

**China-Korea Relations:
Consummating “Full-Scale Cooperative Partnership”**

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Top-level leaders in Beijing and Seoul effectively used several successive multilateral meetings in the fourth quarter of 2000 to consolidate economic, political, and strategic cooperation, establishing a strong foundation for the relationship after only eight years of normalized diplomatic relations. Regular leadership meetings and a projected record year for Sino-Korean trade and tourism have provided momentum for upgrading the Sino-Korean relationship to a “full-scale cooperative partnership,” as described by PRC Premier Zhu Rongji and ROK President Kim Dae-jung during Premier Zhu’s October visit to Seoul. Zhu’s state visit provided an important foundation for consolidating Sino-Korean economic cooperation through increased South Korean investment in the Chinese telecommunications, household goods, internet, and automobile sectors and affirmed China’s close political interest in and support for Four-Party Talks and the inter-Korean dialogue process.

The consolidated political momentum between Beijing and Seoul thwarted a planned visit by the Dalai Lama to Seoul (even despite the fact that President Kim Dae-jung joined the Dalai Lama as a fellow Nobel Peace Prize winner only a few days prior to Prime Minister Zhu’s visit) and spotlighted Beijing’s sensitivities over nascent moves to reestablish direct commercial air links between Seoul and Taipei. PRC Ambassador to Seoul Wu Dawei made provocative public statements in November underscoring these issues in hopes of keeping Seoul’s positions in line with Chinese interests.

Meanwhile, Beijing did not neglect to maintain its relationship with Pyongyang, as Defense Minister Chi Haotian’s Pyongyang visit to commemorate China’s entry into the Korean War coincided with U.S. Secretary of State Madeleine Albright’s sudden tour of Pyongyang in late October. In addition, a PRC working-level delegation visited Pyongyang in early November to plan for a possible state visit to Pyongyang by PRC President Jiang Zemin.

Zhu Rongji's State Visit to Seoul: Consolidating a Comprehensive Economic and Political Relationship

Premier Zhu's arrival in Seoul for a state visit and the Asia-Europe Meeting (ASEM) in mid-October symbolically represented the consolidation of Sino-Korean comprehensive economic and political cooperation. With Zhu's visit, all of the seven most powerful Chinese political leaders in the Politburo have visited Seoul. Chinese leaders have shown a keen awareness of Seoul's importance both as a source of trade and investment and as a model for pursuing China's national economic development. Bilateral trade is on pace to grow by about thirty percent in the year 2000 to \$30 billion, a ten-fold expansion in slightly less than a decade of normal relations. Tourist arrivals from China to South Korea will expand by over forty percent to reach 400,000 by the end of the year, with the number of Korean visitors to China set to hit the one million mark this year for the first time. The two leaders agreed to expand air traffic to over 128 flights per week by March of next year, which is likely to propel China ahead of Japan as the most popular overseas tourist destination for South Koreans.

Powered by such momentum, the two leaders have elevated the "cooperative partnership" established during President Kim Dae-jung's November 1998 visit to Beijing to a "full-scale cooperative partnership" during Premier Zhu's visit to Seoul. The change in terminology was intended to signal an upgrade in Sino-Korean cooperation beyond the economic sphere to include political issues. Additionally, Premier Zhu publicly endorsed recent developments following the June inter-Korean summit meeting and signaled China's willingness to remain engaged in Four-Party Talks, a renewed object of South Korean diplomacy in the months following the inter-Korean summit.

The immediate rewards from Premier Zhu's state visit to Seoul, however, were primarily economic. Premier Zhu brought with him promises that South Korean telecommunications firms promoting CDMA (code division multiple access) technology would be allowed to participate in the Chinese market as China has finally decided to allow the CDMA standard to develop alongside the current GSM (global service for multiple communication) system for meeting China's wireless telecommunications needs. (Samsung Electronics is best positioned as an early entrant into China's CDMA market and recently established a CDMA-technology research center in Beijing.) Zhu promised that a South Korean insurance firm (Samsung Fire and Marine) would be allowed to enter the Chinese market.

Zhu requested South Korean cooperation in the environmental, petro-chemical, coal, and steel industries, in addition to seeking Korean investment in the automobile parts sector and encouraging South Korean firms to take part in Chinese efforts to develop western China. President Kim Dae-jung pledged a \$50 million investment in a forestation project in western China. Both leaders endorsed the idea of a bilateral swap agreement for currency exchange, through which each side would be able to borrow foreign currencies against central bank purchases of the currency of the borrowing country. In addition, the two leaders agreed to establish a joint panel for promoting mutual investment, to create a "standing consultation body" to address China's chronic trade deficit with South Korea,

and to designate the year 2002 as “South Korea-People’s Republic of China Exchange Year” in honor of the tenth anniversary of the establishment of diplomatic relations between Seoul and Beijing and the World Cup soccer finals.

