
THE IMPACT OF SINO-AMERICAN RELATIONS ON KOREAN UNIFICATION

WheeGook Kim

East-West Research and
Center for Strategic and International Studies
Tel (202) 554-2105, Fax (202) 554-2087
E-mail: wgkim@ix.netcom.com

A Draft Paper Presented At
1996 Annual Meeting Of
The American Political Science Association
At
San Francisco Hilton and Towers Hotel
On
August 29 - September 1, 1996

Copyright (C) All Rights Reserved
by
East-West Research
Washington, DC, July 1996

The Impact of Sino-American Relations on Korean Unification

WheeGook Kim*

I. Introduction

The fall of the Berlin Wall in 1989 followed by the collapse of the Soviet Union and its allies in 1991 ended the bipolar power structure of the cold war period. A new political order formed by the U.S. and other powers emerged throughout the world in the name of peace and prosperity without ideological confrontation. The unsettled power structure and their leadership has pursued changes from the pattern of status quo, which will influence on two Korea relations politically, economically, and strategically. Because neighboring China is a rapidly rising world power, Korean unification, and regional stability hinge significantly upon new developments in Sino-American relations. This is the major concern of this research.

Without charisma, the North Korean leadership is struggling to stabilize the regime of Kim Jung Il in the shadow of his passed father. The DPRK economy has declined continuously and recorded negative growth in the last five years. Oil shortages and grain harvest failures, the later due in part to flooding in the summer of 1995, worsened the economic situation, forcing P'yang to depend on external aid. Increasing number of defectors crossing into the South and reports of famine-induced death, have demoralized the country's people, making many observers fretful of a collapse of the DPRK regime. P'yang has avoided inter-government dialogues with Seoul and tried to reach a "tentative agreement" with the U.S. to replace a new peace mechanism.

In the South, the ruling party lost local elections in 1995, but marginally won the election for members of National Assembly in April 1996. The old pattern of domestic politics, however, remains unchanged, and frequent reshuffling of cabinet members inhibits consistency of policy. Despite rapid growth of the economy for several years, its competitiveness has declined, and the trend seen in 1995 of a rapidly increasing trade deficit will continue for a while. Seoul has pursued negotiations with P'yang and proposed "four-way peace talks" jointly with the U.S. at the Cheju Summit on April 15, 1996. This was a response to P'yang's demand for a new peace mechanism on the peninsula, though the DPRK has no official response to the proposal yet.

In recent history one can see two distinct patterns of socio-economic reform, one where political reform precedes economic as in the USSR, and the other where economic reform precedes political as in China. The new world order is getting ready for another millennium when economic approaches are becoming more attractive than political-military approaches in resolving conflicts between countries. The collapse of the USSR can be explained by the fact that its failing economy could no longer support the country's vast political-military system, and the bankrupt government could no longer guarantee law and order. In contrast, Deng Xiaoping adopted an open policy in 1978, which attracted foreign capital and promoted exports, pursuing economic transformation followed by political reform. The socialist market economy has been successful in its modernization.

*WheeGook Kim is President of *East-West Research* and Adjunct Fellow of the *Center for Strategic and International Studies* in Washington, DC.

Sino-American relations will rarely be smooth in the future, but there are reasons to forecast a long-term and continuing balance of interests, even amid short-term crises. If China focuses on economic transformation, its political-military friction with the U.S. may be offset by lucrative and rising western investment and trade. Accordingly, Sino-American trade disputes will be a major bilateral issue to be solved in the future. Japan, as another economic center in the region, will compete with the U.S. for Chinese markets even as its traditional defense alignment with the U.S. remains unchanged. Russian interest in the Korean arena will lead to increase cooperation to avail the Russian economy of one means of regional improvement. The stability of East Asia depends on Sino-American relations, and the Taiwan issue would be one of major conflicting interests between them. The development of U.S. engagement with China is based on mutual interests, which will contribute positively to regional peace and stability. But there always exists the possibility of confrontation between them due to different interests. Such confrontation would significantly impact the Korean peninsula, and two Korea relations will then return to military confrontation as experienced in the cold war period.

This study investigates recent development in Sino-American relations and their impact on Korean unification. It consists of five main sections. The first two sections discuss conflicting interests of Sino-American relations and constructive engagement of U.S. policy toward China. The next two sections analyze bilateral relations of the U.S. and China with the Korean peninsula. The last section examines how the recent development of Sino-American relations influences two Korea relations for their unification. The study balances the political, economic, and strategic perspectives based on common interests, though the economic factor is considered.

II. Sino-American Relations: Conflicting Interests

The current tensions in Sino-American relations arise from conflicting interests and approaches in political system, relative economic development, and security issues as seen from both sides. The Clinton administration restored China's MFN status in 1993 subject to improvement of its human rights conditions and extended it again in 1994 by ignoring the human rights issue, separating economy from politics. This marked the beginning of a comprehensive engagement of the U.S. with China ending the five-year confrontation between two countries. As follow-up actions to promote friendship, Secretaries Christopher, Brown, and Perry visited Beijing throughout the year, while General Xu Huizi, Deputy Chief of General Staff of the PLA, visited the Pentagon on August 17, 1994.¹ The MFN status was again extended in 1995. But since Li Tenghui, President of Taiwan, visited Cornell University in June, China withdrew its ambassador from Washington, and conducted two ballistic missile tests, performed mobilization exercises in northeastern sea of Taiwan, and arrested Harry Wu, human rights activist, who had been released from a long-term sentence.

Sino-American relations were back on track after a smooth October summit in New York and several big-business deals in 1995. In January 1996, Secretary Christopher emphasized strengthening U.S. cooperation with Russia and China, and Secretary Perry announced constructive engagement with China for mutual interest as a part of the four pillar strategy.² Nonetheless, China began to intimidate Taiwan through live-fire military exercises including two missile tests close to Taipei and Kaohsiung.³ While the U.S. Congress passed resolutions against China to defend Taiwan in mid-March, Clinton ordered two groups of aircraft carriers to be

moved to the Taiwan sea to prevent possible conflict. Despite the PLA's military exercises and rhetorical threats from Beijing, Li Tenghui was reelected on March 23. Washington's already pessimistic view of the PRC as a belligerent power has only worsened with Taiwan's anti-PRC lobbying efforts.

At the Cheju summit on April 15, just before the U.S.-Japan summit for the renewal of their security alliance, U.S. President Bill Clinton and ROK President Kim Young Sam announced that they have invited DPRK and PRC "to join four-way talks at replacing the armistice ... with a permanent peace settlement."⁴ The DPRK responded that "we are examining the proposal of the US side to determine whether it seeks another purpose and whether it is feasible." The PRC expressed a wait-and-see attitude by saying that it "basically agrees," "will play a constructive role," and "will cooperate following negotiations between the South and North Korean authorities." In the meantime, as a part of election strategies, FR President Boris Yeltsin confirmed a constructive partnership with PRC President Jiang Zemin in his visit Beijing on April 25, 1996.⁵

After the extension of China's MFN status, the U.S. and the PRC started a trade war and announced tariff targets in mid-May, but both reached an agreement on June 17, 1996, with China's promise to end its piracy of American products. Former Senator Robert Dole, Republican Candidate for President, attacked President Clinton's foreign policy toward China, Korea, and Taiwan.⁶ On July 9, the U.S. National Security Advisor Anthony Lake visited China and met President Jiang Zemin. President Jiang said that "I hope your visit will help promote mutual understanding between China and the United States and improve and develop our two countries' relations."⁷ Soon after, Mr. Lake visited Seoul and met Foreign Minister Gong Ro-Myung and his counterpart Yoo Chong-ha to discuss options for inducing the DPRK to accept the proposal for four-party peace talks.

Americans understand that the PRC is an authoritarian, one party state still under communist rule. Human rights abuses under this system, as seen in the Tienanmen incident, are unacceptable in the eyes of the U.S. and other democratic nations. China has taken an Asian developmental approach by pursuing economic reform before any political reform. In the Soviet Union, political reform preceded economic transformation, but the economy could not support its reform. So, the system collapsed, and Russia is still drifting.⁸ Efficient modernization lies in the balance of political, economic, and social development. Since that is not possible in China, it is desirable to combine realism and idealism properly.⁹

Beijing considers the human rights issue as a foreign conspiracy for China's disintegration. The PRC has responded that the issue of human rights is purely the internal affair of a sovereign state, and each nation has the authority to protect and promote them in accordance with its actual situation.¹⁰ China has often criticized the U.S. for maintaining a double standard in its emphasis on human rights. Human rights and democratization in China, of course, have been problems from the view of the West. Westerners often fail to consider, however, that China, with its current population of 1.2 billion and 5000-year history, has followed its own course of political development. History shows conflicts between ideal and reality in political development. The French Revolution in 1789 brought freedom through revolution, but general conditions of the society could not support the revolutionary ideal, so an elite group of property owners, both noble and middle class, dominated the French society after 1800. The ideal of democratic equality for Black people raised in the American Civil War was scarcely realized before 1960s.

