

China-Korea Relations:

Upgrading Communication Channels, Messages Are Getting Clearer

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An unprecedented January visit to Seoul by PRC Defense Minister Chi Haotian marked the completion of the first exchange of visits between top-level Chinese and South Korean defense officials, following ROK Defense Minister Cho Song-tae's August 1999 visit to Beijing. China also sent clear negative signals prior to Chi's visit regarding the limits of its willingness to consider international opinion regarding the plight of North Korean refugees, repatriating seven refugees despite strong ROK protests.

On the ROK side, the primary reason for upgrading the Sino-ROK relationship lies in the "China" fever gripping the South Korean Internet and telecommunications sectors. However, the transmission of Chinese industrial pollution blowing with spring winds to Korea (and Japan) emerged as a key international issue, drawing the attention of a trilateral (China-Japan-South Korea) meeting of Environment Ministers to explore cooperative counter-measures in late February.

To the North, DPRK President Kim Jong-il seemed eager to send an indirect signal to Beijing by making an unprecedented symbolic visit to the PRC Embassy in Pyongyang in February, although it remains to be seen whether more direct channels between Beijing and Pyongyang may also develop.

Consummation of Ministerial-Level Sino-ROK Defense Ties

Chinese Defense Minister Chi Haotian was the first major guest of the new millennium in Seoul, marking the symbolic consummation of a deeper Sino-South Korean defense relationship. Minister Chi's five-day visit opened the door for regularized bilateral military exchanges between high-level officials, opened ties between counterpart military educational institutions, and paved the way for working-level discussions regarding exchanges of ship visits and joint military exercises. The visit was also significant primarily because Beijing has hesitated for so long to develop the military side of the relationship in deference to sensitivities in Pyongyang, which greeted the visit with a boosted propaganda offensive against South Korea. Top South Korean defense officials described Chi's visit as contributing to the dismantling of the Cold War structure on the Korean Peninsula and supporting the establishment of a multilateral security system in Northeast Asia.

In a world in which North Korean rocket launches provide the rationale for pushing forward U.S.- Japan cooperation on theater missile defense (TMD), concerns in Beijing about North Korea's reaction to the development Sino-ROK ties no longer apply. The desire to foster relations with Seoul might be considered even more appealing to Beijing when one considers South Korea's relatively innocuous politics. These non-threatening actions include: South Korea's notable non-participation in TMD, the relatively lukewarm reception given by Kim Dae-

jung to the victory in Taiwan by President-elect Chen Shui-bian, the refusal to positively consider a request to visit Seoul by the Dalai Lama, the ROK government's caution in considering the political asylum plea of Chinese democracy activist Xu Bo who escaped to South Korea last year with a Chinese tour group, and the potentially positive implications for Chinese security interests of a full "dismantling of the Cold War structure" on the Korean Peninsula.

China's Unmistakable Message in the Refugee Repatriation Case

Even in the midst of preparations for PRC Defense Minister Chi's historic visit, Beijing made it unmistakably clear that there are limits to cooperation with the ROK government on DPRK-related issues. Beijing sent seven North Korean refugees back to the DPRK in a high-profile case involving Russia and a representative from the UN High Commission for Refugees (UNHCR). These seven refugees had crossed from North Korea through China and into Russia, where they were met and interviewed by a member of the UNHCR to determine their status. After the UNHCR staff determined that these individuals were refugees, on December 30 the government of Russia decided to return the refugees to China, their original point of entry into the Russian Federation. Two weeks later on January 12, the PRC handed the refugees over to the North Korean government despite a vigorous South Korean diplomatic effort to have them delivered to Seoul. The incident had repercussions for South Korea's domestic politics; it was the ostensible reason for the replacement of the South Korean foreign minister. While the incident even drew editorial attention from the *Washington Post*, it has turned out to be a mere bump in the road as part of the growing Sino-South Korean relationship.

The immediate firestorm in Seoul over the "loss" of the North Korean refugees resulted in the replacement of ROK Foreign Minister Hong Soon-young with former Korea Foundation President Lee Joung-binn. There were other factors as well, including displeasure within the Blue House over the handling of sub-cabinet personnel appointments. Less than one month prior to his replacement, Foreign Minister Hong had invested in an obviously unsuccessful and intentionally unofficial effort to convince the PRC government to take a more flexible attitude on the refugee issue during Chinese Foreign Minister Tang Jiaxian's Seoul visit. The refugee repatriation incident subsequently became a vehicle for criticizing the effectiveness of Kim Dae-jung's international relations efforts, including the Sunshine Policy, in the run-up to the April 13 National Assembly elections.

