

China-Korea Relations:

No Shows, Economic Growth, and People Problems

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With APEC and ASEAN Plus Three holding their annual meetings in October or November, the last quarter of the year has become a period when one can expect more intensive high-level exchanges than usual across the region. Add a boost in diplomatic business surrounding planning for six-party talks, a post-SARS bump, and a 40 percent rise in bilateral ROK-PRC trade and 2003 becomes a banner year for China-ROK high-level exchanges and trade relations. Booming economic growth in the PRC has driven and in some cases overtaken the Korean economy, benefiting South Korean exports in the short run. As a result, China has become the de facto regional hub for Northeast Asian and Korean trade despite Korea's aspirations to play that role.

The quarter also saw the emergence of a number of areas in which individuals or groups got caught on the wrong side – or the dark side – of the burgeoning trade relationship, or were just in the wrong place at the wrong time. Many of these incidents raise questions about whether the bureaucrats of the two countries are capable of managing diplomatic hot potatoes and protecting the vulnerable or disadvantaged while going after cheaters and swindlers. Even history became contested as Beijing began to rewrite history in a bid to challenge Korean historical claims.

Six-Party No Shows and the Difficulties of Collecting Payment in Advance

As the second North Korean nuclear crisis celebrates its first anniversary, the six-party drama has taken on characteristics of a Dickens penny novel – if only the stakes weren't so high and the situation real. This diplomatic potboiler left-off last quarter with North Korea rejecting a visit by the PRC and a parliamentary Chairman Wu Bangguo, ostensibly due to press leaks in the South Korean media. However, the visit for early September made its way back onto Chairman Wu's schedule for the end of October. The Wu visit was deemed important because it was sufficiently high-level to assure an audience with Kim Jong-il during the trip. President Bush had stated at APEC in mid-October that he would support a multilateral security guarantee for North Korea, although there was no change in the administration's position that the prerequisite for such an assurance was the "complete, irreversible, verifiable" dismantling of the North Korean nuclear program. During Wu's visit, the PRC followed up with DPRK counterparts on the Bush statement, suggesting an exchange of nonaggression assurances for a North Korean pledge to give up its weapons of mass

destruction (WMD) program as part of the diplomatic strategy to convince the Dear Leader to send DPRK representatives to a second round of six-party talks. Following a series of meetings that included discussions with Kim Jong-il, Chairman Wu's delegation ostensibly secured a DPRK pledge to participate in a new round of talks widely expected to take place by year's end.

Having been assured that the North Koreans would actually participate in the meeting, the Chinese turned to the task of trying to ensure a substantive outcome for the talks. The challenge for the PRC was to avoid the establishment of an empty process along the lines of four-party talks from the late 1990s, a diplomatic stalemate, or failed diplomacy à la Iraq, especially since the logical result of a failure in negotiations would be to refer the matter for consideration to the UN Security Council.

Recognizing that there would likely be little progress at the formal sessions and with the failure to get a joint statement from the August round of talks fresh in their minds, the PRC attempted to pre-negotiate an agreed statement among the six parties primarily focused on an exchange of assurances between the DPRK and the United States. This exchange of drafts occurred during the first two weeks of December, at which point it became clear that it would be impossible to close the gap in wording in the DPRK and U.S. positions in time for a year-end round of negotiations anticipated for Dec. 17-18. Much of the gap was in whether to describe the process of moving forward as a "coordinated" or "simultaneous" process. Although there was disappointment in many quarters that the talks were unable to take place by the end of the year, soon after Christmas, the PRC vice foreign minister was back in Pyongyang for consultations with DPRK diplomats, and New Year's Eve heralded news reports of round of track-two diplomacy involving American private citizens and members of the Senate Foreign Relations Committee. Stay tuned for the next installment of Beijing's shuttle diplomacy and the latest in the second North Korean nuclear crisis!

