

## **China-Korea Relations: Beijing at Center Stage or Upstaged By the Two Kims?**

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Beijing was the venue for many secret visits in the second quarter of the year 2000. ROK Minister of Culture Park Jie-won visited Beijing secretly on April 8, not to meet with his Chinese counterpart, but to make an agreement with the DPRK Asia Pacific Peace Committee's Song Ho-Gyong in preparation for the inter-Korean summit held in June in Pyongyang. Even more dramatically, the DPRK National Defense Commission Chairman Kim Jong-il stepped onto the world's diplomatic stage with a secret visit to Beijing at the end of May, where he was received by all the top members of the Chinese Communist Party (CCP). Supporting these developments, ROK Foreign Minister Lee Joung-binn visited Beijing for pre-summit consultations; Seoul played host to two senior PRC officials, CCP Politburo member Huang Ju and vice chairman of the National Committee of the Chinese People's Political Consultative Conference (CPPCC) Zhao Nanqi, the highest ranking ethnic Korean in the Chinese leadership. Former ROK presidents Roh Tae-woo and Kim Young-sam visited China in June. Additionally, Seoul and Beijing staged their first major trade spat since official relations were established in 1991, with hundreds of millions of dollars worth of garlic, mobile phone, and polyethylene sales frozen by retaliatory tariffs on both sides, threatening an otherwise banner year for the Sino-South Korean economic relationship.

### **Inter-Korean Summit, Kim Jong-il's Secret Visit, and Beijing's Role**

Was Beijing at center stage in shaping events on the Korean Peninsula or has Beijing been bypassed with an unprecedented first direct flight to Pyongyang by ROK President Kim Dae-jung? The level of traffic through Beijing in preparation for the inter-Korean summit has suggested to some that the PRC government was a broker rather than a by-stander in the run-up to the inter-Korean summit, but others suggest that Beijing was just a sideshow to the main event in Pyongyang. That dramatic meeting has caused all governments in the region to step back and reassess the likely future of inter-Korean affairs and its implications for the region, including the future of China's influence on both Koreas.

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ROK Minister of Culture Park Jie-won's own secret visits, to Shanghai in March and to Beijing on April 8 for meetings with Ambassador Song Ho-gyong of the Asia Pacific Peace Committee, paved the way for the dramatic April 10 announcement of a first-ever inter-Korean summit between top leaders Kim Dae-jung and Kim Jong-il, then set for June 12-14 (and subsequently delayed by one day). In addition, there were rumors of many informal inter-Korean meetings in Beijing in parallel with inter-Korean negotiations in Panmunjom over procedural issues prior to the summit. Beijing was presumably aware of these meetings, but some Korean press have speculated that Chinese intermediaries played a more active brokering role, in the process summoning Kim Jong-il to Beijing to give him instructions on how to manage summit preparations. These interpretations probably overstate China's contribution and influence. However, PRC Foreign Minister Tang Jiaxuan welcomed the announcement of the summit, suggesting that direct inter-Korean dialogue should serve to lessen the role of the United States on the Korean Peninsula. Dramatic development of inter-Korean ties would likely weaken the U.S. rationale for pursuing the national missile defense (NMD) program, which China opposes.

The clearest opportunity for the PRC to exert influence on the inter-Korean summit came as a result of National Defense Commission Chairman Kim Jong-il's secret visit to Beijing during May 29-31. Rumors that such a visit might occur had circulated among high-level ROK officials since late 1999. Kim's unprecedented March visit to the PRC Embassy in Pyongyang and the cancellation in early May of National People's Congress Chairman Li Peng's planned visit to Pyongyang were clear precursors to the late May visit. However, the DPRK demand for secrecy and the sensitive party-to-party nature of the arrangements kept even many Chinese foreign ministry officials out of the loop in advance of Kim Jong-il's arrival in Beijing. Reporters in Beijing were reduced to searching for special train cars at the Beijing train station and noting that special tidying efforts had taken place at the DPRK Embassy in Beijing only a few days prior to Kim Jong-il's arrival. Even a Japanese Diet group staying at the same Daoyutai complex where Kim was hosted in Beijing failed to confirm the visit until after Kim had returned to North Korea. Perhaps most striking is that Kim Il-sung's secret visits to Beijing remained concealed for months, while the announcement regarding this meeting occurred only hours after Kim junior returned home.

