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# **THE “RISE” OF CHINA AND ITS IMPACT ON SOUTH KOREA’S STRATEGIC SOUL-SEARCHING**

*Chung Jae Ho\**

## **CONTENTS**

- I. Introduction
- II. China’s Rise vis-à-vis South Korea
- III. Debates on South Korea’s Future Strategy

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## I. Introduction

China is rising! Few people would argue with that, although opinions may certainly vary over the nature—whether peaceful or not—of the process and its consequences. Since 1978, China’s gross domestic product (GDP) has risen fourfold: it is the world’s sixth largest economy, with a GDP of nearly \$1.4 trillion, a number that does not even begin to address China’s purchasing power parity. China also boasts of its status as the world’s third-largest trading nation. China has also become a magnet for foreign direct investment (FDI) from around the world: in 2002, China replaced the United States as the world’s number one destination for FDI (Fishman 2004). It was not an overstatement when Mike Moore, then the director-general of the World Trade Organization (WTO), remarked to the *Financial Times* on 17 September 2001 that “China’s accession made WTO a truly *world* [italics in the original] organization.”

The “rise” of China has been most remarkable and discernible in the economic realm. No further elaboration is needed on the economic caliber China has so far been demonstrating; a growing body of literature attests to the marvels of China’s economic growth. China’s economic might has already been proved and widely publicized, to the extent that “China market” and “China shock” have become household expressions in many parts of the world and in Asia in particular.

China’s accomplishments can also be found in the diplomatic realm as it has become a quasi member of the Group of 8 + 1. In addition to being a permanent member of the United Nations Security Council and the exclusive nuclear club, China has made efforts to create its own multilateral platforms such as the Shanghai Cooperative Organization (the Shanghai Six) and the Boao Forum for Asia. China has also been particularly proactive in engaging the European Union and the Association of Southeast Asian Nations in recent years. China’s “great-power diplomacy with responsibilities” (*fu zeren de daguo waijiao*) has also been manifested in Beijing’s initiatives in hosting the three- and six-party talks on the North Korean nuclear conundrum (Li 2004, 3–10).

Different corners of the world have responded to the rise of China differently. Variations are nowhere more manifest than in East Asia, where China’s draw has been felt most strongly owing to obvious geopolitical and economic factors and cultural and historical ties. That is, reactions and responses by Taiwan and Japan have been qualitatively different from, say, reactions by Myanmar and Malaysia. Even among the Southeast Asian and South Asian countries, the modus operandi has varied considerably (Johnston and Ross 1999; Yee and Storey 2002; Shambaugh, forthcoming). These variations argue to the effect that the usual dichotomy of viewing China’s rise as either good or bad is faulty at best.

Nowhere (with the exception of Myanmar) have the responses to China's rise been more favorable and receptive than in South Korea, where China has managed to win the hearts of many—the elite and the general public alike (Chung 2001, 783–5; Watts 2002, 12). This paper seeks to identify the attributes of China's rise vis-à-vis South Korea, and, in so doing, survey South Korea's increasing dependence on China in both economic and diplomatic terms. Second, and more important, this study analyzes the complex impact that China's rise has made on South Korea's strategic soul-searching that began during Kim Dae-jung's presidency (1998–2003).

## II. China's Rise vis-à-vis South Korea

In 1993, only one year after normalization of relations, China had already become South Korea's third-largest trading partner, behind the United States and Japan. In 2001, China became the number two destination of South Korea's exports, second only to the United States. In 2003, China (excluding Hong Kong and Macao) finally surpassed the United States as South Korea's top export market. The share of the China trade in South Korea's total trade rose from 2.8 percent in 1990, to 6.4 percent in 1995, to 9.4 percent in 2000, and to 15.2 percent in 2003 (Lee 2004, 69–71). Sino–South Korean trade leaped from \$6.4 billion in 1992 to \$56 billion in 2003. Furthermore, although China scored more trade surpluses with Korea before normalization, South Korea reaped huge surpluses throughout 1993–2003 (*Table 1*).<sup>1</sup>

**Table 1: South Korea's Trade and Trade Surplus with China, 1985–2003**

Year	South Korea's trade with China (percentage of South Korea's total trade)	South Korea's trade surplus with a China (millions of U.S. dollars)
1985	1.9	205
1990	2.8	–715
1995	6.4	1,740
2000	9.4	5,650
2001	10.8	4,890
2002	13.1	6,354
2003	15.2	13,201

