likely to pursue those cases much more harshly as part of its overall crackdown on North Korean refugees. Despite speculation that the PRC government is somehow hamstrung by its relationship with North Korea in how it handles North Korean refugee issues, there is little evidence that the PRC government has felt constrained from acting in its own interests without regard to consultations with Pyongyang. After all, it has successfully handed over to South Korea every North Korean refugee who has chosen to defect via diplomatic facilities of third countries so far. Despite Beijing's concern that continuously handing over refugees to South Korea may increase the flow of refugees through diplomatic properties of third countries, the PRC has thus far clearly understood that it has no viable choice but to allow their transit to South Korea.

China Air Crash: Burgeoning Ties and Trading Blame

The tragic crash of China Air Flight 129 from Beijing to Pusan in bad weather drew attention this quarter to the rapidly expanding infrastructure for exchanges of people and goods between South Korea and China – and the challenges that it entails. It also marked another background event through which the media shaped public images on each side. In the immediate aftermath of the crash, both the Chinese and South Korean media pointed fingers at each other. The 31-year-old Chinese pilot who survived the crash faced questioning from Korean authorities and South Korean media criticisms that he was too inexperienced in only his fifth flight to Pusan airport to fly the plane or that he had been pressed into working too many hours by crew shortages in Beijing. Chinese media responded poorly, with criticisms of South Korean flight control procedures and handling of flights during poor weather.

The 129 passengers and crew who died were extraordinarily unfortunate members of a rapidly rising flow of tourists between China and South Korea. In the month of April, the number of flights between South Korea and China surpassed the number of flights between South Korea and Japan for the first time as flight routes were added between Korea and China in anticipation of the World Cup. Although unofficial estimates put the number of Chinese visitors to South Korea at 30,000 rather than the expected 100,000, the Chinese presence was one of the larger groups to come to Korea for the tournament. During the first four months of this year, over 500,000 Koreans visited China, marking a year-on-year increase of 58 percent. South Korean students dominate classrooms in Chinese language programs at the top Chinese universities, including Fudan, Beijing, and Qinghua Universities, constituting well over half of foreign enrollment. To celebrate the 10th anniversary of the establishment of diplomatic relations, China and South Korea have also organized student exchanges at a municipal governmental level. Over 100

South Korean students visited Beijing and Xian in early May, and students from Beijing are coming to Seoul during the summer.

Among those Chinese who visited Korea were a number of Korean Chinese who “disappeared” from their tour after attending a China-Costa Rica soccer match in Kwangju. Ethnic Koreans from China have also disappeared after signing up for education and training programs that are a vehicle for illegally entering South Korea. South Korean authorities are struggling to strengthen immigration controls to respond to human smuggling efforts by which Chinese, attracted by South Korea’s higher wages, continue to try to enter Korea illegally. A newly signed extradition agreement between China and South Korea has resulted in the exchange of a drug trafficker wanted in China and a person involved in smuggling drugs and human cargo via the Yellow (West) Sea.

South Korea remains a magnet for Korean Chinese, some of whom spend huge sums with brokers who arrange for them to come to South Korea by either legal or illegal means. Once there, they must work off those debts and send money back to their families in China. The Korean government estimates that almost 75,000 ethnic Korean Chinese are in South Korea illegally to do difficult, dirty, and dangerous jobs in order to make a living, and it has been trying to overhaul procedures for handling illegal immigrants by instituting a voluntary reporting period through the end of May, after which the government is prepared to take strict measures in handling illegal migrant workers. Members of the *Chosonjok* (ethnic Korean Chinese) church launched a hunger strike in early April to protest the government’s plan in anticipation of the new measures.

Cash: Economic Opportunity as the Driver for Sino-ROK Relations

Despite political and diplomatic tensions, the fundamental complementarity of the Chinese and South Korean economies continues to create mutual beneficial opportunities. However, the first signs of future economic conflicts are beginning to reveal themselves in various ways. Among the developments worth highlighting are that China continues to see Korea as a model for dealing with some of its most serious internal problems, including the issue of how to clean up nonperforming loans, which are estimated to constitute a staggering proportion of overall lending in China’s banking sector.

