

Asian States Caught between Increasing Competition for Rules of the Game between Challenging China and Defending U.S.: A Case of South Korea

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As China is trying to assert its increasing power based on its growing sphere of influence in East Asian, its Asian neighbors are feeling greater pressure to cope with new rules of the game in every aspect of their foreign policy. South Korea represents the best example of what the late Harvard professor, Samuel Huntington called, “a torn country” caught between increasing rivalry between the U.S., the reigning rule setter, and China, the challenging hegemon. First, China challenges the existing alliance system in the region. Recent controversies over the deployment of the U.S. missile defense system (Terminal High Altitude Area Defense: THAAD) in South Korea present a case in which South Korea finds itself caught between its traditional alliance partnership with the U.S. and China’s pressure to change it.

Second, in terms of economics, South Korea received a call from both the U.S. and China to create a bilateral FTA. After years of negotiation, South Korea signed a KORUS FTA in 2012 and Korea-China FTA in 2015. Now, Seoul finds itself caught between calls for joining two different regional trade blocs—the Chinese Regional Comprehensive Economic Partnership (RCEP) and the U.S. led Trans Pacific Partnership (TPP). Meanwhile, when South Korea decided to join China’s AIIB initiative, it came under pressure from the U.S. who refused to join the new organization over concern of its transparency and management. Seoul’s ongoing search for an answer to when and how to join the TPP represents another dilemma for South Korea. Having already reached a comprehensive bilateral KORUS FTA with Washington, Seoul at first was not sure whether it should join another layer of FTA with the U.S. Yet after its foiled efforts to discourage AIIB membership for greater Asia, Washington made a new push for the TPP. Consequently, the TPP has become more of a test case for the alliance partnership, making undecided allies of the U.S. like South Korea grow anxious not to be left out.

Third, China’s increasing tension over territorial disputes with its neighbors and the U.S. creates another thorny issue for the countries in the region as they are under increasing pressure to clarify their position on the issue. Washington, some concerned parties like Japan, and the countries directly involved in the disputes have confronted China’s historical claim over wide range of islands in the South China Sea. Meanwhile, Seoul has been reluctant to overtly criticize China’s assertive policy and massive constructions in the disputed areas. Like many other third parties in the region, Seoul issued statements that were neutral and general as possible to avoid diplomatic tension with China. After the ruling by the international court on disputed islands between Philippines and China in July, South Korea’s foreign ministry issued a brief statement saying “Our government, while bearing in mind the arbitration ruling announced on July 12, hopes for a resolution of the South China Sea dispute through peaceful and creative diplomatic efforts.”

Underneath the aggravating dilemma that South Korea faces, there is emerging competition for rules of the game between China and the U.S. in the region. First, China tries to shake up the U.S. alliance in the region based on hub and spoke system. South Korea is one of the five major spokes in the U.S. bilateral alliance. As the U.S. tries to strengthen its alliance system by creating a web of connection between these bilateral alliance and other partner countries in the region, China tries to break the system which it regards as the long-term U.S. containment efforts. Seoul claims that its decision to deploy THAAD defense is purely based on North Korea's increasing nuclear missile threat and has no other function or purpose against China at all. Beijing, however, made it clear that it opposes the U.S. led missile defense deployed on the Korean peninsula after similar one in Japan. As the South Korean business community worries about possible Chinese punishment in either a visible or invisible fashion, Korea's political circle is seriously debating whether the deployment is in South Korea's national interest. The debate's central question narrows down to how South Korea can manage its alliance with the U.S. along with its Comprehensive Strategic Partnership with China.

Second, China's effort to create trade agreements with countries in the region does not challenge the basic principles/rules of free trade per se. Yet, China's trade negotiation and agreements represent a different level and style of market freedom, labor standards, environmental protection, intellectual property rights, etc. Whereas China wants to make sure that its market and trade are put under government control, the U.S. desires for more comprehensive and complete open market and trade. South Korea feels that its trade terms with China are not free enough, while the one with the U.S. is bit too intrusive for its industry and market.

Third, China's territory claims tend to directly go against existing rules and status quo set by international community. The last July Hague ruling underlined that there is no legal ground for China to claim its "historical rights" to the area within the so-called nine-dash line, which covers a large portion of the South China Sea. Nonetheless, recent Chinese claims and massive construction activities indicate Beijing's desire to establish more exclusive zones of comport near its territorial waters especially against American military activities. How far Beijing will go in defiance of existing international rules and borders with its neighbors remains to be seen. Currently, the Chinese government shows no sign of retreat. Indeed, Chinese President Xi Jinping repeated Beijing's stance that the South China Sea has been Chinese territory since "ancient times" and said that China's territorial sovereignty and interests in the region would not be influenced under any circumstances against the recent ruling by the Hague tribunal.

Fourth, the creation of the AIIB represents China's ambition to set a new international institution of its own. Along with its ambitious One Belt, One Road (OBOR) initiative, how Beijing will lead the AIIB differently from say World Bank or IMF remains to be seen. Yet, it will definitely have certain Chinese characters in terms of managing the new organization and implementing its development projects. The AIIB will be a true test case for China's ability to create a new rules of the game based on its leadership, depending on how successful the organization will be in developing infrastructures and promoting economic development in

the benefit of countries in need.

The race is on. As China and the U.S. compete for more influence and leadership in the Asia-Pacific, its neighboring countries, like South Korea, will be under increasing pressure to make a certain choice. Sometimes it will be hard, while it could be not so difficult at other times. Often, they may end up with choosing both sides, a popular strategy of hedging. The challenges will largely depend on how China will pursue the rule changes and how the U.S. will react to it.