

development model—rapid economic growth while maintaining the political status quo—has a predictive value for similar reforms in North Korea.

But the applicability of the Chinese development model is tenuous due to North Korea's fundamentally different economic and geopolitical conditions. China was able to establish its four original SEZs on the geographic and economic periphery, far from the traditional industrial centers. Geographically equivalent to a small Chinese province, North Korea cannot conduct open-market experiments on the periphery without concern about the potentially destabilizing effects on the national economy. In addition, China's open reform period followed the normalization of relations with the U.S. and Japan in the early 1970s. Normalized diplomatic relations with the two largest world economies laid the foundation for increased trade relations and access to global financial capital. North Korea, on the other hand, has yet to normalize relations with these two large economies, which substantially hinders the effectiveness of any economic reforms. In December 2007, there was speculation that President George W. Bush might consider restoring normal diplomatic relations with the North; however, this has not happened. Unlike China, which readily attracted foreign investment, North Korea struggles to attract foreign capital. Instead, the bulk of its foreign investment comes from China (which again is largely motivated by a desire to prevent the collapse of the North Korean regime) and South Korea (primarily in the form of foreign aid and noncommercial projects). Moreover, the agricultural sector constituted a large majority of the economy in pre-reform China: the breakup of collective farms and extensive rural reforms (such as the rural household contracting system) triggered significant gains in productivity that were a major driver in China's economic growth. In contrast, North Korea has a relatively small agricultural sector. The North Korean economy would have to rely on improvements in the productivity of the labor-intensive manufacturing industry, a formidable task for an economy mired in poverty and facing declining capital accumulation.

VII. CONCLUSION

The economic crises and famines of the past two decades illustrate the hardships North Koreans have faced under the centrally planned system. Moreover, the extent to which North Korea's self-reliant *juche* economy depended on other centrally planned economies (especially the Soviet Union) was evident after the collapse of the Soviet economic bloc in the early 1990s. In recent years, there have been signs that the economy is slowly rebounding after more than a decade of rapid decline. Partial economic reforms have helped the rebound, but a more substantial solution is necessary to bring the DPRK back from its prolonged isolation from the global economic system. Some observers see possibilities in North Korean adoption of the Chinese development model, but China's unique circumstances may preclude the development of a non-country-specific "China model" and its applicability to the DPRK.

THE DRAGON NEXT DOOR: REPUBLIC OF KOREA – PEOPLE'S REPUBLIC OF CHINA RELATIONS

Jason Cohen

I. INTRODUCTION

Starting with Seoul's recognition of Beijing in 1992, the fundamentals of the relationship between the Republic of Korea (ROK) and the People's Republic of China experienced a dramatic shift from wartime enmity to cooperative partnership. This transformation occurred along three main axes: political cooperation, economic links, and social, people-to-people connections.

Progress in each of these three areas was inevitable. Possessing common cultural and historical referents, the Korean and Chinese people found much to share in terms of music, the arts, and even pop culture. The so-called "K-craze" that swept Asia had a particularly dramatic effect on China, where Korean dramas, soap operas, and rock stars became household names. Moreover, once the economic floodgates were opened, trade and investment flowed across borders, and by 2004, China was the ROK's largest trading partner. China was already the largest destination for Korean foreign direct investment (FDI), surpassing the U.S. in 2002 and steadily widening the gap ever since. The maturing economic links also had a personal dimension, as more and more South Koreans followed investment dollars into China and settled there on a long-term basis.

Politically, the end of the Cold War effected a realignment that put the ROK's short- and medium-term goals more in line with those of China than of its American ally. Without the support of the Soviet Union, China was forced to sustain the failing regime in Pyongyang alone; China wished to strengthen the North Korean pariah state in order to avoid an economic collapse. Beijing also feared both the flood of refugees that a state failure of the Democratic People's Republic of Korea (DPRK) would unleash and the potential destabilizing

effects on social stability in Manchuria given the two-million-strong ethnic Korean minority there. Likewise, the ROK wished to avoid the difficulties West Germany had faced in absorbing its much poorer and dysfunctional other half. South Korean leaders therefore abandoned the old strategy of working for a collapse of the DPRK. The U.S., on the other hand, largely continued the policy of isolation that it has pursued with Cuba and other such regimes, making little effort to engage the DPRK outside of the nuclear issue. The convergence of Chinese and South Korean priorities, juxtaposed with a divergence of American and South Korean strategies, brought Beijing and Seoul closer together politically.