Economic Relations: Full Speed Ahead

Premier Zhu Rongji did not fail to cultivate both political and economic leaders during his visit to Seoul, spending part of his trip on a cruise around Cheju Island with Hyundai-Kia Motors Chairman Chung Mong-koo and visiting with Samsung Group Chairman Lee Kun-hee in conjunction with a visit to a Samsung Electronics semiconductor chip manufacturing plant outside Seoul. Chung briefed Zhu on plans for expanding an existing Jiangsu Province-based factory for producing 50,000 Kia “Pride” units annually and discussed the possibility of constructing a 50-100,000 unit bus-truck manufacturing operation in China’s western-inland province as a concrete response to Zhu’s requests for western-inland investment. Zhu’s message to South Korean leaders and industrialists that China is open for business to Korean corporate investors from a wide range of industries further stimulated Korean business in China in a variety of sectors.

Most notably, LG Electronics (LGE) has established itself in less than five years as one of the mainstays of the Chinese consumer sector, and is continuing to expand its investment dramatically. In 1999, LGE led the Chinese market in sales of CD-ROMs, was second in microwave ovens, third in monitors, sixth in washing machines, and seventh in air conditioners. LGE has just completed construction of a factory with a production capacity of 1.2 million color picture tubes for use in 29-inch fully flat and 33-inch wide screen TVs, both of which are in high demand in connection with the growth of the internet and digital products industry in China. LGE’s projected local sales in China are to expand over thirty percent to \$1.5 billion and exports to China will increase by ninety percent over last year to \$1 billion.

South Korean business interests in China are also very active in the area of telecommunications and internet technology. South Korean telecom firms are exporting mobile phone equipment to China and actively establishing tie-ups with Chinese counterparts. South Korean internet-related firms have been very active in China through involvement of internet business workshops in major cities inside China, with a special focus on providing internet security and infrastructure services. Directory services specializing in services for Chinese and Korean small and medium industries are being established, the latest of which is a Korean language directory service launched by Hong Kong-based Alibaba.com.

Despite DJ’s Nobel, China Wins A No-Go for Dalai Lama to Seoul

The major immediate political concession China appears to have won while Premier Zhu wooed Korean business investors and upgraded the diplomatic relationship to one of “full-scale cooperative partnership” was the ROK government’s rebuff of the Dalai Lama’s planned and long-awaited visit to Seoul, the home of a sizable Buddhist population that had begun to organize public pressure in favor of a visit during the past

year. Perhaps most interesting is that despite President Kim Dae-jung's notification only days prior to Premier Zhu's state visit to Seoul that he had won the Nobel Peace Prize--an honor that had been given to the Dalai Lama in 1989--the South Korean government declined to give permission for the Dalai Lama's planned November visit. The decision was a sharp disappointment to Buddhist organizers who had invited the Dalai Lama to Seoul in conjunction with a number of artistic and musical exhibitions of Tibetan art, and protests against the decision included leaders of the Chogye sect, the largest Buddhist order in South Korea.

Provocative public remarks by PRC Ambassador Wu Dawei heightened the controversy over the failed visit of the Dalai Lama and threw into relief an interesting and complicated implication of new-found "full scale cooperative partnership" between Beijing and Seoul. Namely, how much Chinese "interference" in South Korea's internal affairs can Seoul tolerate without an apparent loss of sovereignty or reversion to that traditional "tributary" relations that had characterized Seoul's traditional historical interaction with the Middle Kingdom during the Ming and Ch'ing dynasties? Ambassador Wu's broad comments to an audience on November 17 at the Korea Press Foundation foreshadowed much more significant future issues that Beijing will encourage Seoul to consider as part of improved ROK-PRC ties. Not only did Wu pressure Seoul on the Dalai Lama's visit to Seoul, but he also flagged the questions of how to deal with Taipei and the future of U.S. forces on the Korean Peninsula. This speech marked the second time the Chinese ambassador in Seoul has laid down public markers intended to highlight the limits of China's diplomatic patience. The first occasion came in the fall of 1999 over the aggressive activities of South Korean non-governmental organizations regarding the North Korean refugee situation in Northeastern China.

Specifically, Ambassador Wu stated his personal expectation that "the United States will adjust its military policy on the Peninsula if a peace regime is built in the region" and suggested that it was necessary for Seoul to have prior discussions with Beijing regarding the resumption of direct flights between Seoul and Taipei since this is a matter "relating to our sovereignty." The following week, Korean Air made the first direct charter flights to Taipei in eight years, but outstanding details over the signing of an official aviation agreement between Seoul and Taipei remain to be settled before direct air links will become regularized. Several analysts noted that Beijing's public pressure on Seoul to keep in mind its political interests on many of these issues is another example of Beijing's selective application of the Five Principles of Peaceful Coexistence that China uses to criticize international interference by a foreign country in domestic internal affairs.

