



**China-Korea Relations:
Post-Olympic Hangover: New Backdrop for Relations**

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The Games of the 29th Olympiad had preoccupied Chinese leaders for almost a decade as they sought to utilize it to project to domestic and international audiences China's accomplishments on an international stage. It has framed many issues in Sino-Korean relations, especially given the many resonances between the 1988 Olympics in Seoul and the Beijing Olympics two decades later. But now that the Games are over, Chinese leaders may adopt a different frame for viewing the world and the Korean Peninsula, the details of which have begun to emerge in the "post-Olympics era." President Lee Myung-bak was among the many world leaders who attended the opening ceremonies, while President Hu Jintao returned the visit to Seoul only two weeks later, less than a day after the closing ceremonies in Beijing. In contrast, Kim Jong-il was a no-show not only for the Olympics, but also for the 60th anniversary commemoration of the founding of the DPRK on Sept. 9. The Olympics brought with it a surprising undercurrent of popular anti-Korean sentiment in China, most of it stimulated through internet rumors and the attempt by Korean journalists to tape and release a portion of the Olympic opening ceremonies days before the event. This sentiment may suggest that the "Korean wave" (Chinese attraction to Korean pop culture) is receding – or at least that it is accompanied by a strong undertow of backlash among certain segments of Chinese society. On the Korean side, Chinese product safety issues are another drag on the relationship.

Beijing Olympics and Sino-Korean relations

The Olympics has first and foremost served as a catalyst and focal point for the promotion of Sino-Korean economic ties. Large Korean companies such as Samsung, a major Olympic sponsor, sought every opportunity to participate in China's massive modernization effort prior to the Games, and South Korea's corporate presence was ubiquitous at the games. A selling point and attraction for some Korean companies to get involved with Beijing's pre-Olympic preparation was South Korea's own experience with hosting the Olympics. Sports and business have been a part of the Sino-South Korean relationship for almost two decades since South Korea provided automobiles and other support to Beijing when it first played host to the Asian Games in 1990, prior to political normalization. Beijing's hosting of the Olympics has contributed to the \$156 billion bilateral trade relationship with South Korea, which is now projected to reach \$200 billion by 2010 instead of the originally projected date of 2012.

South Koreans were pleased with their performances in Beijing, registering a seventh place finish in gold medals (13) and eighth place (31) in the overall medal count. The North Korean

team brought home six medals, including gold medals in women's weightlifting and in the women's vault gymnastics individual competition. Chinese efforts to promote inter-Korean cooperation came to naught: the order of entry at the opening ceremonies was dictated by Chinese stroke order and had the North and South Korean teams entering together, but the North Koreans objected. Efforts to seat President Lee Myung-bak with DPRK President Kim Young Nam at a banquet of state leaders to mark the opening ceremony also came to naught.

News of Olympic success buoyed South Korean sentiment that had been weighed down by economic frustrations and political disillusionment – the Olympics was even attributed as a factor that raised President Lee's popularity ratings back above 30 percent for the first time since the beef crisis last spring. But the Olympics also had some negative effects, including an apparent clash of nationalisms on the internet, where South Koreans became a target for Chinese netizens who felt that South Koreans had impinged on China's national pride. One spillover effect from this "virtual" dispute (to be explored in greater detail below) was that Chinese audiences tended to cheer against Korea in major medal competitions with Japan and other countries. This negative expression toward Korean athletes is notable, given the relatively warm and even-handed reception Chinese audiences were reported to have given to athletes from other nations. Negativity in Sino-South Korean sentiment may have developed as a spillover from the 2006 Winter Asian Games in Changchun, in which South Korean speed skaters received negative attention in the Chinese media for using a medal ceremony to make a political statement about Korean sovereignty over Paekdusan, a mountain that straddles the national territory of China and North Korea.

South Korea rising as a Chinese diplomatic priority

Chinese diplomatic attention to South Korea has intensified with the election of Lee Myung-bak as South Korea's president. Even prior to Lee's inauguration, the two sides exchanged special envoys. China also pushed hard to upgrade the relationship to the status of a "strategic cooperative partnership" during Lee's first visit to Beijing as South Korea's president in May. Thus far, the most significant implication of such a partnership has been the frequency of bilateral top-level meetings in recent months. Chinese and South Korean leaders met on the sidelines of the G8 Summit in Hokkaido in early July, on the occasion of the opening ceremonies of the Beijing Olympics, and Hu Jintao made Seoul his first stop following the Olympic closing ceremonies. The frequency of top-level bilateral contacts is not yet matched by tangible diplomatic accomplishments, but the seeds of new developments are visible.