According to the Korea Trade-Investment Promotion Agency, direct investments in China rose by 45 percent during 2001 to \$2.15 billion. Chinese cities this quarter have sent trade missions to South Korea to attract foreign investment, with the city of Weihai sending a delegation of about 1,000 people in mid-May, preceded by large delegations of over 100 people each from Liaocheng, Yantai, Yanbian Province, and Guangdong Province. Chinese companies have also taken advantage of the “Korean Wave” to recruit popular Korean celebrities such as Korean actress Kim Hee-sun as spokespersons for their products.

On the other hand, trade disputes are emerging in key sectors of the China-South Korea economic relationship. Management of these disputes will become an increasingly important aspect of the government-to-government relationship. China’s annual

production of chemical fiber is projected to exceed 10 million tons next year, and fiber production rate will rise to 100 percent in the near future, sharply reducing the Chinese demand from Korean chemical fiber producers, which are suffering from overcapacity. In industries from oil refining to steel to container handling, it is not hard to see that the stimulus to Korea's economy created by China's increasing demand may become a curse in three to five years when China's plans to build indigenous capacity come on line. The surge in transshipment activity has made Pusan port the third largest in the world and has stimulated massive expansion plans at Gwangyang; however, the construction of state-of-the-art port facilities in Shanghai will clearly eat into transshipment activity, raising interesting questions about the viability of the Pusan-Gwangyang expansion plans. Korean businessmen and economic planners have largely focused on the short-term bottom line, despite the dangers that may await in the mid- to long-term as China builds its own capacity.

One of the more interesting ways in which this realization has begun to play into South Korean planning lies with the Kim Dae-jung administration's active focus on making South Korea a regional transportation hub and international business center. Capitalizing on Korea's location as a supplier of high-value-added goods and services to China and the rest of Northeast Asia, the strategy is designed to turn Korea into a central transit point rather than an outlier in regional and global economic affairs. The idea of Korea as a regional hub has received a big boost from Korea's success in recovering from the financial crisis through the institution of more transparent business practices and from the international focus on Korea derived from its co-hosting of the World Cup.

However, the underlying motivator driving the efforts of the Korean government and business community derives both from the economic opportunity associated with Korea's proximity to China and from the economic threat arising from China's future competitiveness. For Korean economists, making South Korea into a regional hub is a way of recognizing that Korea has no choice but to stay ahead of China in the transition from a manufacturing to a service and knowledge-based economy. With China's modernization well underway, Korean economic planners can feel the breath of a stiff competitor at their back; they have no option but to run harder and faster toward international best practices that can make Korea an indispensable hub for economic regionalism and globalization. South Korea's failure to pursue this in all its aspects may force the country to the periphery of Asia's economic and political relations and ultimately leave Korea's prospects wholly dependent on China's future growth.

Chronology of China-Korea Relations

April - June 2002

April 8-10, 2002: The Korean Peninsula suffers its worst bout of “yellow dust” from China, with concentrations of fine dust particles measuring up to 2,070 micrograms per cubic meter (70 times the normal concentration).

April 12, 2002: A group of 500 ethnic Korean Chinese in South Korea announces a hunger strike to protest the Seoul government’s plan to crack down on illegal aliens.

April 15, 2002: Air China Flight 129 from Beijing to Pusan crashes in bad weather on approach to Pusan’s Kimhae Airport. Only 38 of 166 passengers, including the Chinese pilot, survive the crash.

April 16, 2002: The Federation of Korean Industries calls on the South Korean government to urge China to ease restrictions on business activities of foreign companies in a meeting with Minister of Commerce, Industry, and Energy Shin Kook-hwan.

April 19-20, 2002: South Korea, Japan, and China agree to form a yellow dust monitoring network in talks among environment ministers from the three countries held in Seoul.

April 25, 2002: Two South Korean missionaries, Cheon Ki-won of “Durihana Mission” and Pastor Choi Bong-il, were announced to have been detained in China for their activities assisting North Korean defectors and providing them with shelter.

April 28, 2002: Korean Air announces expanded flight service to China to 12 cities on 16 different routes 82 times per week. Korean Air anticipates over 1 million passengers on China-bound flights for the first time in 2002.

