chapter eight

Chinese and U.S. Relations with South Korea: Compatibilities and Conflicts

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Chinese-American Rivalry in Korea—A New "Great Game"?

There has been considerable discussion in Washington, Beijing and Seoul in recent years about an emerging competition between the United States and China for influence in the Korean peninsula in general and in South Korea in particular. Some in China have voiced concern over alleged U.S. efforts to hold back and "contain" China's rising power and influence in East Asia. They have been impressed by the recent "gains" in U.S. influence with North Korea. Indeed, from their perspectives, the North Koreans have moved away from their traditionally antagonistic stance toward the United States to a foreign policy approach that appears to give top priority to reaching an arrangement with Washington that would allow for the continued survival of the North Korean regime, or at least a so-called "soft landing" for the increasingly troubled government. A possible scenario contrary to these Chinese analysts interests would see the end of the North Korean regime and the reunification of the peninsula by South Korea under arrangements carried out under the guidance and overall influence of the United States, with the support of Japan. In the view of such Chinese officials, such an arrangement would confront China with a major security problem in a crucial area of Chinese concern for the foreseeable future, greatly weakening China's ability to exert power and influence in Asian and world affairs. It would give Americans interested in "containing" China a much more advantageous strategic position in East Asia than they now possess.[1]

Well aware of deeply rooted Chinese suspicions of alleged U.S. containment plans for Asia, American specialists have watched with growing interest Beijing's burgeoning relationship with South Korea. Though acknowledging the economic compatibilities between China and South Korea, U.S. analysts sometimes give pride of place to suspected Chinese strategic ambitions. From this perspective, Beijing is seen as boosting ties with South Korea as a way to insure that whenever South Korea succeeds in reunifying the peninsula, it will remain independent of U.S. and Japanese influence and responsive to PRC concerns. In effect, these American analysts are like their Chinese counterparts in seeing a strategic "great game" emerging in the Korean peninsula between the U.S. and PRC at the end of the twentieth century, roughly parallel to the competition between British and Russian officials for strategic advantage in Central and South Asia one hundred years earlier.

The implication for such competition would be especially important for Northeast Asian peace and stability if the North Korean regime were to end in the next few years. The chance that Beijing, Washington or Seoul might miscalculate in a time of crisis brought on by collapse or a power vacuum in North Korea is good. The result could be confrontation or conflict.

This paper endeavors to put the concerns noted in Beijing and Washington in broader perspective. It examines recent trends and issues in both U.S. relations and PRC relations with South Korea. Against this backdrop, it endeavors to come up with an assessment as to how compatible or incompatible are U.S. and Chinese policies toward South Korea.

U.S.-South Korean Relations[2]

The United States and South Korea maintain a strong, multifaceted alliance relationship that supports their mutual security, economic and political interests. Trends in the U.S. and South Korea nonetheless have prompted questioning and reassessment of important aspects of the alliance relationship, especially by South Koreans. In the post-cold war environment, U.S. officials are looking for ways to adjust the costs and benefits of U.S. foreign policy. Specifically, they expect South Korea to bear more of the cost of U.S. forces in Korea, and to open its market more to U.S. enterprises.

South Koreans often press for adjustments in what they see as the continuing asymmetrical U.S.-South Korean relationship. In addition to seeking more U.S. recognition of South Korean accomplishments and sensitivity to ROK concerns, South Korean leaders focus on several issues, including:

- Concerns that the United States may reach agreements or take initiatives toward North Korea that would jeopardize South Korean interests;

- Perceived inequities in the Status of Forces Agreement governing U.S. forces in Korea, and over the large U.S. military base structure in several South Korean localities;

- Complaints that U.S. trade officials are unrelenting in their pressure against restrictions in the South Korean market and fail to give due recognition to what South Korea has accomplished and South Korean constraints. Some U.S. policymakers in Congress and elsewhere support an approach that emphasizes the need for South Koreans to bear more of the costs of their defense and remove obstacles and restrictions to free trade and market access. Others are more cautious in applying U.S. pressure on such issues, judging that South Korean sensitivities and economic, political, and security challenges warrant a more discreet U.S. policy approach, with U.S. pressure for more burden-sharing and market opening applied in private, if at all possible. There are also policy approaches that highlight what the United States can do to help remedy strains in U.S.-South Korean relations without applying direct pressure on South Korea leaders.