The vibrant economic relationship and expanded grassroots interactions (4 million Koreans visited China and 2 million Chinese visited Korea last year) continue to justify closer political ties. During Hu's visit to Seoul, several economic accords were signed and Lee expressed interest in strengthening investment in energy, communications, finance, and logistics, and sought South Korean participation in China's plans to expand nuclear plant construction. In addition to trade and investment promotion efforts, cooperation accords covered areas including energy conservation, prevention of desertification, and expanded educational cooperation. Meanwhile, bilateral trade continues to grow at double-digit rates, and South Korean investment in China remains strong. The two leaders pledged to "actively consider" negotiation of a bilateral free trade agreement.

The South Korean government pressed to make post-Olympic gains with some apparent success in gaining commitments regarding Chinese handling of North Korean refugees, an issue that China has long resisted in light of concerns about stability and political considerations vis-à-vis North Korea. The issue also drew attention as a result of public demonstrations on the occasion of Hu's visit to Seoul by North Korean refugee groups against China's practice of repatriating North Korean refugees against their will. (A former North Korean refugee in the U.S. also held a solo hunger strike in front of China's Embassy in Washington during the Olympics.)

The oft-made pledges to establish air and naval military hotlines between the two countries were repeated once again, along with pledges to set up senior-level strategic talks between senior foreign ministry officials and to send observers to each other's military exercises. Thus far the pace of political-military cooperation has been gradual and has lagged the level of cooperation in other areas of the relationship.

China, Six-Party Talks, and the future of North Korea

While in Seoul, President Hu supported South Korean efforts to promote co-existence and co-prosperity with North Korea and pledged to work to achieve North Korea's denuclearization through the Six-Party Talks. Although there was no public mention of the subject, one cannot help but wonder whether information might also have been exchanged regarding the health condition of Kim Jong-il, who was subsequently rumored to have experienced a "medical event," a possible stroke, a few weeks prior to that meeting.

Public speculation regarding Kim Jong-il's health was stimulated following his failure to appear at a parade to mark the 60th anniversary of the founding of the Democratic People's Republic of Korea (DPRK). Intelligence leaks from various agencies in the U.S. and South Korea revealed that Chinese doctors may have been called to Pyongyang on an emergency basis to treat Kim for his illness. These reports also suggested – without providing a basis for their statements – that Kim was recovering and remained in control.

These rumors stimulated a wave of speculative reporting in South Korea about the future of the North, to the extent that North Korean authorities complained privately that such reports were having a negative impact on inter-Korean relations. Speculative reports also played on popular views in South Korea that China has actively sought to make North Korea into a puppet regime or that prospects for Chinese intervention have grown. Such rumors were not substantiated by the public comments by Chinese scholars, who argued with notable unanimity that the regime would survive even without Kim Jong-il based on the close-knit mutual interests of the collective ruling elite in Pyongyang. More importantly, such rumors are likely to have catalyzed active efforts to promote information sharing and intelligence cooperation between Seoul and Beijing.

The question of China's potential influence on North Korea's political succession process is complex. China has clearly had the greatest direct interaction of any country with Pyongyang's ruling elite. It has carefully stepped up contacts in recent years through its embassy presence and through the careful cultivation of high-level leadership visits, especially in the context of Beijing's convening role in the Six-Party Talks. While Chinese specialists are particularly

reticent to discuss contacts with Kim Jong-il's oldest son Kim Jong-nam – a long-time resident of Macao – one cannot help but note that although he appears to have been discredited given his apparent “exile” status, he is also the Kim family member whom the Chinese must know best and who has the deepest experience with the fruit of Chinese reforms.

Intensified Chinese contact with North Korea's top leadership does not necessarily translate into greater influence, given the apparent discomfort North Koreans feel with their extensive dependence on China for resources necessary to their survival. Moreover, overt Chinese efforts to shape North Korean succession politics might backfire if any candidate known to have Chinese backing were to fail in his quest for leadership, possibly raising strains in Sino-DPRK relations to higher levels. Thus, China's most likely option in the event of a political succession in North Korea would be to wait and see who emerges as the frontrunner and then throw support behind the likely winner in any leadership struggle.