Source: KITA 2004

Investment is another pillar of Sino–South Korean economic bilateralism. By 1993, South Korea had already become the 10th largest investor in China. By 1995, China

1. In 2004, China for the first time is likely to surpass the United States in its total trade volume with South Korea; this prediction is based on trade volume for January through August 2004. See *Chosun Ilbo*, 23 September 2004.

became the top recipient of South Korea's investment. *Munhwa Ilbo* on 20 February 1997 reported that, in 1996, 46 percent of South Korea's total outbound investment poured into China. Although negative growth was recorded for 1997–98 because of the financial crisis that engulfed East Asia, "China fever" soon returned to South Korean investors.<sup>2</sup> In 2002, South Korea's investment in China for the first time surpassed its investment in the United States. In 2003, South Korea invested \$1.3 billion in China, becoming the third-largest investor in China after only Hong Kong and Japan.<sup>3</sup>

This trend will probably continue because 80.3 percent of the medium-sized and small firms surveyed in South Korea in late 2003 stated they would prefer to relocate in China. *Chosun Ilbo* on 7 December 2001 and *Dong-a Ilbo* on 11 August 2003 reported that in South Korea's manufacturing sector wages were 13.4 times higher than wages in this sector in China. As of 2001, wages in South Korea's textile sector were 8 times higher than wages in China's textile sector. Because many Korean conglomerates and their parts manufacturers have already moved their key assembly lines to China, it is likely that South Korea's economic dependence on China will continue to rise.<sup>4</sup> In sum, China matters dearly to South Korea in economic terms, and, as the "garlic battle" in 2000 powerfully demonstrated, losing even a small fraction of the China trade can scare South Korea (Chung 2003–04, 549–68).

Few South Korean security experts discuss publicly negative military implications of the rise of China although such discussions have never been taboo. China was South Korea's military adversary 50-some years ago, and it is interesting today to hear a wide range of calls for the expansion of bilateral military cooperation. Despite the formidable threat that China may pose for Korea, no trace of concern for South Korea's security is evident in Seoul. Korea contrasts starkly with Japan, which has been sensitive to China's nuclear weapons and nonproliferation policies, China's reactions to antiballistic missile and theater missile defense systems, and maritime jurisdictional disputes with China.

How does China weigh in diplomatically? Very heavily, it appears. The Sino-Japanese War in 1895 over the suzerainty of Korea, Mao Zedong's decision in 1950 to intervene in the Korean War despite China's continuing civil war and grave domestic problems, and Beijing's agreement in 1997 to participate in the four-party talks testify to China's persistent and unequivocal interest in the Korean peninsula. Now, with much more

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2. For a discussion of the adverse impact of the financial crisis on the China fever, see Song (2001, 41–45).

3. By the end of 2003, Korea's FDI in China was 37 percent of Korea's total FDI on an arrival basis.

4. If the trend of the past three years continues, China's share of South Korea's total trade will amount to 30 percent in 2010.

power, wealth, prestige, and influence than ever before, China has certainly become a formidable diplomatic presence to be reckoned with on the Korean question. Beijing's real and potential influence over Pyongyang as well as its new and proactive hosting of the three- and six-party talks further add to China's pool of resources to be dipped into to deal with the Korean problem.<sup>5</sup>

Does China matter in cultural and perceptual terms? In 1966, before the Asian financial crisis, more than 500,000 South Koreans visited China. That number rose to nearly 1.6 million in 2003 (**Table 2**). As of 2003, nearly 180,000 South Koreans were long-term residents in China, including more than 35,000 students, accounting for 46 percent of all foreign students in China. Bilateral educational exchanges were officially permitted only in 1993, but the pace at which the number of South Korean students in China has risen has been dramatic. China fever in South Korea—along with the “Korean fad” (*hanliu*) in China—has been cultural as much as it has been economic.

**Table 2: Visitors between South Korea and China, 1988–2003, in thousands**

Year	Korean visitors to China	Chinese visitors to Korea	Total
1988	6	3	9
1990	32	26	58
1993	112	40	152
1995	407	81	488
1996	530	104	634
1999	820	310	1,120
2001	1,290	480	1,770
2003	1,561	513	2,074

Sources: *Hanguk gyungje shinmun*, 21 October 1991; *Munhwa Ilbo*, 20 February 1997; *Chosun Ilbo*, 25 August 1992, 24 August 1997, and 5 January 2003; Korea National Tourism Organization (KNTO), [www.knto.or.kr](http://www.knto.or.kr), accessed 30 June 2004.