Developments in China-North Korean Relations

Despite a busy quarter of activity between Seoul and Beijing, Chinese high-level officials did not fail to cultivate Pyongyang as part of follow-up both to the inter-Korean summit and to Kim Jong-il's secret visit to Beijing last May. The events of May and June now appear to mark a turning point and origin for the emergence of a new pattern in China-North Korea relations. With the advent of inter-Korean rapprochement as marked by the inter-Korean summit, Chinese diplomacy no longer makes a pretense of maintaining equidistance in its respective relationships with Seoul and Pyongyang, instead carefully shadowing and balancing U.S. diplomacy with North Korea. PRC President Jiang Zemin attended a banquet at the North Korean embassy in Beijing to celebrate the 55th anniversary of the founding of the North Korean Workers' Party that was held simultaneously with General Jo Myong-rok's October visit to Washington. Further, PRC Defense Minister Chi Haotian's visit to Pyongyang to commemorate the 50th anniversary of China's entry into the Korean War coincided with Secretary of State Madeleine Albright's visit to Pyongyang in late October. While the U.S. and North Korea were having missile talks in Kuala Lumpur in early November to follow up on Albright's visit and explore the possibility of a visit by President Clinton to seal the deal, a Chinese delegation led by vice minister Yang Wenchang was in Pyongyang to plan for a future visit to the DPRK by President Jiang Zemin. At that meeting, the DPRK was reported to have conveyed its willingness to reinstate Four-Party Talks, responding to a proposal earlier in the fall by Kim Dae-jung.

DPRK Ambassador Ju Chang-jun will be replaced after twelve years of service in Beijing with the younger face of Ambassador Choe Jin-su, a vice director of the international department of the Korean Workers' Party, signaling the likelihood of further new developments in China-North Korea relations next year. Although China has indicated its strong public support for the warming of inter-Korean relations and for an improved U.S.-DPRK relationship, Chinese officials have shown private guardedness about the strategic implications of dramatic or sudden changes in the respective relationships. The officials were probably relieved that President Kim Dae-jung has returned to an emphasis on the Four-Party Talks as a primary venue for pursuing further progress in inter-Korean tension reduction.

Asian Multilateralism: A Catalyst for the Development of Sino-South Korean Relations

In addition to facilitating Premier Zhu Rongji's state visit to Seoul in conjunction with the Asia-Europe Meeting last October, the development of Asian multilateral institutions and contacts among top national leaders has become an important vehicle for driving improvements in bilateral relations between China and South Korea. Likewise, China's entry into the World Trade Organization (WTO) has stimulated a great deal of positioning by corporations in Seoul eager to take advantage of the broader opening of China's markets to the outside world. Following the ASEM meeting in Seoul in October, Kim Dae-jung met with President Jiang Zemin at the APEC (Asia Pacific Economic Cooperation) Leaders' Meeting in Brunei in mid-November and then again with Premier Zhu Rongji and Japanese Prime Minister Mori Yoshiro only one week later in Singapore at the ASEAN Plus Three gathering.

The bilateral summit between Kim Dae-jung and Jiang Zemin in Brunei afforded an opportunity for Jiang to once again endorse the inter-Korean summit and to affirm China's interest in supporting Four-Party Talks. At the second informal meeting among South Korea, China, and Japan held in conjunction with ASEAN Plus Three, there was discussion of opportunities for cooperation in Mekong River development efforts as well as other joint economic projects, people-to-people exchanges, information technology, and the desirability of expanding bilateral currency swap arrangements among Asian countries. Specifically, the leaders endorsed a cooperative study among respective national think tanks on how to promote trade and economic cooperation following China's entry into the WTO, designated the year 2002 as "people-to-people exchange year," and agreed to have experts' meetings on information technology and to establish a regional environmental information network.

Although it may be easy for third parties or non-participants in these Asian dialogues to dismiss the specific accomplishments of Asian multilateral "talkshops," the cumulative effect of the establishment of multilateral fora in a variety of combinations in Northeast Asia is beginning to make itself felt--most clearly through the strengthening of bilateral relationships among core participants in the region. This dialogue process is now extended through ASEAN Plus Three to influence relations among China, Japan, and South Korea. Whether or not the "Plus Three" component of ASEAN Plus Three may be able to carry the weight of sub-regional discussions in the absence of Russia, Canada, the United States, and/or others including North Korea, the very existence of the meeting in only its second year has clearly led to the identification of practical areas for trilateral cooperation. This forum is likely to play a primary role in the setting of any future agenda for any sub-regional dialogue arrangements that might be called for in Northeast Asia. The "thickening" of multilateral dialogue opportunities in Northeast Asia and their implications for future bilateral and regional cooperation among the core countries of that region is a trend that clearly has facilitated a stronger Sino-South Korean relationship. It also bears watching in the context of both strengthened bilateral relationships and as an early indicator of the core issues that will form the *de facto* regional agenda for any future broadening of multilateral cooperation in Northeast Asia.