Paydirt in Economic Relations

The China-ROK bilateral trade relationship averaged about 40 percent growth throughout 2003, allowing China to pass the U.S. as South Korea's number one trade partner and investment destination. China is reported to have been the destination of over three-quarters of South Korea's foreign direct investment in 2003. China's enormous economic expansion continues to have both an upside and a downside for Korea. Chinese economic growth has been a wonderful driver for Korean exports buying Korean cars, semiconductors, automobiles, telecommunications equipment, and many other products. For instance, expanded production in China has paid off for Hyundai and Kia, making possible record production plans for 2004. (Estimates are that Korean exports to China will continue to grow at around 25 percent next year.)

But China's advantages as a global manufacturing hub are hollowing out Korean industries, many of which are moving to China. For instance, Korean heavy machinery manufacturers are actively transferring operations to the PRC. Chinese companies are producing exports in sectors such as kitchen appliances that are increasingly competitive in Korean markets,

challenging Korea's market share in head-to-head competition in third-country markets. An expansion of China's steel production facilities may affect Korean steel makers in the mid- to long-term, but is not perceived to pose an immediate threat. Shanghai and Shenzhen ports have grown at double digits surpassing Pusan as the third and fourth busiest ports in the world. Korean textile exports dropped to a 13-year low in 2003 of \$15.2 billion as a result of increased international competition from China, according to industry sources.

A new trend exemplifies China's challenge and possible economic dominance in the future: Chinese firms seeking Korean technology and experience are beginning to invest in Korea in strategic industrial sectors. In December, the Nanxing Group, a Chinese national chemical company, beat out more established potential buyers in the automobile sector to sign a memorandum of understanding to acquire Ssangyong Motor Corporation. In 2002, China's BOE Technology bought a division of Hynix Semiconductor that makes flat panel displays, and several Chinese companies are seeking to acquire Orion PDP, a maker of plasma display panels. While Korea benefits from in foreign investment and a first-rate performance in niche markets, China's acquisitions are feeding fears that the PRC will close the technological gap with Korea within the next few years by acquiring the strategic jewels that are likely to determine Korea's future economic growth prospects and further undermine Korea's competitiveness in global markets.

The Wrong Person at the Wrong Place at the Wrong Time

Ethnic Korean Chinese temporary workers without legal work permits – representing over half of the approximately 200,000 illegal foreign workers resident in Korea – have been part of an ongoing saga over ROK government attempts to introduce a new work system for foreign laborers in Korea, especially those who have illegally stayed in South Korea to work and earn a living. Many of those individuals risk being abused by Korean employers who might abuse illegal workers who have no recourse or might face deportation under Korean law if they are caught. The situation is especially complex for ethnic Koreans from China, who have been at the center of a constitutional debate over a law that had promised special rights for ethnic Koreans who returned from overseas to the Republic of Korea. Since that law excluded ethnic Koreans who had left Korea prior to the establishment of the ROK in 1948, thus indirectly discriminating against ethnic Koreans who had emigrated to the PRC or Russia, it was declared unconstitutional several years ago. However, despite opposition from the PRC government, several ROK lawmakers have continued to seek ways to extend these special rights to Koreans in the PRC and Russia. This issue has become entangled with the ROK government's attempts to overhaul its law governing illegal foreign workers by revising a permit system and giving special amnesty to illegal workers who voluntarily depart Korea prior to the initiation of a crackdown and new regulations this year. Ethnic Korean Chinese have protested these and other issues in recent months. They have received continuous support from South Korean NGOs who focus on supporting the rights and welfare of ethnic Koreans from China.

Several South Koreans found themselves in the wrong place at the wrong time in China, with their returns delayed for months if not years. One is Jeon Yong-il – former ROK prisoner of

war who remained along with 40,000 South Korean POWs in North Korea – who escaped North Korea and sought asylum at the South Korean embassy unsuccessfully on several occasions. Since Jeon was listed by the MND as dead rather than as a prisoner of war, those attempts to seek asylum were rejected. He was detained in mid-November by Chinese authorities for trying to use a fake South Korean passport to seek asylum in South Korea and sent to Tumen in preparation for return to North Korea. But media attention due to pleas from human rights activists finally motivated the South Korean Foreign Ministry to take action on his behalf, and the Chinese authorities pragmatically allowed Mr. Jeon to return to Seoul on Christmas Eve to reunite with his family, who had given him up for dead. Following Jeon's return, it was revealed that there may be several other former South Korean POWs in China who have been seeking to return to South Korea.