On the basis of a number of surveys since 1988, several trends and characteristics can be discerned:

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5. China's provision of food and energy as grants or at “friendly prices” has been central to the survival of the North Korean regime. To what extent such aid can be directly translated into Beijing's explicit influence over Pyongyang is hard to gauge, however. There is no doubt that, so far, China has been potentially more influential than any other major country involved. Kim Jong-il's surprise visits to China in May 2000, January 2001, and May 2004 should also be interpreted in the context of Pyongyang soliciting Beijing's support for its new policy framework in formation (Chung, forthcoming-b).

- South Korean perceptions of China have become increasingly favorable during the period concerned;<sup>6</sup>
- South Korean views of the United States have consistently declined.
- Most nationwide surveys considered here indicate that South Korean perceptions of China were more favorable than perceptions of the United States.
- South Koreans' favorable perception of China was inversely correlated with the age of the Korean respondent; and South Koreans' favorable perception of the United States was positively correlated with their age. Older generations with more immediate memories of the Korean War and the Cold War expressed less affinity for China, while younger generations were much more positive about China. Polls also suggest that positive perceptions of China became increasingly independent of age after the 1992 normalization (Chung, forthcoming-a, chap. 8).

It is a philosophical question with no straightforward answers whether popular perceptions should be reflected in the making of foreign policy. Ample possibilities exist that popular views may increasingly differ from government policy priorities toward the United States and China. This posits a crucial question as to whether the election of Roh Moo-hyun as South Korea's new president in December 2002—an election engineered primarily by voters mainly in their 20s and 30s—will lead to a South Korean foreign policy with stronger China elements and weaker U.S. components. The U.S. government thus far has thought that South Korea's China fever has been mainly economic in nature, although that may not necessarily be the case in the years to come (DOS 2003).

### III. Debates on South Korea's Future Strategy

South Korea's rapidly increasing dependence on and favorable views of China have led to calls for a reassessment Seoul's foreign policy orientation. Such opinions have existed in the past, but they were mostly from progressive corners and were not considered seriously. This time around, however, the intensity and magnitude of the challenges to the conventional view have become formidable. Not only have they taken the form of public debates, but also they have managed to enlist some members of the National Assembly.

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6. In the second half of 2004, however, South Korean perceptions of China experienced a considerable downturn owing to China's efforts to incorporate Korea's ancient history into its own. See the KBS survey (14 September 2004) as reported in the *Joong-Ang Ilbo*, 22 September 2004.

A 12 February 2003 *Joong-ang Ilbo* survey concerning the desirable foreign policy direction for South Korea contained a harbinger of the current debate: 59.8 percent of the respondents were in favor of Seoul's detachment from its U.S.-centered diplomacy.<sup>7</sup> Throughout 2003, people debated the Roh Moo-hyun administration's unprecedented strategic soul-searching, a crucial outcome of which was subtly presented in the administration's policy of "cooperative and independent national defense" (NSC 2004).

Adding to controversy was a 19 April 2004 survey conducted by *Dong-a Ilbo*, which surveyed 243 newly elected members of the National Assembly. Of the 138 newcomers to the assembly, 55 percent chose China as the most important target of South Korea's future diplomacy. Of the 105 old-timers, 42 percent chose China as the most important target of South Korea's diplomacy. Subsequent polling showed that members of the incumbent Uri Party generally showed a higher propensity for choosing China than did those from the Grand National Party. Once the conflicting foreign policy orientations came to include a partisan dimension, the debates became further politicized and bifurcated.<sup>8</sup>

These debates could not have come at a worse time; South Korea's relations with the United States were at a record low. Diverging threat perceptions vis-à-vis North Korea; intricate negotiations over the withdrawal of U.S. forces from South Korea, the return of bases, and defense burden sharing; and controversies over the size, location, and timing of Seoul's dispatch of forces to Iraq have been effective indicators of the current state of affairs in U.S.–South Korea relations.<sup>9</sup>

Debates in Korea about relations with China will continue although their outcome at this point is difficult to predict. Overall, at least four factors will be important for determining South Korea's responses to the rise of China on Seoul's strategic map.

- China's sustained growth will undoubtedly affect South Korea's range of choices vis-à-vis China. That is to say, "China Inc.," with its huge market and investment opportunities, will draw South Korea increasingly closer, making it more difficult if not impossible to separate economic cooperation with China from strategic-security ties with the United States (Moon and Roberts 2004). If,

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7. In answer to the same question, 42.8 percent of the opinion leaders were in favor of Seoul's detachment from its U.S.-centered diplomacy.