Speculation aside, the U.S. has continued in its efforts to harness the support and leverage of the other parties in the six-party process to press North Korea to accept a comprehensive verification protocol as a condition for finally delisting North Korea from the terrorism list as President Bush had pledged to do in late June, when North Korea submitted a limited declaration of its facilities. Much of that effort this quarter occurred in Beijing or in consultation with Chinese authorities. China and South Korea continue to be critical partners in seeking leverage that induces North Korea's positive response without destabilizing North Korean society.

Undercurrents of negative public sentiment in China-South Korea relations

South Koreans were taken aback by Chinese anti-Korean expressions during the Olympic Games. These expressions are evidence of the growing influence of the internet and its ability to feed emotional nationalism among Chinese netizens. This round of anti-Korean sentiment began back in April following the Olympic torch rally in Seoul. At that time, South Korean emotions were aroused when Chinese students attending the torch relay in Seoul physically confronted anti-Chinese protesters (over Tibet or rights of North Korean refugees). The incident created a minor firestorm of reaction among South Koreans. It also stimulated a vituperative reaction in China fueled by false internet rumors in China that the South Korean government had prosecuted and sentenced a Chinese protestor to a 10-year jail sentence. Shortly thereafter in the aftermath of the Sichuan earthquake, statements were attributed to Koreans that the earthquake was “God's punishment of China,” further stimulating animosity among Chinese netizens.

Other sources of grievance among Chinese about Koreans revolve around a Korean bid to register a traditional festival (*Dan-o* in Korean and *duanwujie* in Chinese) with UNESCO as a tradition that originated in Korea. In addition, there has also been a dispute between Koreans and Chinese over the origins and marketing of acupuncture and traditional herbal medicine cures as originally “Korean” or “Chinese.” There are indignant reactions in the Chinese-language internet to alleged Korean claims that Confucius and Chinese poet Qu Yuan were actually Korean and not Chinese.

A few days prior to the opening of the Olympic Games, the South Korean TV station *SBS* (*Seoul Broadcasting System*) stimulated further ire among Chinese officials and citizens for taping and

distributing on the internet bootleg copies of portions of a rehearsal for the opening ceremonies, which had been a closely guarded secret in the run-up to the games. This tempest further incited a public backlash against South Korea, setting the stage for a negative Chinese reception to South Korean athletes during the games.

In the real world, some Chinese have pointed out an “ugly Korean” image that has spread as South Korean presence has expanded within China. A tendency among South Korean expatriates (rapidly growing communities of Korean students, retirees, or businessmen) to cluster in certain neighborhoods, behave arrogantly, and the effects of noisy or indiscreet South Korean night-life has extended this image to major cities in China. Some Korean businessmen have left a negative impression for talking big about investment plans, but subsequently failing to deliver on their promises. Many ethnic Koreans from China (*Joseonjok*) who have come to South Korea for economic reasons face different types of discrimination and return to China with a negative feeling about South Korea. The increasing number of Chinese students in South Korea has deepened first-hand experience among Koreans and reaffirmed negative stereotypes regarding Chinese people.

For South Koreans, a major factor shaping images of China is related to product and consumer safety and quality. Chinese-made goods have developed a reputation for poor quality, which extends to Haier’s electronics and kitchen products (“white goods”), in the South Korean market. Those goods have a reputation of breaking down more than Korean-made goods and do not have in place a good after-sales service network inside South Korea. China’s tainted milk-powder scandal also had reverberations in South Korea and led to the recall of six different Chinese-made products, including “Misarang Custard” rice soft cakes, Ritz Bits Cracker Sandwiches Cheese, and “gosohan ssalgwaja” (tasty rice snack). The Korea Food and Drug Administration banned these and other Chinese-made food products containing powdered milk in late September. The scandal has stimulated a push for more stringent product labeling requirements detailing the point of origin for goods sold in the South Korean market.

Prior to Hu Jintao’s August visit to Seoul, a brief dispute over conflicting claims to Jeodo (or Suyan Rock, in Chinese) threatened to boil to the surface as a result of Korean internet protests over the designation of this geographic feature by the China Oceanic Information Network as Chinese territory. The designation of the feature as contested territory soothed Korean sentiment in much the same manner as the situation that developed with the U.S. Board of Geographic Names in the run-up to George W. Bush’s visit to South Korea only weeks earlier. The South Korean government also protested the use of a map that referred to the Sea of Japan by the Beijing Olympics Organizing Committee during the Games’ closing ceremonies.