Rapid growth of the Chinese economy, by attracting foreign capital and expanding exports,

invites more education and training, expedites wider information flow, creates the middle-income class demanding more political power, and internationalizes its system to follow common norms and values in the world community. Those factors contribute to democratization. China is not a small third world country like Cuba or Haiti, but a great Middle Kingdom with a long deep-rooted history, a land mass equivalent to the U.S., yet with four times the population and an armed force of 3 million. Years of humiliation by Western powers, which ended less than 50 years ago, are still fresh in the memory of the Chinese people. Chinese leaders will not allow any foreign power to push them into making policies which threaten stability and prosperity in the name of human rights. The issue of human rights in China may not be a serious interest of the U.S. but a diplomatic bubble.

Economically, China needs capital and technology while the United States needs inexpensive labor and external markets. If both countries cooperate, the production possibility frontier in the two economies will be expanded, so consumers and producers in both countries will enjoy its benefits. The U.S. trade deficit with China has been continuously increasing due to import barriers, standards-testing-labeling-certification, export subsidies, piracy of intellectual property rights, and interruption of market access for services and investment in certain industries.¹¹ U.S. trade deficit with China was \$34 billion in 1995 and will reach \$50 billion in 1996. According to a Congressional research, if China loses the MFN status, 96% of current exports to the U.S. will be reduced with a loss of \$40 billion in bilateral trade, while the U.S. loses 200,000 jobs in bilateral trade.¹² China's insensitivity to environmental concerns, with problems in resource endowment and mismanagement in the process of economic development, has been troublesome.

The trade deficit and unfair trade practices can be corrected by economic measures.¹³ "There is a fundamental misunderstanding in the United States about Chinese development ... that a strong China will threaten U.S. interests eventually. But China is only a developing country... The goal for developing nations is to catch up with advanced countries to improve the lives of their citizens. This goal requires that developing nations be aggressive economically. China is no exception." The MFN status helps economic growth in China, and its extension is necessary as investment and trade expansion increase economic interdependence and mutual understanding. The shared economic interests and increased mutual awareness may reduce or prevent military confrontation in the future.¹⁴ The bilateral trade relations with China need to be continuously negotiated until at least the trade balance remains unquestionable. China's unfairness in trade can be corrected if the negotiation leverage is on the U.S. side.

China is a golden market for American exports, but here, too, opportunities have been lost. In recent competition to build a 100-seat passenger aircraft jointly with the Chinese government, the Boeing, McDonnell-Douglas, and European AIA vied for the contract. European AIA clinched the deal, which runs through the year 2014, for as many as 2,000 of the planes. Boeing officials argued that Sino-American tensions cost the American firms any part of the contract.¹⁵ This development gives the European aircraft interests an advantage in Chinese aviation markets for years to come.

In the area of national security, Sino-American tensions center on the status of Taiwan, South China Sea, and military sales and assistance to nations surrounding China. First, China desires to absorb Taiwan even by force, but the U.S. protects Taiwan for several reasons: (1) The U.S. respects Taiwan's economic development and democratization, so its backwardness is not an acceptable norms and values despite Beijing's dream of a Middle Kingdom; (2) The U.S. has great

interests in Taiwan including multinational firms and arms sales, while China sees Taiwan as a free source of capital and technology; (3) Taiwan is a strategic naval base toward the Pacific Ocean for China, while the U.S.-Taiwan alliance is critical to maintain the U.S. military superiority in the Pacific Ocean. In the second cold war, the line of Japan-Korea-Taiwan-Philippine-Vietnam-Thailand can provide a strong defense line with the U.S. alliance. Secondly, Beijing recently announced that "China has indisputable sovereignty over the Nansha Qingdao [Spratly Islands] and their nearby sea. Vietnam's permitting foreign petroleum companies to exploit oil in a sea area of Nansha is illegal and invalid and is an encroachment on China's sovereignty and its marine rights and interests."¹⁶ The South China Sea is critical for China to utilize oil and natural gas and to secure the sea lane of communication. Its claim for territorial sovereignty on the South China Sea must be a break of status quo against existing U.S. interest. Thirdly, China's military sales and assistance to other nations have jeopardized U.S. security goals in those regions. China sold M-11 missiles and its technology to Pakistan and appears to have dropped its nuclear reactor sale to Iran because of Iran's cash shortage or a preference for Russian reactors. Despite these conflicts, the U.S. needs open channels to China so that it can counterbalance all its interests in the region.

China's absorption of Taiwan is, however, only a matter of time. Since Taiwan is a part of China as internationally declared, its independence movement is not desirable for regional stability. The U.S. leadership should keep a firm position toward the Taiwan issue: allowing unification not by force but through peaceful means by discouraging Taiwan's independence movement. The weapon sales to Taiwan should be continued until Beijing declares that China will not use force toward Taiwan permanently. It is necessary for the U.S. to maintain the current policy concerning Taiwan until the time is appropriate for their peaceful unification. The capability of People's Liberation Army will be strengthened as the Chinese economy grows but will remain far behind the U.S. forces within the next thirty years, so growing assertiveness of the PRC would not be a threat against the United States. The issue of Spratly Islands can be managed by multinational dialogue and consensus, not by military intervention. The nonproliferation issue also can be solved smoothly if Sino-American relations are strongly engaged.¹⁷ The noises are not constructive.

The fundamental dilemma in formulating U.S. foreign policy toward China is, first, that China has a great interest in Taiwan not only for a dream of becoming a Great Kingdom but for acquiring a strategic base toward the Pacific and a supply source of capital and technology. The U.S. has a similar degree of interest in Taiwan as a successful showcase of U.S. foreign policy, a strategic base controlling the region, and an economic base for investment and marketing. It has been made clear that China cannot absorb Taiwan by force and China's attack on Taiwan would be a war against the U.S. If the U.S. has no intention to fight against China, an effective option is sophisticated arms sales to Taiwan with economic sanctions against China. The latter is critical to the China's economy and hurts the U.S. economy, which is neither desirable nor beneficial for both.

Secondly, U.S. military strategists believe that rising China could be troublesome to the U.S. in the future. Due to rapid growth, China's GDP will reach the U.S. GDP by around 2020, though its per-capita income remains at one fourth that of the U.S. If China becomes expansionist with nationalistic interest in the future, confrontation between the two nations would be unavoidable. The U.S. can delay the growth of China but cannot stop it. If it tries to contain China, it may lose more than what it gains from it. China has survived without U.S. engagement for a long time. Even the change of Beijing's leadership may not be much different from previous one for the U.S. interest. U.S. businesses may cry louder than China's for the same difficulties.

Thirdly, the U.S. containment strategy against China may cause such problems as: (1) loss of U.S. leverage to promote human rights and democratization in China, (2) loss of millions of jobs in Hong Kong and in coastal China and rioting from unemployment and depression, (3) permanent loss of U.S. business opportunities in strategic market sectors and leverage for trade negotiations, (4) likely loss of Chinese cooperation for issues related to Iraq, Middle East, South Asia, North Korea, and Taiwan, (5) loss of environmental control including greenhouse gas emissions, overfishing, and pollution of the oceans, resulting loss of biodiversity, deforestation, and nationwide pollution, (6) solidified anti-Americanism due to strengthened China's nationalism.

The bright side of constructive engagement with China can be justified as follows.¹⁸ First, China is in a beginning stage of development pursuing an Asian approach wherein economic reform precedes political reform. Like South Korea and Taiwan, as the economy grows, its political system will be liberalized gradually. Accordingly, the human rights condition will be improved when society is internationalized. Secondly, China needs U.S. capital and technology while the U.S. needs China's markets and investment. The constructive engagement policy removes barriers to exploit its comparative advantage which expands the production possibility frontier in both economies. If the U.S. contains China with sanctions, U.S. business loses opportunities in China and other developed countries will take their opportunities. Thirdly, in the diplomacy of next century, economic interest will precede political-military ones. Despite U.S. containment efforts, other countries will increase economic relations with China. Beijing's leaders have visited Europe recently to promote economic relations; Boris Yeltsin visited Beijing and strengthened Russian relations with China. So, the policy effectiveness is in question. Finally, the U.S. can maintain strategic superiority against China in any case. The U.S. should engage with China now and always prepare for the possible confrontation in the future.¹⁹ "Americans should view China as an independent counterpart in a complex balance of power, with which America will often share common interests but whose perspectives will often differ from those of the U.S."²⁰

III. U.S. Policy toward China: Constructive Engagement

The collapse of the Soviet Union and its allies evidenced that their economic backwardness could not support expanded political-military demand, and the bankrupted governments lost control of the economic and social order. The PRC learned lessons from Soviet experiences. First, the PRC has emphasized economic transformation over political reform. Secondly, the PRC recognized that the expansion of defense expenditures had seriously hurt the Soviet economy, so the PLA reduced 1 million soldiers by 1988 and an additional 1/2 million by 1994 under a modernization program.²¹ Thirdly, Beijing has expedited economic transformation toward the market system by reducing government control in the economy and by inviting foreign capital and technology. The old ideology is tarnished and is replaced by a new nationalism. The system gives priority to economic efficiency rather than political equality, though centralized politics remain powerful.

