

South Korea and the Sino-US Institutional Rivalry: The case of the AIIB

-Sino-US Institutional Rivalry and Korea's Strategic Ambiguity-

Minjeong Lee(Chung-Ang University)

Abstract

This paper explains how South Korea has responded to a dramatic change in security landscape in East Asia that the power competition between two great powers brought about. The U.S. provoked by rapidly rising China, has consistently pursued a policy of “rebalancing” in Asia. Faced with the U.S. provocation, China also has made determined effort to secure a sphere of influence in Asia. Against the backdrop of the power competition between the two great powers, East Asian countries have been required to take a side between the powers. The paper examines the choices that secondary East Asian states may make in order to maximize their national interests subject to the pressure from the two great powers with an emphasis on South Korea. Drawing on the concept strategic ambiguity, the paper claims that South Korea, one of the secondary states, has intentionally become very ambiguous regarding U.S. and China's call for taking a side. Knowing that allying with either of the two powers will make it worse off by inviting the powers' retaliatory measures, Korea has been “strategically” unclear and vague about the requests from the two powers. Focusing on Korea's delay in the participation of AIIB, the paper finds that secondary powers like South Korea often find it “optimal” to be intentionally vague in its policy toward the great powers.

Key Words: South Korea; China; the U.S.; the AIIB; Strategic Ambiguity

I . Introduction

Since in 2008, the attention has been paid to whether conflict or cooperate in Washington and Beijing relation in East Asia in response to the relative decline of US and the strengthening of influence by China. The United States has shown to promote ‘the Rebalancing to Asia-Pacific Strategy’. In turn, China had established new foreign policy, ‘New Type of Major Country Relationship’, and would not give up the core interests.

The Power competition between US and China has materialize into competitions for building institution. Trans Pacific Partnership(TPP) has been used as a means of the rebalancing strategy by United States. TPP is designed to prevent China’s rising. And the US want to put forward the American values in Asia. On the other hand, China want to respond to the US throughout the creation of Regional Comprehensive Economic Partnership(RCEP). The US and China promote participation of other countries in East Asia for increasing their influence in the Asia Pacific.

Recently, the establishment of Asia Infrastructure investment bank has reaffirm emerging rivalry. The purpose is to reform of the existing financial institutions. Even though China is the world’s second-biggest economy, it believe that it is treated unfairly in the world. Because of this dissatisfaction, China has established the new financial institution by self.

As the US and China intensify their power competition, many East Asia Countries have faced the problem of choice i.e., siding with the US or siding with China, by intensifying competition in the US-China. In the reality, they have to choice taking a side between the US and China.

This paper explains why South Korea has displayed considerable ambiguity in the process

of joining China-led AIIB. Through an in-depth analysis of Korea's decision making procedure leading to its participation in the AIIB, the paper finds that why South Korea, confronting pressure to choose a side between the U.S. and China, has displayed considerable ambiguity in the process of joining China-led AIIB. South Korea has the purpose to develop the security alliance between Korea and the United States and the strategic cooperative partnership between Korea and China. South Korea want to develop good relationship with those two countries. In addition, South Korea did effort to cooperate between US and China like balancer because want to play a key role as middle power. For this reason, South Korea has display considerable ambiguity on overall issues that occur conflict between the US and China.

There are situations that US and China compete each other not only in economic but also in security. The recent deployment of US Terminal High Altitude Area Defense Missile(THAAD) system shows that the problem of the Korean Peninsula. China vehemently opposed the deployment of THAAD in the Korean Peninsula. But the US gears up its effort to deploy it. In this reason, South Korea did not present a clear position. This paper analyzes the attitudes of South Korea in terms of Strategic ambiguity.

This paper is laid out as follows 1) the first section will review the existing studies and suggest theoretical framework. 2) The second section focus on the competition of the US and China. 3) The third section attempt to analysis the attitude of South Korea in terms of Strategic ambiguity based on the diplomatic goal. In conclusion, I will offer summary of this paper and policy implication.