The plight of North Korean refugees has become more sensitive in recent months as a result of stepped up activity by South Korean non-governmental organizations (NGO) in lobbying efforts designed to bring domestic and international attention to the plight of North Korean refugees. The Chinese repatriation decision provided concrete momentum for such criticisms, including from the *Washington Post*, which castigated the reticence of the international community regarding human rights abuses in North Korea. The refugee repatriation case has also motivated more active South Korean NGO participation in the annual UN Conference on Human Rights held in Geneva. The ROK government is unlikely to provide support for any resolutions against the PRC. However, in response to the most recent incident, the ROK and PRC governments have established a working-level channel following an early February visit to Beijing by Deputy Foreign Minister Jang Jai-ryong to coordinate their differing concepts of refugees on a case by

case basis. One objective of this channel is to ensure “quiet handling” of the issue to avoid the unwelcome politicization of such cases that makes Chinese cooperation less forthcoming.

Despite the publicity surrounding this case, the Chinese government has not made comprehensive efforts to expel North Korean refugees, which PRC government officials estimate at less than 10,000 people. Private estimates by local people in the Yanbian Autonomous Region put the number of refugees at 100,000, and some South Korean NGOs suggest there are as many as 300,000 refugees in the border area with Northeastern China. However, in cases that have received significant media attention such as this one, the PRC government has consistently shown an unyielding official stance that North Korean visitors are illegal immigrants, not refugees, denying the need for involvement from international NGOs or the UNHCR. This case was anomalous because it was politicized and there was criticism that the South Korean media may have contributed to the negative outcome through premature reporting about this group. At the same time, there have been suggestions that these seven are no ordinary refugees and that the South Korean government’s alleged involvement in bringing this case to the attention of the UNHCR may have been precisely why the PRC, and to a certain extent, Russia, handled this case differently than other cases where the refugees have successfully made their way to South Korea.

South Korean Telecom Industry’s Rush to the China Market

Economic opportunity continues to be a primary factor driving the improvement of the Sino-South Korean relationship. Nowhere is opportunity more apparent than in the telecommunications sector, where South Korean mobile phone manufacturers, driven by triple-digit expansion of the industry in South Korea, are actively seeking global export and investment opportunities. The code-division multiple access (CDMA) mobile telephone sector accounted for \$2.28 billion in exports in 1999, an increase of 250 percent over the previous year. South Korean exports accounted for about 62 percent of the CDMA handset market, according to the *Korea Economic Daily*, and mobile phones last year became Korea’s number three export item in value behind semiconductor chips and automobiles.

Poised to capitalize on the expansion of the mobile phone industry in China, South Korean telecom companies are remarkably well-positioned to be primary market participants once the PRC government approves the CDMA (code-division multiple access) system -- the standard in Korea -- in addition to the current Global System for Mobile (GSM) standard. China’s market for CDMA phone is projected to reach 40 million users by the year 2003. China’s adoption of the CDMA standard was on the agenda of a joint Korea-China economic committee meeting in March, as were the questions of cross-border cooperation to facilitate automobile parts supply and manufacturing and the issue of China’s chronic \$5-10 billion trade deficit with South Korea. The South Korean interest in participating in China’s mobile phone market was reinforced in mid-March with the dispatch of a delegation to Beijing led by former Information and Communications Minister Suck Namgoong.

SK Telecom reached a cooperation accord with China Unicom (a partner of Qualcomm, the leading licensor of CDMA technology) in February. Korea Telecom and China Telecom followed suit in March to pursue a comprehensive business focused on the Internet and

international data service sectors. There is also active cooperation among China, Japan, and Korea to expand domain registration options to include non-English scripts. China has also been a preferred expansion destination for Korean Internet service providers. At an international conference held in Shanghai in March, South Korea's largest semiconductor manufacturer, Samsung Techwin, received \$17 million worth of orders for chip mounters, which automatically mount semiconductor chips on printed circuit boards, and now holds over 20 percent of the Chinese market in this sector. In addition, China is the leading destination for South Korean technology exports requiring royalty payments, constituting half of the \$193 million in royalty payments earned in 1999.

In other sectors, container cargo transportation routes between Korea and China increased volume by 27 percent in 1999 to 926,000 tons. LG Electronics is investing in a new \$130 million color display tube factory in Hunan province. Daewoo Motors is pressing ahead to set up a new assembly plant in Yantai, Shandong Province, despite its "shaky financial status." The Korea Electric Power Company (KEPCO) has also begin to show interest in bidding for Chinese nuclear power plant construction contracts, with the intention of exporting the same plant-type KEPCO is currently building under the auspices of the Korean Peninsula Energy Development Organization (KEDO) in Sinpo, North Korea. Finally, South Korean-made condoms have rapidly penetrated the expanding Chinese market, marking \$32 million in sales compared to only \$128,000 a year earlier.