The DPRK leader's Beijing visit itself gave several reasons for optimism regarding the inter-Korean relationship and prospects for more pragmatic North Korean economic approaches to reviving its moribund economy. First, Kim Jong-il made positive comments regarding China's own economic success, while indicating that the DPRK would pursue economic policies in accordance with its own characteristics. Second, he visited the Chinese Legend Computer company and was reportedly impressed with what he saw. Third, the Chinese leadership had the opportunity to provide direct explanations of the Chinese reform model, presumably emphasizing that economic reforms can be carried out in a gradual manner without creating massive pressure for accompanying political reforms. Kim Jong-il's "coming out" to Beijing itself was a powerful articulation of what the Dear Leader himself can not say without dishonoring his father's legacy: the DPRK has no choice but to rely on economic interactions with the outside world in order to survive.

The political atmosphere and messages accompanying Kim Jong-il's visit to Beijing were both nostalgic and realistic. Kim's welcome by all the top members of the CCP Politburo was of the highest order, but it also accentuated many differences between the two countries. Most visibly, fashions have changed since the last DPRK leader's visit to Beijing, with Kim's Mao suit an anachronism in contrast to PRC President Jiang Zemin's Western suit and tie. Kim Jong-il heard directly from the Chinese leadership its priority on stability and the avoidance of military confrontation as a prerequisite for achieving economic growth. The two sides probably found a measure of agreement on the need to thwart U.S. hegemony and plans for NMD, as well as the desirability of U.S. troop reductions and eventual withdrawals from the Korean Peninsula.

The meeting gave Kim Jong-il an opportunity in the run-up to Kim Dae-jung's arrival in Pyongyang to suggest that North Korea, too, still has friends and alternatives to dependency on a South Korea whose diplomacy is backed by Japan and the United States. Kim Jong-il also received promises of stepped up Chinese economic assistance, including a major PRC trade delegation that visited Pyongyang at the end of June. And there is a strong likelihood of a follow-on visit to Pyongyang by either President Jiang Zemin or Li Peng before the end of the year. Such a visit would consummate the normalization of ties that have been frayed somewhat since Kim Il-sung's death.

The PRC leadership must be pleased to have finally re-opened a direct channel with Kim Jong-il after having been rebuffed repeatedly in past attempts to do so. The resumption of inter-Korean ties following the summit in Pyongyang most likely benefits Chinese interests in stability while also lessening the perceived need for U.S. troops in South Korea or the need for NMD in response to former "rogue states" (now known in U.S. State Department parlance as "states of concern"). However, the PRC's political ties with Pyongyang remain fragile and probably somewhat expensive, in the form of stepped up economic assistance which may be affordable as long as the Jilin Province continues to produce bumper crops of grain in excess of Chinese storage capacity in that region. It is not clear that Beijing will necessarily get what it wants regarding U.S. policies toward the Korean Peninsula given ROK President Kim Dae-jung's recent assurances that even with the prospect of reduced tension, U.S. troops will still have a balancing role to play on the Peninsula even after Korea's reunification.

### **Sino-ROK Trends: New Relationships, New Tensions**

Although overshadowed this quarter by the BIG visit, Sino-South Korean diplomatic exchanges remained active, with ROK Foreign Minister Lee Joung-binn's consultations in Beijing at the end of April fitting nicely as part of active ROK-PRC consultations prior to the inter-Korean summit. In addition to conveying ROK views in preparation for the inter-Korean summit, the foreign minister's visit was used to support ongoing negotiations between Beijing and Seoul over a fisheries treaty scheduled to be signed later in the year, to discuss the likelihood that the ROK government would have to allow the Dalai Lama to visit Seoul this year for the first time in response to growing public pressure from South Korean religious leaders, and to encourage the PRC government to give favorable treatment to ROK firms advancing in the Chinese market. The foreign ministers also agreed to establish a hotline between their two offices and Beijing

responded favorably to Seoul's request to establish a new consulate general in Guangzhou province. (Separately, there should also be some momentum in favor of restoring direct air links between Seoul and Taipei, particularly since Taiwan's new President Chen Shui-bian is the holder of several honorary degrees from Korean universities.)

The ROK gave a strong symbolic nod to Beijing's increasing importance as part of Seoul's own strategic thinking by tapping former Foreign Minister Hong Soon-young as Seoul's next envoy to Beijing. Former Foreign Minister Hong lost his job in January ostensibly to take responsibility for his failure to stop the repatriation of seven North Korean refugees from China. This appointment also may be seen as a partial vindication of Hong's past performance and recognition that his removal over that incident was an overreaction by the Blue House--or rather that there were other more "provincial" reasons behind Foreign Minister Hong's removal. The opposition party in Seoul criticized Hong's appointment by contrasting it with the choice of Seoul's next envoy to Washington, former lawmaker and university professor Yang Sung-chul.