Seok Jae-hyun, a freelance photographer for *The New York Times* who accompanied North Korean refugees in China who attempted to smuggle themselves out to South Korea, lost his appeal of a two-year prison sentence for helping the refugees, and remains in a Chinese prison. Separately, Rev. Choi Bong-il was reported to have been sentenced to nine years in prison for helping North Korean refugees in Yanji, Jilin Province. These cases renew serious questions about the competency of the South Korean government to protect and advocate for its own nationals. And there is plenty of reason for South Korean citizens to be outraged on the latter point: yet another visa-selling scandal was revealed in which a South Korean consular official was arrested for selling 265 South Korean visas to Chinese citizens who had already been determined ineligible to enter South Korea, in collaboration with two South Korean brokers. A separate investigation involves a high-ranking Ministry of Justice official responsible for immigration affairs who is also alleged to have assisted illegal brokers.

Battle over the Sinicization of Korean History

Korean historians and diplomats have begun to react to news that the Chinese Academy of Social Science is conducting a five-year “Northeast Asia Project” that is reputedly aimed at strengthening the PRC's historical claims to the region by integrating into Chinese historical narrative the history of the Goguryeo Dynasty (37 B.C. to A.D. 668), which occupied the northern part of Korea and Manchuria during the period known in Korean historiography as the Three Kingdoms period. Chinese scholars have argued that the Goguryeo Dynasty was a peripheral state founded by ethnic minorities in ancient China, long before the consciousness of the concept of the nation-state ever existed in Asia. The issue has also been catalyzed by China's challenge to a bid by the DPRK to have Goguryeo tomb murals placed on the UN World Heritage List at the International Council of Monuments and Sites, a UNESCO subcommittee. This move has drawn the attention of South Korean civic groups, including the Korean Ancient Historical Association and the Korean Archaeological Society, which wants the South Korean government to support the North Korean bid. The Korean response may well be drawn from China's active attempts in past years to “sinicize” Tibetan history and to occupy ethnic autonomous territories with a majority of Han Chinese settlers. The implementation of this policy in recent years has apparently been underway not only in Tibet, but also in the Yanbian Autonomous Prefecture of China that is home to most of China's Korean minority.

The initiation of the CASS history project, which essentially seeks to appropriate the history of the Goguryeo dynasty as part of China's own history, may be a Chinese reaction to perceived concerns that a unified Korea would lead to irredentist territorial claims stretching into China's northeastern provinces. A few nationalist Koreans have from time to time attempted to claim large parts of Manchuria as rightfully Korean territory and Ministry of National Defense educational curricula emphasize Goguryeo's historical dynastic territory, possibly as justification for a future Korean territorial claim in China. This issue could become a serious test of China-Korean relations at a later date. Beyond the nuclear crisis, six party talks, or a booming trade relationship, the task of settling "history" between Korea and China may go a long way toward shaping the future of the China-Korean relationship.

Chronology of China-South Korea Relations October-December 2003

Oct. 5, 2003: The ROK Commerce Ministry announces that China has officially become Korea's No. 1 export destination, surpassing the U.S. for the first time.

Oct. 7, 2003: Leaders of China, Japan, and South Korea meet in Bali at ASEAN Plus Three gathering and agree to expand cooperation beyond economic fields to security and broader exchanges.

Oct. 12, 2003: China lifts its ban on the import of Korean livestock, nearly a year and a half after a few cases of foot-and-mouth disease were reported in the country.

Oct. 20, 2003: The Korea Trade-Investment Promotion Agency urges the government and private companies to be better prepared against copyright infringement in China targeting Korean intellectual properties from music albums to telecom brand names.

