

CHINA BALANCE SHEET

KOREA

The direction that China and U.S.-China relations take will define the world's future. For the United States, a rising China increasingly affects American prosperity and security, calling for some clear-eyed thinking and tough economic, political, and security choices. As the twenty-first century unfurls, the stakes have never been higher for getting U.S. policy toward China right. By untangling the complex, sometimes contradictory, strands of this vast and dynamic country, *China: The Balance Sheet* lays the foundation for informed and effective U.S. policy toward China, the world's emerging superpower.

BACKGROUND

- **U.S. and Chinese interests converge on the Korean peninsula in several fundamental respects:**
 - Both seek a stable peninsula free of nuclear weapons;
 - Both support a peaceful resolution of the North Korea nuclear problem through dialogue plus eventual North-South reunification; and
 - Overall neither has much patience for North Korea's ideology, style, methods, closed society, or regime.
- Nonetheless, **U.S. and Chinese interests over Korea diverge in several key respects:**
 - While the United States places a premium on nonproliferation, human rights, and (arguably) regime change, China's interest in stability trumps these objectives;
 - China remains concerned that Korean reunification could bring U.S. forces closer to its border;
 - Beijing also worries that turmoil in North Korea could spawn a massive influx of refugees across the border.

CURRENT SITUATION

- North Korea's missile and nuclear weapons tests in 2006, conducted over China's strong opposition, enraged China. Beijing remains worried that such a clear demonstration of North Korea's nuclear weapons capability could eventually lead Japan – and perhaps Taiwan – to reconsider its non-nuclear posture.
- **While China often faults the United States for its “hostile” attitude toward the North, Beijing bristles at Pyongyang's dangerous brinksmanship**, which places Northeast Asia in the spotlight of Washington's security agenda and creates unnecessary regional and U.S.-China tensions.

For further information, see Chapter 5:
“China's Foreign & Security Policy: Partner or Rival?”

China: The Balance Sheet: What the World Needs to Know Now about the Emerging Superpower

Authors: C. Fred Bergsten, Bates Gill, Nicholas R. Lardy and Derek Mitchell

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- China has consistently demanded that the North Korean nuclear impasse be solved peacefully through dialogue.
- **Beijing has urged Pyongyang to follow China's economic reform and political control model**, which it believes could maintain North Korea's viability over time while reducing the drain on Chinese resources.
- Meanwhile, **China's relations with South Korea have warmed markedly in recent years**, fueled by:
 - Development of substantial economic (trade and investment) relations;
 - Common concerns about the cost to their societies of instability on the peninsula.

IMPLICATIONS

- **Due to concerns that turmoil in North Korea could foment unrest among the ethnic Korean population along its northeastern border with the peninsula, cause China to be much warier than the United States about using direct action to pressure Pyongyang**, whether through military force, sanctions, isolation strategies (including the Proliferation Security Initiative), or other such policies.
- **While it is true China could do more to bring North Korea to heel on the nuclear question, it is unlikely that Beijing has the influence to force Pyongyang against its wishes to give up its one diplomatic and military trump card**, even if Beijing considered it in its interest to take more assertive action.
 - Chinese officials note that were they to sanction North Korea, they would lose any ability to exercise influence on Pyongyang and drive the regime into a corner, which they say would prove dangerous and counterproductive.
- China remains generally opposed to isolation or pressure strategies against the North, although debate about North Korea policy, specifically the merits of leadership or regime change in Pyongyang versus the prospect of a nuclear North Korea, continues within Chinese leadership and academic circles
- Improving Sino-South Korean relations have led to questions about whether Beijing is taking advantage of recent tensions in South Korea's relations with the United States to drive a wedge in the U.S.-ROK alliance.
 - **South Korea will accommodate more readily to China's rise than Japan, although Seoul will likely want to maintain its alliance with the United States as a strategic hedge.**

Facts

- *China-South Korea trade: \$134.3 billion (2006)*
- *South Korea is China's sixth largest trading partner.*
- *China is South Korea's leading trade partner*
- *South Korean investment in China: \$3.16 billion (2006)*
- *South Korea is China's fourth largest source of investment.*
- *China-North Korea trade: \$1.7 billion (2006)*
- *China is North Korea's leading trade partner.*
- *North Korean migrants residing in China: 30,000-50,000*
- *North Korea receives a third of its food and more than two-thirds of its fuel from China.*
- *Ethnic Koreans living in China: 2 million*

China's interest in stability has traditionally trumped its commitment to a nuclear weapons-free peninsula or regime change in North Korea, which is a fundamentally different perspective from the United States on the issue.