Managing Negative Fallout from Booming Sino-South Korean Exchanges

Tourism between China and South Korea continues to expand rapidly, with mixed results. Over 824,000 South Koreans visited China in 1999, compared to only 487,000 in 1998. The most serious consequence has been a recent up-tick in kidnapping and abductions of South Koreans for ransom purposes, including the brief abduction in February of a former North Korean defector, Cho Myung-chol, now a researcher at the Korea Institute for International Economic Policy. There were 182 crimes committed against South Koreans in China in 1999, constituting half of all crimes committed against foreigners. The ROK Supreme Public Prosecutor's Office (SPPO) estimates that 70 percent of all illegal drugs smuggled into South Korea are from China. These problems have led to the signing of an agreement on judicial cooperation between China and South Korea, and further consultation among National Police Agency authorities to respond to crimes against South Koreans visiting China.

Problems of Chinese visitors to South Korea have been focused in the areas of illegal immigration and mistreatment of Chinese visitors in illegal employment schemes. One ethnic Korean worker from China, Choi Kwang-bom, recently attempted suicide in protest against a deportation decision that would have prevented him from pursuing collection of over \$30,000 of unpaid wages owed over eight years of work in Korea. Over half of the 381,000 illegal foreign workers in Korea in 1999 (up 35.9 percent from the previous year) are ethnic Koreans from China, many of whom have been taken advantage of by Korean employers in various sectors. Many of these crimes are resulting from the "ugly Korean" syndrome, in which frictions between South Koreans and ethnic Koreans in the PRC are caused by wealth, social disparities, and exploitation.

Another unwelcome immigration to South Korea occurs annually with strong spring winds carrying air pollutants from inland China and the Gobi Desert. This year, the atmosphere in Korea has already been affected several times, with reduced visibility and increasing levels of heavy metals in the “yellow dust,” causing irritation to the eyes and respiratory discomfort. The situation made its way onto the agenda of the second Tripartite Environment Ministers’ Meeting (TEMM) in late February in Beijing involving ministers from China, South Korea, and Japan. It was agreed that nine environment-related joint projects would be implemented, including a joint study on acid rain caused by migratory air pollutants such as sulfurous acid gas and nitric oxide and the establishment of an environment data center.

Expansion of air and car ferry routes between Korea and China has continued to expand in the first quarter of this year. New routes from Seoul to Hainan, Xian and Guilin have opened recently, and Asiana Airlines is hoping to expand coverage to 14 Chinese cities from the current service to six destinations by early next year. In addition, Air China has inaugurated new weekly service between Pusan and Beijing and has doubled flight service between Seoul and Beijing in March. There are eight car ferry routes currently under operation, with a new route between Inchon and Yantai planned to open in June.

North Korea-China Relations: Fuzzy Signal for Improvement

The momentum in the Sino-South Korean economic relationship has clearly left North Korea in the dust, but that doesn’t mean that North Korea may not have its own economic motives for wanting to maintain a good relationship with Beijing. Among the most notable developments this quarter has been Kim Jong-il’s surprise appearance at the Embassy of the PRC in Beijing. The visit signaled a possible warming of the relationship between Pyongyang and Beijing and raised speculation about a possible future visit by the Dear Leader to Beijing. Much of that speculation, however, is premature. Diplomatic protocol will require a high-level visit by a senior PRC leader, most probably Li Peng, before it would be likely that Kim Jong-il would make such a visit to Beijing.

North Korean Foreign Minister Paek Nam-sun stopped in Beijing on the way to a conference of nonaligned nations in early April. It appears Paek delivered North Korea’s usual mendicant request for assistance, which this year focuses more on acute energy shortages than on the chronic food shortage. The PRC is rumored to have responded with an official contribution in its usual annual range of approximately 120,000 tons of grain and 400,000 tons of coal. Aid to North Korea is reported to comprise between one-quarter and one-third of the PRC’s total budget for external assistance, and bilateral trade between North Korea and China dropped 10.3 percent to only \$370.3 million in 1999.

Whether or not the North’s economic dependency may combine with political opportunism as motives for an effort to capitalize on perceived difficulties in the U.S.-PRC relationship, the North can not afford to ignore its relationship with China, despite its manifest frustrations with China’s rapid expansion of relations with South Korea. The opening of a North Korean consulate in Hong Kong on February 16, is a trade-off for the South Korean presence in Shenyang inaugurated in the summer of 1999.