The concurrent rapid progress in cooperation between the ROK and China along the political, economic, and social fronts constituted a “China fever” that affected the political class and society at large. After the turn of the 21st century, however, problems arose along these same three axes that brought China’s rising tide to an ebb. Seemingly love-struck with China just a few years earlier, the ROK now suspiciously eyes the dragon next door, perhaps as dubious of Beijing’s motives as it had become of those of the U.S.

On a social level, China’s clumsy handling of the Koguryo flap, which unfolded from 2001 to 2005, severely damaged relations between the two peoples. China declared the ancient kingdom of Koguryo, seen as the seed of the Korean nation, to be “China’s Koguryo” and a vital part of China’s own heritage. Despite attempts by UNESCO to create a compromise solution regarding Koguryo-era tombs spread throughout northeastern China and North Korea, as well as the obvious displeasure of South Koreans, China persisted with its Northeast Asia History Project and sent mixed messages regarding its claim to the Koguryo legacy. South Koreans were outraged and expressed their anger in street protests and on the Internet. Continued bullheaded actions by China, including the issuance of Koguryo heritage stamps, led scholars in both North and South Korea to lead a joint study on Koguryo tombs near Pyongyang, the first academic collaboration of its kind since the division of the Korean peninsula. China’s actions were even more troubling because they were part of the Communist Party’s wider strategy to promote cultural pride and nationalism as avenues to garner domestic political support now that Marxism has ceased to generate mass appeal.

Economically, China continued to play an increasingly important role in the ROK, but at a price. Cheap Chinese imports flooded the southern region of the Korean peninsula and hurt local producers, particularly in the steel and chemical industries. Already a hotbed for union activity and strong protectionist tendencies, South Korean society was increasingly concerned about being squeezed by low-end competition from China and high-end competition

from Japan. These economic worries brought about tit-for-tat tariffs and anti-dumping penalties in which the ROK’s vulnerability in a trade war with China became apparent. In 2000, for example, the ROK was forced to surrender in the “Garlic War” when China responded to Seoul’s imposition of anti-dumping duties on Chinese garlic by banning the import of South Korean cellular phones.

Finally, the Koguryo incident highlighted political issues regarding China’s long-term strategies and intentions. While Seoul and Beijing found common cause in favoring engagement with and buttressing the DPRK, China’s more enduring concerns remained suspect. Actual reunification of the Korean peninsula would put, right on China’s doorstep, a united Korean people with the benefits of the ROK’s economic powerhouse and its American ally. Analogous to Turkey’s concerns over an autonomous Iraqi Kurdistan, China fears that reunification would create secessionist tendencies among northeastern China’s sizable ethnic Korean minority. Moreover, China sees its continued engagement in the peace process as both a testing ground and a preparatory stage for its emerging regional and global political leadership role, and it might benefit from the process dragging on endlessly. Add to these facts Beijing’s extremely cautious and almost reflexively status quo mentality, and it becomes clear that Beijing’s long-term interests, as perceived by the Chinese Communist Party leadership, are not necessarily served by a united Korea. This is precisely why the formation of the North and South Korean joint commission on the Koguryo tombs, an apparently benign event, inspired such concern in Beijing.

By the end of 2006, ROK-China relations were in a state of uncertainty. The era of good feelings had given way to a new and less trusting environment. While China’s growing economic power and political clout made cooperation with the ROK more likely and furthered its strategy of bringing Seoul out of its squarely pro-U.S. camp into a more balanced position, problems arose. Chinese cultural insensitivity, the economic insecurities aroused by China’s rise, and a more realistic evaluation of Chinese strategic priorities all served to halt the Chinese charm offensive. Simultaneously, rising self-confidence and nationalism in Japan, a reinvigorated Japanese economy, and persistent disagreements with the U.S. left the ROK feeling more vulnerable and strategically uncertain than ever. The year 2007 would see movement in both positive and negative directions along all three major channels for the developing relationship: tightening people-to-people bonds combined with some residual ambivalence from the Koguryo incident; increasing economic concerns along with strengthening ties; and continued political cooperation in conjunction with some evident strains.

II. SOCIAL AND CULTURAL RELATIONS

Relations between the ROK and China are greatly influenced by the shared historical and cultural roots of the two countries. Unlike Japan's painful and controversial history of colonialism on the Korean peninsula, the tributary relationship between Korea and China, in which the latter maintained a sort of tutelage over its "younger brother," was far more benign. China's change in tactics around the turn of the 21st century—from periodically beating its chest and throwing its weight around to being a benevolent economic partner with a "peaceful rise" strategy—was reassuring in Seoul and throughout the region. However, the Chinese government's emphasis on stoking nationalistic sentiments to drum up domestic political support has caused alarm in Seoul, Tokyo, and elsewhere. As noted earlier, although the Koguryo incident did not significantly alter the fundamental relationship between the ROK and China, it nonetheless made many Koreans much more wary of Beijing's "hegemonic ambitions."

