

## EAI Commentary No. 17

### EAI Security Net

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## Stuck in the Middle? U.S.-China Relations and the Korean Peninsula

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Not since the visit of Deng Xiaoping in 1979 has a Chinese state visit attracted so much attention as President Hu Jintao's visit to the United States on January 19, 2011. After a rocky year in U.S.-China relations following President Barack Obama's visit to Beijing in November 2009, attention naturally focused on the future direction of the relationship between the two countries. Further attention imbued with curiosity also centered on how a relatively declining United States and a rapidly rising China would shape the world order in the long-run. Also following North Korea's provocations in 2010, the world carefully looked for any strong emphasis on the issue of the Korean Peninsula as a regional challenge. There have been two different interpretations in regards to the results of the U.S.-China summit: an optimistic outlook that the two countries will become cooperative partners and move forward as underscored in the Joint Statement, and pessimistic views that the two powers will merely continue the repeated pattern of conflict and check that they have been doing since November 2009. A similar mix of opinions prevails in regards to the Korean Peninsula. Some expect immediate improvement in inter-Korean relations and the resumption of the Six-Party Talks, while others criticize the U.S.-China summit for barely papering over the cracks. However, neither hasty optimism nor gloomy pessimism is appropriate at this time. There is a need to utilize a comprehensive response strategy, which goes beyond narrow political understandings, based on a precise analysis of the results of the summit.

### U.S.-China Relations after the Summit

There are two ways of looking at the outcome of the U.S.-China summit. One can either focus on how the future bilateral relationship will progress or where the balance of power will tilt.

In regards to the future of U.S.-China relations, optimism and pessimism coexist. On the one hand, this summit provided a positive mood as the two countries have experienced a series of conflicts over diverse issues in 2010. These included arms sales to Taiwan, the Dalai Lama's visit to Washington, appreciation of the Yuan, North Korea's provocations, and the nomination of human rights activist Liu Xiaobo for the Nobel Peace Prize. As the vast size of this summit's Joint Statement (41 articles in 6 parts) indicates, the United States and China have reached agreement in principle on various areas. Compared to the 2009 Joint Statement which only stated "strategic trust," this new summit progressed to clearly define bilateral relations as a "cooperative partnership based on mutual respect and mutual benefit."<sup>1</sup> Chinese Foreign Minister, Yang Jiechi, evaluated the summit as "a new chapter for bilateral cooperation of partners."<sup>2</sup>

However, a closer look at the core issues that provoked conflict in 2010 reveals unresolved disagreements. Although the United States stated that it will adhere to the 'one China policy,' reports of a new four billion dollar U.S. arms sale to Taiwan leaked before the summit.<sup>3</sup> Arms sales to Taiwan are a

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thorny issue which raised tensions between the United States and China in 2010. Regarding the human rights issue, the two countries acknowledged the differences between the two as they stated in the 2009 Joint Statement with China continuing to emphasize the principle of noninterference in each other's internal affairs. It is difficult to assume that the bilateral relationship has turned into that of complete cooperation as the term ‘Chimerica’ would signify. Nor is it appropriate to anticipate simple repetition of future conflict as was witnessed in 2010. Rather, the two countries are likely to extend cooperation amid existing conflicts.

It is hard to say that one side ‘won’ during the summit; rather it followed the path of *qiutong cunyi* or ‘seeking common ground while reserving differences.’ In the spirit of ‘seeking common ground,’ the United States urged China to play a role as a responsible great power. President Obama even mentioned Tibet and human rights issues, and pressured President Hu to state that “China recognizes and also respects the universality of human rights.” Financially, Obama earned a promise from Hu that China would purchase 45 billion dollars worth of U.S. exports<sup>4</sup> On the other hand, China did not succumb to U.S. pressure on its core issues, including human rights, currency adjustment, and trade imbalances. At the same time, by declaring principles of ‘mutual respect’ and ‘equality,’ China successfully raised its status as an equal partner of the United States. Washington respectfully treated President Hu with the honor befitting a leader of a G2 country. With the images of Obama's daughter holding a Chinese flag and Americans trying to learn the Chinese language, the United States provided a platform that allowed Chinese people to be proud of their country. It

would be wrong to say that the summit was not a victory for one or the other. Rather, it was a compromise between the United States which aimed at ‘seeking common ground’ and China which underlined ‘reserving differences.’

