

# CRS Report for Congress

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## **Korea: Improved South Korean-Chinese Relations -- Motives And Implications**

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### **Summary**

Chinese and South Korean leaders have markedly improved their bilateral ties since they established official diplomatic relations in 1992. There have been repeated summit meetings and China is now South Korea's third largest trading partner and the main recipient of South Korean foreign investment. Consultations in Seoul and Beijing indicate that Chinese and South Korean motives center on seeking economic benefit, enhancing their respective interests and influence on the Korean peninsula, and broadening foreign policy options that relate to the United States. In general, the recent improvement is compatible with important U.S. policy concerns about stability in the Korean peninsula. Potential complications for U.S. relations with South Korea could arise if Sino-U.S. tensions in Asia rose markedly or if South Korean leaders endeavored to use burgeoning relations with China as an indirect source of leverage in the sometimes difficult South Korean interaction with the United States over trade, burdensharing and other issues. For the time being, at least, those complications are held in check by an overriding Chinese and South Korean concern to work closely with the United States to deal cooperatively with the deteriorating situation in North Korea.

### **Introduction**

Chinese and South Korean leaders have taken a series of initiatives in recent years to markedly improve their bilateral relations. The three top Chinese leaders have visited Seoul, while South Korean President Kim Young Sam and other senior leaders have visited Beijing. Trade has grown markedly, as has South Korean investment in China. Beijing's delicate position maintaining longstanding ties with North Korea while rapidly improving relations with South Korea was tested in February 1997 when a senior North Korean official, Hwang Jang-yop, attempted to defect to South Korea at the South Korean mission in Beijing. Five weeks of negotiations led to a settlement where Hwang was allowed to travel to the Philippines where he stayed for a month before arriving in Seoul.

Consultations with 60 South Korean and Chinese specialists during visits to Seoul and Beijing in May-June 1997 have clarified three sets of reasons for the increased bilateral contacts and suggested current and potential implications for U.S. policy toward the Korean peninsula and Northeast Asian security.<sup>1</sup>

## **Motives**

China and South Korea have increased their bilateral contacts for economic reasons, to enhance their interests on the Korean peninsula, and to broaden foreign policy options.

**Trade and Investment.** Both sides are anxious to facilitate rapidly growing trade and investment. Bilateral trade in 1992 was worth \$5 billion. It doubled to \$10 billion in 1994 and doubled again to \$20 billion in 1996. China is now South Korea's third largest trading partner, after the United States and Japan. South Korea is China's fourth largest trading partner.

South Korea invests more in China than in any other foreign country. The level of investment amounts to \$2.7 billion in several thousand mostly small scale enterprises centered in the nearby Chinese provinces of Shantung, Tianjin and Liaoning. Burgeoning business ties have resulted in extensive travel, especially from South Korea to China. There were 700,000 South Korean visitors to China in 1996.

## **Korean Peninsula**

Closer relations with China help to ease South Korea concerns about Beijing's possible support for North Korean aggression against the South. They also provide Seoul with an indirect channel of information and communication, via Beijing, regarding North Korean leaders, who generally refuse to interact directly with South Korean counterparts. Such channels of communication and information about North Korea help to reassure South Koreans about trends on the Korean peninsula, including North Korea's repeated efforts to seek progress in relations with the United States at the expense of South Korea. Meanwhile, South Korean enterprises anxious to enter the North Korean market can sidestep restrictions on bilateral trade and investments by working with North Korea through South Korean enterprises based in China.

Chinese officials view improved relations with South Korea as broadening China's influence on the peninsula. Some Chinese officials assert that Beijing's improvement of relations sets "a good example" which should be reciprocated by the United States and Japan in moving ahead with their respective relations with North Korea. Beijing officials judge that such "cross recognition" would markedly ease North Korea's isolation and fears, and thereby open the way to eased tensions on the peninsula. South Korean officials emphasize that they oppose such U.S. and Japanese measures unless they are accompanied by improved North Korean relations with South Korea.