Meanwhile, the U.S. has faced serious problems. First, societal emphasis on political equality over economic efficiency during the cold war period caused social insurance costs to rise.²² Secondly, sophisticated new weapons systems, such as Star Wars, were built up in response to heavy defense burdens brought about by the arms race between the two superpowers. Thirdly, owing to social insurance premiums and military expenditures, rising budget deficit raised the

amount of principal and interest payments to government bond holders. Due to these factors, Federal debt became 70.6% of GDP by the end of 1995. In addition to the budget deficit, U.S. trade deficit reached \$151 billion in 1994 from Japan \$65.7 billion and from China \$29.5 billion owing to slow growth of U.S. productivity, heavy consumption habits and low savings, and unfair trade practices of U.S. trade partners. Macroeconomic solutions include reduction of budget deficit and government spending, increase in domestic savings by consuming less, a rise in the productivity of American workers by more investment, and fair-trade practices in foreign markets.

As a result, Americans are returning to pragmatism rather than idealism in real politics so that the U.S. foreign policy will be readjusted by the forces of change. The priority of foreign policy would be to have the best of national interests and visible benefits to U.S. citizens rather than superficial values or empty reputations. The U.S. will not allow foreign countries to take unfair economic advantages in the world market. Trade imbalance will be corrected aggressively using visible statistics. Defense alliances will be strengthened by minimizing military expenditures with greater burden sharing. In this sense, U.S. economic engagement with China is based on realism of its trade interest.²³ Then, let us examine U.S. economic relations with China considering her domestic politics and international security.

First, in inter-economic relations, President Clinton, to win the upcoming election, would not want an economic shock from reduced trade with China. The continuous trade expansion with the extended MFN status for China will create more jobs and boost the U.S. economy, inducing favorable economic conditions in the election year. So, despite political face-saving, Democrats may try to minimize political-military influence on economic relations with China despite face-saving shows. The U.S. Congress dominated by Republicans will investigate reasons of chronic trade deficit and push the Clinton administration to correct unfair trade practices with China. The American China policy focusing on inter-economic relations is mutually acceptable.

Secondly, in politico-economic relations, the U.S. has usually linked the MFN status to human rights record in China. As discussed previously, the issue of human rights is another form of democratization in developing countries. The Chinese model of socialist market economy is a temporary mixed form with socialist and capitalistic economies in the transitional period, focusing on economic reform over political reform. So China has responded that the human rights are internal affairs which should not be interfered by foreigners.²⁴ West-East confrontation on the human rights issue is "a rift occurred in the so-called "united front" of the West."²⁵ In fact, Western pressure on China's human rights may contribute to its democratization, and the boundary of political reform should lie in maintaining economic transformation toward the market system. The U.S. is not ready to feed a 1.2 billion population if the regime falls due to political chaos.

Thirdly, in military-economic relations, the U.S. Congress has often linked the MFN status to strategic issues including missile sales and its technology transfer, nuclear nonproliferation, and the Taiwan issue. Of course, economic power is a leverage controlling military interests, but it would not work consistently. As shown in the human rights issue, the Taiwan issue is not negotiable to China because of its past historical humiliation, and economic and strategic interests. The United States' leverage is limited. Another point is the South China Sea. A research shows that China's oil imports would be 19% of total Asian oil imports while Japan's 37%, Korea's 18%, ASEAN's 17%, and Taiwan and Hong Kong's 9% by 2010.²⁶ The case of Spratly Islands has already been discussed as an example of an area of conflict, but this is an opposite case where China's economic interest affected the U.S. foreign policy.

In formulating a U.S. foreign policy, various interest groups try to make their voices influential in the above issues. One business group is interested in Taiwan, while the other is in China. Media and political interest groups are also powerful in leading public opinions. Economic factors, in general, affect the U.S. foreign policy in terms of the macroeconomic strategy like trade policies to boost the economy. However, the U.S. foreign policy toward China is produced by the mixture of political, economic, and strategic factors to maximize U.S. national interests with minimizing costs and risks, though the weight of economic factors becomes heavier as their interdependence grows. We now move to the issue of U.S. security engagement with China.

The international security environment has been changed and we are presently in a new period of uncertain transition. The fall of the Berlin wall and the USSR resulted in the collapse of the bipolar system and demanded a new world order with a multipolar structure: one superpower of the U.S. and four subordinate powers including China, Japan, Russia, and European Union led by Germany. The four powers and one superpower have forged four triangles,²⁷ among which the Sino-American relation became more significant to the U.S. A Chinese column recently criticized the upgraded U.S.-Japan security alliance.²⁸ The possibility of wars from the global balance of power conflicts would be low though tensions from disagreements are likely to continue over regional conflicts. However, it should be remembered that wars can arise from uncertainties of fast-changing military balances, while wars are less likely when the winner is clear.²⁹

Secondly, increased flow of goods, capital, and labor between countries expedites economic interdependence so that common interests in the economy reduce strategic conflict and competition despite continuous tactical trade disagreements. After the collapse of the Cold War system, economic interests became more important than political-military interest in formulating foreign policy because there were no immediate confrontations. China's exports to the U.S. with the MFN status have been an engine of recent growth, which became a leverage to affect China in some sense. U.S. investors in China influence the making of U.S. China Policy in their own interest, and China's business affect its American policy for their interests.

Thirdly, rapid development of science and technology has ushered in the latest information age, influencing, and changing all aspects of society. The rapid improvement of transportation and communication makes the world smaller, so the information flows much faster than before without barriers. As foreign investment and trade rise, information flow rapidly increases and government censors for domestic politics cannot keep up. For example, Beijing wants to control information flow through the internet by registration, but there is no way to monitor all internet communications by the government. So, the liberalization of society becomes only a matter of time, and the old dictatorship cannot remain longer. On the other hand, science and technology introduces mass destruction and sophisticated weapons as demonstrated in the Gulf War.

Finally, the change of world strategic environment must be in transition for the multipolar system to settle down. Particularly, there are uncertain transitions in China and Russia. China is a developing country borrowing huge capital and technology from Western countries. However, owing to its speedy economic growth, China began to have a strong voice in the international community, and became assertive over Taiwan and territorial claims of Spratly Islands. Russia is already involved in various security issues in Europe though its political future is unclear because of its shaky economic reform. As the security alliance between the U.S. and Japan is renewed, Yeltsin-Jiang's summit in Beijing demonstrated their dream of the superpower role in the new world order. The multipolar-power system is different from the unipolar-power system. The U.S.

is the only superpower, and China is obviously opposed to the hegemony of the U.S. or any country. The U.S. also does not want the rise of China as a threat.

The followings assumptions persist in Sino-American security relations: (1) China will be a newly emerging superpower and its gross domestic product will approach to that of the U.S. by the year 2020; (2) China could not be a potential ally of the U.S., and the rise of China would be a possible threat against U.S. interest in the worst case; (3) China will need American capital, technology, and market for labor-intensive exports, and the U.S. needs the Chinese market for technology-intensive exports; (4) China has a decisive interest in Taiwan in terms of people's emotion from the humiliated history, a source of capital and technology for economic development, and a strategic base for military operations in the Pacific Ocean and South China Sea; (5) the Spratly Islands are important to China as an energy source, to secure its sea lane of communication, and to expand its military influence in the South China Sea; (6) Japan has a serious interest in Taiwanese security and the U.S. owns a similar interest because China's absorption of Taiwan could be an immediate threat to U.S. defense; (7) the U.S. will remain as a Pacific power for its economic interests and regional balance of power, though its forward deployment will probably be readjusted.