U.S. Interests in South Korea

U.S. interests in South Korea date back to before the Korean War and involve a wide range of security, economic, and political concerns. The United States has remained committed since the 1950-1953 Korean War to maintaining peace on the Korean peninsula. This commitment is widely seen as vital to the peace and stability of northeast Asia. In particular, the U.S. security guarantee directly supports its ability to manage complex relationships with Russia, China, and Japan—whose interests converge on the peninsula.

The United States agreed in the 1954 Mutual Security Treaty to defend South Korea from external aggression. The United States no longer provides direct military assistance to South Korea, but maintains about 37,500 troops there to supplement the 650,000-strong South Korean armed forces. This force deters North Korea's 1.2 million-man army, which has remained in a high state of readiness and is deployed in forward positions near the Demilitarized Zone (DMZ) dividing North and South Korea.

In the 1990s, attention has focused on the implications of North Korea's drive to develop nuclear weapons. A bilateral framework agreement designed to ease concerns over North Korea's nuclear program was signed between North Korea and the United States on 21 October 1994, and is being implemented. Military tensions on the peninsula remain high. They are exacerbated by signs of instability in North Korea following the sudden death of Kim Il Sung in July 1994. There have been reports of widespread food shortages and strong military control. While remaining militarily vigilant against North Korean aggression, the United States also strives to create circumstances to reduce the possibility of chaos or civil-military conflict emerging in North Korea that could spill over to South Korea and seriously disrupt regional stability.

The United States has played a major role in fostering South Korea's remarkable economic growth. The Bank of Korea estimated that U.S. economic assistance to South Korea, from 1945 to 1971, totaled $3.8 billion. The Korean Embassy in the United States notes that South Korea has a per capita income of over $10,000 per year. South Korea has tried to diversify its foreign markets but still relies on the U.S. market to absorb about 20 percent of its exports. (Major exports to the United States include electronics and electrical equipment, textiles, footwear, machinery, automobiles, iron and steel, toys, luggage, and tires.) The United States is South Korea's largest trading partner and largest export market. South Korea is the United States' fifth largest export market and is the fourth largest market for U.S. agricultural products. (Other U.S. exports to South Korea are machinery, electronics and electrical equipment, chemicals, iron and steel, and aircraft.)

Table 1
U.S.-South Korea Trade (in U.S.$ billions)

Year	Total Trade	U.S. Trade Deficit
1985	15.7	4.3
1986	18.6	6.8
1987	24.7	9.3
1988	31.8	9.6
1989	33.1	6.3
1990	32.8	4.1
1991	32.5	1.5
1992	31.3	2.1
1993	31.9	2.3
1994	37.3	1.7
1995	49.6	(-)1.2

SOURCE: U.S. Department of Commerce

The United States has long viewed South Korean political stability as crucial to the nation's economic development, to maintaining the security balance on the peninsula, and to preserving peace in northeast Asia. However, U.S. officials have pressed the South Korean administration with varying degrees of intensity to gradually liberalize its political process, broaden the popular base of its government, and release political prisoners. A political crisis in Seoul during 1987 saw mass demonstrations calling for greater freedom and democracy; at the same time, U.S. congressional resolutions and Reagan administration actions backed further democratization. In recent years South Korea has conducted numerous elections widely seen as fully democratic and has recently taken steps to rectify injustices done by past authoritarian regimes.