Oct. 21, 2003: Barclays Capital reports that a collapse of North Korea's regime will not necessarily lead to a downgrade in Korea's sovereign credit ratings, and may in fact turn the Korean Peninsula into a new Asian economic power.

Oct. 26-28, 2003: Donald Tsang, chief secretary for the Hong Kong Special Administrative Region, meets with ROK National Assembly Speaker Park Kwan-yong and others during a three day visit to Seoul he stressed Hong Kong's role as a strategic partner for South Koreans doing business on the Chinese mainland.

Oct. 28, 2003: North Korean leader Kim Jong-il and China's Wu Bangguo "agreed in principle to continue to hold six-party talks."

Nov. 9-12, 2003: Chinese Deputy Foreign Minister Dai Bingguo arrives in Seoul for a four-day visit to consult the South Korean government on ways to facilitate six-party talks over Pyongyang's nuclear weapons program.

Nov. 10-14, 2003: South Korea's Joint Chiefs of Staff chairman Kim Jong-hwan makes a five-day trip to China for talks on North Korea's nuclear program.

Nov. 14, 2003: Amidst pending ROK government plans to deport illegal workers, more than 5,000 Korean-Chinese, most of whom are illegal residents, present a petition to the Constitutional Court, calling for the government to grant them Korean citizenship.

Nov. 16, 2003: The Ministry of Information and Communication announces that Korea and China have agreed to join hands in developing fourth-generation mobile communication technology.

Nov. 19, 2003: North Korea and China sign "a treaty of cooperation in the enforcement of civil and criminal laws."

Nov. 29, 2003: The Justice Ministry announces that it would accept applications for Korean citizenship by all Korean-Chinese whose names remain on the domestic family registry in response to protests by Korean-Chinese in the context of new labor laws designed to crack down on illegal workers.

Nov. 29, 2003: President Roh Moo-hyun visits protesting ethnic Korean Chinese and expresses sympathy for their plight on the 16th day of an illegal hunger strike by over 2,400 ethnic Koreans at eight churches in Seoul.

Dec. 6, 2003: The Justice Ministry announced that it has no plans to grant Korean citizenship to ethnic Korean-Chinese who are currently residing in the ROK and who have lodged a constitutional petition to demand they be granted legal status in South Korea.

Dec. 12, 2003: South Korean pastor Choi Jong-il is sentenced to nine years in prison in China for trying to assist North Korean refugees to defect to Seoul from Yanji, Jilin Province.

Dec. 12, 2003: Yonhap reports that the ROK government is planning to launch an international study group on the historical origins and role of the Goguryeo Dynasty in response to Chinese claims that the dynasty was established by one of China's ethnic minorities. South Korean civic groups also demand that the ROK government support North Korea's bid to include Goguryeo tomb murals on UNESCO's list of world heritage sites.

Dec. 18, 2003: Seoul District Prosecutor's office arrests Lee Jung-jae, former ROK consul general in Hong Kong, for participating in a visa selling ring that illegally sold 265 South Korean visas between March 2000 and Feb. 2001 for approximately \$227,200.

Dec. 20, 2003: Ssangyong Motor Company's creditors approve China's Nanxing Group, a company specializing in the chemicals industry, as the preferred bidder to take a 55.4 percent

stake in the company despite the Nanxing Group's lack of experience in automotive production.

Dec. 23, 2003: A Chinese appeals court upholds a lower court ruling in Yantai sentencing Seok Jae-hyun to two years in prison, a 5,000 yuan fine, and confiscated photography equipment for attempting to smuggle North Koreans out of China.

Dec. 24, 2003: Former South Korean prisoner of war 72-year old Jeon Yong-II is sent to Seoul by Chinese authorities following his arrest for using a fake passport in an attempt to gain asylum in South Korea.

Dec. 30, 2003: The Korean Veterans Association calls on the government to bring to Seoul three North Korean escapees in China who are reportedly former South Korean soldiers taken prisoner by northern troops during the Korean War.