Based on above assumptions, the following U.S. grand strategies toward China would maximize national interests and minimize costs and risks. *The first strategy*: Any containment strategy should be avoided as it is undesirable and disadvantageous for both countries but causes negative impact on the U.S. interest. *The second strategy*: The U.S. should engage in economic relations but will maintain a certain distance in any program of military cooperation with China.³⁰ The maintenance of military superiority, which hinges upon technological advancement, is essential for the U.S. *The third strategy*: The U.S. should treat China equally to Russia in world affairs. China could not be a special exception in the world community, and it should follow international norms and rules. *The fourth strategy*: The U.S. should try to use politics to politics, economy to economy, and military to military in foreign affairs. The U.S. should use the MFN status to correct trade deficit and unfair trade practices including IPR violations, not for human rights issue or security matters. The U.S. should take actions against military violation by military measures, not economic sanctions until it becomes serious in the whole picture. *The fifth strategy*: The U.S. should try to improve cultural exchanges to close differences in various sectors, and to help China's political reform through free information flow. The democratization of China is the best way to be a real friend of the United States and other democratic countries.

However, the question lies in assumption (b) China could not be a potential ally of the U.S. and rising China will be a threat against U.S. interest. Why don't we assume the opposite? The answer is unclear because of two reasons: the mental structure remaining in the cold-war concept, and preservation of status quo interests by American conservatism. Therefore, the best choice of American foreign policy toward China is constructive engagement in the economy, which will promote international security relations despite noisy trade disputes.

IV. China and The Two Koreas

Based on the U.S. strategy of constructive engagement with China as concluded previously, this section investigates the triangular relations of China with the two Koreas. The Korean peninsula has been strategically critical to China in dealing with the Pacific powers including Japan

and the U.S., and its role becomes more important in geoeconomics than in geopolitics in 1990s when China focuses on its economic development. The Chinese foreign policy toward the two Koreas balances strategic interest in the DPRK and economic interest in the ROK to maximize its national interest. Whatever China gains economically in the South, it loses in political power in the North.

Beijing's diplomatic normalization with Seoul in 1992 disappointed P'yang. When China opposed any nuclear proliferation in line with the U.S. on the Korean peninsula, it pledged to protect the DPRK against any external actions by guaranteeing its territorial integrity, and warned publicly that the DPRK should end its diplomatic isolation.³¹ Meanwhile, P'yang sent a trade delegation to Taiwan on March 12, 1996, and if it strengthens the ties with Taiwan, China's diplomatic position would be weak.³² P'yang received a Russian vice premier-level delegation on April 10, and a PLA Navy fleet visited the DPRK on July 10, 1996,³³ when President Jiang emphasized China's friendship with the DPRK. This may be a sign of a new competition between China and Russia for interests in the DPRK since the collapse of the USSR in 1991.

The trade volume of the DPRK to China rose from 11.4% in 1990 to 29.6% in 1994 and 26.8% in 1995 in terms of a proportion of total trade, while that to Russia fell sharply since 1991 when Russia demanded a new trade relationship based on hard currency. The trade share of China was the highest in 1994 but fell to the second after Japan in 1995. Beijing began to apply the cash payment trade system by 1993 based on the trade agreement signed in January 1992 in P'yang.³⁴ Since China has been of economic transformation toward the market system, P'yang cannot expect massive economic and military aid received from Beijing during Kim Il Sung years. So, the DPRK should know that PRC aid will remain at the level of friendship maintenance. Despite P'yang's efforts to assimilate the Chinese development model, the performance of Rajin-Sunbong Project has been far below the expectations. One crucial point is that foreign direct investment has been more attractive in the PRC than in the DPRK.³⁵

Strategically, the DPRK has had "teeth and lips" relations to China in the cold-war period. The recent development of U.S.-DPRK relations must be sensitive to China's security at the present time when U.S.-Japan security alliance is reenforced.³⁶ China's rapprochement with Russia, with a series of agreements including the five nation agreement signed by two leaders in Beijing last April, is a meaningful development in the region though it is far from a security alliance.³⁷ China knows the limitations of U.S.-DPRK relations due to the U.S.-ROK alliance, so Beijing has encouraged P'yang to open its system toward the world by escaping from isolated politics and autarkic economy. Beijing really wants P'yang not to jeopardize the regional peace and stability. As Sino-Russia and Sino-American relations have been warmer since 1991, Beijing's leverage controlling P'yang has become weaker than before though it is still most influential to the DPRK, among others.

Meanwhile, Beijing normalized diplomatic relations with Seoul in August 1992 despite its political and ideological affinities with the DPRK, which implies that its foreign policy emphasizes economic interests over political-military considerations. China believes that the ROK is more important than the DPRK for its long-term national interests. From the political perspective, the new world order in the post-cold war period is based upon dynamics of the multipolar system with one superpower and four powers. In the eastern hemisphere, the U.S., Japan, China, and Russia can make triangles of power relations as a function of time and national interests. The PRC is a rising power demanding a new world order against hegemonism and needs support from

neighboring countries including the ROK to be a regional power. However, the pro-Seoul policy of Beijing does not necessarily eliminate existing friendships with P'yang.

From the economic perspective, the ROK has been helpful for China's development while the DPRK has been China's burden asking for continuous aid. The ROK supplies capital and technology for China, while China supplies raw materials and inexpensive labor and provides an external market for the ROK. China's imports from the ROK rose from \$1 billion in 1991 to \$6.2 billion in 1994, while its exports rose from \$3.4 billion to \$5.5 billion in the same period. The ROK's direct investment in China rose from \$120.3 million in 1992 to \$381.5 million in 1993.³⁸ China has tried to learn from ROK's experience in the economic development. The short distance between two countries saves transportation costs in trade and their cultural similarities promote mutual understanding. Furthermore, the ROK is too small to be a threat to the Chinese economy.

From the strategic perspective, since the ROK has been allied with the U.S., China considers the ROK as part of the U.S. military base, able, in the worst case, to contain China. This situation harkens back to the cold war period. U.S. rapprochement and possible military ties with the DPRK in the future can be compensated by improving PRC-ROK relations. Beijing will try to use the ROK as a strategic buffer against Japan if Seoul-Tokyo relations worsen. China may compete with Russia for the ROK, which means that the U.S., Russia, and China form a strategic triangle with the ROK according to their timely interests despite their different distances from Seoul.

A divided Korea may be easier than a unified Korea for the powers to deal with, and the major powers will support Korean unification if they believe that unified Korea is more beneficial to them. It is obvious that the ROK will have an initiative in unified Korea over the DPRK, considering the South enjoys twenty times economic capabilities of the North and twice the population and voting power. China believes that rapprochement with the ROK provides a diplomatic corner stone toward unified Korea. If not reduced, unified Korea will have an armed force of 1.7 million. China and Japan will compete to gain the support of unified Korea as a regional power. It is important for China to maintain friendly relations with the ROK for a unified Korea in the future. So, it is announced that Beijing wants to play a constructive role in the ROK-U.S. proposal of four-way peace talks.³⁹

From the above discussions, we conclude the following. First, the Chinese foreign policy toward the two Koreas must balance existing strategic interest in the North and rising economic interest in the South.⁴⁰ Beijing tries to help P'yang maintain regional harmony, but it has lost controlling power on P'yang due to its gains from Seoul. Meanwhile, the DPRK will try to approach the U.S. aggressively responding to ROK's approach to China and Russia. Despite Beijing's sweet rhetoric, its diplomatic relations with P'yang will remain at the level of "not hot but not cold," while Beijing-Seoul relations will get closer due to increased transactions between the two countries.

Secondly, Beijing will minimize aid to P'yang to a level maintaining existing friendship but avoiding its massive demand. Since investment conditions in the PRC are better than that of the DPRK, both have been in competitive relations for foreign direct investment. As a result, P'yang has greater freedom from Beijing even by trying to open trade relations with Taipei which Beijing dislikes. Meanwhile, the ROK will raise investment and trade relations with the PRC and will improve mutual understanding through rising transactions. The short period of the product-life cycle, however, may cause competitive relations in sales of certain products in the future.

Thirdly, the DPRK's rapid approach to the U.S. worries the PRC and ROK, while the ROK's approach to the PRC attracts some attention of the U.S., Japan, Russia and DPRK. However, their long run interests lie in the role of unified Korea. China has greater interest in the South than in the North because of its economic cooperation and strategic advancement in the region. China counts on the fact that the Southern power on the Korean peninsula will have an initiative in decision making of unified Korea. China will enjoy its constructive influence on the Korean peninsula economically and strategically in the next century.