II . Theoretical Review

1. Literature Review

This section critically reviews the existing research about South Korea's strategy between US and China. Studies on the strategy taken by South Korea in the relation between the United States and China is limited. Conventionally, the existing approaches mostly address directions about the strategy of South Korea between US and China. South Korea's Diplomatic Strategy, However, depends on the national power and relations between United States and China.

First, there are researches that argue South Korea should emphasis on the ROK-US alliance. These researches believe that US hegemony will be last. According to ROK-US alliance, These Studies suggest that South Korea solve the security issue threatened by the North Korean nuclear threat and should balance with China and Japan(Im 2010; Park 2010).

Secondly, another research group suggest that While maintain the ROK-US alliance, South Korea have to expand the relationship among neighbor nations such as Japan and China. Most of researches assumed to apply in this category. These research have noted to the decline of US and the rise of China. Accordingly, they purpose that South Korea should establish pragmatic diplomatic relations and pursue their own national interests and values(Park 2012). Especially, they emphasize that Korea's Strategy have to harmonize particularly with the strategies of US and China(Chun 2015). The existing studies, However, is limited because they consider not to practical strategies conducted by Korea but possibility in the future. In the other hand, recently Lee(2015) have noted that South Korea has displayed 'strategy ambiguity' through the decision making process of THAAD and AIIB as a result of a hegemonic

competition between US and China. But this research has not showed why Korea has displayed considerable ambiguity in the process and what is “strategic” and what is that mean. Thus, the existing studies is not assumed to practical diplomatic policy and the meaning of South Korea’s behavior in terms of diplomatic goals.

2. Alternative theoretical framework

The existing researches is overlooking to analyze the practical diplomatic strategy and have to examine South Korea’s diplomatic strategy based on its specific strategic goals and background.

In this regard, this paper explores a South Korea’s diplomatic case throughout the lens of ‘Strategic ambiguity’. Eisenberg and Goodall(1997) have suggest that there may be multiple ‘personal, relational and political factors’ which might affect studies’ decision to intent create strategic ambiguity in its communications will enhance its ability to achieve the goal of organization.¹ Strategic ambiguity is, therefore, based on the premise that when any actors, including state, in organizations are confronted with multiple and often conflicting pressures from internal and external stakeholders they may ‘respond with communicative strategies, which do not always minimize ambiguity, but are nonetheless effective’. Eisenberg argues that strategic ambiguity has four roles in organizational communications(Eisenberg and Goodall 1997). There are four benefits in organizational communications. First, Strategic ambiguity is available to promote unified diversity. The promotion of unified diversity speaks to the tension

¹ Organization means state in this paper.

between the desire to promote unity around organizational goals. A vague statement is available for several interpretations, so have to allow unified diversity with external stake holders. Second, to preserves privileged positions. Eisenberg argues that strategic ambiguity can also be a means of avoiding the revelations of confidential details. Third, to be deniable is available that interpretation may be explicitly denied and avoid specific clear statement. The forth, Eisenberg argues the facilitation of organizational change through shifting interpretations of goals (Eisenberg, 1984).

Strategic ambiguity in the communication can be nicely applicable to International Relations Theory. Strategic ambiguity in IR can be defined in terms that Strategic ambiguity makes difficult to prospect 'abandonment' and 'entrapment' in security dilemma of alliance(Snyder 1984). As a result, those have effect to deter partner's aggressive actions. The concept of 'strategic ambiguity' used to in analyzing U.S. policy for The Taiwan Straits conflict. Taiwan Relation Act is stated that U.S has to intervene in security of Taiwan. The United States has declared vaguely about that problem because China opposite to Taiwan independence. United State want to preserve the status quo by preventing both China and Taiwan from provoking each other (Benson 2001). This is a wide range of Strategic flexibility. The Strategic ambiguity carried by US is characterized the strategy of superpower. This is the strategy that Superpower as patron country conduct to another country as client in consideration of their relationship. It also is possible to maintain strategic ambiguity because of the goals for status-quo. In this perspective, South Korea have express uncertainly its intentions from external pressure, such as US and China, and want to enhance her autonomy.