Thus, the attitude of the South Korean people toward China was somewhat mixed and decidedly more suspicious as 2007 began than it had been in the previous decade. Contributing to the mix were younger South Koreans who do not share the Korean War experience and the bonds it created between the U.S. and the ROK. They generally view China as the most friendly and influential nation toward Korea, with the U.S. lagging far behind. Polls of the general population taken later in 2007, however, pointed to changing attitudes. For example, an August survey of 1,000 South Korean citizens aged 20 years and older revealed a uniformly negative assessment of China, especially vis-à-vis the U.S. Over 80 percent of respondents were suspicious of China's motives in the peace process, saw its rise as a threat to national security, and believed that the Koguryo incident was indicative of China's territorial ambitions. South Koreans favored close relations with the U.S. as opposed to China by a 79 percent to 20 percent margin, while 92 percent favored maintaining or strengthening the South Korea-U.S. alliance. Likewise, only 26 percent thought China considered the ROK's interests in dealing with the DPRK, while 56 percent thought the U.S. did.

This apparent turnaround in public opinion toward China and the U.S. probably reflects an increasing concern about the nuclear threat, residual bad feelings as a result of the Koguryo flap, and a spate of recent negative press about Chinese goods and Beijing's treatment of North Korean refugees. Tracking negative trends globally in attitudes toward China, China's favorability rating in the ROK fell well below 50 percent as measured by the well-respected Pew Global Attitudes Survey released in June 2007.

These opinions are shaped, of course, by economic and political developments that generally cast China in a more negative light in 2007. They are also shaped by people-to-people interaction, however, which has continued to increase. Between 2003 and 2007, the number of South Korean university students studying in China jumped more than 50 percent, from 36,000 to 54,000. South Koreans now constitute more than one third of the 162,000-plus foreign students in China, outnumbering students from any other single country. Indeed, while the U.S. remains the number one destination for South Korean students, with 70,000 studying there in 2006, China is catching up fast as a preferred study-abroad destination. At the same time, 24,000 Chinese students were enrolled in South Korean schools, making China the largest contributor of foreign students to the ROK.

Similarly, 4.4 million South Koreans visited China in 2006, up from 3.5 million just a year earlier and far outnumbering visitors from any other country. More than 897,000 Chinese tourists visited the ROK in 2006, putting it just behind the U.S. in terms of international destinations preferred by the Chinese. Likewise, more than 150,000 Chinese tourists visited the ROK's tropical Jeju Island, which ranked fifth in an online poll of the Chinese people's most desired international tourist destinations—ahead of Paris, Tokyo, Macau, and Phuket. Equally, if not more, important is the startling number of South Koreans who have moved to China: the most recent statistics reveal that more than 500,000 South Koreans are currently living and working there.

Finally, South Korean culture and society are being beamed throughout China and all of Asia via the "Korean wave," a surge in the popularity of Korean pop culture that started roughly three years ago. Korean actors and singers, such as Rain, are household names in China, and Korean dramas are highly popular with Chinese of all ages. Though the first half of 2007 saw a decline in broadcast exports to China, there is little evidence that the possible modest ebbing of the wave is due to anything other than normal product life cycle. In fact, a recent estimate put the number of Chinese who watch Korean soap operas every day at 100 million, representing nearly 8 percent of the total Chinese population. Nevertheless, there have been some signs that the Korean wave is subsiding, as most popular culture sensations do after a few years. An August 2007 poll of Chinese businesses, for example, found that 45 percent felt that the wave was "nonexistent" or "already going downhill."