V. The United States and The Two Koreas

The triangular relations between the U.S. and the two Koreas are changing dynamically. The DPRK's development of a nuclear weapon system was a survival strategy for overcoming isolation in the process of formulating a new world order. The collapse of the cold-war power structure, followed by diplomatic normalization of the ROK with Russia and China in 1991 and 1992, made the DPRK feel more isolated from their previous allies. The U.S.-ROK alliance with military exercises has been a serious threat to the North, while conciliatory development of power relations in the early 1990s made it impossible that P'yang could be fully supported by its former allies in case of a second Korean war. As the GNP gap between the two Koreas grew twenty times wider, competitive relations ended, and the DPRK economy rapidly declined, making purchase of advanced weapons impossible. P'yang's withdrawal from the NPT was a multipurpose device for negotiations with the U.S. and ROK as well as for domestic propaganda of the Kim Jong Il regime.⁴¹

As a result of continuous negotiations, the U.S. and DPRK signed the Agreed Framework in Geneva on October 21, 1994. P'yang agreed to freeze its nuclear program and accepted IAEA inspection of nuclear facilities, for exchange of two light water reactors and 500,000 tons of bunker oil from the U.S. until both reactors generate electricity plus on exchange of the liaison office in P'yang and Washington. The KEDO began to implement the Geneva accord and its operations have been relatively successful despite problematic finance of \$5 billion.⁴² The DPRK has tried to replace the current peace mechanism into U.S.-DPRK peace treaty by moving troops and weapons into sectors of the DMZ, but the Cheju summit proposed four-way peace talks in April 1996.

The U.S. strategy toward Asia is based on four pillars: alliances with Japan and alliance with South Korea, regional confidence building with ASEAN and ASEAN Regional Forum, constructive engagement with China, and implementation of the Agreed Framework with North Korea. The U.S. policy toward the DPRK is to dismantle nuclear capability by implementing the Agreed Framework, to guide it to be a member of the world community with a respect for international norms and rules, and to help it to achieve peaceful transformation toward democratic market economy.⁴³ Recently P'yang proposed again to the U.S. to set up "working contact" through military channels to prevent conflict along the border, which is the same strategy of "tentative agreement" excluding the ROK.⁴⁴ Avoiding assertiveness on DPRK issues, the U.S. is gradually moving toward a constructive engagement with the DPRK to maximize interests and to minimize risks.

Washington's constructive engagement with P'yang could be a starting point of two Korea

policies in the future. From the U.S. point of view, it is not desirable for regional peace and security but increasing military confrontation on the peninsula to isolate the DPRK from world politics. Considering that Russia and China normalized diplomatic relations with the ROK in the early 1990s and they are gradually improving relations with the U.S., Washington's engagement with P'yang is in accordance with development of regional conciliation if P'yang complies with Framework Agreement and other U.S. demands including the MIA issue and missile sales. A bureau of CNN is coming soon to P'yang hinting at a new development of U.S.-DPRK relations. U.S. approach to the DPRK with engagement, however, may cause two different results according to P'yang's response. If P'yang accepts the proposal of four-way peace talks immediately followed by a peace treaty and disarmament, the U.S. will lift economic sanctions on the DPRK and the ROK will provide economic aid. So, its economy will be better off. If P'yang delays economic transformation to gain greater concessions, the time cost would be much greater than gains from negotiations, which will worsen economic difficulties of the regime.⁴⁵

The main problem of U.S.-DPRK engagement is in the U.S.-ROK military alliance, which is different from U.S.-PRC engagement compared with U.S.-Japan security alliance due to current military confrontation. The real meaning of engagement is to be a friendly relation so that the U.S. is in the process of becoming a friend of the DPRK, which is contradictory to the U.S.-ROK military alliance. In other words, to be a friend of DPRK, the U.S. should terminate confrontation in the DMZ, and withdraw its forces from the Korean peninsula by breaking up the U.S.-ROK military alliance at last. This is P'yang's real intention in demanding a "tentative agreement" with Washington to maintain military contact in the DMZ by eliminating Seoul. Is this a scenario to bring peace and stability to the peninsula? As long as the DPRK has no intention to sign a peace treaty followed by disarmament agreement, the U.S.-ROK military alliance will remain unchanged. The engagement theory obviously has a limit for the U.S. to be a real friend of the DPRK.

The grain shortage and humanitarian aid for the DPRK has been Washington's concern due to U.S. engagement though it has not been linked to a mini-Marshall plan. There has been a certain difference between Washington and Seoul regarding humanitarian aid.⁴⁶ In fact, the U.S. eliminated the ROK in negotiating the nuclear issue with the DPRK but left a burden of \$3 billion to the South for constructing 2 LWRs. P'yang showed no appreciation for 150,000 tons of rice aid from Seoul and forced its own flag to be raised on the delivery ship and arrested a crew member. These actions have disappointed the South Koreans and have become a political barrier for further cooperation. The DPRK is a market of 20 million population having comparative advantage in labor-intensive industries. U.S. engagement with the DPRK is a green sign for U.S. commercial interests, but the profitability of investment is different. U.S. business may have two kinds of opportunities in the DPRK: selling capital- and technology-intensive products and producing labor-intensive products by foreign direct investment. Considering that DPRK's \$595 million trade with Japan is its largest, surpassing trade with China, the removal of U.S. sanctions on the DPRK will introduce fierce competition of foreign business including Japan, China, and South Korea. The U.S. business has strong commercial interests in building DPRK infrastructure.

The problems of triangular relations of the ROK with U.S. and DPRK lie in both P'yang's avoidance of inter-governmental talks and lack of U.S.-ROK fine tuning in dealing with the DPRK. The reasons why the DPRK avoids inter-governmental dialogue is the fear of collapse by internal uprising or of absorption by the Southern force due to openness and social liberalization. However, this is a big mistake in its strategy. P'yang is confusing the main body for economic

cooperation and speed control for openness. It avoids inter-governmental dialogue to delay coming to terms with the necessity for cooperating with the South to gain capital and technology. The second reason is lack of knowledge about the market economy. The political impact of economic transactions on liberalization depends on several factors: education and training, information flow, rising income, and internationalization. In this sense, the power of NGOs is no less than that of a central government in the market economy. The third reason is in P'yang's misjudgment that Seoul would do anything if P'yang persuades Washington as shown in negotiating the Agreed Framework, which upset the South Koreans. It is true that P'yang has taken from Washington and Seoul whenever it cries without any punishment. But the recent development shows that the concession of South Koreans seems to have a certain limit due to domestic politics.

Lack of policy tuning between U.S. and ROK in dealing with the DPRK creates a problem. Since the U.S. has been allied with the ROK since Korean War, many South Koreans consider that U.S.-DPRK rapprochement is a sign of a two Korea policy by questioning whether the U.S. is an ally of the ROK or a honest broker. Some fear the U.S. strategy of engagement with the DPRK may delay Korean unification by reviving the DPRK economy and by reenforcing its military power. Another point is that South Koreans want to be treated as an equal partner of the U.S. when its politics and economy are internationalized. In fact, the U.S. was the first trading partner for the ROK, while the ROK was the sixth trading partner for the U.S. in 1995. The U.S. exports to the ROK were \$30.4 billion which was 22.5% of ROK imports, and the U.S. imports from the ROK were \$24.1 billion which was 19.3% of ROK exports in 1995. It is natural to have some differences between two countries in foreign policies. But the issue here is how to compromise to overcome differences based on mutual interests.

The discussions imply the following. First, U.S. foreign policy is moving toward constructive engagement with the DPRK to maximize interests and to minimize risks. This is in line with U.S. engagement with China and Russia in the post-cold war period. However, some Asian watchers worry about that this may be a sign of a two Korea policy of the U.S. Secondly, the problem of the U.S.-DPRK engagement is in U.S.-ROK military alliance. To be a friendly relation with P'yang, the U.S. should cease military confrontation against the DPRK, which requires withdrawal of U.S. forces from the Korean peninsula by breaking up its alliance with Seoul. Thirdly, the GNP of South Korea is twenty times that of the North. The U.S. is the first trade partner of the ROK which in turn is fifth trade partner of the U.S. It is obvious that the U.S. interest remains firmly unchanged in the ROK from an economic point of view. If the strategic interest in the DPRK is smaller than the economic interest in ROK, U.S. engagement with the DPRK remains at the level promoting peace and stability on the Korean peninsula toward peaceful unification.

VI. Sino-American Relations and The Two Koreas: A Normative View of Four-Way Peace Talks

We have investigated conflicting interests and constructive engagement of Sino-American relations in Section II and III, China-two Korea relations in Section IV, and U.S.- two Korea relations in Section V from bilateral perspectives. This section examines multidimensional relations between four countries related to the proposal of peace talks in terms of a normative view. When the U.S. and the ROK invited PRC and DPRK to join the peace talks, China expressed a

wait-and-see attitude while Russia complained about its exclusion in the talks, but Japan supported the proposal immediately.⁴⁷ The ROK, Japan, and the U.S. met at the Cheju Island on May 13 to 14, 1996 to persuade the DPRK to accept the proposal. However, P'yang has still insisted on a new peace mechanism with the U.S. on the peninsula and is delaying its acceptance of the proposal. The DPRK agreed to participate in a Seoul-Washington joint briefing of North Korea.