May 6, 2002: South Korean government opposes a visit to Seoul by Taiwan’s First Lady Wu Shu-chen at the invitation of the Korea Association of Persons with Physical Disabilities, arguing that such a visit would contradict South Korea’s “one China” policy.

May 8, 2002: Five North Korean asylum-seekers enter the Japanese consulate in Shenyang, despite Chinese attempts to retrieve them from the consulate. Video of the incident sparks severe criticism of China’s handling of North Korean asylum-seekers.

May 10-14, 2002: Deputy Prime Minister and Minister of Finance and Economy Jeon Yun-Churl meets with Chinese counterparts to discuss bilateral economic cooperation and to participate in a tripartite meeting of finance ministers from South Korea, China, and Japan. The Korea-China Investment Cooperation Committee is launched in Seoul under the chairmanship of the Korean and Chinese finance ministers.

May 14, 2002: Three North Korean defectors who had sought asylum at the U.S. consulate in Shenyang arrive in Seoul via Singapore.

May 14-16, 2002: Chinese government mission from Shandong's Weihai province sends a 1,000-member economic mission to Seoul, according to the Korea International Trade Association and the Korea Trade-Investment Promotion Agency.

May 17, 2002: The South Korean consulate draws criticism from human-rights activists by turning away a man who claimed to be a North Korean refugee. On the same day, two North Korean refugees who sought asylum at the Canadian Embassy arrive in Seoul.

May 23-24, 2002: The first North Korean refugees enter the South Korean compound, triggering talks between South Korea and China on how to handle these requests.

May 24, 2002: China slaps duties on half of its annual steel imports as a market protection measure. Korean officials call for negotiations with China on the issue.

May 28, 2002: China publicly claims rights to three asylum-seekers who took refuge in the South Korean compound, arguing that the matter is one for Beijing and Pyongyang and not for Seoul and signaling that defectors to South Korean diplomatic compounds would be treated differently from other cases.

June 5, 2002: Two Chinese tourists disappear after watching the China-Costa Rica World Cup soccer match in Kwangju.

June 8, 2002: A study by China's Ministry of Foreign Trade and Economic Cooperation (MOFTEC) reveals that South Korea was involved in 15 of 19 antidumping investigations China has launched against imports during the past five years.

June 10, 2002: Three North Korean defectors enter the Canadian Embassy in Beijing and two additional defectors enter the South Korean Embassy in Beijing.

June 11, 2002: Nine North Korean defectors enter the South Korean compound in Beijing, bringing to 17 the total number of asylum-seekers housed at the compound.

June 13, 2002: Formosa Plastics Group (Taiwan) Chairman Wang Yung-ching visits North Korea to explore possible investments in North Korea.

June 13, 2002: Chinese public security officials enter the South Korean compound and forcibly remove one of 23 North Korean asylum seekers, stimulating a firestorm of protest in Seoul.

June 13, 2002: A Korean man is detained at Incheon Airport for smuggling one kilogram of methamphetamines on a flight from Yantian China.

June 18, 2002: South Korean Ministry of Commerce, Industry, and Energy announces that it is holding talks with the Chinese government to set up a complex for Korean

manufacturers at Dandong, across the Yalu River from Sinuiju, on the North Korea-China border.

June 19, 2002: South Korean Foreign Minister Choi Sung-hong and PRC Foreign Minister Tang Jiaxuan hold talks on the North Korean defectors issue on the sidelines of the Asia Cooperation Dialogue in Cha-am, Thailand.

June 24, 2002: Twenty-six North Korean defectors, including 23 who had sought asylum at the South Korean Embassy in Beijing, arrive in Seoul. On the same day, a North Korean woman enters the South Korean Embassy and requests asylum.

June 24, 2002: The Bank of Korea signs a currency swap agreement worth \$2 billion with China as part of measures to prevent the recurrence of another Asian financial crisis.

June 27, 2002: South Korean government officials express concern that the Chinese government will give severe punishments to three South Korean missionaries detained on charges of helping to smuggle North Korean defectors out of the country.