CPPCC Vice Chairman Zhao Nanqi, China's highest-ranking ethnic Korean leader, made a "return visit" to South Korea after having been "exiled" in 1938 to China by the Japanese colonial authorities. Zhao subsequently rose to become a highly regarded Chinese provincial leader and has been one of the highest-ranking minority members of the CCP's Central Committee since 1982. The Korean National Defense University also hosted its first exchange with eighteen students of China's National Defense University for a ten-day visit in late May. Senior CCP Politburo member Huang Ju's visit to Seoul during the first week of June was strategically timed to follow Kim Jong-il's secret visit to Beijing, and Huang gave strong support in his public comments to the summit process.

National Policy Agency Chief Lee Moo-young's visited Beijing in late April to consult with Chinese counterpart Jia Chun Wang regarding joint judicial cooperation and police investigations, with a special focus on cooperation to resolve nine cases of kidnapping of South Koreans in China since late last year. This visit and the sharp rise in abductions of South Korean citizens in China is a stark reminder of the dark side of the steadily advancing interchanges between South Korea and China's ethnic Korean minority through tourism and illegal immigration, marriages (particularly between Chinese ethnic Korean women and Korean male farmers), and even human trafficking.

### **Sino-South Korean Hardball Trade Tactics over Garlic Dumping**

The year 2000 looked to be another banner year for Sino-South Korean trade, with total volume exceeding \$10 billion in the first four months of the year and the likelihood of another ten percent year-on-year increase to over \$30 billion. However, a dispute over the statistically insignificant \$9 million per year garlic trade may jeopardize that record pace.

The dispute arose with a complaint from South Korea's National Agricultural Cooperative Federation to the Ministry of Finance and Economy regarding possible Chinese dumping of garlic on the South Korean market. The resulting investigation showed that Chinese garlic

exports to the ROK had risen from less than 10,000 tons in 1996 to over 36,000 tons in 1998 at a price of one-third to one-fourth that of Korean garlic. Based on this information, the Ministry of Finance and Economy extended a provisional punitive import duty on garlic imports from China from 30 percent to 315 percent, and the tariff was officially imposed on June 1.

One week later, the Chinese government gave an unequivocally hard-line response, announcing that it provisionally banned import of South Korean-made cellular phones and polyethylene products, sectors worth \$41 million and \$471 million respectively in 1999. The harsh response stunned ROK mobile phone and especially polyethylene manufacturers, which relied on China as their leading high-growth market and the buyer for one-half of Korea's total polyethylene production last year. Within days of the Chinese announcement, Korean polyethylene makers were dropping production by 10-15 percent as a result of increasing inventories, and the Korean government quietly requested the PRC government to allow receipt of products that had already been shipped to China prior to the June 8 announcement.

Korean analysts argue that China's response is not consistent with World Trade Organization (WTO) standards, but the PRC has not yet acceded to WTO membership and thus WTO dispute-settlement procedures cannot be applied. The issue must therefore be negotiated directly between the two parties, neither of which will want to be seen as backing down. There has been criticism of South Korea's internal bureaucratic coordination in response to the dumping issue, with complaints that none of the relevant ministries has shown itself willing to take the lead in developing a coherent approach to the issue that takes into account the ROK's overall national interests. Another complicating factor is that there are anti-dumping complaints regarding Chinese products in other sectors, including sodium carbonate products and alkali manganese batteries. On the other hand, the Chinese side is suffering a chronic trade deficit with the ROK that is a consistent irritant in the overall economic relationship.

It appears that the relevant South Korean ministries have ruled out further escalation of the dispute and are engaging in informal contacts with Chinese counterparts to explore whether punitive tariffs may be restructured or other agricultural imports may be increased in compensation for duties on imports of Chinese garlic. In addition, the Korean Chamber of Commerce and Industry and other private sector voices have lobbied for a rapid resolution of the matter.

Aside from the garlic dispute and anti-dumping issues, the Sino-ROK economic relationship remains bright. Many Korean information technology and electronics companies are pursuing that market, and LG, in particular, has become a leading producer of a wide variety of household goods for Chinese domestic sale. Korea also continues to actively pursue a major role in China's mobile telecommunications market. Information and Communication Minister Ahn Byung-yub and China's Information Industry Minister Wu Jichuan agreed to form a code division multiple access (CDMA) expert panel in June to discuss the transfer and joint development of wireless communications technology. PRC policy choices regarding which wireless infrastructures to promote will remain determining factors for the level of opportunity that may exist for South Korean firms. In other sectors, Hyosung Company has announced that it will build a spandex

factory in Jiaxing City, Zhejiang Province to help meet a projected 15 percent per year growth in Chinese spandex demand, and Asiana Airlines launched its new weekly service from Seoul to Chongqing at the end of June.