8. See *Dong-a Ilbo*, 4 May 2004; *Chosun Ilbo*, 21 and 25 April and 12 May 2004; and *Joong-ang Ilbo*, 7 May and 23 June 2004.

9. A recent survey of Korea specialists in Washington, D.C., conducted by the Maureen and Mike Mansfield Foundation and *Kyung Hyang Daily News*, showed nearly unanimous agreement that the U.S.-Korea alliance is indeed changing. See [www.mansfieldfdn.org/pubs/pub\\_pdfs/khsm\\_summary.pdf](http://www.mansfieldfdn.org/pubs/pub_pdfs/khsm_summary.pdf).

on the other hand, China's development is slowed by some unforeseen challenges, Seoul's draw to Beijing might also wane.<sup>10</sup>

- Expanding bilateralism and favorable views notwithstanding, it is also possible that China will increasingly impose on South Korea. The Chinese embassy in Seoul recently phoned and faxed members of the National Assembly to try to prevent them from attending the inauguration in May 2004 of President Chen Shui-bian of Taiwan. Both *Chosun Ilbo* and *Dong-a Ilbo* reported on 2 June 2004 that the embassy's press secretary even threatened to "remember those who insist on attending it." Many in Seoul are afraid that a stronger China may become increasingly audacious toward South Korea, as the Ming and Qing courts did toward Chosun. China's current Northeast Project (*dongbei gongcheng*; see Ma 2003), which seeks to incorporate much of Korea's ancient history into China's local histories (*difangshi*), provides grounds for South Korea's concern over China's "imperial" aspirations.<sup>11</sup>

- Although South Korean elites have traditionally acted on their psychological dependence on U.S. protection, often characterized as "separation anxiety," crucial changes occurred during Kim Dae-jung's presidency and have strengthened during the succeeding administration of Roh Moo-hyun. These changes have been hard for the United States to swallow because of the U.S. conviction that South Korea should always be grateful for what the United States did for it during and after the Korean War. Even the disparity in the amounts of attention the United States—the world's superpower—and South Korea have paid to each other is a serious problem: for U.S. global strategy, Korea is only a small part of the Asian region, but Washington takes up a huge chunk of Seoul's policy horizon.<sup>12</sup> While a wide array of problems and tension in the alliance were simply taken for granted in the past as the cost of accepting the U.S. defense shield, it is no longer so tolerated (Perry et al. 2004).

- The Japan factor may also come into play, further complicating the already complex equation. Surveys suggest that crucial discrepancies between the United States and South Korea are found in terms of threat perception concerning

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10. An assessment by the Asian Development Bank (ABD)—reported by *Dong-a Ilbo* on 24 September 2004—showed that if China's economy declined by 1 percent, it would cause a corresponding decline of 0.2 percent in South Korea.

11. For such concerns, see *Dong-a Ilbo*, 3 December 2003; *Joong-ang Ilbo*, 4 December 2003; and Chung (2004).

12. This is perhaps something that has to be accepted by countries other than the United States, according to Kagan (2002). For the perceptual disparities between Washington and Seoul, see Chung (2003, 18–20).

Japan and China. While Japan is always viewed favorably by the United States compared with China—China topped Americans’ list of adversaries for 10 successive years—many in South Korea believe that the “rise of Japan” is perhaps something worse than the rise of China (KBS 1996, 431, 436; Sejong 1997, 11; Watts 1999, 42; Harris Poll 2001, table 2). Washington’s continuous assigning of more strategic importance to Japan—without due consideration for Seoul—may actually draw South Korea closer to China, even without Beijing’s conscious efforts.<sup>13</sup>

In sum, South Korea is approaching a crossroads in its strategic soul-searching. With so many uncertainties in the air, Seoul may find it increasingly difficult to home in on an optimal strategy. In the short run, South Korea will continue with its dual strategy of maximizing its benefits from its bilateral relationship with China and minimizing its costs from its strained relationship with the United States. The same cannot be said of its long-term strategy, however, which will depend heavily on the four factors discussed above, in addition to the North Korean nuclear conundrum and the evolving Sino-U.S. dynamics. In the meantime, however, it is imperative that South Korea refrain from making premature decisions and maintain as much strategic ambiguity as possible on key issues central to U.S.-China relations (Chung 2001, 792–93).

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13. In 1995, for the first time, Jiang Zemin and Kim Young-sam at a press conference spoke together of their criticism of Japanese historical consciousness (Rozman 2004, 170).

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