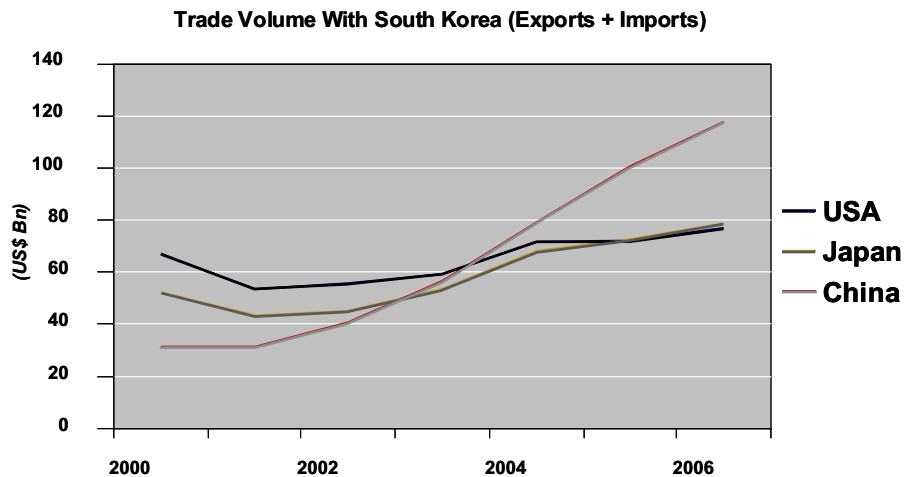
Seoul has taken notice of the ROK's growing "soft power" in the number of Korean studies programs throughout the world and has been funding such academic ventures in order to further this trend. Likewise, at the end of 2006, government officials and entertainment industry leaders from the ROK, Japan, and China held a trilateral summit to explore ways of producing more

collaborative projects, reducing legal and economic barriers to cultural imports, and expanding cross-culture exposure across the three nations. While Korean cultural exports are already very strong, Korean participants hoped to strengthen their position, especially in China's growing market. China, on the other hand, was looking for ways to widen the appeal of its entertainment products in the region, while Japan hoped to regain some market share, its own wave having given way to the Korean one.

Though economic and political factors will undoubtedly drive the day-to-day relationship between the ROK and China, people-to-people and cultural relations have an important, if subtle, impact on fundamental questions of identity. How individual South Koreans and Chinese see themselves, especially in the context of a shared cultural milieu vis-à-vis the U.S. and the Western world, will clearly influence the longer term relationship between the two countries. The year 2007 saw a strengthening of cultural and interpersonal links between the two peoples, with no serious reversal of the positive trends. However, given the mistrust aroused by the Koguryo flap and both countries' tendencies toward nationalistic pride, disputes over history and borders are a potential flashpoint.

III. ECONOMIC RELATIONS

The fundamentals of the deepening ROK-China economic relationship remained strong over the past year, with a continuation of the trends of increasing trade and FDI. As the economic ties between the two nations deepen, political and social harmony will become even more important because the economic damage caused by tensions will rise over time.



Source: KITA statistics

By 2004, China had surpassed the U.S. as the ROK's largest trading partner, and its differential with Japan and the U.S. has continued to widen. Data from the Korean International Trade Association (KITA) are revealing as to recent trade flows. In 2006, trade volume between the two countries jumped to \$118 billion, a 17.4 percent increase over 2005. Exports to China were \$69.5 billion, a 12.2 percent increase over 2005, while imports grew 25.6 percent, to \$48.6 billion. These trends are repeated in the monthly statistics from January through September 2007: trade volume increased 21.6 percent over the same period in 2006, with exports growing by 16.2 percent and imports gaining 29.2 percent. These numbers reflect an increase in China's weight in South Korea's overall trade portfolio. In 2007, China became the largest exporter to the ROK, a position previously held by Japan for more than 30 years.

Foreign direct investment tells a similar story. China has been South Korea's largest destination for FDI since 2002. The Korea Eximbank's (KEXIM's) numbers indicate that as of June 2007, 33,422 projects, valued in excess of \$31 billion, had been approved in China, representing about 45 percent of all Korean outward FDI by number of projects and 25 percent by value. In 2006, approved investment projects in China totaled \$4.5 billion, more than double that headed toward the U.S. In the first half of 2007 alone, FDI approved in China was \$4.9 billion, already exceeding the 2006 totals and well ahead of the \$2 billion in FDI flowing into the U.S.

Numbers from China's statistics bureau (though not as reliable because of discrepancies with international FDI accounting standards) reveal the same trends. By the end of 2006, Chinese statistics claim that ROK FDI in China consisted of 43,130 projects with a total realized value of \$35 billion, representing about 5 percent of total FDI in China. In dollar terms, this put the ROK in fourth place behind Hong Kong, the Virgin Islands, and Japan. However, it is important to note that much of the money from Hong Kong and most from the Virgin Islands actually represents domestic Chinese money funneled back into China to avoid taxes and regulations. Thus, only Japan has invested more than the ROK in China. From January through November 2007, the ROK invested more than \$3.2 billion in China, a jump of 2.2 percent over the same period in 2006. While 2007 figures indicate that ROK FDI in China still lags far behind that of Hong Kong and the Virgin Islands, it has actually surpassed Japan's investment (which totaled about \$3 billion) and nearly equals FDI from the entire European Union.