For the two countries to exert a full measure of efforts in resolving conflicts and making compromises, the changing power balance between the two plays an important role. The decline of the United States and the rise of China in the aftermath of the Global Financial Crisis in 2008 were not as fast as some had expected. Such awareness induced both countries to seek a balance. More directly, domestic politics played an important role too. Obama is concerned with his reelection in 2012, while for Hu it is important that the leadership transition also in 2012 takes place smoothly. Particularly for Hu, it is crucial that his legacy will be remembered as the leader who raised China's international status. Had this meeting ended without accomplishing anything and the conflicts of the last year persisted, it would have created a tremendous political burden for both leaders. Yet, compromise on the core issues such as currency exchange rates, trade, and human rights, was always going to be impossible. Therefore, both sides focused on what could be accomplished in international politics, keeping in mind domestic politics.

Due to the domestic and international situations of the two countries, the current cooperative mood between China and the United States is expected to continue for a while, until at least the time of domestic power transition in 2012 or possibly until the international power balance between the two states shifts more conspicuously.

## The Situation on the Korean Peninsula Following the Summit

The Korean Peninsula was one of the key issues in the U.S.-China summit. As there was not expected to be any progress on the economic issues, the Korean Peninsula received more attention. Reflecting this, the two leaders unprecedentedly spent as much time on this issue as they did on economic matters. In recognizing that the problems on the Korean Peninsula would be relatively easier to make compromise on than other controversial issues, the two countries sought to make this summit a turning point on improving the situation. The compromise between the two leaders shows a sign of 'seeking common ground' to create a new momentum for change while reflecting the basic stance of both sides.

To summarize the agreements of the summit, both sides agreed on the importance of maintaining peace and stability on the Korean Peninsula and the need to ease recently heightened tensions. For the first step to realize this common goal, the United States and China called for "sincere and constructive inter-Korean dialogue." For the second step, they demanded measures that would "allow for early resumption of the Six-Party Talks," and in particular, expressed their "concern regarding the DPRK's claimed Uranium Enrichment Program (UEP)." Of those agreed solutions, "sincere and constructive inter-Korean dialogue" has been consistently requested by the United States and South Korea, while resumption of the Six-Party Talks was the desire of China. Therefore, it is possible to say that the two countries have reached a compromise on this issue. In order for the summit to bring decisive momentum to re-

solve the issues on the Korean Peninsula, additional efforts are required from the United States, China, as well as both North and South Korea.

China's agreement on the necessity for sincere and constructive inter-Korean dialogue forecasts that Beijing will pressure Pyongyang to change its behavior. Overshadowed in 2010 by the inter-Korean and Sino-U.S. conflicts, the North Korean nuclear issue resurfaced as a central issue along with efforts to resume the Six-Party Talks. While the *Cheonan* and Yeonpyeong incidents were not mentioned in the U.S.-China Joint Statement, the September 19 Joint Statement and the Six-Party Talks were referred to several times. In particular, China's expressed concern over North Korea's UEP is likely to serve as a catalyst for change. It would provide motivation for the United States to actively engage in resumption of the Six-Party Talks and enable Washington and Seoul to flexibly interpret the phrase "sincere and constructive inter-Korean dialogue." Inclusion of the UEP issue in the Joint Statement is a positive outcome for the United States, but not necessarily a negative one for China. There was no reason for China to hesitate in recognizing the UEP, as North Korea had already publicly revealed its existence. Consequently, the UEP issue will contribute toward U.S. participation in the Six-Party Talks.

The reaction of the United States regarding the two Korea's recent agreement to hold high-level military talks also draws a spotlight. The White House explained that the concern expressed by the two leaders in the U.S.-China summit set the ground for renewed inter-Korean dialogue. Even within the South Korean government, some have commented that resolving the *Cheonan* and Yeonpyeong issues

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are not necessarily preconditions for resumption of the Six-Party Talks.

The increased focus on the Korean Peninsula during the summit proves how seriously the United States and China regard the matter. Paragraph 18 of the Joint Statement which deals with the Korean Peninsula stresses “the critical importance of maintaining peace and stability on the Korean Peninsula” in the very first sentence.