Chronology of China-Korea Relations October-December 2000

Oct. 1, 2000: South Korean President Kim Dae-jung reiterates his call for the formulation of a new Korean peace mechanism among the two Koreas, the United States, and China at a parade honoring the 52nd anniversary of the founding of the South Korean Armed Forces.

Oct. 5, 2000: Top police officials from South Korea, Japan, China, and Russia agree in Seoul to enhance mutual cooperation and promote exchanges to more effectively combat the growing number of international crimes.

Oct. 10, 2000: PRC President Jiang Zemin attends banquet in honor of the 55th anniversary of the founding of the North Korean Workers' Party at the DPRK Embassy in Beijing.

Oct. 12, 2000: Samsung Electronics opens a communication technology research center in Beijing's Zhongguancun Technological Park focusing on a code division multiple access (CDMA) service in China.

Oct. 12, 2000: Seoul National University announces formation of an "East Asian Academic Network," including joint degrees and exchanges with Beijing University and Tokyo University.

Oct. 16, 2000: South Korean President Kim Dae-jung hints that Dalai Lama will be allowed to visit South Korea.

Oct. 17, 2000: Premier Zhu Rongji arrives in Seoul for a state visit and to attend the Asia-Europe Meeting (ASEM) hosted in Seoul.

Oct. 17-18, 2000: LG Global hosts Global Internet Business Workshop in Beijing to support entry of South Korean start-ups into Chinese internet market.

Oct. 18, 2000: Premier Zhu and President Kim agree to pursue a "full-scale cooperative partnership," including cooperation on Four-Party Talks, South Korean corporate participation in China's CDMA mobile phone sector, and the entry of a South Korean insurance company into the Chinese market. In addition, the two sides sign a bilateral criminal extradition treaty.

Oct. 20, 2000: Premier Zhu meets Samsung Group Chairman Lee and visits Samsung Electronics semi-conductor chip manufacturing facility in Kihung.

Oct. 21-22, 2000: Third ASEM summit is held in Seoul.

Oct. 22, 2000: Premier Zhu is hosted aboard a Cheju Island cruise for discussions with Hyundai Motors Chairman Chung.

Oct. 28-29, 2000: South Korean Ministry of Foreign Affairs informs the Dalai Lama Visit Preparation Committee that the Dalai Lama will not be allowed to visit Seoul in November.

Oct. 29, 2000: LG Electronics launches a new TV monitor plant in Hunan Province, boosting its production capacity in the nation to five million units per year.

Oct. 31-Nov. 4, 2000: A Chinese delegation led by Vice Foreign Minister Yang Wenchang visits North Korea for discussions on a variety of issues including the arrangement of the visit by Chinese President Jiang Zemin to Pyongyang.

Nov. 15, 2000: President Kim and President Jiang hold summit talks on the sidelines of the APEC meeting in Brunei.

Nov. 16, 2000: The nation's largest Buddhist order, Chogye, reiterates its request to the South Korean government to allow the Dalai Lama to visit Seoul.

Nov. 16, 2000: PRC Ambassador to Seoul Wu Dawei delivers provocative remarks on Beijing's opposition to the Dalai Lama's visit to South Korea, the reopening of direct air flights between Seoul and Taipei, and the future of the U.S. military presence in South Korea to the Korea Press Foundation.

Nov. 23-26, 2000: Korean Air temporarily resumes flights to Taiwan to bring Taiwanese participants on a chartered KAL flight to the 39th Oriental and Southeast Asian Lion's Forum in Pusan.

Nov. 24, 2000: President Kim, Premier Zhu, and Japanese Prime Minister Mori hold second annual separate breakfast meeting during the ASEAN Plus Three informal summit in Singapore. The three leaders agree to meet annually.

Dec. 18, 2000: Labor Minister Kim Ho-jin travels to China to meet his Chinese counterpart, Zhang Zuoji, for discussion of job training, industrial trainees, and unemployment.

Dec. 19, 2000: A Korea-China job training center opens in Beijing, financed by the Korea International Cooperation Agency (KOICA) as part of efforts to support human resources development in China.

Dec. 21, 2000: Eighty-three North Korean defectors staying in China request the Office of the UN High Commissioner for Refugees (UNHCR) grant them refugee status, according to the Commission to Help North Korean Refugees (CHNKR).