Grounded in Study, The Korean President Park, Geun-hye emphasized the necessity of the alliance with the United States and partnership with China in order to achieve South Korea's

national interests. Recognizing that Seoul does not want to choose between Washington and Beijing, she is committed to concurrently promoting the ROK-U.S. strategic alliance and the ROK-China cooperative partnership (Han 2012). Especially, South Korea have recognized the establishment of AIIB is one of the conflicts between Sino-US rivalry. In that reason, South Korea has displayed strategic ambiguity in the process leading to joining China-led AIIB. That is, South Korea. South Korea has the diplomatic goals to avoid abandonment and entrapment on either side when facing a choice between US and China. South Korea and the U.S. are a strong and close alliance. South Korea, However, cannot exclude China because it is important to keep relations with china to prepare China -centered new financial order.

Therefore, South Korea had not clearly stated about joining the AIIB for almost 1 year(WSJ 2015.03.24). It has shown that the dilemma of South Korea(The Korean Herald 2014.11.05). For that reason, While South Korea had displayed strategic ambiguity on the recommendation of China joining the AIIB but bring up the problem of governance structure on the AIIB. This is to effort to alleviate the conflict situation between US and China as middle power.

Thus South Korea has considered the alliance with the US in the process of joining China-led AIIB. They want to minimize the risk to choose on a side between US and China by delaying their decision making. But this strategy is not without a limitation. It seems clear that the differences between strategic ambiguity applying to US strategy in the existing studying and South Korea's case. Unlike superpower, Small country have to tend to be forced to choose a side between US and China.

III. Sino-US Rivalry and South Korea's Strategy

There are competitive with the United States and China in East Asia. Since global economy crisis, the Obama administration has implemented Rebalancing toward Asia. Clinton(2011) has insist that Asia's growth and dynamism is central to American economic and strategic interests Asia is critical to America's future. She has also suggest to six key line that strengthening bilateral security alliances; deepening our working relationships with emerging powers, including with China; engaging with regional multilateral institutions; expanding trade and investment; forging a broad-based military presence; and advancing democracy and human rights(Clinton 2011).

This is the influence of the rising of China. In 2010, China stood as the world's second-largest economy by surpassing Japan. Chinese President Xi Jinping suggested to 'New Type of Major Country Relationship' as a foreign policy in 2013. He has also presented 'the Chinese dream' as a vision of the Foreign policy. This is the meaning that China would react to the Rebalancing Strategy in Asia of the United States and strengthening the US-Japan alliance. China has shown the will not to give up their core interests. On June 7, 2013 at US-China Summit, the President Xi Jinping said that such an unusual arrangement reflected the importance of US-China relations, so that both sides had the opportunity to discuss a wide range of issues to explore a new model of cooperation between countries on the basis of mutual respect and mutual benefits(CIIS 2013). The President Xi emphasis on 'New Type of Major Country Relationship' in a response of 'the Rebalancing to Asia-Pacific Strategy'.

US-China Competition intensified in the process of designing regional architecture. TPP

and RECP have been realized by the each foreign policies. The US and China are strengthening power of their influence by competing each other in East Asia. Dual transition, symbolized by the rise of China and the relative decline of the US and Japan, prompted East Asian countries to re-negotiate the regional architecture in the 21st century. Three features – multilayering, complexity, and diversification – emerged in the process of redesigning the regional architecture. First, the re-designing of the regional architecture is multilayered in that the US and China form the first tier with China/Japan and Korea/ASEAN at the second and the third tier, respectively. First, the re-design of the regional architecture is multilayered in that the US and China form the first tier with China/Japan and Korea/ASEAN at the second and the third tier, respectively(Lee 2015).