Negative South Korean images of China have been shaped by the fact that many leading phishing or identity theft rings have operated from Chinese territory, making prosecution and remuneration as a result of theft or fraud nearly impossible for South Korean victims of such swindles. And there have been further cases of industrial espionage involving the leakage of Korean technology to China, with the indictment of executives of the flat-panel display maker BOE-Hydis, a Chinese-invested Korean firm that is alleged to have illegally transferred sensitive information in 2005-2006 to a Chinese manufacturing company named BOE-OT that specialized

in the manufacture of LCD devices. Additional cases involving technology leakage from Chinese-invested firms Ssangyong Motors and Orion PDP are also currently under investigation.

Countervailing economic trends and expanded cooperation

Despite the somewhat surprising and inevitable emergence of mixed and more realistic public perceptions on both sides of the relationship, cultural and economic developments continue to drive opportunities for cooperation and for closer interaction between China and South Korea. The two governments pledged to further promote tourism in anticipation of the World Expos to be held in 2010 in Shanghai Expo and in 2012 at Yeosu (South Korea). A Chinese actress, Yin You Can, was cast as the lead in a Korean musical, "Failan," currently playing in Seoul's main theater district. Korean entertainment companies such as JYP Entertainment are turning to China to seek aspiring next generation pop stars. Elementary schools in South Korea's Kangnam district are reintroducing a requirement to learn at least 900 Chinese characters as part of its primary school curriculum. China has agreed for the first time to send the destroyer *Harbin* to an international fleet review to be held in Busan in October. And the Red Cross Society of China recognized LG, Samsung, and SK for their contributions to victims of the Sichuan earthquake, the only non-Chinese companies other than General Electric to be recognized for their efforts.

As the biggest overseas markets for Korean cosmetics, companies such as Amore Pacific, LG Household & Care, Koreana Cosmetics, and Missha have benefited directly from the popularity of "Korean wave" pop stars to gain a foothold in greater China (including Hong Kong and Taiwan). South Korea's Financial Services Commission is actively marketing investment opportunities in Korean companies to China Investment Corporation, a sovereign wealth fund, in part as a method for offsetting capital outflows from the Korean stock market by Western investors. LG Electronics is considering the sale of its oldest plasma display panel manufacturing line to a Chinese company. China was Hyundai Motors' biggest growth market in the first half of the year, with a 46.9 percent increase in vehicle sales to 165,000. KEPCO has announced that it will invest \$150 million in wind-power development facilities in western China. Shinsegae and Lotte are planning to expand their retail operations to Beijing, and a Korean biotech company RNL Bio Ltd. has announced an investment in the Tiantan Puhua Hospital in Beijing to promote cooperation in development of stem cell technologies.

Post-Olympic hangover or emergence of a stable, mature relationship

The contours of Chinese foreign policy may be shifting now that the Olympics are over. Its leaders face unprecedented domestic challenges and new foreign policy challenges as it looks to the future. The prospect of a North Korean leadership transition and the importance of an effective Sino-South Korean relationship as components of China's strategy in Northeast Asia are unlikely to be underestimated. Whether events in North Korea might promote convergence or divergence between China and South Korea in the longer term remains to be seen.

The bloom is off the rose in terms of Sino-South Korean images of each other. As over 6 million Chinese and South Koreans rub shoulders with each other each year, frictions are bound to arise, especially if China's development blurs complementarities between the two markets and overtakes South Korea in the economic sectors where it has developed core competencies to

produce for the international market. Given the intensity of economic interdependence between China and South Korea, these ties deserve more frequent and intense top-level attention. The economic relationship has had a remarkable growth spurt, but must now develop the political basis for a mature, sustained interaction. Thus far, such developments have not conflicted with South Korea's own political perceptions or regional security objectives. The rise of anti-Korean expressions in China suggests that an emerging future task will be the effective management of the political effects of rising nationalism in both countries.

Chronology of China-Korea Relations* **July-September 2008**

July 1, 2008: South Korean biotech company RNL Bio Ltd. and Tiantan Puhua Hospital in Beijing announce a collaboration to commercialize stem cell technology and research.

July 8, 2008: President Lee Myung-bak meets President Hu Jintao on the sidelines of the G8 Summit in Toyako, Japan.