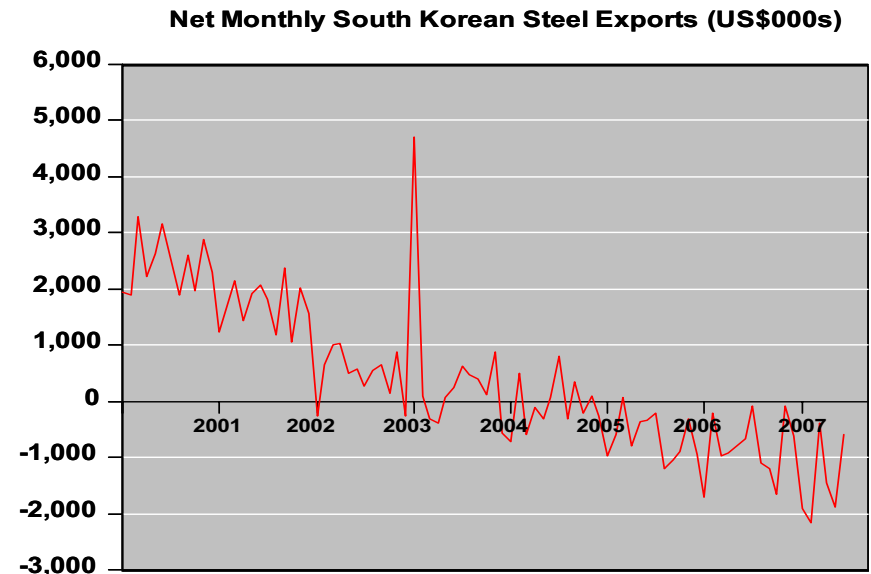
Both the ROK and China seem to recognize the benefits of economic exchange and are keen to expand it. Immediately after the ROK and U.S. announced their intention to explore a free trade agreement (FTA), Beijing expressed its desire to do the same with the ROK. It is understandable that China would not want to

cede any economic ground to the U.S., given its strategy of trying to orient Seoul away from Washington toward a more neutral stance. The first joint feasibility study for an FTA began in March 2007, and the latest round of negotiations was held in Beijing in October. Although Chinese public opinion concerning the possible FTA is difficult to gauge, businesses in China overwhelmingly favor such a deal. A recent poll among them found that 94 percent favor the FTA, a strong indicator of Chinese business leaders' views on the benefits of their country's economic relationship with the ROK.

Both the public and elite opinions in Korea are more ambivalent, which reflects South Koreans' increasing wariness regarding China's economic influence and the ROK's economic vulnerability vis-à-vis its neighbors. With cheap goods of improving quality from China and high-quality goods from Japan that are becoming more cost-competitive, the ROK's place in the value chain is facing pressure from both sides. No less a personage than former president Roh Moo-hyun expressed this sentiment last fall, when he said South Korea felt squeezed "like a sandwich" between Japan and China. At the October 4, 2007, inter-Korean summit, he said that the ROK's challenge was to "keep up with the Japanese economy while making sure we maintain the competitive advantage over China." He posited increasing cooperation with North Korea as a possible solution to the ROK's economic pressures. Roh Moo-hyun's comments are particularly interesting in light of the persistent suggestion that China's interests would not be served by a unified Korean peninsula.

Moreover, the numbers bear out Roh Moo-hyun's concerns. While China remains the largest contributor to the ROK's trade surplus, this surplus has been deteriorating in recent years, as the growth rates of imports versus exports cited earlier demonstrate. From 2005 to 2006, Korea's trade surplus with China, which had been growing steadily since 1994, suddenly deteriorated by 10.2 percent, to \$20.9 billion. This deterioration seems to have accelerated in 2007, with the trade surplus with China from January to September down 12.8 percent over the same period in 2006. The ROK's trade deficit with Japan grew by 4.2 percent from 2005 to 2006 and jumped 15.9 percent from January to September 2007 over the same period in 2006. These figures reveal that the ROK is indeed being squeezed by its two powerful neighbors.

Not surprisingly, tensions over trade have arisen in certain sensitive sectors of both the South Korean and Chinese economies, and a series of small-scale trade wars, though not well publicized, have broken out between the ROK and China. Perhaps the most salient example is what happened in the steel industry. South Korea has long dominated the manufacture of steel, one of the commodities that led to the nation's establishment as a global economic player. In 2004, however, the ROK actually became a net *importer* of steel.



Source: KITA statistics

This dramatic turnaround closely parallels the movement of China's steel exports, with shipments to the ROK increasing dramatically in 2004. The trend accelerated in 2005, with Chinese exports of steel to the ROK jumping around 50 percent while the ROK's exports to China fell about 15 percent. In terms of metric tons, China's steel exports to South Korea in 2005 outnumbered South Korean exports to China by a factor of more than 2-to-1. The reason for this movement was not a mystery: the Chinese steelmakers' product was of similar quality to the South Korean and Japanese products, but it was 15 to 20 percent cheaper than Korean steel.