Although Chinese officials deny it, some South Korean specialists and U.S. experts assert that one of Beijing's longer term motives in improved ties with the South is to preclude a rise of U.S. prominence on the peninsula. According to this view, Chinese

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<sup>1</sup> For background on Korean related issues, see CRS Issue Briefs IB91141 and IB96005.

officials are concerned by North Korea's seeming focus recently on relations with the United States as the central element of Pyongyang's foreign policy. The Chinese are determined to avoid a situation whereby the United States would become the dominant outside influence in both South and North Korea, and view improved relations with Seoul as a useful hedge against such an outcome.

For the time being, however, both Beijing and Seoul stress efforts to seek closer cooperation to deal with possible contingencies stemming from the increasingly uncertain situation in North Korea. And in this endeavor, both China and South Korea seek close cooperation with the United States and other involved powers.

Chinese specialists strongly affirm common ground with South Korea and United States in trying to preserve peace and stability on the Korean peninsula. Chinese officials remain more optimistic than South Korean and American counterparts about the current situation and outlook for the regime in North Korea. Thus, they claim that North Korea's regime remains under Kim Jong Il's rule; is able to weather current shortages of food, energy and foreign exchange without collapse; and is making some small headway in developing relations and getting assistance from foreign countries. Nevertheless, Chinese specialists are clearly more concerned than in the past about the viability of the North Korean regime unless the Kim Jong Il regime implements some economic reforms and opens the country more to international contact. At the same time, they believe that too rapid North Korean reform and opening could seriously destabilize the Pyongyang regime. China continues to supply food, food assistance, and oil to North Korea.

China supports U.S., South Korean and other efforts to get North and South Korea to resume an effective dialogue, and to encourage the North to reform domestically and open internationally. Notably, China backs the U.S.-South Korean initiated four-party talks (involving North and South Korea, the U.S. and China) as a way to ease North-South differences and to lead toward a more lasting peace settlement on the peninsula. China has not indicated its views on a possible agenda for the four-party talks, though it continues to oppose direct pressure on North Korea, judging that it could have a negative reaction.

Chinese specialists say that North Korea may continue to raise preconditions for its participation in the talks, and any other interaction with South Korea, for the time being. At bottom, the North Koreans are said by Chinese experts to want first to build ties with the U.S., Japan and others in order to strengthen their hand prior to negotiations with the South. Also, North Korean leaders are said to be resentful of past actions of the current South Korean government of Kim Young Sam, and to view the Kim Young Sam government as weak on account of recent corruption scandals. For these reasons, Chinese specialists do not expect North Korea to make significant progress in relations with the South until after the election of a new South Korean President in December 1997.

Chinese officials also take pains to emphasize that the recent improvement in China's relations with South Korea is not directed in any way at the United States or the U.S.-South Korean alliance relationship. Chinese officials acknowledge that while Sino-South Korean relations, especially economic relations, will continue to grow, the U.S.-South Korean relationship is very broad and multifaceted, and has a critical security dimension involving a defense treaty and U.S. troop presence in South Korea. As one Chinese official put it, "for South Korea, the U.S. is much more important than China." South Korean officials echo this sentiment. They note that Seoul needs China's "understanding"

and "constructive role" in seeking reunification, but there is no way relations with China can substitute for South Korea's relations with the United States.

Beijing's stated intention to supplement rather than substitute for U.S.-South Korean relations affects China's attitude toward the U.S. role in South Korea after reunification. Despite the fact that the Chinese government officially encourages the eventual U.S. military withdrawal from East Asia and has strongly criticized the recent strengthening of the U.S.-Japan alliance relationship, Beijing officials are moderate in response to recent calls in the United States and South Korea for a continued U.S. military presence in Korea even after Korean reunification. Chinese officials adopt a wait-and-see attitude. They advise that Korea unification could be a long way off. They note that some in South Korea now want a continued U.S. military presence, but add that the situation could change in the future.