Recent Developments in U.S.-South Korean Relations

Highlights of the continued close, multifaceted U.S.-South Korean relationship include five summit meetings between President Bill Clinton and South Korean President Kim Young Sam. Reflecting a broad compatibility of views and interests, President Kim has spent more time with President Clinton than any other Asian leader has. Consultations have included:

- A wide range of regular extraordinary sessions at senior policymaking levels dealing with pertinent security, trade, and other issues between the two governments;

- Mutual agreement on increased host-nation support for U.S. forces in Korea. South Korea has boosted its costs sharing from $150 million in 1991 to $300 million in 1995, and will increase that amount by 10 percent over each of the next three years;

- Ongoing bilateral negotiations to deal with pertinent trade issues. U.S. access to the South Korean market has improved. Numerous issues remain and are dealt with through negotiations between the two governments. Meanwhile, in 1995 the U.S. began running a modest trade surplus with South Korea;

- Close bilateral cooperation over the North Korean nuclear issue (South Korea notably is bearing most of the over $4.5 billion cost for light-water nuclear reactors being provided to North Korea under the 21 October 1994 accord) and over a wide range of foreign policy concerns ranging from Asian-Pacific economic cooperation to international human rights and peacekeeping. The United States strongly supported South Korea's entry into the UN in 1992 and its selection in 1995 as a non-permanent member of the UN Security Council.

Recent Issues

A variety of specific issues complicate U.S.-South Korean relations. They have developed against a backdrop of trends in the United States and South Korea that prompt Americans and South Koreans to question or reassess some aspects of the alliance relationship. In the United States, the perceived threat from North Korea has allowed for continued strong support for the U.S. force deployment in South Korea at a time when U.S. forces in other world areas are being cut back. Nonetheless, American officials in the post-cold war period are looking for ways to adjust the costs and benefits of alliance relationships and other aspects of U.S. foreign policy. They expect South Korea to bear more of the cost of U.S. forces in Korea even at a time when the United States also expects South Korea to pay for the large cost associated with the light-water nuclear power plants to be provided to North Korea under the terms of the U.S.-DPRK Agreed Framework. In the trade area, U.S. negotiations seek greater South Korean efforts to open its market to U.S. goods and services and to end long-standing practices that impede prospects for U.S. companies in areas where they are competitive.

In South Korea, questioning of the alliance relationship has been more widespread, reflecting often broad popular feelings regarding the past asymmetrical South Korean-U.S. relationship. In general terms, opinion leaders in South Korea are proud of the many economic, political, and for-

eign policy accomplishments of South Korea in recent years. These include continued strong economic growth, South Korea's position as one of the top world economies and trading nations, the rapid democratization of South Korean politics, and South Korea's more prominent diplomatic role in Asian and world affairs. They judge that such accomplishments, along with the realignment of the world order following the end of the cold war, warrant adjustments in the traditionally asymmetrical U.S.-South Korean alliance relationship. In particular, South Koreans often chafe under what they see as insensitive and overbearing U.S. pressures on defense, trade, or other questions. They want to see adjustments in the alliance relationship that would more prominently feature South Korea's rising influence and accomplishments. This perspective on U.S.-South Korean relations is more prominent among younger, better educated South Koreans who are increasingly taking leadership positions as the Korean War generation retires.

Relations with North Korea

South Koreans remain troubled by their secondary position in the allied effort to deal with North Korea under terms of the framework agreement of October 1994. Due to North Korean insistence, South Korea has not played a direct role in negotiations, and North Korea has dragged its feet on meeting allied demands that it conduct concurrent talks with South Korea. North Korea seems determined to avoid steps that would give legitimacy and recognition to the South Korean government, a rival for power that it repeatedly denigrates as illegitimate and a tool of the United States.

The United States has tried to deal with South Korean concerns through extensive and repeated consultations at each step of the negotiations process with North Korea. South Korean diplomats regularly express satisfaction with the U.S. efforts, but senior leaders, including President Kim Young Sam, have publicly complained about the U.S. negotiating positions, while other opinion leaders and popular opinion reflect some skepticism or sensitivity on U.S. negotiations with the North. In general, South Koreans fear that North Korea and the United States may reach agreements that will adversely affect South Korean interests. (Some knowledgeable U.S. experts strongly emphasize the sensitivity in South Korea to any third country's involvement with North Korea or North-South Korea relations; they also cite privately-voiced U.S. government criticism of South Korea's handling of recent policy toward North Korea, and what they see as gaps in U.S.-South Korean policy coordination toward North Korea. Officially, U.S. diplomats, like their South Korean counterparts, express satisfaction with bilateral coordination over policy toward North Korea.) Specific recent concerns include:

- South Korean officials' opposition to broadening U.S. diplomatic ties with North Korea (even though they support the planned establishment of a U.S. liaison office in Pyongyang) until the North Korean government begins meaningful political talks with South Korea;

- South Korean concern that the United States (as well as Japan and others in the international community) is providing food aid or other assistance to the failing North Korean economy without eliciting a more positive North Korean policy toward South Korea. The Seoul government agrees with a U.S. desire to avoid chaos and major civil strife in North Korea, but it asserts that the United States and others should avoid aid efforts that merely strengthen the hands of the repressive authorities in North Korea and allow them to continue their isolation and denigration of South Korea;

- Concern of South Korean officials and opinion leaders that the United States may respond positively to repeated North Korean proposals to end armistice arrangements on the Korean peninsula in favor of a bilateral peace accord that would exclude South Korea. U.S. officials repeatedly reassure South Korean officials on this issue. On 16 April 1996, Presidents Clinton and Kim issued a proposal for four-party talks (including North Korea and China) to formally end the state of war on the Korean peninsula.

U.S. Military Presence

The large and prominent U.S. military presence in South Korea is often resented by South Koreans. While many appreciate the role U.S. forces play in defense of their country, South Koreans also focus heavily on some negative aspects of the U.S. presence. South Korea's fear of military danger from North Korea has declined somewhat since reaching a high point at the time of crisis in U.S.-North Korean relations over the nuclear issue in mid-1994. This has exposed more sharply local discontent over the American presence. Specifically:

- South Koreans often criticize the presence of U.S. bases in several locations, including Seoul. The base in downtown Seoul is of particular interest. Many Koreans believe this area should be put to profitable and productive use by Koreans, instead of replicating typical, low-density American base life for U.S. service people. The South Korean government has not been willing to assume the cost of relocating the base to a less densely populated area.

- South Koreans have shown strong sensitivity in recent criminal cases involving U.S. servicemen, arguing that the U.S.-Korean Status-of-Forces agreement needs wording to make it consistent with the U.S. agreement with Japan which gives Japan more rights. At minimum, South Koreans want the same jurisdictional rights as Japan in dealing with U.S. suspects.

Economic Relations

To many South Koreans, U.S. demands on economic issues appear unrelenting. No sooner does South Korea meet a set of U.S. demands on trade or other issues than a new set of American requests or demands seems to emerge. Some South Korean opinion leaders judge that the United States has not given enough recognition to the progress made by U.S. enterprises in South Korea. They argue in particular that South Korea's trade deficit with the United States in 1995 illustrates how much things have changed from the situation of even a few years before when the U.S. had a substantial trade deficit with South Korea.

U.S. business representatives often agree that South Korea has made changes in areas where the United States has pressed for change in recent years. They judge that the South Korean market remains a difficult one to penetrate due to opposition from commercially patriotic consumers, domestic conglomerates anxious to preserve their advantage in the domestic Korean market, and a bureaucracy seen as having a vested and perhaps illicit interest in the status quo. The policies of the administration of President Kim Young Sam and a rising awareness among economic leaders in South Korea that South Korea must deregulate and open its economy in order to prosper among the world's developed economies are duly acknowledged, although concrete results are often lacking. Perhaps reflecting the continued difficulty in doing business with South Korea, relative to other more open economies in East Asia, American business leaders in South Korea claim that there have been signs that U.S. companies are relocating investment from South Korea to other locations in the region. Particularly notable have been South Korea's support for the policies of the World Trade Organization (WTO) and the Asia Pacific Economic Cooperation (APEC) forum along with its commitment to join and adhere to the open market practices of the OECD by 1996.

U.S. business people sometimes advise that U.S. pressure was an essential ingredient in prompting South Korean changes. They judge that there are considerable opportunities for U.S. firms in such areas as financial services, insurance, and other areas that remain blocked by South Korean regulators backed by South Korean conglomerates unwilling to share the domestic

market. Meanwhile, complaints continue regarding the mixed record of South Korean enforcement of intellectual property rights cases. Business people in the United States believe that pressure needs to be continued if the United States hopes to make gains in these important economic areas.