China needs the situation on the Korean Peninsula to be stable for at least a decade from now before its sustained growth can raise China’s power comparable to that of the United States. This was expressed well by China’s Foreign Minister Yang Jiechi’s rhetoric of “peace, stability, and denuclearization.” For China, maintaining peace and stability on the Korean Peninsula is the primary goal, and improvement of inter-Korean relations and denuclearization of the Korean Peninsula are only the first and second step toward achieving this goal. China’s desire for the Six-Party Talks can be understood within this context. Although previous rounds of the Six-Party Talks revealed its limitation all too well in the denuclearization of North Korea, China still emphasizes the importance of the Talks as the most effective way to bring about stability to the Korean Peninsula.

The policy priorities of the United States do not fundamentally differ from those of China. Maintaining peace and stability on the Korean Peninsula through strengthening the ROK-U.S. alliance and enhancing deterrence corresponds with the national interests of the United States. The reason why the Obama administration demanded the inclusion of improvement of inter-Korean relations as an essential step in the Joint Statement derived from its consideration of its ally, South Korea.

While denuclearization of the Peninsula is critical, preventing North Korea from proliferating nuclear weapons is a far more urgent challenge. In this regard, there is no reason for the United States to reject the resumption of Six-Party Talks if North Korea and China accept the UEP issue as part of the agenda. Furthermore, the Obama administration needs to accomplish some tangible outcomes in time for the 2012 Nuclear Security Summit, which is scheduled to be held in Seoul.

North Korea’s immediate response to propose the high-level military talks and its offer to cover all the military issues including the *Cheonan* and Yeonpyeong incidents reveals North Korea’s intention: the Six-Party Talks and U.S.-DPRK bilateral talks. More specifically, North Korea wants financial and political backing from China as well as political recognition of the Kim Jong-un regime from the United States. It has already been expected that Pyongyang would make a rapid transition from launching provocations or ‘war diplomacy’ to ‘peace diplomacy’ in order to fulfill that goal. For the same reason, if North Korea fails to achieve what it wants, it is highly probable that the North Korean regime would swing from its current ‘peace diplomacy’ back to its ‘war diplomacy.’<sup>5</sup>

However, even from Seoul’s point of view, the results of the summit seem satisfactory. It can be said that the strategy to strongly link the Six-Party Talks with inter-Korean dialogue has produced some tangible outcomes. South Korea has now secured the condition to deal with every issue including the *Cheonan* and Yeonpyeong incidents or denuclearization through inter-Korean talks.

In short, this summit has created a momentum of change for the situation on the Korean Peninsula. Yet, it is difficult to antic-

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ipate whether that momentum would lead to an improvement of relations between the two Koreas or the resumption of the Six-Party Talks. The fate of the Korean Peninsula now largely depends on how Pyongyang will behave during future inter-Korean talks, how Seoul reacts to it, and also, how well Pyongyang meets all the necessary requirements for resumption of the Six-Party Talks.

### **The International Economic Order Following the Summit**

Throughout the summit, the United States maintained the stance of 'seeking common ground' while China adhered to 'reserving differences.' However, the stance of the two countries on political and economic areas showed a contrast. Whereas the position of China was more prominent in the political area, the stance of the United States prevailed in the economic area. Although China had put forth the logic of 'reserving differences' by emphasizing the difference in economic development, the tone was defensive rather than offensive. China accepted, in principle, the free market economy and the balance of interest. However, it put off discussions regarding issues of currency rate adjustment and trade imbalances as China must maintain its high growth rate for the next ten years.

Although China did not agree to appreciate its currency, it did agree to transform its economic development model by expanding domestic demand, allowing for a greater role of the market in resource allocation, and enhancing the flexibility of the renminbi (RMB). In addition, China pledged to enforce the use of legitimate software in order to protect intellectual property rights and take stronger

measures to prevent discrimination against American companies operating in the government procurement market.

For its part, the United States stated that it would reduce the federal deficit and maintain vigilance against excess volatility in exchange rates. Additionally, the United States expressed commitments to reaffirm the ongoing Bilateral Investment Treaty negotiations, expedite the process to grant Market Economy Status to China, and reform its export control system. Furthermore, a pledge was made to support the inclusion of the RMB into the Special Drawing Rights basket.