In terms of specific steel products, the case of H-beams is illustrative. From 2004 to 2005, Chinese exports of H-beams jumped a whopping 257 percent, followed by an even more dramatic jump of 450 percent the following year. Chinese H-beams now enjoy a market share of more than 20 percent in South Korea. Again, the driving force behind the jump is obvious: the quality of the Chinese steel has improved, and it sells for around \$450 a ton, about \$100 cheaper than the South Korean equivalent. H-beam statistics for 2007 are not yet available, but there is no evidence to suggest that these trends have reversed. South Korean steelmakers are concerned about the situation. At the end of 2006, Hyundai sued Chinese steel mills for dumping, specifically H-beams. For its part, China continues to maintain the anti-dumping duties it has levied on South Korean steel since 2000.

Trade disputes between the ROK and China are not confined to steel; they frequently occur in other sectors, especially chemicals. In August 2007, China announced anti-dumping duties on South Korean exports of bisphenol-A (a compound used in many plastics and polymers) and dichloromethane (a solvent used in many chemical processes). The ROK began a formal investigation in October 2007 into alleged dumping of Chinese benzoyl peroxide—a chemical used in many health and beauty products. Seoul also announced anti-dumping duties on a synthetic fabric from China called draw texture yarn.

Because of its larger strategic goals and desire to pursue regional FTAs, China made moves in 2007 to allay the ROK's fears. In May, in advance of meetings with Japanese and South Korean officials, Beijing announced measures to curb steel exports, which had continued to grow at a breathtaking pace, increasing threefold over the same period in 2006. Some cooperation between the ROK and China on steel vis-à-vis third countries also became a possibility. Baosteel, the largest Chinese steelmaker, expressed an interest in selling a strategic stake to POSCO, the largest South Korean producer, to help discourage potential foreign takeover bids. But trade disputes between the ROK and China persisted, as China maintained 22 anti-dumping duties on South Korean goods, more than any of the ROK's other trading partners.

On the whole, the ROK and China are undoubtedly being drawn closer together by rapidly rising trade and investment volumes. It goes without saying that these shared economic interests will tend to encourage political and social tranquility between the two countries. However, South Koreans are becoming increasingly concerned about the distribution of benefits from trade and the direction of the flows. Thus, in the near term, trade and investment actually have the potential to aggravate tensions and negatively affect Sino-Korean relations.

IV. POLITICAL RELATIONS

Since the Koguryo incident, South Koreans' views of China have become much more nuanced, and the events of 2007 have done little to produce any change in the overall political relationship between the two countries. Koguryo was a defining moment in that it laid bare many of the suspicions that South Korean policymakers have held about China's intentions on the Korean peninsula, even at the apex of the "China fever." In April 2004, before the incident, 63 percent of South Korean National Assembly lawmakers viewed China as the country's most important diplomatic partner (only 26 percent chose the U.S.). In August, during the height of the spat, only 6 percent chose China, a dramatic reversal of opinion. Many began to say publicly what they had long grumbled about privately—that China had its own self-interest at heart in involving itself in Korea and that increasingly close ties with Beijing would alienate South Korea's most important ally.

Nevertheless, ROK-China relations recovered somewhat during the period leading up to 2007. This was due mainly to the two countries' common goal of engaging and stabilizing North Korea, as opposed to the hard-line U.S. approach. China continued to play the leading role in the Six-Party Talks, a dialogue involving the ROK, DPRK, the U.S., China, Japan and Russia which aims to resolve security issues arising from the DPRK's nuclear program. The role China played at the talks helped refill the reservoir of goodwill in the ROK that Beijing had worked to cultivate but which had been seriously damaged by the Koguryo incident. Meanwhile, the ROK moved back into the good graces of Beijing by signaling that it would oppose the presence in its territory of U.S. forces that could be deployed in future conflicts in Asia, namely in the Taiwan Strait. This pleased Beijing, which was alarmed after the ROK's acceptance of the "strategic flexibility" of U.S. forces in Korea in 2006. So, going into 2007, the ROK maintained an overall positive but nonetheless realistic (or perhaps cynical) view of China's objectives and motives in its involvement in Korea.