In short, some American business people argue that the United States would be more effective in promoting U.S. economic interests by facilitating and encouraging efforts of South Korean leaders who want to open and deregulate the South Korean economy in order to join the OECD or gain benefits from economic globalization. At the same time, many U.S. business people also continue to support strong U.S. bilateral pressure on South Korea. As a result, Korean opinion tends to see the United States behind whatever international pressures South Koreans feel to adjust their economy to international norms practiced by the developed countries, and they tend to resent this pressure.

Political Issues

From one perspective, U.S. support for democratization in South Korea has been a great success for U.S. policy. Unlike the authoritarian leaders of the past, Roh Tae Woo was popularly elected president in late 1987.

For the presidential election in December 1992, the ruling Democratic Liberal Party (DLP) nominated Kim Young Sam, who won with 42 percent of the vote. Kim Dae Jung of the opposition Democratic Party gained less than 34 percent and resigned from politics after the vote. Hyundai industrialist Chong Ju Yong received 16 percent. He resigned from politics in February 1993.

Kim Young Sam took office on 25 February 1993, and began major staff changes, economic reforms, and anti-corruption efforts in government. Actions included requiring financial disclosure by public officials, which resulted in several resignations by prominent politicians and government officials. In May, Kim fired four prominent generals involved in a 1979 coup. By July, over 1,000 people were fired or reprimanded and several former senior military and political leaders were under arrest for corruption. Kim's efforts won broad public approval, although they added to the list of groups in South Korean society unhappy with the recent direction of government economic and other policies. President Kim's reform efforts were not enough to sustain strong political support. In important local elections in June 1995, Kim's ruling party suffered what some party leaders called a "devastating defeat" at the hands of opposition parties led by President Kim's major political rivals, Kim Dae Jung and Kim Jong Pil. In July, Kim Dae Jung reversed his 1992 promise to withdraw formally from politics

and resumed formal political activities. The move split the opposition Democratic Party, adding to the fluid and uncertain domestic political situation surrounding President Kim and South Korean politics.

A political scandal of major proportions emerged in late 1995 as two former presidents and senior military leaders, Roh Tae Woo and Chun Doo Hwan, were arrested and indicted on charges of corruption and illegal usurpation of power.

In the National Assembly elections on 11 April 1996, President Kim's New Korea Party did better than expected, winning 139 seats in the 299 seat parliament. Kim Dae Jung's party, National Congress for New Politics, won 79 seats, and Kim Jong Pil's United Liberal Democrats won 50 seats.

The United States welcomes the politically more democratic and fluid situation in South Korea even though it poses several important considerations for U.S. policymakers:

- It complicates the ability of the South Korean government to accommodate U.S. demands on the trade, defense, or other issues that are politically unpopular in South Korea, because opponents may well exploit the issues;

- It makes it difficult for the South Korean government to successfully counter anti-American charges made by vocal critics, especially in the South Korean universities and the press, regarding the alleged U.S. role in the division of Korea after World War II; the alleged U.S. complicity in the bloody crackdown by South Korean forces on Korean dissidents in the city of Kwangju in May 1980; and the alleged long-standing U.S. policy of supporting "repressive rule" in South Korea;

- It prompts the South Korean government to make politically popular and perhaps expedient initiatives toward neighbors, including North Korea, that may run the risk of promoting an imprudent sense of relaxation on the peninsula; or conversely an inflexible South Korean stance toward North Korea that would complicate U.S.-South Korean policy coordination; or the lack of a consistent policy by South Korea toward North Korea or other countries;

- It raises the possibility of more serious political and economic instability in South Korea. Labor strife over the past few years

has been unprecedented; demands for wage increases have outstripped productivity gains in many sectors; declining economic competitiveness could lead to an economic downturn, which—when combined with a new government, vocal opposition politicians, and a large anti-establishment press and intellectual community—could result in instability detrimental to South Korea's security and continued prosperity.