The priority of P'yang's diplomatic goals lies in economic development to overcome current difficulties of food and energy. The KEDO under the Agreed Framework works smoothly while the U.S.-DPRK relations are improving. P'yang talks with Japan for economic help and compensation by normalizing relations. It has been emphasized that the DPRK is not a terrorist country, which is the first step to remove U.S. sanctions against P'yang. "It is not easy for the United States to lift sanctions because it is the only leverage Washington can use during future negotiation with North Korea."⁴⁸ P'yang will open its airspace to commercial world airlines by December 1996, and has a strong intention to open the door to exploit capitalistic profits by minimizing risks coming from liberalization as demonstrated in Rajin-Sunbong. It is a tactic for P'yang to delay accepting the proposal for expanding concessions from U.S. and ROK. P'yang will finally accept the proposal of four-way peace talks since it is the only way for N. Korea to escape from current difficulties.

Since diplomatic normalization between Beijing and Seoul and the new establishment of cash transactions in all trade, P'yang has obtained strategic freedom to approach the U. S. and Taiwan. The DPRK sent its delegates to Taiwan for aid though there was no outcome. A P'yang official said that "The PRC will take no action in advance until N. Korea expresses its official position" and "In current N. Korea-PRC relations, N. Korea has a wide range of means of negotiations with the PRC, while the PRC has many obstacles."⁴⁹ The PRC government has tried to increase its leverage in the DPRK amidst rising Russian competitions and possible rapprochement with the U.S. Beijing has provided 100,000 tons of grain to the DPRK government in compliance with a promise of Luo, a Chinese government delegation at the 35th anniversary of the signing of the Sino-Korean Treaty of Friendship, Cooperation and Mutual Assistance.⁵⁰ China knows that its influence in the DPRK is beneficial for its international relations. Sino-American relations since Lake's visiting Beijing is returning to constructive engagement and Beijing's role is expected to be greater than previously.

On the other hand, Seoul's position is firmer than before since the South Korean people do not want any more concession to the DPRK government and the ROK government does not want to hurry or force the DPRK to come to talk. Time is on Seoul's side considering that the longer P'yang delays, the more it will lose. The dollar value of GNP growth in S. Korea was greater than the total GNP of N. Korea in 1995. Without Seoul's endorsement, it would be difficult for N. Korea to attract foreign direct investment from the United States, Japan, and other countries.

The ROK-type peace agreement considers two alternatives: "one is for the four countries to sign an all-inclusive peace agreement or to establish a peace enforcement organization, and the other is for the participants to sign bilateral peace agreements and for the United Nations to endorse them."⁵¹ The ROK government prefers the latter and it would make diplomatic efforts toward the U.S. and China to ensure that they accept the ROK's leading role as in the LWR project. The ROK's plan is based on the background that it has a strong economic leverage in dealing with the DPRK, and that the unification issue belongs to the two Koreas and others should be in the supportive role. This is a constructive step to build a peace mechanism on the peninsula.

As discussed, the U.S. interest in the DPRK is to remove nuclear capability under the Agreed Framework, which is a part of NPT enforcement. Washington also has commercial interests in the DPRK particularly in infrastructure investment. The U.S. and DPRK can exchange military officers and information after the peace treaty. U.S. warships may visit Wonsan or Chungjin, while the PRC Navy ships visit ROK's ports in the future. The improvement of U.S.-DPRK relations would be beneficial for Korean unification, which contribute to the peace and stability in the region. From P'yang's viewpoint, the U.S. is the only superpower allied with Japan and the ROK, which are major sources of capital and technology for its economic development. Meanwhile, the PRC and Russia normalized diplomatic relations with the ROK, and both economies are in conditions too deficient to help the DPRK. Without U.S. endorsement, the DPRK cannot access international organizations for loans. P'yang's agreement with the U.S. on MIA is a significant improvement,⁵² though other issues remain unchanged including missile sales.

The proposal of four-way peace talks is the first step of a peace treaty between the two Koreas followed by disarmament, economic cooperation, and final unification. Politically, unified Korea will maintain friendly relations with the PRC as a neighboring country. China is transforming toward a market economy and faces the authority of a single unified Korea on the peninsula. Negotiations between China and a unified Korea become easier because there are no longer the complicated issues of division on the peninsula. Economically, unified Korea has the flow of persons and transactions of goods and services across the border will increase in a unified Korea with reduced trade barriers, and Korea's investment in China is diverted to the Northern part of Korea. Strategically, unified Korea may keep an equal distance between China, Russia, and Japan though the U.S.-Korea alliance remains unchanged. Unified Korea reduces its force level to around 600,000 with less than 3.00% of defense spending in terms of GNP. Its geopolitical position would be important for four powers in the region, which will compete to preserve more interests.

Thus, the four countries involved in the proposal are interested in the peace treaty on the Korean peninsula though their inter-relations are complicated. P'yang is ready to open the system to avoid any collapse from economic difficulties. The DPRK is leaning to the U.S. which has a serious interest in it. The PRC wants peace and stability in the region for its economic development while the DPRK can bargain with the PRC in Taiwan as well as U.S. relations. Meanwhile, Russia is competing with China to recover its regional role while Japan is in line with the U.S. and the ROK. ROK Foreign Minister met with Russian Deputy Prime Minister in Moscow on May 6, 1996 and explained that "the idea of four-way meeting stemmed from the principle of resolving issues among direct parties involved...all parties to the Korean Armistice Agreement."⁵³ There is no decisive factor rejecting the proposal of four-way peace talks in the region.

So, we conclude the following. First, Chinese foreign policy prioritizes economic development demanding capital, technology, and market. The U.S. extended MFN status by dropping the linkage of human rights and nonproliferation with trade issues in negotiations. China will gradually comply with U.S. demand to correct unfair trade practices. Both Beijing and Washington understand that the compromise is mutually beneficial and necessary for regional peace and stability, which is critical for the Chinese economy. Beijing wants a "soft landing" in the region and will try to cooperate with the proposal of four-way peace talks and its further development.

Secondly, China has critical interests in DPRK and ROK politically, economically, and strategically. Beijing needs P'yang for diplomatic and strategic purposes, while it needs Seoul for

economic and strategic interests eventually. Since Beijing normalized diplomatic relations with Seoul in 1992, its leverage controlling P'yang has weakened, but is still more influential than Russia's. Beijing competes with Washington, Moscow, Tokyo, and Taipei for P'yang's support in foreign relations. Despite PRC's good intention to cooperate with the U.S. and ROK, DPRK will not follow easily until its ego is fulfilled to take full advantage of economic gains in this deal.

Thirdly, the U.S. wants to remove nuclear capability from the Korean peninsula, to guide P'yang by inducing its openness to the world community, and to make it a friendly country eventually to help peaceful unification of the two Koreas. N. Korea has no choice but to open because it is the only way to avoid collapse. Since the GNP gap is so wide, for example, \$400 billion in the South and \$20 billion in the North in 1995, that time is on the side of the South Koreans. North Korea urgently needs to come out to avoid collapse, while S. Korea has no reason to hurry. P'yang will accept the proposal of four-way peace talks by taking full advantage from South Korea, United States, China, Japan, and Russia.

VII. Conclusion and Recommendations

This study has analyzed bilateral and multilateral Sino-American relations as they affect the two Koreas on the verge of their unification. This section concludes our discussions and recommends policy directions to those governments of the United States, China, North and South Korea for regional peace and stability. The U.S. has been an ally of South Korea, and China was that of North Korea during the cold war period. The U.S. and China have been such powerful influence on the Korean peninsula that the continuing development of their relationship is crucial for Korea's future.

In conclusion, the fundamental dilemma in formulating U.S. foreign policy toward China lies in conflicting interests between the two countries, in human rights, unfair trade practices, and Taiwan. U.S. military strategists believe that rising China could be a threat to the U.S. in the future. However, U.S. containment strategy against China causes more problems than solutions, so that constructive engagement must be a better answer. In fact, China is in a beginning stage of development, so its political system will be liberalized as the economy is internationalized. The U.S. needs markets and investment in China which in turn needs capital and technology from the U.S. Thus, trade between the two nations is mutually supportive and beneficial due to their industrial structure. The U.S., in any case, will maintain strategic superiority against China in the next century. Those are the factors supporting U.S. constructive engagement with China.

Chinese foreign policy toward the two Koreas is to balance existing strategic interest in the North and rising economic interest in the South. Beijing minimizes aid to P'yang at the level of maintaining existing friendship and avoiding massive demands. P'yang's rapid approach to the U.S. gives a little worry to China and South Korea, while Seoul's approach to the PRC attracts some attention from the U.S. and DPRK. China has greater interest in the South than in the North Korea because of its economic cooperation and strategic advancement in the region. China counts that the Southern power on the Korean peninsula will have an initiative in the decision making of unified Korea. China will enjoy its constructive influence on the Korean peninsula in the future.