In the process of the redesigning regional architecture in East Asia, The Strategy of South Korea at the third tier is that maintain a friendly relationship with US and China. This assumption is that the US and China will keep an amicable relationship for a long time despite of conflict situation. In this perspective, South Korea have express uncertainly her intentions from external pressure, such as US and China, and want to enhance her autonomy. The Korean President Park, Geun-hye emphasized the necessity of the alliance with the United States and partnership with China in order to achieve South Korea's national interests. Recognizing that Seoul does not want to choose between Washington and Beijing, she is committed to concurrently promoting the ROK-U.S. strategic alliance and the ROK-China cooperative partnership (Han 2012). In this reason, South Korea has not taken a specific stance on issues of conflict between US and China.

There are the two major cases, i.e., THAAD and AIIB, in which the powers have confronted each other. THAAD and AIIB are issues in disputes or issues under contemplation.

The U.S opposed the establishment of AIIB and the participation of its allies. China also objected to the deployment of THAAD on the Korean Peninsula. For this reason, South Korea has displayed considerable ambiguity in the process leading to joining China-led AIIB for almost 1 year. South Korea also presented that suddenly join the AIIB left time limit on few days. About THAAD, South Korea responded with 3NO policy. 3No Policy is that there are No request(from the US), No Consultation(with the US), No decision. Because South Korea wanted to reduce the risk which have to choose between US and China.

IV. South Korea's Cognition and Strategy on AIIB

The U.S opposed the establishment of the AIIB and the participation of its allies from an early stage because the US recognized that the AIIB is the challenge in response to by Global financial order. China publicly requested South Korea to join AIIB. South Korea, in contrast, avoided answering about joining AIIB. Since then, While South Korea displayed ambiguity about AIIB, South Korea suggested governance problem to China and effort to change.

1. South Korea's Cautious Attitude and Deferred Participation

It is been widely argued that the establishment of AIIB by China is perceived as the challenge in response to by the US and Japan – led financial order. Since China President Xi Jinping suggested the establishment of AIIB in 2013, Xi presented specific plan about the AIIB on 25 June 2014. Beijing has proposed doubling the size of registered capital for the proposed bank to \$100bn. the AIIB would already be about two-thirds the size of the \$165bn ADB.

China has discussed its plans for an AIIB with countries in Southeast Asia, the Middle East, Europe and Australia. China felt it cannot get anything done in the World Bank or the IMF so it wants to set up its own World Bank that it can control itself (Financial Times 2014.06.24)

Chinese President Xi Jinping requested Korean President Park Geun-hye to join the Asian Infrastructure Investment Bank (AIIB) during his first official visit to Seoul on July (The Korea Herald 2014.08.24). There are two perception of South Korea about AIIB. First, In terms of diplomatic relations, this is the competition between the US and China Second, economically, to participate in AIIB allows ROK to develop joint project and connect development project in North Korea (Seoul Shinmun 2014.06.17).

South Korea did not indicate clearly its position because felt pressure about the issue of conflict between the US and China. South Korea refrained from joining the AIIB and repeatedly presented that the issue is under consideration. South Korea kept saying that decision to join the AIIB has yet to be made. South Korea's such delay in joining AIIB continued until 2015, 3. 26.

After South Korea-China summit, White House official expressed strong skepticism about China's push to join the AIIB. The remark by Sydney Seiler, director for Korea at the National Security Council, was seen as a message for Korea not to join the Asia Infrastructure Investment Bank that China has been trying to establish as a counterbalance to the ADB led by the United States and Japan (The Korea Times 2014.07.08). Also, Zen Psaki, U.S. State Department spokesman, said we believe that any international institution involved in infrastructure investment and development should incorporate high standards of governance, environmental and social safeguards, procurement, and debt sustainability that have been established over decades of experience at multilateral development banks. there's already the ADB, which plays a critical role in regional infrastructure development, so the AIIB-hasn't –

doesn't exist yet, and obviously, those are the bar – that's the bar we believe it should pass(US Depart of State, 2014.07.08.). By doing so, the US made determined effort to prevent initiation and the development the AIIB. This is directly related to governance structure of the AIIB. The AIIB had not executive committee and was different from usual international standards such as management structure and the way of Official Development Assistance(Munwha Ilbo 2014.07.14.).