"Slush Fund" and Kwangju Incident

Several South Korean and U.S. observers also warn that recent political changes in South Korea could deepen negative feelings toward the United States on the part of some Koreans. Thus far, there has been little attention to any potential positive impact of the changes for U.S.-South Korean relations. Since November 1995, the South Korean government has arrested, tried, and convicted two former presidents on corruption charges and/or, of carrying out an illegal coup in 1979 and violently suppressing pro-democracy demonstrations, killing hundreds in the city of Kwangju. Some Korean press reports have tried to involve the United States with some aspects of the slush fund scandal, notably a decision by South Korea's president in the 1980s to switch a large South Korean order for fighter planes from one U.S. company to another, allegedly because bribes were paid. (South Korean President Noh Tae Woo switched the order from the McDonnell-Douglas F-18 fighter to the General Dynamics F-16 fighter.) Some segments of Korean opinion also judge that the United States did not do enough to halt the illegal coup and the subsequently bloody suppression in Kwangju fifteen years ago. On 26 August 1996, a South Korean court handed down sentences of death, and twenty-two years in prison, for former presidents Chun Doo Hwan and Roh Tae Woo, respectively.

U.S. Policy Approaches

While maintaining a close "united front" with South Korea in dealing with the North, the United States wants to foster an appropriate balance in economic and military ties with South Korea. This presumably would take into account South Korea's new prosperity and economic competitiveness, while sustaining American interest in South Korea's stability and prosperity. The United States will continue to support progress toward democracy and political pluralism in South Korea, even though such progress may complicate South Korean decision making on a number of issues important to the United States. U.S. policymakers also will likely continue efforts at consultation and negotiations with South Korean counterparts to build a greater consensus on both sides of the Pacific as to the value of the U.S.-South Korean relationship.

Continued political turmoil in South Korea could lead to problems in U.S. relations with North Korea, and in U.S. relations with South Korea. In particular, it could diminish South Korea's already limited flexibility in dealing with a recalcitrant North Korea, making prospects for progress in North-South Korean relations even more difficult than they already are. Nonetheless, U.S. interests and commitments under the October 1994 accord with North Korea could be seen to require further forward movement in U.S. relations with North Korea, even if North-South Korean relations remain frozen. The choice for U.S. policy could be either to sacrifice those interests and commitments for the sake of U.S. relations with South Korea, or to go forward with North Korea, despite South Korean concerns.

Differences among U.S. policymakers also arise over how fast and in what ways the United States should work for changes in U.S.-South Korean relations. Among the varied policy approaches available to U.S. leaders, there are those that emphasize greater U.S. pressure to convince the Koreans to reform practices seen as detrimental to U.S. interests. Koreans are said to be unlikely to change without strong pressure. Specific tactics include: private U.S. pressure applied in negotiations such as those associated with trade issues; public U.S. criticism of Korea's restricted market access for certain U.S. goods and services; advocacy of greater South Korean financial support for the U.S. troop presence in South Korea; gradual reduction of the U.S. troop presence and/or expansion of South Korean military capabilities to fill some of the roles now performed by U.S. forces in South Korea; private and public U.S. efforts to encourage South Korea to buy U.S. jet fighters and other sophisticated military equipment "off the shelf," rather than require elaborate co-production and offset arrangements that could add to foreign competition for U.S. exporters and could reduce the positive impact of such sales on the U.S. trade balance.

Other policy approaches are more cautious in applying U.S. pressure on individual issues. Advocates of such approaches are particularly concerned that the cumulative effect of U.S. prodding on economic, defense burden-sharing, and other questions might prove to be too much for the South Korean government to handle without friction or conflict. The result could be growing anti-American feeling or resentment in South Korea that could fuel a mutual desire for withdrawal of U.S. forces; or the result could be political instability among the competing political factions in South Korea. Such outcomes are seen as potentially dangerous in the face of North Korea's threat and as contrary to the long-standing U.S. interest in stability on the peninsula.

Meanwhile, there are policy approaches that highlight what the United States can do to help moderate strains in U.S.-Korean relations, apart from

applying varying degrees of pressure on Korean leaders for economic, security, or other changes. Some stress that the U.S. trade difficulties with Korea would be lessened following serious U.S. efforts to cut the U.S. government's spending deficit and to promote policies that effectively encourage greater savings, technological development, productivity, and educational competence in the United States. It is also suggested that U.S.-South Korea trade relations could be effectively treated within multilateral arrangements like the Generalized Agreements on Tariffs and Trade (GATT) or its successor, the World Trade Organization (WTO), where South Korea and the United States could adjust their policies without appearing to yield to outside pressure.

