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China-South Korea Relations: An Attempt to Break the Deadlock

Oskar Pietrewicz

The South Korean president's visit to China (13–16 December) sprung from a mutual willingness to improve bilateral relations. China opposes the deployment of the U.S. THAAD missile-defence system, an issue that remains a sticking point in Sino-South Korea ties. Their respective North Korea policy also has contributed to the deteriorating bilateral relations. The inability to resolve that issue may lead to diplomatic engagement of countries outside the region, including Poland, to try to ease tensions on the Korean Peninsula.

China and South Korea are important trade partners. In 2016, their exchange (excluding Hong Kong) amounted to over \$210 billion. In the region, only Japan has a higher trade volume with China. Meanwhile, China is South Korea's largest trade partner, both in exports (over 25%) and in imports (over 20%). South Korea is China's largest source of imports (10%) and the third-largest market for exports (over 4%). In security, the China-South Korea dialogue is necessary to ease the tensions on the Korean Peninsula and to initiate multilateral cooperation on North Korea. Sino-South Korea relations have influence on U.S. policy in the region because of the South's alliance with the U.S. The dispute between China and South Korea over the deployment of the American THAAD system has not only complicated their bilateral relations, but also destabilised the security situation in East Asia.¹

THAAD. After North Korea's fourth nuclear test, conducted in January 2016, South Korean President Park Geun-hye's administration initiated talks with the U.S. on the installation of an anti-ballistic-missile system in Korea. An agreement in July 2016 assumed that THAAD would reach full operational capacity by the end of 2017. A land-swap deal for the deployment of the system on land previously owned by Korean conglomerate Lotte was negotiated over six months and finalised in February 2017. The first elements of the system (two out of six launchers) were deployed in South Korea in March this year.

China expressed opposition to the THAAD emplacement, arguing that the radar associated with the system could monitor Chinese airspace. At the end of 2016, China began to exert economic pressure on South Korea through unofficial sanctions, especially on the tourism and entertainment industries—Chinese tour groups were banned from visiting South Korea and Korean entertainers were forbidden from performing in China. Over the next few months, the Chinese authorities hampered the activities of Korean companies in China (including Lotte) by imposing additional taxes, tightening inspections and boycotting Korean products and services. China also suspended its high-level political contacts with South Korea.

According to estimates by the Hyundai Research Institute, South Korea's economic losses due to China's actions on THAAD reached at least \$7.5 billion in 2017. Between January and September this year, the number of Chinese tourists travelling to South Korea decreased by 50% (more than 3 million visitors) compared to the previous year. The selectivity of the sanctions has served primarily to amplify the dispute. The restrictions have not had negative

¹ J. Szczudlik, "Threats to Security in East Asia," *PISM Bulletin*, no. 28 (968), 21 March 2017.

impact on China-South Korea trade, which increased by more than 10% (both exports and imports). However, the harsh Chinese rhetoric and economic pressure have raised anti-China sentiment amongst Koreans.

The tensions escalated during the political crisis in South Korea that lasted from early October 2016 to May 2017 and involved the impeachment of President Park and early elections. China hoped that its economic pressure would prompt newly elected President Moon Jae-in to withdraw from the THAAD agreement. Moon initially opposed the system, arguing that his predecessor's decision on the matter was illegal. Eventually, though, after yet another round of North Korean missile tests, Moon agreed to finalise the deployment—adding the remaining four launchers—in September 2017.

Motives to Improve Bilateral Relations. Despite the dispute over THAAD, North Korea's subsequent missile and nuclear tests and the intensity of the U.S.-North Korea tensions prompted the Chinese and South Korean authorities to facilitate an improvement in mutual relations. South Korea has proved more determined in this respect. Moon's visit to China on 13–16 December 2017 was the culmination of his administration's long-standing efforts to improve the bilateral relations.

During the election campaign, Moon emphasised the need for China to lift its economic pressure and return to a dialogue on the North. Visits by Moon's envoy to China and meetings between representatives of the respective ministries of foreign affairs resulted in the initialling in May 2017 and subsequent adoption on 31 October 2017 of a mutual statement on the need to restore their bilateral relations. South Korea declared it would not consider additional THAAD deployments, participate in the U.S. global missile-defence network and that it would not join a trilateral alliance of the U.S. and Japan. China maintained its opposition to the deployed THAAD battery, but decided to partially resume tourism and cultural exchanges and to discuss the THAAD issue with Korea through military channels. During the APEC summit in November in Vietnam, Chinese leader Xi Jinping invited Moon to visit China. The December meeting of the leaders in Beijing, however, did not go beyond general statements about the need to further improve relations and cooperation to resolve the nuclear crisis on the Korean Peninsula.

In addition to economic reasons, the improvement of relations with China is consistent with Moon's notion of balanced diplomacy with the U.S. and China. The president, recognising the value of the alliance with the U.S., critically appraises U.S. President Donald Trump's aggressive rhetoric and suggestions of the need for a pre-emptive strike on North Korea. South Korea supports the policy of pressure and sanctions on North Korea in response to successive provocations, but believes that the security problems must ultimately be resolved through negotiations. South Korea wants China's support—as the country with the highest leverage on North Korea—to reach agreements to ease the tensions through an unspecified, future multilateral diplomatic formula.

From the Chinese point of view, improving relations with South Korea is necessary to stabilise its neighbourhood. China also aims to keep both Koreas in its sphere of influence.² The Chinese authorities hope that by softening its tone on THAAD, it can strengthen relations with South Korea at the expense of the South's relations with the U.S.

China is also concerned that further friction with South Korea could have negative consequences for the Chinese economy. The recent tensions have prompted companies and the authorities in South Korea to diversify their economic contacts. The New Southern Policy announced in November by Moon puts a special emphasis on Southeast Asia. It is similar to moves by Japan and Taiwan, which in response to political tensions with China have been trying to reduce their economic dependence on China, for example, by intensifying cooperation with ASEAN countries.

Conclusions. The improvement of Sino-South Korea relations shows that their shared interests are stronger than their disagreement over THAAD. Alleviation of the dispute in a form acceptable to both parties and Moon's visit to China have created opportunities for further rapprochement. China is returning to the policy of forging ties with South Korea as a means to increase its political influence over the country. At the same time, it is possible that further pressure from China will be imposed on South Korea, for example, by raising the THAAD issue again to weaken the U.S.-South Korea alliance. This will continue to be a challenge for the American policy of deepening cooperation with its allies in the region.

The dynamics of the China-South Korea relations will condition their respective cooperation with the U.S. on North Korea. The likely deepening of differences between the main parties involved on the peninsula would be beneficial for North Korea's leaders. They would try to ensure that the existing divisions between these states make it impossible for them to adopt a unified position against the North, especially on the implementation of sanctions. This is an incentive for North Korea to carry out further missile and nuclear tests.

The prolonged stalemate on the Korean Peninsula may be an opportunity for diplomatic engagement of countries outside the region. During the last few months, South Korea has used diplomatic channels and think-tanks to assess EU Member States' willingness to engage in alleviating the tensions on the peninsula. With Poland a non-permanent member of the UN Security Council and having diplomatic relations with both Koreas, it might be an active participant in the discussions on a diplomatic solution to the Korean crisis.

² J. Szczudlik, "China's Position on the North Korea Crisis," *PISM Bulletin*, no. 118 (1058), 29 November 2017.