2. South Korea's effort to change governance structure of AIIB

After China officially declared the establishment of AIIB, South Korea began to publicly comment on the governance issue within the AIIB. China has offered US\$50 billion with a reported stake of up to 50 percent in the AIIB, but South Korean Finance Minister Choi Kyung-hwan said earlier this week that Seoul is willing to join the new regional bank if China improves the governance structure of the AIIB(The Korean Herald 2014.10.24)

South Korea has to consider the US ongoing skepticism of the AIIB. But South Korea made it sure that the AIIB lives up to international standard. Further South Korea want to ease the tension between the US and China.

There is a distinction between South Korea and Japan. On the early state, Japan intended China plans to establish to fund infrastructure development in emerging countries in Asia may be intended to counter the U.S.-led World Bank and the Asian Development Bank(The Japan Times 2014.07.03) Japan minister , Ministry of Foreign Affairs of Japan, said that the first point is whether there will be added value from creating a new international institution in addition to the existing international development financial institutions, such as the ADB. The next point

is whether an institution for which one country has an extremely large shareholding can achieve fair governance worthy of being called an international institution. Another point is whether it will ensure that it does not damage other creditors by providing lending that disregards debt sustainability. I think a careful consideration, including for these points, is needed. This is Japan's position and thinking on the AIIB concept(MOFA 2014).

Japan did not need to support the AIIB because Japan already have a lot of advantage through the existing institution such as ADB. With the rise of China, foreign policy of Japan is to rely on the US foreign strategy in East Asia. For this reason, because Japan and China is in competition, Japan did not join the AIIB. In contrast, South Korea is the third tiers in the re-design of regional architecture in East Asia and seek to keep a friendly relationship between the US and China.

To summarize, South Korea has dual goals –i.e., remaining US-ROK tie in place and developing an amicable relations with China. South Korea want to develop good relationship with those two countries. In addition, South Korea want to play a key role as middle power between US and China. For this reason, South Korea has display considerable ambiguity on overall issues that occur conflict between US and China. There are situations that US and China compete each other not only in economic but also in security. The recent deployment of US Terminal High Altitude Area Defense Missile(THAAD) system shows that the problem of the Korean Peninsula. China vehemently opposed the deployment of THAAD in the Korean Peninsula. In this reason, South Korea did not present a clear position.

South Korea has make an effort to change governance structure of the AIIB commensurate with international standard. South Korea has announced that China would change its governance structure and safeguards of the AIIB demanded by Korea. China changed executive

committee can decide decision making(Dong-A Ilbo 2015.03.28). The South Korea's redundant joining to the AIIB was suddenly represented 3 days from the time limit.

9days ago, However, Blue House senior secretary briefed that Park government has yet to formal decisions about joining the AIIB. It seems like the result to worry about joining the AIIB from external pressure between the United States and China.

Thus South Korea has considered the alliance with the US in the process leading to joining China-led AIIB. They want to minimize the risk to choose a side between US and China by delaying their decision making. By contrast, there are obviously some limitation. This paper finds that the mechanism of strategic ambiguity varies between big partners and small powers. Unlike superpower, Small country usually have to take a side in the situation where great powers intensify their rivalry relationship.

Conclusion

Since rising of China, Most East Asia countries' have suffered from taking a side between the US and China. Under this circumstance, each East Asia countries has shown a great variation. Policy choices have diverged in dealing with the US and China. This is the case that South Korea and Japan have other choices on the joining to the AIIB(Lee 2015).

South Korea has displayed considerable ambiguity in the process leading to joining China-led AIIB. When superpowers are in the situation of conflict, Small countries have adopted in an attempt to avoid a choice dilemma. Strategic ambiguity can delay decision times to reduce the risk. This strategy has proved effective the paper show that middle power like R.O.K. By delaying decision time, South Korea has partially succeed in inducing a change in the

governance structure of the AIIB.

On the other hand, this paper shows that this strategy entail some limitations. Small country have to choice finally on the either side. It cannot exclude the possibility to lose confidence if it do not decide decision making in truth from the both side. Therefore it need alternative that can persuade both powers that South Korea's Choice can be harmonize with their interests. It can reduce the risk between superpowers practically.