Some urge U.S. policy adjustments to foster a more collaborative relationship that remains sensitive to South Korean feelings. This might be pursued by raising further the stature of the Korean commander in the Combined Forces Command, by highlighting South Korea's economic role in various economic forums being proposed for the Pacific Rim countries, or by other measures. Some also believe U.S. officials could work harder than in the past to consult with South Korean counterparts and to engage the South Korean press and intellectuals to create a more positive image for U.S.-Korean relations than at present.

Improved South Korean-Chinese Relations[3]

Chinese and South Korean leaders have markedly improved their bilateral relations over the past few years. 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 on 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.

Chinese and South Korean leaders have taken a series of initiatives since 1995 to markedly improve their bilateral relations. The three top Chinese leaders have visited Seoul in succession, while South Korean President Kim Young Sam visited Beijing. Trade has grown markedly, as has South Korean investment in China. In addition, more than 500,000 South Koreans traveled to China last year and 700,000 are expected in 1996.

Consultations with South Korean and Chinese specialists during visits to Seoul and Beijing over the past year have helped to clarify 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.

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 1994 was worth $10 billion. It was $16.5 billion in 1995, and is expected to rise to $21 billion in 1996. A senior Chinese trade official predicted it would reach $33.6 billion by 2000; China now accounts for over seven percent of South Korea's foreign trade. China is now South Korea's third largest trading partner, after the United States and Japan.

South Korea invests more in China than any other foreign country. At first the investment was in mostly small scale enterprises centered in the nearby Chinese provinces of Shantung, Tianjin and Liaoning. More recently, the larger Korean conglomerates have become involved. Approved South Korean investment in China was worth $4 billion for 1995 and $2.3 billion for the first four months of 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 consistently refuse to interact directly with South Korean counterparts. Such channels of communication and information about North Korea can 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 Chinese analysts and South Korean specialists privately assert that one of Beijing's motives in improved ties with the South is to preclude a rise of U.S. prominence on the peninsula. According to this view, Chinese officials have become 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.

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 twenty-first century. They also see good relations with China as providing protection against possible pressure from Japan against South Korea in the future. 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 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, ROK 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 Seoul 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.

According to South Korean experts, China also views good relations with Seoul as a possible hedge against Japanese power, although Chinese offi-

cials 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 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 complicate any such U.S. strategic scheme.

Implications

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 China-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 pressure on the U.S. to follow its example and rapidly 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.

When viewed against the backdrop of the converging interests and difficulties in U.S.-ROK relations noted above, it appears that whatever PRC-

U.S. competition for influence exists in South Korea is of secondary importance to the United States. For the foreseeable future, the drawbacks for the U.S. of greater cooperation in Chinese interaction with South Korea are small, while the benefits for regional peace and development are large. In effect, just as Chinese analysts should examine more closely the actual implications of U.S. actions before jumping to the conclusion that the U.S. is determined to "contain" China, so should U.S. analysts avoid jumping to conclusions about negative implications of China's rapidly improving relations with South Korea. China has a long way to go before it can compete with the strong multifaceted U.S. relationship with South Korea, and at this point it is decidedly unclear whether Beijing is actually giving much priority to competing with Washington in this area.

notes for chapter eight

1. Sources for this paper include consultations with experts in Seoul, Beijing and Washington during late 1995-1996. For background see *Korea: U.S.-South Korean Relations—A Trip Report*, CRS Report 96-61F (16 January 1996); *Korea: Improved South Korean-Chinese Relations—Motives and Implications*, CRS Report 96-37F (17 January 1996); and *Korea: U.S.-South Korean Issues*, CRS Issue Brief 96005 (updated 17 October 1996).

2. This section is taken from CRS Issue Brief 96005, op. cit.

3. This section is taken from CRS Report 96-37F, op. cit.