The U.S. foreign policy with the DPRK is moving toward constructive engagement in line with development of U.S.-China relations to maximize interests and to minimize risks. However, the problem of U.S.-DPRK engagement lies in U.S.-ROK military alliance. To be friendly with

P'yang, Washington ceases military confrontation against P'yang, requiring withdrawal of U.S. forces from the South by breaking up its alliance with Seoul. Considering current economic interests in the ROK and future strategic initiative in the region, it is obvious that U.S. interest firmly remains unchanged in South Korea. If strategic interest in the DPRK is smaller than the economic interest in the ROK, U.S. engagement with the DPRK remains at the level of promoting peace and stability on the Korean peninsula with current U.S.-ROK military alliance.

The priority of DPRK diplomatic goals lies in economic development to overcome current difficulties of food and energy.⁵⁴ P'yang has been avoiding inter-governmental dialogues with Seoul, so inter-Korean economic cooperation becomes difficult and the Rajin-Sunbong development project is far behind expectations. The DPRK's demand for a new peace mechanism on the peninsula induced the joint proposal of four-way peace talks by the ROK and U.S., though P'yang's response is not yet delivered. P'yang wants to link peace talks with the easing of U.S. sanctions, but that is not likely to happen. Since North Korea urgently needs to open and South Korea has no reason to hurry, it is believed that P'yang will accept the proposal for four-way peace talks by taking full advantages from neighboring countries including South Korea, the U.S., China, Japan, and Russia.

Recommendations: China's policy toward Korea is critical for the peace and stability in the region and S. Korea is an important source of capital and technology for China's economic development. S. Korea has the advantages of a capitalistic economy with democratic politics and will maintain its initiative for unified Korea. The unified Korea is important for China's interests economically as well as strategically. S. Korea is more important than N. Korea for China's interests in the future, so Beijing's foreign policy needs to be cooperative with Seoul without hurting P'yang, and continuous improvement of bilateral relations between Beijing and Seoul is necessary.

U.S. Policy toward North Korea is critical for unification of the two Koreas and regional stability. Its constructive engagement policy with the DPRK is desirable, but there must be a limit of engagement. P'yang gained enough from its brinkmanship diplomacy. The lift of U.S. sanctions on the DPRK should not be negotiable until P'yang gives up hostile military confrontation by signing a peace treaty and disarmament agreement guaranteed by the powers.

P'yang should understand that time is a key element in economic development. Gains from negotiations by delaying openness is much less than losses from its time costs.⁵⁵ The North-South peace treaty, disarmament, and economic cooperation is a desirable process for its survival. If P'yang spends its income on huge military budget, the survival of the economy would be difficult. Its arms race against Seoul will be self-defeating. The balance of political reform and economic transformation may reduce time costs by minimizing adjustment with lagged factors.

Seoul's unification strategies are right on track. Seoul yielded too much to P'yang so far by allowing them to play the game as P'yang wanted. However, now is the time P'yang should learn norms and rules of the international community. The P'yang's acceptance of the peace-talk proposal is a bottom line for mutual benefits and regional peace and stability, which should be developed toward a permanent peace treaty and disarmament agreement. The peace treaty is a precondition for unification of the two Koreas. Without this, the Korean peninsula will remain divided much longer than expected.

ENDNOTES

¹Joseph Kahn, "China Trip Will Mix Business, Diplomacy," Wall Street Journal, August 9, 1994, A9. Stephen Mufson, "Perry Emphasizes Pacific Stability," Washington Post, October 19, 1994, p. A34. Bill Gertz, "China's New Era at Pentagon," Washington Post, August 18, 1994, A3. For back on track, see Craig S. Smith and Robert S. Greenburger, "U.S.-China Relations Seem Back on Track," Wall Street Journal, November 6, 1995, A20.

²Warren Christopher, "Leadership for the Next American Century," Address before the John F. Kennedy School of Government, Harvard University, Cambridge, Massachusetts, January 18, 1996. Additionally, William J. Perry, Keynote Speech delivered to 1996 Pacific Symposium at National Defense University, Washington, DC on February 13, 1996. He emphasized "four pillars" in East Asian security relations.

³Stephen J. Yates, "The Challenge of Taiwan's Democracy for The United States and China," Heritage Foundation Backgrounder 272, April 12, 1996.

⁴John Harris and R. Jeffrey Smith, "U.S. Backs Talks on Korean Peace," The Washington Post, April 16, 1996, p. A1. Daryl M. Plunk, "Warning to North Korea: Stop Provocations and Talk Peace with South Korea," Heritage Foundation Backgrounder No. 273, Washington, DC: Heritage Foundation, April 12, 1996.

⁵The NAPSNet Daily Report, April 22, 1996, quoted from "Seoul Sees NK Reaction as 'Better Than Expected'," The Korea Times, April 20, 1996, p. 4. Hankook Ilbo, "China's Role in 'Four-Way Talks,'" FBIS Daily Report: East Asia, April 25, 1996. NAPSNet Daily Report, May 7, 1996, III. People's Republic of China.

⁶Kathy Chen and Helene Cooper, "U.S. and China Reach an Agreement, Averting Trade Sanctions by Both Sides," The Wall Street Journal, June 18, 1996, p. A2. Robert Dole, "Remarks on U.S.-Asia Relations, U.S.-China Relations," delivered at *The Center for Strategic and International Studies*, Washington, DC on May 9, 1996.

⁷Xinhua, "Further on Jiang Zemin Meeting with Anthony Lake," FBIS Daily Report: China, July 12, 1996. China Radio International, "Anthony Lake Visit 'Roundup,'" FBIS Daily Report: China, July 15, 1996.

⁸William H. Overholt, The Rise of China: How Economic Reform Is Creating a New Superpower, New York: W. W. Norton, 1993. Chapter 2. The Politics of Economic Takeoff.

⁹Jackson J. Spielvogel, Western Civilization, 2nd ed., New York: West Publishing Co., 1994, p. 701. A. Doak Barnett, "U.S.-China Relations: Time for a New Beginning Again" in Gerrit W. Gong, ed., U.S. China Policy: Building a New Consensus, Washington, DC: CSIS, 1994, pp. 1-46.

¹⁰Zhongguo Xinwen She (Beijing), "PRC: Spokesman Responds to U.S. Comments on Human Rights," in FBIS Daily Report: China, March 8, 1996, p. 1.

¹¹United States Trade Representative, 1995 National Trade Estimate Report on Foreign Trade Barriers, Washington, DC: Government Printing Office, March 31, 1995, pp. 47-65.

¹²Senator Max Baucus, "A Strategy for Human Rights in China," in Gerrit W. Gong, ed., U.S. China Policy: Building a New Consensus, Washington, DC: CSIS, 1994, pp. 55-71. For MFN see "Why Renewing MFN for China Serves U.S. Interests," in The Heritage Foundation Backgrounder No. 141, June 25, 1996.

¹³Ding Jingsping, China's Domestic Economy in Regional Context, A Series of East Asia Economic and Financial Outlook, Washington, DC: CSIS, 1995, p. 68-69.

¹⁴Dale C. Copeland, "Economic Interdependence and War: A Theory of Trade Expectation," International Security 20(4) (Spring 1996): 5-43. "It is leaders' expectations for the future that drive whether the expected value of trade is positive and peace-inducing or negative and war-inducing." p. 25.

¹⁵Paris Liberation, "PRC: Consortium for Chinese-Built 100-Seat Plane Will Be Announced," in FBIS

Daily Report: China, July 5, 1996. The share of China 46%, European AIA 39%, and Singapore 15%.

¹⁶Xinhua (Beijing), "PRC: Spokesman Reiterates Claim Over Spratly Islands," in FBIS Daily Report: China, April 18, 1996, p. 4.

¹⁷For this issue, see Joseph S. Nye, Jr., "The Case for Deep Engagement," Foreign Affairs 74(4) (July/August 1995): 90-102. Richard Hornik, "Bursting China's Bubble," Foreign Affairs 73(3) (May/June 1994): 28-42. Gerald Segal, "China's Changing Shape," *ibid.*, 43-58.

¹⁸One may consider the third option: engage economically but prepare for possible strategic confrontation in the future. However, this belongs to a contingency plan of engagement policy.

¹⁹Michael J. Mazarr, "The Problem of a Rising Power: Sino-American Relations in the 21st Century," The Korean Journal of Defense Analyses 7(9) (Winter 1995): 7-40.

²⁰Harry Harding, A Fragile Relationship: The United States and China since 1972, Washington, DC: Brookings Institution, 1992, p. 333.

²¹Gregory R. Copley, ed., Defense and Foreign Affairs Handbook, London: International Media Corp. Limited, 1994, p. 238.