Policy Implications

That the Sino-ROK relationship could recover so quickly from the highly-politicized refugee return incident, despite the domestic firestorm in South Korea over its handling, is clear evidence of the ROK government's perception that strategic cooperation with China -- in combination with rapidly growing economic opportunities -- strongly outweighs the gains from pursuing a principled or hard-line position on the plight of North Korean refugees. Increasingly, South Korean officials are considering China as a key interlocutor and vehicle for facilitating inter-Korean contacts and exchanges. ROK Foreign Minister Lee Joung-binn has actively encouraged greater Russian and Chinese roles in pressuring North Korea to respond to the Sunshine Policy. Lee stated at a policy forum in late March that "through efforts to improve relations between North Korea and Russia and China, the two countries can convey to North Korea the true intentions behind our engagement policy."

In the stark and calculating words of one South Korean official involved in policy-making toward North Korea, "the premise of our diplomatic strategy toward China must be that China is far more important than the United States in the reunification of North and South Korea." The danger of such a view is that it perpetuates the consistently mistaken premise among South Korean officials that China sees the importance of its relationship with South Korea as equally significant. The result of this asymmetry of interests is that South Koreans have consistently been overly focused on gaining political cooperation from China and have consistently been disappointed by the result. The economic relationship, however, is clearly a win-win playing field for the foreseeable future, with distinct long-term implications for South Korea's views on regional security issues. Perhaps the clearest message of such trends is that, in the event of renewed Sino-U.S. confrontation, the ROK government will make strenuous efforts to avoid taking sides. The choices it does make, not surprisingly, will be driven strictly by a focus on future national interests.

*The views expressed here are the author's personal views, and may not represent those of The Asia Foundation.

Chronology of China-Korea Relations January-March 2000

Jan. 12, 2000: China repatriates seven North Korean refugees over the strenuous diplomatic objections of the ROK.

Jan. 19-23, 2000: Chinese Defense Minister Chi Haotian visits South Korea in the first official visit to Seoul by a Chinese defense chief since the Korean War.

Feb. 1, 2000: Former North Korean professor Cho Myong-chol, now at the Korea Institute for International Economic Policy (KIEP) in Seoul, was held for 18-hours by Chinese kidnappers in Beijing, highlighting a rise in extortionary crimes committed against Koreans in China.

Feb. 2-4, 2000: ROK Deputy Foreign Minister Jang Jai-ryong visits Beijing to discuss the establishment of a dialogue channel on North Korean refugee and defector issues.

Feb. 16, 2000: North Korea opens seven-person consulate in Hong Kong on Kim Jong-il's 58th birthday.

Feb. 17, 2000: SK Telecom signs an agreement on comprehensive business cooperation with China Unicom, China's second largest telecom operator and Qualcomm's partner in licensing adoption of mobile phone technology for use in China.

Feb. 18, 2000: LG Electronics breaks ground on a new \$130 million computer display plant in Hunan Province, southern China.

Feb. 26-27, 2000: The second annual Tripartite Environment Ministers' Meeting is held in Beijing. Environment ministers from China, Japan, and South Korea supported nine projects designed to address regional environmental concerns, including studies of acid rain and the exact movement and effect of migratory pollutants from China to South Korea and Japan.

Mar. 5, 2000: Reclusive North Korean leader Kim Jong-il has makes a rare visit to the Chinese embassy in Pyongyang "on the occasion of the new year, and at the request of the Chinese ambassador to North Korea, Wan Yongxiang."

Mar. 16-18, 2000: A South Korean delegation headed by former Information and Communication Minister Suek Namgoong visits China to discuss with high-ranking Chinese officials the participation of Korean companies in the Chinese mobile phone market.

Mar. 20, 2000: Korea Telecom and China Telecom agree to form a comprehensive business alliance focused on Internet applications, international data service, and content development.

Mar. 23, 2000: Sino-Korean treaty on judicial cooperation in criminal investigations takes effect, providing the foundation for information and evidence exchange between law enforcement authorities of the two countries.

Mar. 27, 2000: The *Korea Herald* reports that Taiwan's President-elect Chen Shui-bian requested South Korean advice on transferring power. Due to upcoming National Assembly elections and concern about ROK relations with the PRC, it is suggested South Korea may privately offer its experience with the transfer of power.

Mar. 30, 2000: Samsung Techwin receives 17 million won worth of orders for chip mounters at "Nepcon Shanghai 2000," an international electronics manufacturing conference held in China.