It might seem that the summit did not really produce any significant results in the economic area if the issues of currency exchange rate and trade imbalances are solely considered. However, China's promise to intensify efforts to expand the role of the market in resource allocation and currency exchange rate policies are significant. These efforts that will transform its economic development model should not be underestimated. Beijing bought time while Washington earned a tool to check China.

No significant change to the U.S.-led international economy is anticipated as a result of the summit. Neither a dramatic fluctuation in the exchange rate nor immediate attempts to mitigate trade imbalances will take place. Instead, more gradual changes such as adding U.S. elements to China's developmental path are expected. Global governance systems including the G20 are being solidified and China is becoming more involved in them. The rapid rise of China will not pose a direct threat to the principles or models of the free market economy.

*"Amid such changes in U.S.-China relations, the path that Seoul must choose is evident: an 'asymmetric network strategy' between the United States and China."*

## The Strategy for South Korea

As underscored in the U.S.-China Joint Statement, the current bilateral relationship is "both vital and complex." This complex relationship is one in which not only competing and conflicting elements exist, but also interdependency and the need for cooperation expand. If competing and conflicting elements were evident in 2010, the post-summit period will raise the importance of cooperation. Rather than a dramatically lopsided balance of power, an asymmetrical balance will be maintained.

Amid such changes in U.S.-China relations, the path that Seoul must choose is evident: an 'asymmetric network strategy' between the United States and China.' That is, actively embracing China while maintaining strong ties with the United States based on the alliance. It would be reckless and dangerous if South Korea believes that it had to choose either the United States or China. The rise of China is an undeniable reality yet the United States will still remain as the world's superpower for some time to come. Within this structure, forming asymmetric ties with both countries is a way to expand South Korea's political options.

In the international economy, this asymmetric network strategy will also be essential. China is South Korea's largest trade partner, with which Seoul also enjoys a large trade surplus. South Korea though should seek ways to avoid too much dependency on trade with China so as to mitigate any possible negative effects from it. In this regard, Seoul needs to increase its trade volume with the United States through ratification of the KORUS FTA (Korea US Free Trade Agreement) and consolidate its G20 diplomacy in order to streng-

then its relative position on economic issues between China and the United States.

The readjustment of U.S.-China relations provides a momentum for subtle change of the situation on the Korean Peninsula. China wants to maintain peace on its periphery while the United States wishes to maintain its influence in the region. These two positions actually form a common ground. The results from this are the current ongoing efforts to improve inter-Korean relations and resume the Six-Party Talks. The key issue is that for China and the United States, non-proliferation and regional stability might be of primary concern rather than the denuclearization of North Korea.

For North Korea, inter-Korean dialogue will be the catalyst for the resumption of the Six-Party Talks and initiation of U.S.-DPRK bilateral talks. It will not likely spoil this mood for the time being. North Korea might even allow for the discussion of its nuclear program through the platform of inter-Korean talks. There is little prospect, however, that Pyongyang will express any sincere apology for the sinking of the *Cheonan* or the shelling of Yeonpyeong Island. Furthermore, it is unlikely to make any moves to dismantle its nuclear program. In addition, it is probable that North Korea might launch more provocations or resume its 'war diplomacy' if the 'peace diplomacy' does not yield any results.

In the face of looming changes on the Korean Peninsula, South Korea should pursue a complex strategy which considers both war and peace; inter-Korean ties and its relations with China and the United States; and finally short-term and long-term perspectives at the same time. First, the most basic part in this complex strategy is securing a strong deterrence based on the ROK-U.S. alliance which

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could preclude North Korea from moving too freely from its ‘peace diplomacy’ to ‘war diplomacy.’ It is important to make the North Korean regime realize that ‘war diplomacy’ is no longer an effective tool at its disposal. This will lead Pyongyang to approach negotiations in a more sincere and predictable way. However efforts to strengthen deterrence should be approached carefully so as to avoid sending any wrong signals to China that South Korea is raising tensions on the Korean Peninsula.

Second, South Korea needs to look at the problems on the Korean Peninsula which include the issues of North Korea’s nuclear program and inter-Korean relations, from a broader perspective. Seoul needs to approach these problems by also considering the dynamics of international relations on the global level and should not merely regard them as local issues. Specifically, the strategy to manage issues related to the Korean Peninsula needs to also be linked with its strategy toward China. Seoul’s goal should not be to wait for the North Korean regime to collapse but to push for the North’s denuclearization as well as reform and opening. To meet these objectives, it is essential to strengthen strategic cooperation with China and the United States. This means linking China’s approval of North Korea’s succession process with denuclearization and economic reform and opening. Seoul must overcome its isolationist approach which considers the Six-Party Talks to be meaningless unless there is a critical improvement in North-South Korean relations. South Korea can expect meaningful changes from North Korea, only if it utilizes inter-Korean dialogue, the Six-Party Talks, U.S.-DPRK dialogue, and China-DPRK relations at the same time.