China's leadership in the Six-Party Talks continued to promote closer relations with the ROK, and the progress made during 2007 highlighted China's constructive role in the process. Success came early in the year with the DPRK's agreement in Beijing on February 13 to close its reactor at Yongbyon. The deal was immediately preceded by a Chinese draft agreement, which stipulated that in exchange for allowing inspections and taking steps to shut down Yongbyon, the DPRK would be provided with fuel supplies. Furthermore, five working groups would be created within the six-party framework to deal with the most critical issues. This proposal was largely reflected in the final agreement. China won praise from all parties, including the main negotiator of the U.S., Christopher Hill, who commented, "China has done a great job of getting us together."

China continued its engagement throughout the year, with Presidents Hu Jintao and Roh Moo-hyun sitting down together in September to discuss the regional security situation on the sidelines of the Asia-Pacific Economic Cooperation (APEC) summit. The two agreed to begin discussions on a peace treaty to formally end the Korean War and to draw up roadmaps for a multilateral security regime in Northeast Asia. The meeting was particularly noteworthy juxtaposed with Roh Moo-hyun's tense public exchange with U.S. President George W. Bush. The six-party process in September 2007 again bore fruit: the DPRK agreed to declare and disassemble all nuclear facilities by the end of the year in exchange for eventually being removed from the U.S. list of state sponsors of terrorism and application of the U.S. Trading with the Enemy Act.

Not all the progress on peace and denuclearization is particularly indicative of Chinese leadership, however, or that China is the ROK's most critical diplomatic partner. Despite China's public leadership at the Six-Party Talks, some have

claimed that the February 2007 agreement actually pointed to a diminished role for Beijing because the most critical substance was supposedly hammered out at a U.S.-North Korea bilateral meeting in Germany the month before.

China remained protective of its leadership role, expressing alarm and opposition to a DPRK proposal at the inter-Korean summit in October 2007 to conduct three-way talks involving the two Koreas and the U.S., but excluding China. While such direct talks have the potential to produce dramatic results, given the recent relative thaw in Washington-Pyongyang relations, China saw the proposal as a threat to its influence and an indication of a resurgent U.S. dominance on the peninsula. Indeed, the episode revealed that Beijing's priority is to stay involved in the process, even if progress could be made through other channels. In fact, some ROK diplomats privately grumbled that China was so intent on taking a leading role that it "belittled" South Korean officials and acted with increasing arrogance.

Seoul's less trusting attitude toward Beijing was highlighted in a diplomatic row between the two countries. On May 13, a South Korean cargo ship (the *Golden Rose*) collided with a Chinese container ship (the *Jin Sheng*) near Dalian. The *Golden Rose* sank, and all 16 crew members died. Though initial details of the collision were sketchy, it was quickly established that the crew of the *Jin Sheng* waited seven hours before notifying authorities of the collision. To make matters worse, Beijing did not notify the South Korean Embassy for another 14 hours, a full 21 hours after the accident. China then refused to allow South Korean maritime forces to participate in the search-and-rescue efforts, prompting widespread cries in the ROK of a cover-up.

A report issued later by Chinese authorities largely blamed the *Jin Sheng's* crew for the collision, but it also pointed the finger at the *Golden Rose* for failing to take evasive action. The report was silent on the issue of Beijing's slow notification of South Korean officials. The situation hearkened back to China's previous secretive and confrontational international persona, underlined the fundamental difference between the authoritarian regime and Seoul's liberal democracy, and stoked nationalistic sentiments in South Korea.

Finally, aside from just being another way to promote good relations, the ROK's continuing efforts to expand economic cooperation with the DPRK must be seen in a certain sense as a reaction to China's rising economic influence there. After the economic collapse and widespread famine in the DPRK just a few years ago, something of a grassroots market economy sprang up, and a burgeoning illicit trade of consumer products across the Chinese border appeared. The DPRK legalized some of this trade and sought to regain its footing by increasing sales in its extractive industries, mostly to China. South

Korean participation in the DPRK's economy, on the other hand, is limited to a small group of highly managed investments such as those in Kaesong, restricted tourism ventures, and official aid.

The ROK's attempts to promote economic cooperation at the October 4, 2007, summit (for example, establishing a joint fishing zone) take on different overtones when viewed in this context. It is obvious that both the ROK and China would like to see a more economically stable DPRK, but their reasons for doing so are not necessarily identical. The ROK would like to foster a more prosperous neighbor to ease eventual unification. China seems to have mixed motives. On the one hand, investment and economic growth will help shore up Pyongyang's position so the DPRK can remain standing as a buffer between itself and the ROK-U.S. alliance. But, on the other hand, China's investment would also likely buy political influence with whatever would replace the regime in Pyongyang in the event of a collapse of the state. Meanwhile, economic cooperation also helps China guard its position as Pyongyang's most trusted friend, although "friend" is probably too strong a word for the relationship.