July 23, 2008: The Korea Electric Power Corporation announces that it will build wind-power facilities worth \$150 million in Neimeng and Gansu provinces in China.

July 30, 2008: The Red Cross Society of China recognizes LG, Samsung, and SK for their contributions to help victims of the Sichuan earthquake in May.

July 31, 2008: South Korean broadcaster *SBS* airs a two-minute clip that had been secretly recorded from a rehearsal of the opening ceremony for the Beijing Olympic Games, stimulating sharp criticism in China.

Aug. 4, 2008: The Korea Cosmetic Association announces that out of a total of \$304 million in cosmetic exports from Korea, \$157 million were sold in "greater China," including China, Hong Kong, and Taiwan.

Aug. 7-9, 2008: DPRK President Kim Young Nam visits China to attend the Beijing Olympic Games and meets senior Chinese officials including President Hu Jintao.

Aug. 8-9, 2008: President Lee visits China to attend the Beijing Olympic Games opening ceremony and to hold a bilateral meeting with President Hu Jintao.

Aug. 13, 2008: China's Foreign Minister Yang Jiechi visits South Korea and meets his counterpart Yu Myung-hwan to discuss President Hu's visit.

Aug. 14, 2008: A *Korea Times-Hankook Ilbo* poll shows that 50.2 percent of respondents chose China as the country likely to have the biggest impact on South Korea, followed by the U.S. at 39.8 percent and Japan with 6.7 percent.

* Chronology compiled by Minha Choi

Aug. 14, 2008: The Chinese Oceanic Information Network claims that a disputed rock (Jeodo in Korean, or Suyanjiao in Chinese) is Chinese territory.

Aug. 15, 2008: The Chinese Oceanic Information Network deletes its territorial claim over the disputed rock that lies between China and South Korea to show that it is contested territory.

Aug. 24, 2008: Yin You Can is cast as the lead actress in the production of a South Korean musical, "Failan."

Aug. 24, 2008: LG Electronics announces that it is considering selling equipment from its oldest plasma panel manufacturing line to China's Sichuan Changhong Electric Company.

Aug. 24, 2008: North Korean defectors in Seoul stage a rally to protest China's repatriation of North Korean refugees on the occasion of President Hu's arrival in South Korea.

Aug. 24, 2008: South Korea files a formal protest over China's use of the name "Sea of Japan" on a map displayed at the Beijing Olympic Games closing ceremonies.

Aug. 24-26, 2008: Hu Jintao makes his second visit to Seoul as president of the PRC.

Aug. 28, 2008: The Seoul Central Prosecutor's Office announces the indictment of two executives of flat-panel display maker BOE-Hydis for passing key technology to a Chinese firm.

Sept. 1, 2008: Japan's *Mainichi* newspaper reports that China, Japan, and South Korea have agreed to set up a nuclear energy hotline to quickly inform neighboring countries in the event of a nuclear power plant accident.

Sept. 16, 2008: South Korea's Navy announces that the Chinese destroyer *Harbin* will take part in an international fleet review to be held in Busan in October.

Sept. 17, 2008: Kangnam district in Seoul announces the reintroduction of a primary school curriculum that will require students to learn 900 Chinese characters prior to graduation.

Sept. 18, 2008: South Korea's Food and Drug Administration announces that it will begin inspections of butter imported from China in response to public concern over a scandal involving dairy products made in China.

Sept. 20, 2008: Elliana Soleil Snyder is born.

Sept. 22, 2008: South Korea's National Police Agency requests South Korean mobile phone providers to have sender's numbers displayed on the receiving device to counter voice phishing calls, which primarily originate from China.

Sept. 24, 2008: China seeks agreement to appoint the PRC Ambassador to Malaysia Cheng Yonghua as its new ambassador to the ROK.

Sept. 25, 2008: The Korea Food and Drug Administration orders a recall of all biscuit products of two snack companies and bans Chinese-made food products containing powdered milk after finding that the products contained melamine.

Sept. 28, 2008: The Korean Coast Guard detains 11 Chinese fishermen who, while engaged in illegal fishing in Korean waters, allegedly killed a patrolling coast guard officer.

Sept. 30, 2008: The Korea Food and Drug Administration expands its recall of snack products imported from China to include Ritz Bits Cracker Sandwiches Cheese and “gosohan ssalgwaja” (tasty rice snack) based on additional tests that revealed the presence of higher than normal concentrations of the chemical melamine.