Third, South Korea should establish a clear short and long-term vision for inter-

Korean dialogue. The future of the Korean Peninsula is largely dependent on inter-Korean dialogue as North Korea proposed high-level military talks and South Korea accepted this offer. Yet, as mentioned above, the North is likely to use this dialogue for discussing a peace agreement rather than go over the *Cheonan* and Yeonpyeong incidents or make promises to prevent further provocations. In this case, since Pyongyang’s intention for inter-Korean dialogue cannot be regarded as sincere, Seoul will be faced with the question on whether or not to consider the conditions for the Six-Party Talks is right. Of course South Korea should not overlook the *Cheonan* and Yeonpyeong incidents, yet it should not also disrupt the process for resuming the Six-Party Talks. Rather than taking a fundamental approach of demanding a complete settlement to the *Cheonan* and Yeonpyeong incidents as a precondition for the Six-Party Talks, it is time for Seoul to think about carrying out two measures side by side: inter-Korean dialogue for resolving *Cheonan* and Yeonpyeong incidents and the Six-Party Talks for dealing with North Korea’s nuclear problem.

Yet progress on the North Korean nuclear issue has to be made at the inter-Korean level as well. As long as North Korea feels threatened by the U.S. “hostile policy,” it will be hard to make a breakthrough. South Korea must persuade the Kim Jong-un regime not to inherit Kim Jong-il’s military-first politics based on nuclear weapons, and instead pursue a twenty-first century survival strategy based upon denuclearization. In this context, the South Korean government’s request for a meeting on North-South denuclearization is welcome. In order to discuss a ‘denuclearized peace system’ on the Korean Peninsula, the North must first impose a moratorium on

nuclear tests and missiles. With this, the two Koreas can begin to discuss in depth a denuclearized security system for the twenty-first century.

North Korea has designated 2012 as the year it will become a *gangseongdaeguk* or strong and prosperous state, and will try to further solidify the succession of Kim Jong-un. If the Kim Jong-un regime follows the path of Kim Jong-il's military-first politics, the future of North Korea as well as inter-Korean relations will be bleak. While the military-first politics might make it easier for Kim Jong-un to solidify his political ground at first, it will ultimately be doomed to failure. North Korea turning from failing state into failed state or even collapsing one does not favor either China or South Korea. This is the time for Kim Jong-un's regime to pursue an advanced strategy through denuclearization, economic reform, and opening. For this, North Korea's own efforts for change and outside assistance must 'co-evolve.' South Korea should play a leading role in developing a peace system for denuclearization, which could serve as an alternative to North Korea's nuclear weapons-based military-first system. Above all, this attempt must be done in close cooperation with the concerned parties, including the United States and China.■

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<sup>1</sup> <http://www.whitehouse.gov/the-press-office/2011/01/19/us-china-joint-statement>

<sup>2</sup> <http://www.fmprc.gov.cn/eng/zxxx/t789351.htm>

<sup>3</sup> [http://thecable.foreignpolicy.com/posts/2011/01/13/is\\_the\\_obama\\_administration\\_prepping\\_an\\_other\\_arms\\_sale\\_to\\_taiwan](http://thecable.foreignpolicy.com/posts/2011/01/13/is_the_obama_administration_prepping_an_other_arms_sale_to_taiwan)

<sup>4</sup> <http://www.washingtonpost.com/wp-dyn/content/article/2011/01/18/AR2011011805754.html>

<sup>5</sup> For more on "war diplomacy" and "peace diplomacy," see EAI Commentary "A Complex Strategy to Overcome the Yeonpyeong Incident" ([http://www.eai.or.kr/type/panelView.asp?bytag=p&catcode=&code=eng\\_report&idx=9736&page=1](http://www.eai.or.kr/type/panelView.asp?bytag=p&catcode=&code=eng_report&idx=9736&page=1))