²²WheeGook Kim, "The Impact of Regional and Global Developments on The Korean Peninsula," presented to a joint conference on *Change and Challenge on The Korean Peninsula: Developments, Trends, and Issues* at The Center for Strategic and International Studies, Washington, DC on September 20-21, 1995. p. 16.

²³Robert S. Greenburger, "Congress Won't Crimp U.S. Trade with China," Wall Street Journal, April 30, 1996. p. A1. "Ask Mickey Kantor why the U.S. trade deficit with China remains stubbornly high ... the Congress is also enraged about China's poor human rights record, sales of missiles and weapons-making equipment to Pakistan and Iran, plus the recent bullying of Taiwan,"

²⁴Xinhua (Beijing), "PRC: 'Justice' Prevails in Human Rights Bill Defeat," FBIS Daily Report: China, April 15, 1996, pp. 4-6.

²⁵Remin Ribao (Beijing), "PRC: Commentary Condemns Western 'Plot' on Human Rights," FBIS Daily Report: China, April 25, 1996, p. 1.

²⁶Kent E. Calder, "Asia's Empty Tank," Foreign Affairs 75(2) (March/April 1996): 55-69.

²⁷Xue Mouhong, "The New World Order: Four Powers and One Superpower?" Beijing Review September 25 - October 1, 1995, pp. 19-20.

²⁸Tae Kung Pao (Hong Kong), "PRC: Column Criticizes U.S. 'Power Politics,'" FBIS: Daily Report: China, April 29, 1996. "The United States openly divided the countries across the world into four categories: allied countries, friendly countries, countries not allied, and countries committing all kinds of outrage ... upgraded its security relations with Japan, secretly treating China as its enemy. In which category has it put China?"

²⁹Joseph S. Nye, Jr., "Conflicts after the Cold War," The Washington Quarterly 19(1) (Winter 1996): 5-24. Nye mentioned that increased trade and economic interdependence can increase or decrease conflict and competition among trading partners.

³⁰Harry Harding, A Fragile Relationship, Washington, DC: Brookings Institution, 1992, p. 333.

³¹Harish Kapur, "China and North Korea," in Doug Joong Kim, ed., Foreign Relations of North Korea during Kim Il Sung's Last Days, Seoul: Sejong Institute, 1994, p. 300. Hong Yung Lee, "China and Two Koreas," in Young Whan Kihl, ed., Korea and The World beyond The Cold War, San Francisco: Westview, 1994, p. 100.

³²Hankook Ilbo (Seoul), "China's Role in Four-Way Talks Viewed," FBIS Daily Report: East Asia, April 25, 1996. INA (Baghdad), "Deputy Minister Meets with Iraqi Foreign Ministry Official," FBIS Daily Report: China, May 10, 1996. Chung-Kuo Shin-Pao (Taipei), "DPRK Trade Representative Visits Foreign Ministry," FBIS Daily Report: East Asia, July 3, 1996.

³³Xinhua (Beijing), "Beijing to Safeguard, Strengthen DPRK Ties," FBIS Daily Report: China, May 10, 1996. PLA Daily (Beijing), "DPRK Celebrates the Signing of Sino-DPRK Friendly Treaty," Northeast Asia Peace and Security Network Daily Report, July 17, 1996.

³⁴Ipyong Kim, "North Korea's Relations with China," in Doug Joong Kim, ed., Foreign Relations of North Korea during Kim Il Sung's Last Days, p. 264. _____, "North Korea's Policy toward China and Russia" presented at *the 12th U.S. Forum on The Problems and Prospects of North Korea Under Kim Jong Il*, at Sheraton National Hotel, Arlington, Virginia 22204 on July 12-14, 1996

³⁵Seung Ryoul Oh, An Analysis of Economic Relations between North Korea and China, Seoul: Research Institute for National Unification, 1994, p. 80.

³⁶Ta Kung Pao (Hong Kong), "Editorial Warns against U.S.-Japan Security System," FBIS Daily Report: China, April 14, 1996, pp. 1-2. "Japan-U.S. security is being changed into a world security system..."

³⁷Wen Wei Po (Hong Kong), "Sino-Russian Relations as Viewed in Moscow," FBIS Daily Report: China, April 29, 1996, p. 11-13. "The two countries being opposed to ... hegemonism and power politics...President Jiang Zemin firmly supports the Russian stand on opposing NATO's eastward expansion."

³⁸Kangwoo Lee, Major Statistics of Korean Economy, Seoul: National Statistical Office, 1996, p. 243-55. 1994 Statistical Yearbook of China, Beijing: China Statistical Publishing House, Dec. 1994, pp. 512-4.

³⁹AP (Seoul), "China OKs Korean Peace Talks," Northeast Asia Peace and Security Network Daily Report, July 22, 1996. President Jiang Zemin said that the PRC "approves and supports" the proposed talks.

⁴⁰Byung-Joon Ahn, "The Four Powers and the Two Koreas: A Test of east Asian Stability," presented at The Seminar on North Korea and The Four Party Talks held at the Center for Strategic and International Studies, Washington, DC on May 21, 1996.

⁴¹WheeGook Kim, "Openness, Coexistence, and Unification," Hankook Ilbo (Washington), August 5 through 11, 1994, a series of six-day article.

⁴²AP (Seoul), "KEDO Chief to Discuss Financing of N. Korea Nuclear Project," Northeast Asia Peace and Security Network Daily Report, July 23, 1996. Joong-ang Ilbo (Seoul), "KEDO Scheduled to Open Office in DPRK's Sinpo in September," FBIS Daily Report: East Asia, July 5, 1996.

⁴³WheeGook Kim, "The Future of Korean Peninsula: Where Does North Korea Go Now?" presented at the *Seminar of The North Korean Economy* held at Tysons Corner, Virginia on March 8, 1996, sponsored by the Korean Economic Society. East-West Research Mimeo.

⁴⁴Reuter (Tokyo), "N Korea Proposes Contacts," The Washington Post, July 26, 1991, p. A31. Larry Nicksch, "North Korea's Campaign Against the Korean Armistice," CRS Report for Congress, December 11, 1995.

⁴⁵WheeGook Kim, "Problems and Remedies of the North Korean Economy," presented at *the 12th U.S. Forum on The Problems and Prospects of North Korean under Kim Jong Il* at Sheraton National Hotel, Arlington, Virginia on July 12-14, 1996. East-West Research Mimeo.

⁴⁶Larry A. Nicksch, "U.S.-D.P.R.K. Relations and The Korea Policy of the United States," presented at the *Conference on Changes in North Korea and the Korea Policies of the Four Major Powers around the Korean Peninsula* in Seoul on May 17, 1996, sponsored by the Research Institute for National Unification.

⁴⁷KCNA (P'yang), "DPRK Paper Assails Japan for 'Interference' in 4-Way Talks," FBIS Daily Report: East Asia, July 30, 1996, p. 20. David Cho, "Russian Embassy Says Not Impressed by 4-Way Talks Proposal," Korea Herald, Seoul, April 21, 1996, p. 1. Korea Times (Seoul), "Seoul Sees NK Reaction as Better Than Expected," from Northeast Asia Peace and Security network Daily Report, April 22, 1996.

⁴⁸The Korea Times (Seoul), "ROK Official: North Prefers No U.S. Presence in Pyongyang," FBIS Daily Report: East Asia, July 30, 1996, p. 38. North Korean officials have said that additional rice aid and the lifting of U.S. economic sanctions will help Pyongyang reach a decision in favor of the four-party talks.

⁴⁹Chosun Ilbo (Seoul), "ROK: Daily Examines ROK-Type Peace Agreement Plan," FBIS Daily Report: East Asia, April 25, 1996.

⁵⁰Xinhua (Beijing), "Government to Provide 100,000 Tons of Grain to DPRK," FBIS Daily Report: China, July 30, 1996, p. 8.

⁵¹Chosun Ilbo (Seoul), "ROK: Daily Examines ROK-Type Peace Agreement Plan," FBIS Daily Report: East Asia, April 25, 1996.

⁵²Michael Schuman, "U.S. May Ease North Korea Embargo; Pyongyang Is to Return MIA Remains," The Wall Street Journal, May 10, 1996, A6.

⁵³Yonhap (Seoul), "ROK: Foreign Minister Meets Russian Deputy Prime Minister," FBIS Daily Report: East Asia, May 7, 1996, p. 40.

⁵⁴KCNA (P'yang), "U.S. Warned Not to Link Four-Way Talks, Lifted Sanctions," FBIS Daily Report: East Asia, July 29, 1996, p. 29.

⁵⁵Korean Central Broadcasting (P'yang), "Changing Power Station Normalizing Production," FBIS Daily Report: East Asia, May 10, 1996. KCBN, "Changing County Plants Increase Consumer Goods Production," FBIS Daily Report: East Asia, May 10, 1996.