<Reference>

- Benson, Brett V. and Emerson M. S. Niou. 2001. "Comprehending Strategic Ambiguity: US Security Commitment to Taiwan," Duke University.
- China Institution of International Studies, 2013. "Toward a New Type of Major-Country Relationship Between China and the US: Challenges and Opportunities," No.1. December.
- Chun. Chaesung. 2015. "hangug-ui dong-asia jiyeogjeonlyaggwa hanbando jeonlyag-ui hyeonhwang-gwa gwaje," Young-sun, *Ha eds, 1972 hanbandowa jubyeon 4gang 2014* (Seoul: East Asia Institution)
- Clinton, Hillary Rodham. "America's Pacific Century, Foreign Policy," Vol. 189, No.1, November,
- Dong-A Ilbo 2015. "jung, AIIB isahoe tujagyeoljeong-gwon igwan... hangug ma-eum dollyeo," 28. March. 2015.
- Eisenberg, E. and H. L. Goodall 1997. "Organisational communication: Balancing creativity and constraint," St. Martin's Press, New York.
- Eisenberg, E. 1984. "Ambiguity as strategy in organisational communication," Communication Monographs, Vol. 51.
- Financial Times. "China expands plans for World Bank rival," 24. June. 2014.
- Han, Suk-hee. 2012. "South Korea Seeks to Balance Relations with China and the United States," Council on foreign relations.
- Im, Hyug Baeg. 2010. 'hanbando anbo', Park, Chang-Kwon eds, *mijung-gwangye jeonmang-gwa hangug-ui jeonlyagjeog daeungbanghyang*, Korean institute for defense analysis.

Korea National Diplomatic Academy, 'juyogugjemunjabunseog' No. 2015-50, 25. Feb, 2016.

Lee, Ki-Wan. 2015. "sadeuwa AIIBleul dulleossan mijung-gwangyewa hangug," THE JOURNAL OF INTERNATIONAL RELATIONS, Vol. No.2.

Lee, Sungjoo. 2015. "dong-asia jiyeog-akitegcheo jaeseolgyeui gugjejeongchigyeongje: dacheunghwa boghabhwa bunhwaui samjungdonghag," Social Sciences Research Institute. Vol.31. No.2.

Ministry Of Foreign Affaris of Japan, 'A Press Conference by Foreign Minister Fumio Kishida,' 02. September. 2014. http://www.mofa.go.jp/press/kaiken/kaiken4e_000097.html

Munwha Ilbo. 2014. "AIIB, han tujagyeoljeong-gwon eobs-eo...jung-gug-e sog-assda," 14. July. 2014.

Park, Byoung-Chul. 2012. "mijung-gwangyewa hanmidongmaeng: byeonhwawa jisogseong," Korean Association Of Unification Strategy Vol 12. No.3.

Seoul Kyungje. 2014. "park daetonglyeong AIIB seollib jean nop-i pyeong-ga... han, cham-yeo ganeungseong keojyeo," 04. July. 2014.

Snyder, Glenn H. 1984. "The Security Dilemma in Alliance Politics," World Politics, Vol. 36, No. 4.

The Japan Times, 2014. "China's new bank plan may be aimed at countering Japan, U.S," 03. July 2014.

The Korea Times 2014. "US official expresses strong skepticism about China's push for new development bank," 08. July. 2014

The Korea herald. 2014. "US official expresses strong skepticism about China's push for new development bank." 08. July. 2014.
http://koreatimes.co.kr/www/news/biz/2014/07/602_160589.html

The Korean Herald 2014. "S. Korea, Australia, Indonesia absent as China launches regional

bank,” 24. Oct. 2014.

The Korea herald. 2014. “Should South Korea join China-led AIIB?,” 05. November. 2014.

US Depart of State, “Daily Press Briefing,” 08. July. 2014

Wall Street Journal. 2015. “Decision to Join China-Led Bank Tests South Korea’s Ties to U.S.,”
24. March. 2015.