## Conclusion

The main event in the region during the last three months occurred between the two Kims in Pyongyang, and the aftermath of the inter-Korean summit is likely to be a significant driver for adjustments in the bilateral relationships surrounding the Korean Peninsula for some time to come. It is premature to assess all of the implications of the historic handshake between Kim Dae-jung and Kim Jong-il, but it is quite clear that many decisions in the region in the coming months will be made with an eye to developments between the two Koreas. The importance of economic relationships as a vehicle for shaping the context for political developments will be underscored by this process, and China will seek ways to maximize its economic and political advantages as a geographically, historically, and culturally close neighbor to both Koreas. In fact, if North Korea can be rehabilitated economically while remaining distinct politically, such an outcome would serve both China's strategic interests and the interests of local northern Chinese entrepreneurs who are eagerly seeking vibrant partners with whom to trade. The economic and political stakes that may result from North Korea's economic rehabilitation and inter-Korean reconciliation cannot be underestimated from Beijing's perspective. To the extent possible, China will continue to invest both political and economic capital in its relationships with the two Koreas in order to remain an active player in peninsular affairs.

## **Chronology of China-Korea Relations** **April-June 2000**

**Apr. 8, 2000:** Secret meeting held between ROK Minister of Culture and Tourism Park Jie-won and DPRK Asia Pacific Peace Committee Ambassador Song Ho-gyong. Both sides agree to hold inter-Korean summit on June 12-14 in Pyongyang.

**Apr. 19, 2000:** Reverend Kim Dong-wan, director of the National Council of Churches in Korea, calls on the ROK government to allow the visit of the Dalai Lama.

**Apr. 24-28, 2000:** Lee Moo-young, commissioner-general of the National Police Association, visits Beijing at the invitation of China's Public Security Ministry to discuss joint cooperation in fighting crime.

**Apr. 24-May 3, 2000:** Vice Chairman of the National Committee of the Chinese People's Political Consultative Conference Zhao Nanqi, the highest-ranking ethnic Korean in the PRC leadership, visits South Korea for the first time in 62-years.

**Apr. 25-27, 2000:** Foreign Minister Lee Joung-binn meets with PRC Foreign Minister Tang Jiaxuan in Beijing to discuss preparations for the inter-Korean summit and other matters.

**May 14, 2000:** Chinese National People's Congress Chairman Li Peng's visit to North Korea postponed.

**May 28-Jun. 6, 2000:** Eighteen Chinese students of the PRC National Defense College visit the Korea National Defense University.

**May 29-31, 2000:** DPRK leader Kim Jong-il makes a secret visit to Beijing and is welcomed by top leaders of the Chinese Communist Party.

**Jun. 1-25, 2000:** China-DPRK border is closed in preparation for inter-Korean summit.

**Jun. 1, 2000:** ROK Ministry of Finance and Economy announces that the temporary punitive tariff on Chinese garlic imports will remain at 315 percent instead of the usual 30 percent as a measure to prevent Chinese dumping of garlic in South Korea.

**Jun. 2-8, 2000:** Chinese Communist Politburo member Huang Ju visits South Korea.

**Jun. 6-18, 2000:** Former ROK President Kim Young-sam visits China at the invitation of Harbin University.

**Jun. 7-19, 2000:** Former ROK President Roh Tae-woo visits China at the invitation of the China People's Institute for Foreign Affairs to address a conference on the future of China-Korea relations.

**Jun. 7, 2000:** PRC government bans import of South Korean mobile phones and polyethylene in retaliation for discriminatory anti-dumping tariffs on exports of garlic to South Korea.

**Jun. 13-15, 2000:** Kim Dae-jung and Kim Jong-il hold historic summit in Pyongyang.

**Jun. 13, 2000:** China rejects the two Koreas' summit diplomacy as a model for rapprochement with rival Taiwan, saying Beijing alone will dictate terms for talks with the island.

**Jun. 18, 2000:** Ninth round of ministerial talks held in Beijing between Minister of Information and Communications Ahn Byung-yub and China's Information Industry Minister Wu Jichuan.

**Jun. 21, 2000:** A bipartisan group of lawmakers calls on the ROK government to allow the visit to South Korea of the Dalai Lama.