On the whole, 2007 was something of a wash with respect to the state of ROK-China political relations. China remained a great enabler of the peace process and denuclearization talks, pointing to its shared goals with the ROK. This contrasts with ROK-U.S. relations, which remain somewhat tense, although they have warmed now that Washington has softened its line toward North Korea. The ROK's eagerness to promote economic ties with the DPRK points to a competition with China for influence there. Furthermore, rumors of China's relatively less significant role in the Six-Party Talks, particularly in brokering the February agreement, and ROK diplomats' dissatisfaction with treatment by their Chinese counterparts suggest an underlying tension and a mistrust of Beijing. Incidents such as the sinking of the *Golden Rose* underscore the cooling of sentiments that resulted from the Koguryo spat and the increasing wariness of China's long-term intentions in Korea. As a result, ostensibly trivial territorial and maritime disputes or other unforeseen incidents have the potential to knock ROK-China relations off track.

V. CONCLUSION

The driving force behind progressively closer relations between the ROK and China has been the common desire by the two nations for a more stable DPRK and, generally, a more cooperative situation on the peninsula. In addition, strategic disagreements and conflicting priorities between Washington and Seoul have driven the ROK more and more into China's arms. In many ways, this dynamic played out again in 2007. While the Bush administration showed a much greater willingness to engage the DPRK, policy differences over

sanctions, aid, and a peace treaty to officially end the Korean War remained. Simultaneously, China continued to play a leading and constructive role in the Six-Party Talks. Economically, cooperation between the ROK and China expanded, while social and cultural exchanges fostered better people-to-people relationships, which definitely play a role in shaping long-term policy direction and political relations.

The story is not a simple one, however. The period of “China fever”—the South Koreans’ somewhat naively optimistic views of China and its intentions—ended, or at least subsided, after the Koguryo flap. Incidents like the *Golden Rose* and below-the-surface diplomatic tensions between the two countries signal an increasing wariness of China’s motives and long-term objectives in the Korean peninsula. More and more, China’s booming economy is considered to be less of an opportunity and more of a threat to South Korean industry, as evidenced by the ROK’s deteriorating trade surplus and trade disputes over steel, chemicals, and other products.

The short-term outlook for the relationship is positive, even though relatively minor incidents have the potential to become major flashpoints. In the longer term, however, the strategic situation suggests that the two countries’ goals, particularly their views on reunification, are not necessarily in harmony. The events of 2007 provide some support for this view. Oddly enough, in a certain sense this state of affairs is the mirror image of the ROK’s relationship with the U.S. While Washington and Seoul have disagreed strongly on tactics, both countries would benefit from a united Korea and seem to share this goal. A single Korea would have the potential to be a friend of the U.S., would remove the threat of proliferation, and would alleviate the perceived need for an American troop presence in the region. When and how the differences between the short- and long-term priorities of the U.S., the ROK, and China will be sorted out is anyone’s guess; however, such a reckoning is unavoidable.

THE POLITICS OF INTER-KOREAN RELATIONS AND SOUTH KOREA’S 2007 PRESIDENTIAL ELECTIONS

Thomas S. Kang

I. INTRODUCTION

Since the establishment of the two Koreas in 1948, the domestic politics of each country have been heavily influenced by the existence and actions of the other. Both governments have continuously claimed to be the legitimate government of the entire peninsular territory. Such claims have made reunification issues and inter-Korean relations important in each nation’s domestic politics. Even after democratization in South Korea (Republic of Korea, or ROK), North Korean (Democratic People’s Republic of Korea, or DPRK) policy and inter-Korean relations have been at the focal point of ROK foreign policy and its domestic politics.

Over the past two decades, developments in inter-Korean relations have been especially volatile. From multiple nuclear crises in the early 1990s to the inaugural summit meeting between the ROK’s Kim Dae-jung and DPRK chief of state Kim Jong Il, inter-Korean relations have been turbulent. The ROK has had three presidents in those two decades. Under Kim Young-sam, Kim Dae-jung and then Roh Moo-hyun, the South’s policies regarding its northern counterpart have undergone sometimes considerable and sometimes subtle transformations. As the presidential torch in South Korea is passed again in 2008, policies toward North Korea are bound to undergo change, although to what extent remains to be seen.

In 2006, the DPRK joined the exclusive ranks of the nuclear powers, further estranging itself from the ROK and the rest of the world. The year 2007 saw tremendous progress through the Six-Party Talks and dramatic inter-Korean events that peaked with the October summit meeting. It was also an election