### **Foreign Policy Concerns**

South Korean officials view better relations with China as a useful way to preclude possible Chinese expansion or pressure against South Korea as China grows in wealth and power during the 21st Century. They also see good relations with China as providing protection against possible pressure from Japan against South Korea in the future. (Such continued South Korean suspicion of Japan notably complicates U.S. policy in the region which relies on U.S. alliance relations with both Japan and South Korea.)

Officials in Seoul are careful to add that relations with China also broaden South Korean foreign policy options, allowing South Korea to appear to break out of the constraints imposed by what they see as a U.S.-centered foreign policy since the 1950s. Some South Korean opinion leaders judge that with better relations with China, Seoul can afford to be more assertive and less accommodating in relations with the United States, although South Korean officials and knowledgeable scholars are often quick to assert that relations with China or other foreign policy options provide no substitute for the essential South Korean alliance relationship with the United States.

Meanwhile, given the ongoing difficulties in U.S. - China relations, South Korean officials sometimes express interest in boosting South Korea's international stature as a "mediator" between these two powers, both of which have friendly ties with Seoul. South Korean officials also assert that South Korea wants to avoid a situation where it might have to choose between Washington and Beijing if U.S.-Chinese tensions in Asia were to rise sharply. They say that they urge Beijing as well as Washington to try harder to maintain good relations with one another, and claim that PRC officials "appreciate" what the ROK has to say.

According to South Korean experts, China also views good relations with Seoul as a possible hedge against Japanese power, although Chinese officials emphasize that their interests focus on regional peace and stability and on setting a good example in relations with a smaller neighbor, South Korea, in order to reassure China's other neighbors of Beijing's foreign policy intentions. More broadly, Chinese intentions are said by some South Korean experts to reflect a desire to use better relations with South Korea against perceived U.S. efforts to "contain" or hold back China's growing power and influence in Asian and world affairs. In particular, Chinese specialists and officials have voiced concern from time to time that the United States might use its alliance relationships

with Japan and South Korea in order to check or build a barrier against the allegedly expanding "China threat" in Northeast Asia. Closer China-South Korean relations would complicate any such U.S. strategic scheme.

## **Implications for the United States**

The Korean peninsula remains a very important area of U.S. policy concern in Asia. Developments affecting sensitive U.S. negotiations with North Korea and the U.S. alliance relationship with South Korea are of great interest to U.S. policymakers.

For the most part, the recent improvement in Chinese-South Korean relations assists U.S. interests on the peninsula. It underlines China's unwillingness to support any North Korean aggression toward South Korea, and reassures South Korea about security trends on the peninsula. It also increases China's economic interaction and interdependence with an important U.S. ally. China-South Korea economic advances add to regional prosperity which enhances overall U.S. economic opportunities in the region.

Potential drawbacks for U.S. interests could include:

- Chinese encouragement of the U.S. to follow its example and improve U.S. relations with North Korea; such a U.S. action could alienate the U.S. from South Korea if not accompanied by improvements in North-South Korean relations;
- Assertiveness by South Korea against United States policy as part of a South Korean effort to broaden foreign policy options;
- Chinese efforts to divide South Korea from the United States and Japan, especially in the event of a serious downtrend in U.S.-China relations.

For the time being, however, such potential drawbacks are held in check, especially by an overriding desire by Beijing and Seoul to work closely with the United States in dealing with the multifaceted consequences and contingencies stemming from deteriorating conditions in North Korea. They are also held in check by important differences limiting Sino-South Korean cooperation. The latter include the wariness of the Chinese military to develop ties with South Korea that might jeopardize the Chinese military's current contacts with North Korea, and a range of bilateral irritants and disputes over territorial claims, fishing rights, illegal Chinese immigrants in South Korea, overly aggressive South Korean entrepreneurs in China and other issues.